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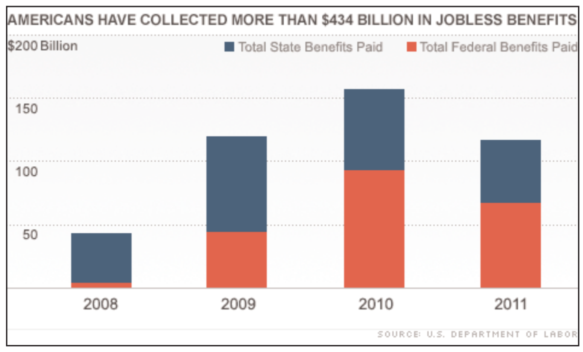
THE MEYERS REPORT

by Gary S. Meyers and Robert Genetski, Ph. D.

Work: System v. Job

It began innocently enough while speaking with a decorated Afghanistan war vet from Texas. However, as this otherwise brave and decent man spoke, it became clear that he and others like him were harming our economy and our society. He was participating in a systemic dulling of our innate human drive to achieve—the very life blood of our progressive society's ability to advance.



"When I got out, friends said I should not even try to get a job," said the vet. "They said I should take a couple of years and ride the unemployment system. Is it right, maybe not? But, it is effective."

"The unemployment extensions made sense for people who could not find jobs," said the vet. "But they were abused, heavily abused, by many of my friends and me. We believed that there is no victim, so what's the harm?"

But there are victims: the U.S. taxpayers. Plus, those people who choose to not work are harmed by a loss of dignity and self-respect. A well-intentioned safety net is easy to abuse, and then it's theft.

Easy access to unemployment funds allow people who can work to not work. For example, these two companies, whose businesses are growing rapidly even in this economy, cannot find employees.

Wausau, WI-based Merrill Iron and Steel needs workers. http://www.merrilliron.com/index.html They are offering $14-$22/hour and will train. Yet this working class community has an unemployment rate of 9.8%.

Just down the road in Merrill, WI, the situation is the same. Agra Industries http://www.agraind.com/ needs workers and similarly paying $14-$22 per hour, will train and has benefits that include time off for deer hunting. Unemployment in Merrill is 8.2%.

In the Spring of 2010, we wrote about a Sears store manager, a trusted friend, who was charged with closing a store that had 180 employees in Chicago. Of those, he found 155 worthy of continued employment and found jobs for all of them at equal or better salaries, often closer to their homes. However, of those 155, only 15 took the jobs. The rest chose to "take the summer off and take unemployment." It was a stunning eye opener for him.

The problem for all three companies is that too many people find not working too easy. This does not mean we should do away with the system. It does mean that much improvement is needed, with greater accountability, supervision and probably part-time public service while the recipients "really" look for jobs.

Unemployment Rates and Energy

The latest unemployment stats seem to indicate that where there is energy development, there is lower unemployment. This trend should continue as industrial uses for bi-products and petrochemicals in general develop. The challenge will be to protect the environment while allowing the economy to develop.

August 2012 Unemployment Rates

Energy States

ND	3.0%
SD	4.5%
NE	4.0%
OK	5.1%
KS	6.2%
TX	7.1%

Largest Population

OH*	7.2%*
PA*	8.1%*
FL	8.8%
IL	9.1%
NY	9.1%
GA	9.2%
MI	9.4%
NJ	9.9%
CA	10.6%

*Has recent energy development.

Energy Gains

On Sept. 20th, the bi-partisan "Stop the War on Coal Act", H.R. 3409, was passed by a vote of 233 to 175, the final legislation prior to the November election. Challenges remain with the Senate and a threatened White House veto. The legislation would allow continued development in the safe use of coal, an energy and chemical resource that could last us 2,000 years. The bill requires that the EPA do further economic and environmental impact analysis of the regulations it creates and would put greater regulatory power back to the states.

THE MEYERS REPORT Economic Notes

More On Broken Condos

In response to last week's article, a reader pointed to other issues compounding the problems.

"Associations won't allow rentals (shooting themselves in the foot), or the number of rentals are severely limited. The number of rental units in condos also affects whether a bank will finance sales in the condo regime. If there are too many rentals—sales might be limited to cash-only. This then affects demand and pricing—and forces down prices. If an owner needs to move (job relocation, can't afford payment, etc.) and they can't rent the unit, they're between a rock and a hard place. They either have to walk away, go for a short sale or consider filing for bankruptcy. This scenario of declining property values in an association can become self-perpetuating."

Jerry W., Missouri Realtor

Solutions. Condo associations need to modify their rules and allow greater flexibility for rentals. Lenders also have to review their policies. Making loans in associations with rentals is a better choice than taking back foreclosures.

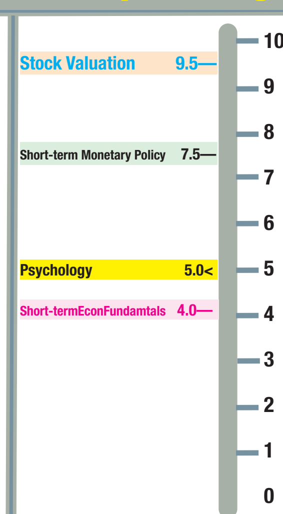
HUMOR

I used up all my sick days, so I'm calling in dead.

Insanity in individuals is somewhat rare, but in groups, parties, nations, and epochs...it is not.

Robert Genetski's Weekly Financial Update & Stock Impact Gauge

	Fundamental	Actual	Immediate Outlook
Fixed-income: 10-yr Treas.	5.0	1.64	stable
Equities: S&P 500	2000	1447	stable
Equities: Dow Jones	16,000	13,486	stable



Ratings for forces impacting stocks	10 is best
	— means no change
	> change for better
	< the other direction

New economic numbers point to a further weakening in the economy. There are also some negative developments with respect to the stock market's technical position. As a result, I'm recommending shifting from fully invested to a more neutral stance with respect to stocks.

Market Outlook Major stock indexes lost ground this past week. In spite of yesterday's rebound, most of the key indexes were down by roughly 1% for the week.

The market's technical position also slipped. The indexes all moved below their 10-day averages. Moreover, the declines came on above-average trading volume while Thursday's rebound was on below-average volume.

As my technical guru Joe Barto suggested a month ago, the S&P 500 would face strong resistance in the 1450-1500 area. This happened with the S&P 500 reaching the midpoint of this range and then pulling back. As for support, Joe says there is minor support at 1421 and 1410. Major support is near 1396. If you are interested in receiving Joe's technical analysis, let me know.

The potential for further decline in stock prices along with signs the economy is weakening leave me uncomfortable with a fully-invested position. Hence, I recommend equity portfolios shift back to a neutral position and await further developments.

Long-term interest rates moved lower amid the downturn in stock prices and negative news on the economy. The latest decline in long-term rates removes the upward momentum that had developed. The outlook for rates is back to neutral.