

The Coming Economic Depression

<http://www.markswatson.com/Depression7.html>

By Mark S. Watson

New readers take note: This is a long running series of Articles that begins [here](#)

December 2004 Update

Dollar Doldrums

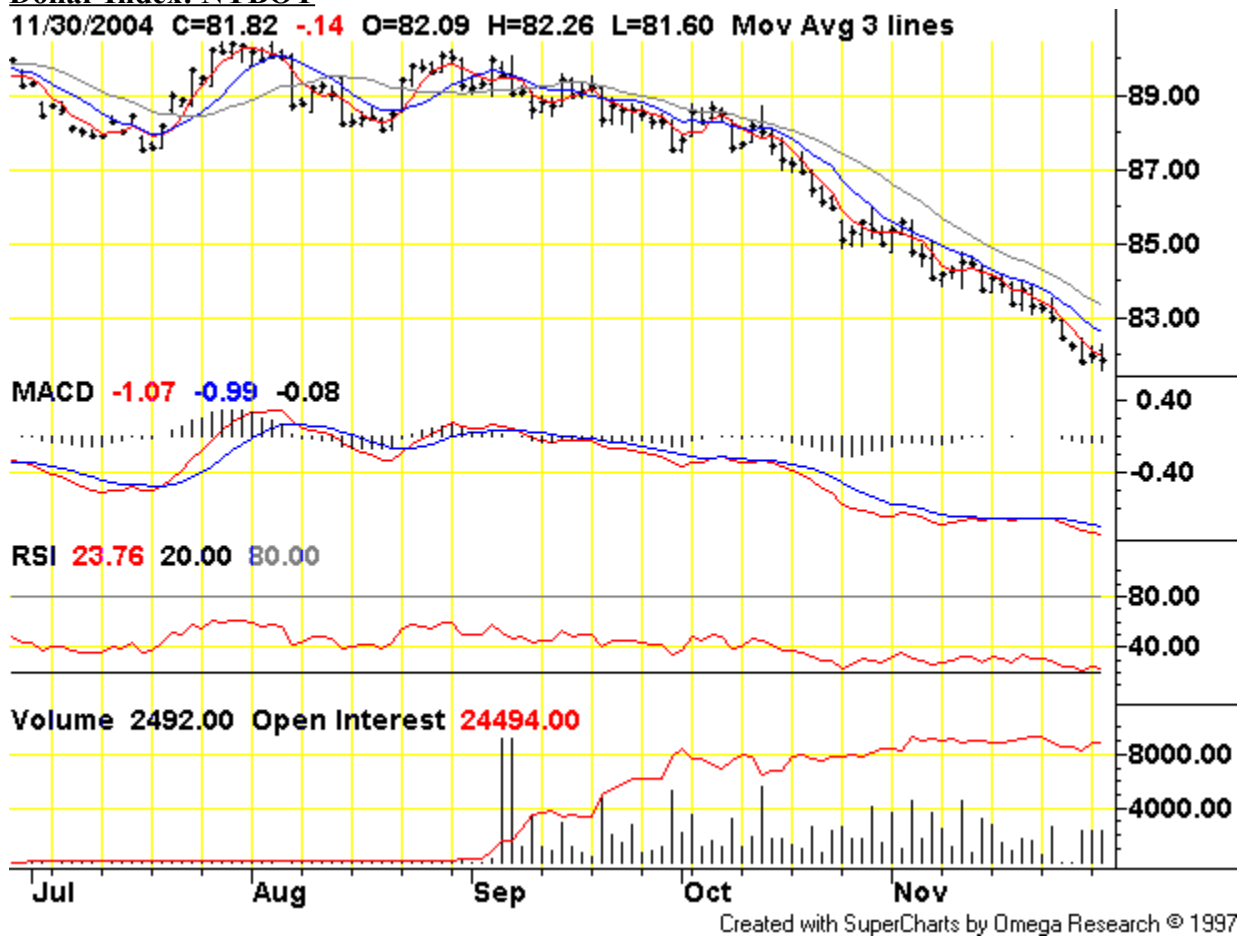
The story in all the financial publications from Beijing to Moscow; New Delhi to New York is the falling American dollar. The dollars travails are real and genuine concern is being demonstrated in the worlds financial capitals. China stated recently that;

“Certainly we don't want to run into the US situation of having a trade deficit of 6 per cent of GDP. ...China's custom is that we never blame others for our own problem,” - Li Ruogu, the deputy governor of the People's Bank of China.

