

ARMSTRONG ECONOMICS FORECASTING THE WORLD

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*Financial-Capital-Equity-Commodity & Political Trends
History Is a Catalogue of Solutions*

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AFTER THE RIOTS

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Bonus Army - Summer of 1932

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AFTER THE RIOTS

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Socialism/Communism/Marxism was not based upon evil concepts, but on a very materialistic view of the world in which they decided they were going to stop the social injustices. It is often said the road to Heaven is paved with good intentions. As society grows more unstable, driven by these “*good*” intentions, politicians spurt out “*I feel your pain!*” The real worry I have is we degrade anyone who disagrees and to justify man’s inhumanity toward others, we just attach a label and call them **criminals**. So the people we begin with who we care so much about and the underclass that justify usurping power in their name, become lowlife criminals when they suddenly say ***Hey! This ain’t working!***

The same politicians who “*feel our pain*” search for the standard off-the-rack demeaning explanations that criminalize the people and sanctify their own political failures as well as their fiscal mismanagement. During the **Bonus Army** march upon Washington in 1932, the government sent in troops and tanks against veterans and their families using the label “**criminals**” to justify the government strong-arm tactics. History repeats for today the same labels are appearing rolled out once again for England and Greece. Government blames society for breaking down into single parents and then there is the school discipline issue to blame. Of course what also emerges is the Marxist view that instantly attacks the rich, bankers, Wall Street, and the overall materialism/capitalism. This justifies higher taxes, more regulation (*as if the sea of agencies actually have prevented anything*), and the general witch-hunt to imprison

those on the periphery and never any real culprits who are part of the oligarchy feeding the elections of some of the corrupt politicians. Prosecuting anyone produces the impression it is **NOT** those in government that have screwed anything up.

These labels are cut and pasted to fit the political rhetoric from one event to the next showing that history repeats because man never learns. In England, recently Ken Clarke, the Justice Secretary, came up with a new label portraying the youth as if they were some wild strain of rodent calling them the “*feral underclass*.” The more traditional Marxist slant was used by Caroline Lucas, the Green party leader, who blamed “*unrestrained capitalism*.” The common theme is always attack someone or some group in the private sector to justify handing politicians more power to hunt down these people, confiscate all their wealth, and kill them if nobody is looking. They lament not being able to chop off their heads and stick them on a spike for all to see as in the good old days as traitors.

Never will a politician in any country ever question government’s fiscal management. Even in the Euro crisis, governments expect Germany to bail out all of Europe to ease the immediate pain, but again there is no discussion about revising the system. There is just a presumption that if they get through this shortfall, it will all go back to normal. These people actually believe they can continue to promise the Moon, never pay off anything, and somehow this fantasy world will continue as normal. How dare those free markets refuse to buy anyone’s bonds! Next will arrive the **FORCED LOANS** as was practice in Venice and Florence before people freely bought government debt and totalitarianism because those pesky bondholders can’t be trusted!

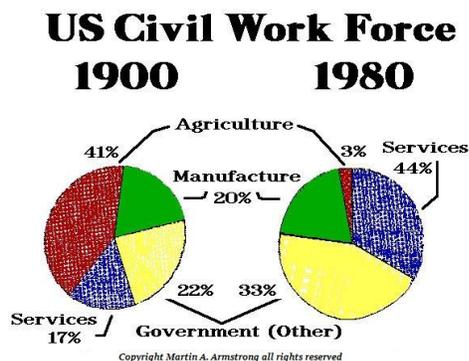
Even in the Euro crisis, there are people now blaming Britain for not joining the currency. Some now say to make the Euro work somehow it was Britain’s fault for not joining and the pretense is that had they joined there would have been greater stability? Or perhaps the real implication is there would have been a bigger pot for bailouts. But there is **ABSOLUTELY NO BAILOUT** that will save Europe! This whole plan and the typical austerity policy imposed, which has **NEVER** worked before and **CAUSED** the Great Depression to a large extent, is tearing the social fabric apart at the seams.

