The Young Stock Broker

Back in the late 1990s, a friend implored me to start investing my money in the stock market. With some reluctance, I acquiesced to his advice and followed him downtown to meet his broker. After one look at the broker, I felt my reservations were justified. He was an affable young man, professionally dressed, and eager to gain a new customer. He was also still in his twenties. After I shook his hand, I politely explained that I had changed my mind, and my friend and I departed after only a few minutes.

My friend questioned my decision. He explained that over time, the stock market offers the best rate of return with your investment. His broker was young and up to date on all the current stock strategies. He spent an inordinate amount of time and energy on the phone receiving the latest tips and rumors, and on the internet (which was just becoming big).

I argued that there was no way I was going to risk my money with someone who did not even remember the last recession. I preferred someone older and more experienced. Youth and energy are fine attributes, but I would not wager my hard-earned money on them.

In economics, things are not always what they seem. Economic recessions actually begin earlier than people recognize. Employment and the markets can continue to grow long after the economy officially begins its decline. During a prolonged economic recovery when the stock market is skyrocketing, even cautious investors will risk their money in stocks, hoping to cash in on a late rally. However, an experienced investor sometimes recognizes the growing bubble that is about to burst.

Here is a list of economic recessions in the United States, according to the National Bureau of Economic Research:

November 1973 to March 1975

January 1980 to July 1980

July 1981 to November 1982

July 1990 to March 1991

March 2001 to November 2001

December 2007 to June 2009

You may blame any President you want for a recession (the opposition party always does) but recessions occur every 7 to 9 years, almost regardless of the President or his policies.

Just as important as the business cycle are the events that sometimes influence them. The OPEC Oil Embargo (1973) certainly factored into a recession, as did the Second Energy Crisis of 1979 and 1980. The Dot-Com Bubble began its decline sometime in the spring of 2000, and continued into 2001. And of course, there was 9/11.

In addition, there is the precious metal market, competing currencies like the Euro and the British Pound, countries collapsing unexpectedly in debt and inflation, civil wars, shortages, and surpluses.

How does a young person come to understand these factors? College? Book reading?

If everyone around that young man is confidently claiming that the market will continue to rise in the foreseeable future, will he see the truth or follow the herd?

I have nothing against young people. We were all that broker's age at one time, and I certainly favor his employment and opportunity.

It almost sounds like fiction, but there was a time when society turned to the elderly for their experience, wisdom, and guidance. Today that very concept is antiquated, and our culture is obsessed with youth, energy, confidence, and charisma.

It is sometimes said that the problem with today's society is that people are asking the wrong questions. Perhaps this is true. However, I think it is equally likely that we are seeking solutions from the wrong people.

Incidentally, the stock market saw tremendous gains that year. Yet, my friend lost a lot of money.

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