

One Step Beyond

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We are just one step beyond the point of no return with Govts and central banks throwing everything including the kitchen sink at the economy. It has taken nearly 50 years of fiat debt fuelled growth to get to this point and the 2008/9 crisis was the point of no return.

The central bankers decided to bail out Wall Street and to leave Main Street to maintain living standards by taking on evermore debt. Wall Street also took on debt but due to the Cantillon effect received its loans at near zero nominal rates. Unfortunately, instead of investing with CAPEX (Capital Expenditure) they decided to mainly flatter their share price with debt funded share buy-backs. We now have corporate and other debt at record levels and they are asking for yet another bailout.

Where did all the trillions of central bank printing go? If only Govts had allowed the too big to fail banks to collapse and nationalised or incorporated them into a publicly owned bank. The trillions of debt could have been used to get Main Street back into productive employment building infrastructure and manufacturing capacity.

We are where we are and we are now just one step away from the final destruction of trust in this fiat system. The consequences of the coronavirus pandemic have accelerated and exacerbated the coming stagflation or should I call it the 'Great Stagflation'. Govts and their central bankers are going to be fire fighting with petrol as they try to prevent civil unrest. We are going to witness a period like the UK in 1970s but on steroids!

Capital controls that were removed in the 1980s will return as Govts seek to control speculative moves against currencies. For some countries this is going to lead to shortages and rationing as Govts are forced to deal with balance of payments crises. No longer will central bankers be able to collude with money printing and interest rate fixes. Govts will have to settle trade imbalances with gold or other acceptable commodities.

The retail customer is going to see a huge change notwithstanding a decimated international travel market with many opting for staycations. Govts will have to deal with income disparity as real wealth per capita declines in the short to medium term. There may be a huge ramp in taxation for the wealthy not forgetting that the UK had tax rates in excess of 90% during the 1960s.

The younger generation will be exploited by using the 'green agenda' to introduce austerity (<http://www.money-liberty.com/gallery/greensqueeze.pdf>). This green agenda will allow many to profit through indirect taxes on energy and even food products. The UK Royal family currently receive rent on each offshore wind turbine indexed at the higher RPI(Retail Price Index) so they are already positioned to benefit from the green squeeze. Many other landowners may also benefit whilst the urbanised masses are burdened with higher living costs.

If we can avoid international conflict there could be a Bretton Woods type convention to agree a new global currency pegged to gold and/or other commodities. This will allow a return to trusted trade and require Govts to fund their own deficits through taxation. In my short book (<http://money-liberty.com/books/MoneyLiberation.pdf>) I discuss debt reconciliation rather than a debt jubilee that could allow some degree of debt forgiveness between nations based on an iterative process taking account of wealth per capita.

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