Pat Buchanan commented that when his parents were in hard times they did not riot. There were no social programs prior to the Great Depression so there was no reason to riot against a failed political system. There was the **Bonus Army**, but that was veterans demanding a bonus they had been promised. Today, it is government that has **FAILED** the people. Comparing today with the Great Depression is significantly different. The Government promised the Moon and failed to deliver the **SAME** as was the case with the **Bonus Army**.

The brain-dead solution of **AUSTERITY** will only ensure the collapse of Greece or a Revolution. There is no other choice. As austerity is imposed, the economy will suffer and tax revenues will decline further. Cutting the spending will increase unemployment and people wonder why there are riots? The enemy of the people today is **GOVERNMENT** not the private sector. We are in the position we are today because we elect smiling faces, know nothing about their experience, and then expect them to know what to do. It just does not work that way! Would you let a person operate on your brain because they smiled nicely but were not trained as a doctor? Why do we expect these people to run the economy when they have not even ran a mall company? I have said it before and I will say it again – the two words **POLITICAL ECONOMY** should have been divorced the moment they met. Just as we have **SEPARATION OF CHURCH AND STATE** to ensure freedom of religion, we now need **SEPARATION OF ECONOMICS FROM POLITICS** just to survive. This is just **NOT** working!

Coming from the futures side, that training taught me two things. (1) Looking globally since commodities were a worldwide market, and (2) **TIME** was essential to price. The most striking feature of the recent political unrest is that it is rising on every front in all countries. In the United States, the attitude of police has shifted from the kind neighborhood policeman children use to look up to, where today they more often than not are nasty and view the people as potential terrorists and themselves to be **RAMBO**. This killing of an unarmed man in San Francisco in August is indicative of what is happening right down to scrambling two F16 fighter-jets because three people were having sex in the bathroom on a domestic flight. We have lost our civility and our common sense. So many people hate foreigners feeling they are living the American Dream tax free, but that again is thanks to the income tax. If the country were the way it was designed by men far more intelligent than what seems to roam the streets of Washington, DC, then it will not matter who they are, everyone will pay consumption taxes for it matters not where you were born.

In the Great Depression, people looked to government for hope to create a safety net. It was a giant paradigm shift from Agriculture to a skill labor Industrial-Service economy.



While employment in manufacture remained largely unchanged, the services industry exploded and government grew by about 50%. This cycle marks the peak in government as an employer and we call them **PUBLIC SERVANTS** because they produce nothing to expand the wealth of the nation, but live off of those who do produce like a parasite; the larger the government role in employment, the lower the economic growth. That is precisely the problem in Greece.

Many are becoming deeply concerned and there is a growing sense that people's future has been altered and many "**feel**" they are living on the margin. The blame is targeted at the "**rich**" for not paying their "**fair share**" and this is like your teenage child getting mad at you since their debit card was turned down **BECAUSE** you had the audacity not to deposit ample funds anticipating that they might need the money because they saw something nice in a store window. Politicians take **NO** responsibility for anything and it is what a friend of mine use to call "**woman's logic**" for his wife went shopping and bought a dress for \$3,000 and explained she saved him \$2,000 because she **intended** originally to buy a \$5,000 dress. It wasn't the \$3,000 that she spent; it was the \$2,000 she saved him! (*There are plenty of woman who are quite smart so this is not a personal observation – I prefer to call this "**Political Logic**"*).

Children today, who are preparing to go to college, are giving their parents anxiety over how on earth is their family is going to afford it. Everything about the future is up in the air. Changes in the world of employment, housing, benefits, health and education – the things that actually matter to most people – have come under intense pressure during this economic meltdown. This time, it is not just those living on the margin and the poor who "**feel**" uncertainty about the future. The professional class is equally very anxious about the future for the day after Obama's speech **Bank of America** announced it would lay off 40,000 jobs. Jobs are drying up in government at all levels. The most common emotion concerning the future economy is fear. People ask how will they cope and what will happen to the future of their family. The economic climate is dominated by fear, uncertainty, and a sense of growing hopelessness especially among the youth where unemployment is running 33-50% among most Western societies. War **NEVER** emerges when people are fat and happy. If the economic environment turns sour, that is when people turn to violence and war. Not even poor communities riot until they absorb this feeling of despair about the future. So there should be no surprises when riots continue and get far worse for this is a **NATURAL** flow of events that **ALWAYS** takes place historically.