Headlines from around the world are discussing the dollar crisis. Now if you turn on the evening news you may hear a snippet or two here or there about it. But Chinese citizens were recently cued up in large lines to exchange their dollars. The same has happened in eastern Europe as well. Something ominous is happening to the US dollar and it is not a cyclical problem or one that is rooted in transitory economic factors. There are fundamental economic issues at the heart of the dollar crisis and this is what this months update will cover. However this update will not fall into the psychological extremes of 'blind faith' on the one hand and 'the sky is falling' on the other.

Dollar Index: NYBOT

11/30/2004 C=81.82 -0.14 O=82.09 H=82.26 L=81.60 Mov Avg 3 lines



Source: [Super Charts](#)

Russia also expressed its intention to switch a major amount of its reserves from dollars to Euro's. The amount they want to shift is \$113 billion. This is a hefty sum and signals a definite shift in economic policy. This move will be watched carefully in Asian markets as well as they too may see it in their best interest to shift some of their reserves from Dollars to Euro's. China and Japan will continue, at least for a while to hold significant dollar reserves to maintain their dominant trade positions with the US. Such a move by Russia while widely and loudly announced could be more of a negotiating position than real intention. While Russia will certainly move to shift out of the dollar over time, how much and how fast is very much open to question. Russia's announcement comes on the heels of high tension in the Ukraine and is as much shooting a 'warning shot' over America's bow, as it is interested in its currency reserves. Russia must protect itself from a

depreciating dollar as it adversely effects its international financial condition. The dollar is going lower and the world knows it. This means that eventually, nations will move away from the dollar simply out of economic self preservation¹. Central banks will probably continue their attempts to intervene to attempt to bolster the currency for many reasons. First many want to preserve the present economic order. A world without the dollar as its reserve currency is a frightening thought, not just to America but to America's myriad trading partners and those who hold substantial reserves in dollars and depend on her markets to sell their goods.

Importantly and directly related this the dollar crisis is Russia's action with Yukos and its dealings with other Western oil firms. Her actions show the world that Russia is not going to fall under control or influence of the US/UK financial and oil oligarchy. While many decry Russia's actions in the Yukos affair as being unfair, this author not only does not blame Russia for some of its actions but understands their deep reticence in allowing that much foreign investment into its most important natural resources. Russia's actions have been called 'treacherous' and 'dishonest' by many a western writer. These authors never want to come to terms with the treachery and dishonesty of Western firms throughout the world as they destroy large swaths of the planet leaving behind corrupt and bribed governments, impoverished populations, environmental devastation and violent, well armed mercenaries that kill indiscriminately. There is no (expletive deleted) way Putin is going to let that be Russia's fate. He will never allow those nefarious financial interests to gain a strong foot hold in its energy sector.

Russians desire to move permanently to more Euro's in their reserve holdings is real and Putin has met with OPEC and EU leaders to discuss this very topic along with pricing oil in Euro's. You see, Russia wants to be with the 'in' crowd of global economic power circles and has the oil the west, specifically Europe needs. Thus, Putin's is trying to drive a wedge between Europe/OPEC and the US by offering to price his oil in Euro's and hoping that OPEC will go along. This is attractive to all involved except one important fact; the occupant of the White House. Hyperbole aside the President's competence and even emotional stability of the President is being seriously questioned around the world. If Russia, OPEC and the EU got together and decided to price oil in Euro's, the US economy would be in shambles within a year. That kind of instability is in no ones interest. Thus we will have to see exactly how Russia *actually* proceeds with its reserve switch announcement.

¹ Some will do out out of other motivations, namely to undermine the US-centric global order.

This is a time of global shifting and it is readily apparent around the globe. This is not the time to be dependent on US news reporting, especially TV news. I urge all my readers **to avail themselves of the tools on the Internet and get news from foreign capitals** as well as good well balanced financial news. It is out there and a great deal of it is free. This global shifting will eventually leave the US in an incredibly weakened state and should the dollar fall to a dollar index of .50, rest assured that America's economic/and military preeminence will be threatened with such a development. This is not a time to be ignorant of what is going on in the world of politics or in economics and specifically the with the dollar crisis.

While the dollars fall has had many worried, there are positives that are generally attributed to a falling US dollar. First and foremost is increased trade competitiveness abroad. A falling dollar makes goods made in the US more attractive to foreigners because they are cheaper in their native currencies. This is good news for American businesses. Yet there are still many problems for the very same businesses if they are dependent on parts or even labor that must be purchased abroad. This will assist inflationary trends as those costs will be passed on to the consumer and reduce any competitiveness the falling dollar would ordinarily provide if goods are services needed for production must be purchased in foreign currencies.

