

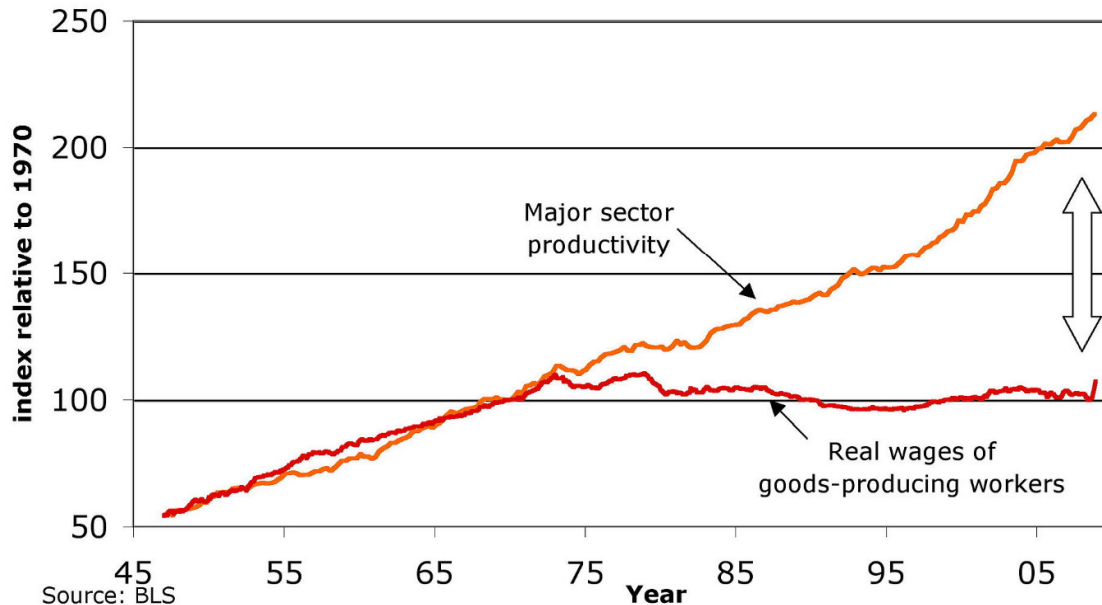
## Silence of the Lambs

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Perhaps the title should be 'Lambs to the slaughter' as the vast majority of citizens in the indebted West are being corralled into a dystopian future. Looking at the UK the picture isn't too dissimilar to other nations. The post-war era saw true growth in the real economy and living standards as the Establishment realized that after the horrors of a second world war we needed peace and prosperity for the masses. I was lucky to be born in the late 1950s when living standards were rising as post war rationing and austerity had come to an end.

The 1960s was an exciting period as a child and I remember the Flower Power people with their psychedelic painted vans and artwork. The 60s were about people having new cars, televisions, washing machines and family holidays. Working men could afford to take their partners and children out on weekends. The graph for the US below is not too dissimilar to what happened in the UK and shows how up until the 1970s that wage earners were sharing equally in the growth of productivity improvements. The 1970s was a difficult period for the UK as we had much industrial strife, syndicalism was on the rise and the economy was controlled by powerful Unions. The inflationary consequences disrupted pay relationships and particularly affected those on low incomes.

### Productivity and average real earnings



As I completed my school education in the mid seventies there was still plenty of aspiration for working class families and optimism for a better future. There was always the fear of the nuclear arms race and the narrative was still about outpacing the Soviet Union. Then along came the Thatcher/Reagan era and the liberalization of financial markets. Many didn't realise it at the time but we were at the beginning of a huge ramp in debt driven economics with the occasional boom/bust cycle. In the UK we saw credit controls relaxed and less conservative mortgage lending. Capital controls were removed allowing wealthy individuals and corporations to look beyond national boundaries. All was rosy whilst workers could still achieve but this was the beginning of structural unemployment as free movement of capital allowed disinvestment in many western

economies. We became a consumer driven economy relying on evermore debt to maintain growth. Those who owned property and equities could see their wealth rising in real terms. MEWing (Mortgage Equity Withdrawal) became an economic driver and property was a means to achieve greater wealth and hence spending power.

All was fine until the 2007/8 financial crash when debt dynamics broke down and we could no longer use interest rates alone to control the inflation in the real economy. The Establishment along with central banks decided to create two parallel economies for Main Street and Wall Street. Wall Street was to be rescued and boosted with 'free money' whilst Main Street was to be burdened with austerity to keep a lid on any wage inflation. So we have had over 10 years in which people have seen their living standards decline whilst the wealthiest have never had it so good. There has been some trickle down in metropolitan areas and other desirable locations but the provinces and rural areas have been neglected.

Govts have soaked up much of the debt and through QE have used deficit spending to maintain some form of social order and a functioning welfare system whilst rewarding the political class and other Establishment cronies with generous compensation. Brexit, Trump, gilets jaunes, 5 star/La league and other movements are signs of general unrest but I suspect the Establishment forces are hoping to use technology in an attempt to drive the masses to abandon cash and hence any remaining sovereignty and power.

The internet, social media, computer algorithms (AI in the not too distant future) and digital money are the tools with which they are hoping to create a neo-feudal future. Battles will be geopolitical between fiefdoms such as China, the US, the EU, India, Russia, the Middle East. It could well be an Orwellian future and not the utopia of society as a whole sharing in the technological improvements through a consensual and democratic process. Why would the elites care about living standards of the masses when power like money becomes polarized between them and us. Without a vibrant aspirational middle income group this will lead to authoritarian Govt that controls the masses through social media and electronic money. How long before people wake up to this reality and the fact that their complacency may lead to not only impoverishment but also a life of serfdom.

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