Tax rebellions over government fiscal mismanagement litter the historical political landscape. There is a very famous one that everyone knows one line that symbolizes the times during the year 1450 led by William (Jack) Cade (? - 7/12/1450). The **Rebellion of 1450** is in many ways more famous for it is the focus of Shakespeare's play concerning Henry VI (1422-1461; 1470-1471). Cade is believed to have been born in Ireland. He was living in Sussex when in 1449; he was supposed to have murdered a woman. They claim he fled to France but then returned in 1450 and settled in Kent. They claim he then posed as a physician by the name John Aylmer. In June 1450, he emerges as the leader of a Kentish tax rebellion on small property landholders. They then claim he assumed the name John Mortimer identifying himself with the family of

Henry VI's rival, Richard, Duke of York, who was living in exile in Ireland, where he was born. Of course history is written by the victor never the vanquished. So the stories that paint this man as just a criminal are of course necessary to diminish the entire rebellion and what the people rose up against.

Cade leads forces and defeated the royal army at Sevenoaks in Kent, on June 18th, 1450. He marched on London and entered the city on July 3rd where they executed the Lord Treasurer James Fiennes, Lord Saye and Lord Sele, all tyrants in their exercise of political power. The Londoners are then said to have driven the rebels from the city



during July 5th-6th, 1450. The government used the same tactics as they did to break-up previous tax revolts offering pardons to the rebels if they left. This reduced Cade's forces for many of the people assumed they won concessions. The government wounded Cade and captured him near Lewes, Sussex on July 12th. He also died while being transported to London most likely from fresh wounds. During a previous tax rebellion in 1381, the leader then was Wat Tyler. He too was wounded and taken to the hospital. The government sent men there to kill him. Today, the United States will just make up a charge on something else and pretend that is the reason the person is being thrown in prison while other prisoners are paid off to attack and kill him all nice and deniable. No matter what the century, government always destroys its

opponents. Yet, one does not choose to be a dissident. It is government and their corruption that force it upon the people.

Nonetheless, the most memorable line that ranks perhaps within the top ten of all of Shakespeare's work, is the famous line spoken from this rebellion "***The first thing we do, let's kill all the lawyers.***" (*King Henry VI, part II, Act IV, Scene 2, Line 72*). What is misunderstood regarding this line is that today people place it in the modern context of all lawyers. In those days, the **only** person allowed to have a lawyer was the king, never the defendant. The lawyer for the king is what we distinguish today as the **PROSECUTOR**. Thus, what is really being said is that the prosecutor is indicting people for tax evasion who are protesting the abuse of government and confiscating all of their property, imprisoning them or executing them in the process. Therefore, by saying the "***first thing we do, let's kill all the lawyers,***" is a cry for **LIBERTY** by killing those who are unfairly oppressing the people. This is the same as a rebellion in ancient times against tax collectors.

ECONOMIC PARADIGM SHIFT

At the same time, the economy is also making a **Paradigm Shift** just as significant as the move away from Agriculture during the Great Depression. The internet is changing everything. News magazines are dying and newspapers are in a downward spiral. Book stores are folding and soon one will be able to vote online once the politicians are thrown out and a new system emerges where they actually want people to vote. The job skills are more highly trained in computer science. This is leaving behind the people incapable of making this transition the same as many farmers could not become skilled labor. My dear friend, Jack King (*founder of PEI Japan*), was a pilot during the Korean War. He explained that many pilots could not make that transition from the old prop-planes to a jet because the reaction time was reduced and they were just too slow to react. These **Paradigm Shifts** take place in economies and are **ALWAYS** met with one-step backwards followed by two-steps forward.