One thing to watch for is China removing the peg of its currency to the dollar. This is something that Washington has wanted for some time. Pegging the Yuan to the dollar has protected the Chinese from one of the most time honored method of protecting ones markets, that being currency devaluation. China needs the US markets for its goods and in order to keep its goods attractive to US consumers they need to have a stable exchange rate. The Chinese have indicated that they will eventually pull the currency peg but have not given a clear indication of when. Washington has pressured the Chinese to move quickly but the Chinese have responded with their characteristic candor that the US must set its own house in order;

"For the past 26 years, we never put pressure or problems on to the world. The US has the reverse attitude, whenever they have a problem, they blame others."

The Chinese are not going to made the scapegoat for Americas fiscal profligacy. The US has been rather adamant that the peg be removed and feel that it gives the Chinese an 'unfair' competitive advantage. The Chinese

however are not immune to the criticism and conventional wisdom says that they will move slowly towards greater currency flexibility. This will not assist the decline of the US dollar, in fact it may exacerbate it to some degree however it will provide the additional competitive edge that US policy makers are seeking.

How Far To Fall?

How far the dollar will fall is the ultimate question being asked. The only thing anyone can offer is speculation. I will offer mine here.

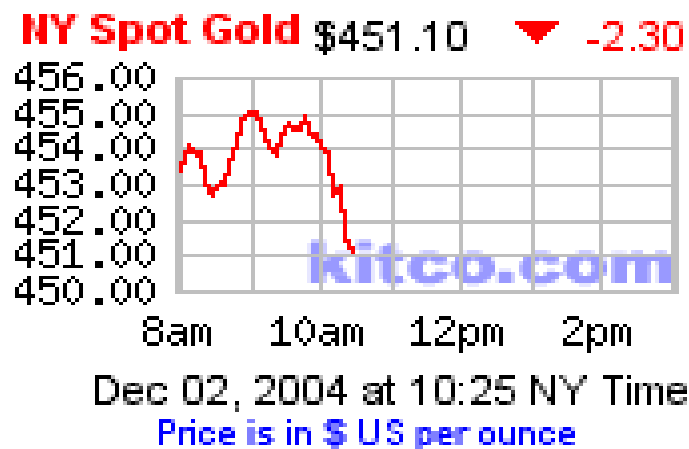
I believe the dollar could eventually fall as far as .50 Euro's. This is not a prediction that is a set in stone as there are many variables that must be considered. Some of which are:

- **The Japanese:** *They may continue their policy of currency intervention if the dollar sags too far too fast. This is likely but it may not stem the tide of the falling currency because currency intervention are not cure-all's; they usually only forestall the inevitable. This is certainly true in America's case. If the US had shown fiscal responsibility over that past several years and reigned in spending intervention would have stemmed a temporary trend that would have allowed the dollar to maintain its value while it put its house in order. This has not happened hence the reticence of the markets to come to the aid of the dollar until tough fiscal choices are made.*
- **Central Banks** – *These entities crave stability and the kinds of international currency fluctuations with the worlds most important and widely held currency is seldom welcome in these circles. Some kind of Central bank intervention may transpire if the dollars fall causes a serious threat to international stability. Such instability could take the form of a derivatives failure of a large hedge fund or bank.*
- **Eurozone Problems:** *There are serious problems in Europe as well as America. Aging populations, mass layoffs, laggard economic growth are all part of an increasingly troubled Western economic scene. This may mitigate any sudden rise in the Euro over the dollar. In fact one of my favorite commentators, Dr. Marc Faber states clearly that he believes that the dollar is not in crisis, though he does believe that it is ultimately a 'doomed currency'. He says this because he sees no good alternative to the greenback. The French Finance*

Minister expressed his concern over the falling dollar and linked it to the America's accumulation of deficits and later warned that the dollar was becoming 'unhinged' from other currencies. The concern is genuine insofar as it makes Europe's exports more expensive to US consumers and puts them at a competitive disadvantage.

- **War:** *This is greatest and least quantifiable variable. America's war in Iraq is going badly. America is losing on the battlefield and in the most important aspect in any occupation, the battle for 'hearts and minds'. This too will weigh heavily on the US dollar should Iraq become even more unstable and the flow of oil is repeatedly cut off. A major defeat of US forces that makes it to the newsrooms in foreign capitals is another variable that should be considered.*
- **Deficits** – *The speed and competence of a US fiscal and budgetary overhaul that includes specifically Social Security reformation.²*

The fall of the dollar has focused interest in precious metals and currencies backed by the same. The gold dinar is making its debut in the Arab world and is an officially recognized currency. As this is being written (29 Nov) the price of Gold is at \$453. This is a trend and not an aberration. While the price may drop somewhat for profit taking rest assured the price of the Yellow metal could easily one day reach \$1000/ounce. This does not mean that gold is worth any more than it did before, it simply means that the dollar is worth less.



