

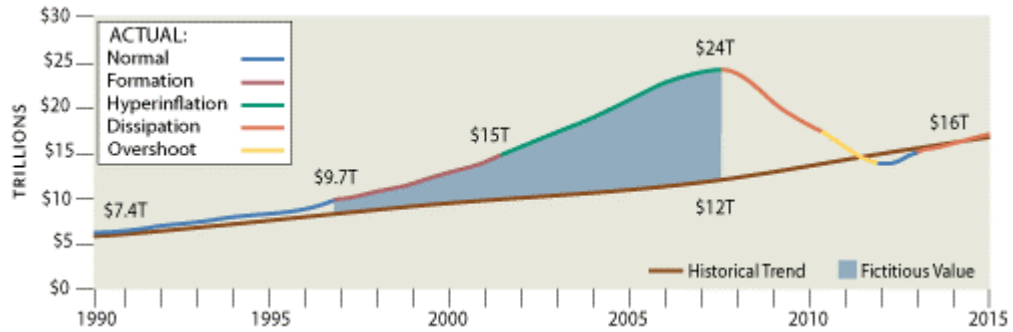
THE NEW BUBBLE POSSIBILITY WEB BUZZ 2008.06.02

From time to time, we like to refer our clients and friends to books and various other publications, which embody the forward thinking that is lacking in day-to-day chatter. We would like to draw your attention to an article titled *The Next Big Bubble: Priming the Markets for Tomorrow's Big Crash* by Eric Janszen. Mr. Janszen is the founder and president of iTulip, Inc. He was a major player in the dot com bubble, and was wise enough to escape the 80% decline in the NASDAQ. The article appeared in Harpers Magazine in March of 2008 and can be accessed through the internet at www.harpers.org.

The main thrust of his article is that the U.S. economy is absolutely dependent upon the blowing of asset bubbles. As things stand today, we must blow another bubble to mop up the housing mess, which—in his estimation—amounts to \$12T of excess hyperinflation (fictitious value). Please note the chart he developed below. We remain at this point in the dissipation phase of this excess, as what he calls the FIRE (Finance, Insurance, and Real Estate) machine gears up to blow yet another much-needed economic bubble. You may recall that we have railed against this Washington-Wall Street alliance, which has brought so much pain upon the rest of us (Main Street). Why Washington? They must set the agenda by policy and tax decisions, then Wall Street picks up the ball and carries it to the investing public. While the coffers of Washington and Wall Street overflow, Main Street is left with what the bird left on the pump handle.

The next bubble? Eric Janszen says alternative energy. It's being led by Al Gore and his global warming theology, and is accepted now by both political parties. He estimates the overall fictitious portion of this bubble will be \$20T compared to \$12T for housing and \$7T for technology. This is his measure of the excess that will build up and need to be unloaded on the greater fool fools in this classical distribution to the public.

If all of this comes to pass, what will the intervening years be like? Our guess: at least as bad as 2001-2003, and probably worse. As far as length is concerned, we project maybe three to five years.



Adapted from www.harpers.org