Jack King

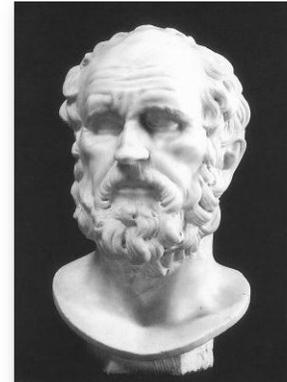
Stability, confidence and hope are at a premium around the globe. The working class communities do not understand the dynamics of how the economy undergoes a evolution process and disguised within **EACH** economic downturn is the silver lining of change. The whole problem created by unions is the demand for higher wages without advancement in skills. This institutionalized inflation and dumbed down the work force insofar as ongoing education to improve one's skills would enable people to better cope with the evolution process of the economy. Instead, just as people were left behind from agriculture in the 1930s, and many pilots were unable to make the transition from a prop to a jet, the lack of computer skills among the work force is trapping many once again preventing them from coping with the **NATURAL** economic evolution process. This contributes to the frustration and underlies part of the problem of dealing with the rising discontent.

We must understand that this tendency to reduce every event and problem to a single cause is simply wrong. We cannot assign responsibility for the riots to a single cause and effect nor should we tolerate any politician who shifts the blame to the people calling them **criminals** or the **feral underclass**. Britain showed its true colors arresting and sentencing to two years youths who used Facebook to try to get people to assemble for a protest. This was a disgrace and no different than what was done to Mandela.

Government only seeks to convict those responsible for rising discontent, when they refuse to look at themselves for causing the economic mismanagement that strips the

people of their freedom and confidence in the future. Britain has shown that it is always government against the people no matter what form government claims to be. Plato recorded a debate on this subject between Socrates and Thrasymachus. The former believed that Democracy would always gravitate toward justice and the latter said it mattered not because all government seeks its own self-interest.

“[T]he different forms of government make law democratical, aristocratical, tyrannical, with a view to their several interests; and these laws, which are made by them for their own interests, are the justice which they deliver to subjects, and him who transgresses them they punish as a breaker of the law, and unjust. And that is what I mean when I say that in all states there is the same principle of justice, which is the interest of the government; and as the government must be supposed to have power, the only reasonable conclusion as, that everywhere there is one principle of justice, which is the interest of the stronger.”



Thrasymachus (Θρασύμαχος)
(ca. 459-400 BC)

Democracies and Republics are no safer from tyranny than Dictatorships and Monarchies. There is the tyranny of the individual and then there is the tyranny of the majority over the minority. This is why there are such things as the **Bill of Rights**, but then again this is why government circumvents them so it can exercise its desired powers. Government always puts down protests for they never tolerate discontent. This merely sets the stage for this eternal conflict with the antagonist **ALWAYS** being the **FISCAL MISMANAGEMENT OF GOVERNMENT**.

Until government really understands the economy and stops furthering its self-interest against the people, it is hard to break this cycle of violence and revolution or just mitigate it. Thomas Jefferson saw that the **Tree of Liberty** needed to be fed the blood of patriots and tyrants alike. He saw this historical process as being **NORMAL**. We cannot simply prosecute people for rising up. If we do not address the structural problems, we are not eliminating the trends that are actually motivating the uprising. We can degrade them as the “**feral underclass**” or we can stop blaming the people and start to look at government and its perpetual mismanagement that causes civil unrest. Even the state of Georgia where 25% of its banks failed because they lent predominantly on real estate that collapsed illustrated it was **NOT** directly CDOs. Something has to give or we are headed into a very dark chapter for mankind all because they do not comprehend the Business Cycle. If you regulate the banks, then mandate a balanced portfolio not 70% in real estate loans. Each sector will fail. Government simply does **NOT** understand the Business Cycle and that ignorance causes our demise.