Current gold prices courtesy Kitco

² I am not a proponent of the Presidents Social Security plan. It smacks of Political payoff to Wall Street as they will manage the money and make billions in fees.

Why is this happening?



For those of you who are new to this site and this is the first visit, you may wish to go back and read earlier editions of this series. The primary problem is debt. Several kinds of debt are weighing heavily on the dollar.

- **Trade Debt** – The debt we incur when we import more than we export.
- **Fiscal Debt** – The total national (governmental) debt (accumulated current account debt) that we have incurred as a nation over the past two decades.
- **Current Account Debt.** That is the debt needed to run the government it is the difference between what we spend and what we take in in revenues for the current fiscal year. This currently stands at about \$2.6 billion a day.
- **Consumer Debt** – Credit cards, mortgages, automobile and other consumption based debt.

These are layman and not textbook definitions

These causalities are all worthy of several books but time and space do not permit that. The key issues right now and the two that are most important, in my opinion are the *Fiscal Debt* (National Debt) and the *Current Account Deficit*. The current account debt is money that must be obtained. Why 'must'? Because either we get the money or one of two things happens.

1. We go officially bankrupt and the government shuts down.
2. The FED and Treasury begin to print the money we need. This is called monetizing the debt.

The US government is *not* going to shut down, not if the lobbyists who spend millions in legal bribes to get their pet contracts have anything to do

with it. The only other alternative is to print the money³, provided we are unable to get the nearly half a trillion dollars in cash to run the government another fiscal year. By the way, the fiscal year begins on October 1st of every year. This year we entered the new fiscal year without a budget. We still are operating under a continuing resolution and a link to it can be found in the November Update. In my mind, the most pressing fiscal problem is not the trade deficit but rather it is the current account deficit. This is probably one of the most serious problems to face America since the Civil War, and I do not exaggerate. The economic devastation that can transpire if the dollar collapses is beyond the pale of anyones experience. While many would argue that the great depression of the last century would be similar, I disagree. Primarily because the US government was not in such deep debt nor did it have such abysmal personal savings nor was it de-industrializing, making any future production oriented economic activity more difficult and expensive nor were there 280 million people to feed, cloth, warm and shelter.

This is a bleak picture. Do the facts, all the facts really add up to such a dismal scenario. Yes and no. As mentioned earlier the US needs to become more competitive in order to keep jobs in America and business making money. This means that US wages must decrease significantly. It also means that some of the regulatory red-tape must be removed.⁴ Wage decreases are very difficult to get. People would revolt, strikes would be common and moves to reinvigorate Unions would abound. This is not something our elite want to see. There is another way around this, namely let the dollar drop. People make the same amount of dollars, but the dollars don't go nearly as far. Thus, you have your wage decrease and not one person in ten would realize that this is what you have done. Not only does the falling dollar hit wage earners, forcing them to consume less, it also devalues the currency that you must repay your loans with. This the dollar that once fetched 1.2 Euros (in 4/01) now only gets about .75 of them. Big difference. This makes debt repayment less cumbersome for the US but it also makes it much more difficult to attract foreign investors into our treasury paper and bonds. Simply put, who wants to earn 3% when the you will be paid back in currency that has depreciated 30%? Only a fool would. A fool or a foreign central bank. That is where we stand now. While foreigners have made available some credit, it is not enough to fill the gap. They may pick up

3 This is highly inflationary as I am sure most of you know.

4 I am a proponent of neither. But free trade negotiated globalization demands these things and that is where we are heading, one way or the other.

investing in US treasuries but It looks less and less likely they will to the amount the US needs. This is all written for all you lay people out there so that you will really understand what is really being said when economists say '*concern over funding of the US current account deficit*'

Now in order to fund our current account deficit using the usual method of borrowing Congress had to raise the [debt ceiling](#). Where does it stand now? Well the debt ceiling is now at \$8,180,000,000,000, that's \$8.1 trillion dollars for those of us who aren't used to writing 13 digit personal checks. That is the fiscal deficit that America faces *provided we can find lenders* that will allow us to borrow the difference between the total fiscal debt we have, which stands at 7.5 trillion dollars as of 30 November and the legislative authority congress granted when they raised the debt limit. This cannot continue and dear readers be assured, it won't for much longer, despite what the high priced economists say.

The Next Big Thing

This leads us to some important questions. First, Social Security. Brace yourself for big changes in it. While many are calling for minor tweaks the real deal is that Bush wants a major overhaul and wants to ship it over to his campaign donors over on Wall Street. ***They can't wait to get their hands on it.*** Now some have stated incorrectly that Bush has not been particularly warm to Wall Street, it must be noted that big Wall Street Banks are among his [largest campaign contributors](#). So please don't let some financial publications tell you that Bush isn't very sympathetic to Wall Street, as one publication in particular implied. This is the second thing, you see, Wall Street sees this as a way to get their hands of billions of dollars in fresh capital to use for their own well established and documented patterns of financial chicanery.

Bush met with the nations largest banks shortly after his re-election. It is unknown what exactly transpired in the meeting as no one is talking. But lets keep in mind that these are Bush's biggest campaign contributors so I would look for major changes in creditor/debtor laws to be ram-roded through the House and Senate. While the financial press is spinning the recent meeting that Bush had with the top US bankers as being one of 'gaining support for Bush policies', it should be noted as well, that this is taking place in the midst of a dollar crisis and that the meeting was a 'private one' in which the details have not been released to the general public. *Keep*

your eyes on the money system and how they plan on financing this years fiscal deficit. Whatever the plan is it will require participation of America's largest Banks. Attendees to the meeting included the heads of

- *Merill Lynch*
- *Goldman Sachs*
- *Bank of America*
- *Credit Suisse-First Boston*
- *Morgan Stanley*
- *Citigroup*
- *American Express*

If you take a look at your 401(k) statement you have a glimpse of the future of your Social Security if these guys get their hands on it. It will probably go to mortgage payments on a CEO's Swiss Chalet, or a new Mercedes for his mistress. Privatizing Social Security may be a good idea if you had full control over what to invest in. Lets say gold, silver or platinum. Lets say you wanted to put the bulk of your money in a set group of *specific* stocks that you (not a broker) picks or even a foreign currency. Will they allow this? No.

You see this is the fundamental problem, who controls the assets, you or the Broker/Finance Company/Bankster. If someone else controls it, they will do so to their and not your benefit. That is the lesson millions of retirees learned the hard way during the 90's. Any reform of the system must contain the ability of the saver (future retiree) to have full control (short of cashing out before retirement) over where the money gets invested. This should include foreign bonds, currency and stocks. Wall Street will fight that tooth and nail because they want to get the government to force you to use only 'Government approved' (read Bush donor) brokers and financial institutions to 'invest' (read siphon off) into their buddies who run Wall Streets biggest corporations.

Why is social Security mentioned here? Simple, it is a huge contributor to our debt, now and especially in the not too distant future when the baby-boomer's retire. Foreign investors, that is, those who must lend us money to fund our current account deficit, know this. They also know that we have not had the political will to tackle these problems. Now they are demanding it. America has severely exacerbated these debts with, what many foreign

investors view, as a reckless, ill conceived, poorly executed and [extremely expensive](#) war, that they are paying for with their lending. Some just don't think is a wise investment and don't want to be paying for a military machine that may one day cut their own throats. They must also consider the increasingly evident probability that they may not even get their money back.

These same investors can see that the entire budgetary system is broken. Congress passed huge \$388 billion spending bill (yes there is still enormous spending but no budget) and inside the bill was a provision to allow the Appropriations Committee to look at the tax return of any ordinary citizen. Why would they want that kind of power? You figure it out. The fact is that these bills are so large and poorly written, they are not even read by our representatives. The Congressmen are basically told by their staff, lobbyist or party leadership how to vote and that is what they do.

No one who voted on the massive omnibus bill had time to read it beforehand -- the bill itself was more than 1,600 pages; with accompanying explanation it measured 14 inches thick. Only now are congressional staffers and the press corps and affected parties starting to figure out just what's in it. Some of the more candid members of Congress -- Sen. John McCain notable among them -- have since joined the good government groups in denouncing the process behind the bill, particularly the large number of "earmarks" doled out to individual senators and representatives.

- [The Kentucky Post](#)

This is why it seems almost pointless to voice your opinion anymore on anything, the system is just that broken. What will save it? National Bankruptcy and people rising up in the streets to [demand](#), (not request) honest government and responsible fiscal policies. Now, as long as Joe six-pack has his can of beer and an HDTV, he isn't going to do a whole lot, not even if government thugs break in his front door and abuse his family right in front of him. His answer to life's problems is alcohol and Prozac.

More Bad News.

Earnings in Corporate America are not stellar, despite the constant unexplained rise in the Stock Market. John Mauldin did an [interesting little study](#) (scroll down on link) of Quarterly Corporate earnings and how they are not very reliable. Indeed anyone with a newspaper could figure out that

Corporate accounting and reality are mutually exclusive terms.

CEOs who regularly report quarterly earnings below expectations, or quarterly earnings showing wide variability over time, are likely at some point to lose their jobs. Too bad, but CEOs usually end up with pretty good severance pay, so we see no need to shed tears over that. The real losers are the shareholders because of the constraints and temptations this crazy system puts in the way of the company's management. We base this case on two National Bureau of Economic Research working papers published in June of this year. Both studies are worth careful reading. - John Mauldin

The shenanigans are real and they do effect the shareholders and ultimately the financial health of corporations. What happens if negative trends cannot be identified and corrected due to cumbersome, evasive and deceptive accounting practices. The answer is: **Enron**.

Controls on the Street

This is a sad time for responsible corporate governance. The SEC looks set to buckle under pressure from Wall Street and relax reporting requirements on public companies with a market capitalization of between 75 and 700 million dollars. The question revolves around what are called internal controls which are those rules and procedures within the company that allow for accurate financial reporting and that can detect fraud and other criminal activity. Wall Street seems to have a serious aversion to stepped up reporting and wept loudly and profusely to the SEC, wanting them to make it easier on them. The SEC delayed the introduction of the rules which are an outgrowth of laws passed after the Enron and WorldCom debacles. As long as we have an SEC that can only bring civil and not criminal charges and the political interference that is common from our elected representatives (up to and including the President) when their friends rob pension funds, don't expect these new rules to do anything except add to the billable hours and the revenues of accounting firms.

One of the best controls is free market mechanisms. If you have people who are not bought and paid for to rob the funds they manage, the markets are a potent and extremely powerful way to enforce proper financial disclosure and reporting. CalPers ([related stories](#)) is one of the few major investors in

the nation that has really turned up the heat on Wall Street to force them to come clean on a wide variety of issues, from corporate compensation, off shoring revenues to hide from the tax man, internal controls and more. They do not need regulatory authority, they can simply pull their billions out of whatever offending corporation refuses to heed their extremely reasonable demands. This is how a free market is supposed to work; if your company is fudging its numbers and playing accounting tricks they should be punished with a swift and permanent loss of investment. This is not how the GOP wants the game played. Harrigan, who heads CalPers, has accused Governor Arnold Schwarzenegger of trying to get rid of him. Not because he isn't making money for its 1.4 million retirees. He is. But there are those in Arnold's party who do not want to see the kinds of controls that CalPers insists on before it invests money, they want the money but few controls, even less accountability and no undue interest and curiosity into accounting practices. (*Note: Harrigan was removed on 2 December*)

What happens when there are not proper internal controls and excessive executive compensation and foggy annual reports? I will tell you in one word once again. Enron. Wall Street is afraid. They are afraid if they have to report earnings honestly and expense stock options, the gravy train will come to an end, and when the books are audited for real, investors will not like what they see and someone may even get mad enough to send them to jail, where many of them belong.

"It would be unconscionable if the Schwarzenegger administration and a few narrow corporate interests — such as the Chamber of Commerce, who have opposed corporate reform efforts — were to use the [Personnel Board] as a pawn in their fight against shareholders and fundamental fairness in our nation's financial markets," - Letter to the CalPers Personnel board from the Presidents of several unions and the heads of consumer and retiree groups

I will let you in on a secret. CalPers is the nations largest pension fund and it is a golden egg Wall Street wants to get its hands on. As long as they know they will not go to jail for theft, why not try and steal it? Lets face it Ken Lay is still free as a bird as is Bernie Ebbers (former CEO of WorldCom). Wall Street wants to continue to have lax internal controls and poor public oversight so they can continue to inflate earnings and borrow against non-existent revenues, leaving the shareholders in a lurch as they bail out in golden parachutes. The nation has learned nothing after the scandals of the 90's. There is only one lesson that will resonate with the

American people; Prolonged poverty and want and I have news for you, this is coming to many an American household.

Want more on lax corporate governance? Many of you remember a story I covered about Citibank being told to close its offices in Japan because of shady dealings in its Private Banking section. The details are covered in last month's update. Here's how Reuters summed up the testimony of Douglas Peterson, CITI Bank CEO in Japan on 30 November;

“Citibank Japan CEO Douglas Peterson told a parliamentary finance committee that lax corporate governance and an “aggressive sales culture” were behind abuses at the private banking unit, ordered closed by regulators in September.” ([link](#))

The Story went on to say

The private bank was cited for widespread violations including manipulative sales practices and failure to screen out money laundering, and its closure was among the harshest punishments issued to a foreign financial firm in Japan.

How bad are these internal controls in the nations banks, especially Citibank?

“The world's biggest financial services company, invested \$6.8 million for Yasser Arafat, Palestinian Authority documents show. At the same time, the late Palestinian leader was paying militants and channeling authority funds into his personal accounts.” - [Bloomberg](#)

Even the Europeans are getting cold feet at the fraud going on in Wall Street. Look this is no longer a secret, the whole world is seeing this, and if the only thing your nightly news is talking about is Julia Roberts' twins, you really need to find new sources of news. Norwegian life insurer KLP is selling shares in Marathon and Exxon. Why?

The move follows a report from consulting firm GES Investment Services, which urged institutional investors to steer clear of three major US oil companies – Marathon, Exxon and Ameranda Hess - following allegations of corruption among the companies. - [IPE](#)

Fraud, corruption in US oil Companies? Perish the thought! You won't find

this story in *any* US newspaper. While Americans may fall for the propaganda tricks of the US media and make excuses for the evil of companies run by people who hold high office, still get paid by them, while they give the very same companies no-bid contracts, to the civilized world this is called corruption. The civilized and mentally alert world being just about anywhere except Wall Street, the US Media and the US Government. Bribes of foreign officials, coups, regime changes, 'war without end', billions missing in our war in Iraq. What does it take to get people to wake up?

In closing Corruption is a primary factor that is causing the coming (and now underway) economic depression. Charts and graphs can describe the effect, but the causes stem from many factors some of which are:

- Decreasing democratic input into national decision making
- Reduced or non-existent law enforcement on the rich and powerful
- Mental laziness on the part of the general population
- The increasing use of propaganda techniques in national news reporting.
- Plain old graft, theft, fraud and corruption.

These trends are accelerating and the wise should prepare for the coming economic shocks ahead.

More News

- **A [Texas newspaper](#)** floated the idea that Former Senator Phil Graham may wind up at the head of the US Treasury. This is the Phil Graham whose wife sat on the board of directors at [Enron](#). I say, why not just put Ken Lay in charge of the American Treasury? Since it was Graham and his wife that facilitated much of what Enron epitomized. It was Phil Graham that sponsored the so called 'Enron exemption'. I said it once and I'll say it again, America is being looted.
- **The Eurozone** is also having economic problems. The EU manufacturing Index fell to a 14 monthly low in November. It's recovery is also in question. In fact, German Manufacturing actually contracted for the first time in 15 months. German unemployment is also at a six year high.
- **The crisis in the Ukraine** sparked Bank runs and currency controls. The Parliament has brought down the government in a no-confidence vote.
- **The Defense Lobby** successfully blocked an Intelligence reform bill that would have removed billions of dollars in budgetary authority from the

Pentagon.

- **T**he state of Tennessee Dropped 430,000 poor and disabled people from its health care rolls in an effort to trim spending.
- **T**he producer price index spiked 1.7% in October, that's a 21% annual rate. If that is the 'cooked-up' rate that the government is passing out, then inflation is much higher and these facts will not be lost on international investors. "*There are just massive amounts of inflation brewing,*" said Joseph LaVorgna, chief U.S. fixed-income economist at Deutsche Bank Securities in New York. This fact along with our massive deficits explains with crystal clarity why the dollar keeps descending to new lows across the board.
- **W**all Mart reported that its 'black friday' sales were below their plan. Wal-Mart is a bellwether retailer and its performance is important in gauging consumer sentiment. It seems that everything from high gas prices and energy costs are blamed for the lackluster performance. However the good news (?) is that visa spending on cards was up 15.5% to \$4.1 Bln from a year ago. This of course can be spun as good or bad news. It is good that people are consuming and buying things, it is bad that it must be charged to a credit card. America consumption is the engine of the global economy but that engine is increasingly burdened with higher energy prices, high debt, rising interest rates and falling wages.

More Random Thoughts On A Post Crash World.

The the amount of angry mail I received after the last update, I guess this is the *least* popular feature of this series of articles. Yet I am only responding to what people have repeatedly asked me to answer. What will a post crash world look like? I could say bread lines, starving children and millions of homeless people homesteading in vacant and foreclosed slums huddling for warmth. That is not necessarily what I see, at least not right away and, as I told one rather irate reader, I call it is Lsee it, not as anyone else wants me to write it.

I see primarily a highly technical society using the means at its disposal to control Americans consumption, borrowing, wages, traveling, housing, schooling, and even thinking. This is where I think many commentators miss an important societal crosscurrent that is present for anyone to see who reads an occasional newspaper or magazine. That crosscurrent is this; we

are living in an increasingly Technological Society. This was the title of a book done many years ago (1964) by a man named Jacques Ellul. He was a prolific and extremely gifted writer whose horrific vision of the future is happening right before us. It is a cold, hard, yet scholastic look at man's use of technology to control society and its generally ill informed and heavily propagandized people. Forget Orwell's 1984, Ellul's work is far more illuminating and scholarly and explains the psychological, technological, societal, and ideological conundrums of modern societies and demonstrates the tendencies towards fascism that is the result of modern technological advances.

The dictatorial state has efficiency as its goal, it submits to the laws of technology, for it understands that only by giving technology free reign it can hope to derive profit from it. Jacques Ellul⁵

The ideas that were put forward in my last update are *not* new observations, they have been successfully ingrained in the unknowing public as being 'politically incorrect' and 'dangerous' even to mention. They are often derided as 'conspiracy theory'. This is all part of successful and effective propaganda. Propaganda must explain the obvious in terms that is most beneficial to the propagandist and explaining to people that they are to be managed and controlled is not something that people want to hear. They however, do want to hear about '*security*' and '*safety*', so this is the propaganda model used to sell the increasingly stringent controls already in place in American society.

Please allow me to digress for a moment to the 2004 presidential election. It has been clearly documented that in some counties there were far more votes than registered voters ([see link](#)), far more, in fact, *election changing more*. This is not 'conspiracy theory', as some irresponsible news organizations have claimed. Check the link, do your own research as a lawsuit will be filed to find out exactly what happened. Now how does this happen in the 21st Century? It happens when you have computerized (technological) voting without a paper trail, without adequate controls on the software and when you have the owner of the company who owns the voting machines stating publicly that he is going to do what it takes to get Bush elected. Dear readers, this is not a partisan attack, I find Bush and Kerry equally loathsome choices to occupy the White House. This is a

5 The Technological Society, Vintage Books, 1964. Page 291

question of whether or not the people get to have a *real* say in who runs the country and where we go as a nation. Please take note that this is the second time we have had serious questions about the legitimacy of US Presidential elections. That would be ***eight years*** of rule that may or not be democratic⁶. I say this with the utmost seriousness and without the usual hyperbole that accompanies web writers. This is a fundamental issue because, if the President was *not* democratically elected (by real votes rather than electronically concocted ones), then we are looking at a new order arising. One where the people *believe* that they have a democracy but don't. You see the beauty of democracy is the *faith* that people have in it. As long as people ***believe*** that they are living in one they are far less likely to revolt against tyrannical leadership, unwise decisions, unpopular wars and the destruction of their liberties. It can all be done 'in the name of 'democracy'. I believe⁷ that the elements that are in power now want to *permanently* do away with democratic input at the federal level. Why haven't you heard about the legal efforts on Ohio voting, the over ***93,000 more votes than voters*** that showed up *in just one Ohio County*. [Click here and it may give you an idea](#). This is why Congress doesn't bother to read the bills it votes on, and why the President can declare war with a *constitutionally mandated* war declaration by the Congress. The less democratic input to the important elements of statecraft, the easier it is for the Corporations to get their way in such 'unimportant' issues as '*war without end*', '*no-bid contracts*' and banking bills that take away privacy, freedom and what remains of borrowers rights⁸, the ability to suspend a persons constitutional rights if he is deemed a 'terrorist'⁹. This is the way I see the coming collapse, it will not be televised, it will be transitioned in with a great deal of controls put on the people while they cheer the electronic shackles their leaders fasten on them. Standards of living will slowly erode, public services will become more problematic and America's preeminence in the world will wane. This is the

6 I say not.

7 It is not difficult to find quotations by many of our elite that speak directly to this. Many simply do not hide their contempt for the American voter.

8 This is coming it is in small part here but I think the next four yers will see the Banks essentially given carte blanche in legal matters on consumer debt. Who is going to stop them, the GOP? The Democrats, Joe six-pack, the Supreme Court?

9 A terrorist could and almost certainly be anyone who opposes the policies of the leadership and seeks to restore democratic input at the federal level. The only way to do that is via protests, and if one looks at what happens to protesters in America under Bush (remember Seattle) one can understand just where we really are and the methods that will be used against those who oppose undemocratic leadership that claims to be democratically elected, no matter how dubious those claims may be.

best case scenario, and rather than tell you what a worst case scenario looks like, I will let your own imagination give you a picture.

By,

Mark S. Watson