



MACRO ANALYTICS & TECHNICAL ANALYSIS

# MATASII

STRATEGIC INVESTMENT INSIGHTS



## FULL REPORT

THESIS 2018 – A NEW WORLD ORDER  
1/20/2018



# A NEW WORLD ORDER

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## EXECUTIVE SUMMARY

### KEY MESSAGES



The Key messages of this year's 2018 Thesis are as follows:

#### 2- WHAT'S BROKEN? – “Kicking the Can Down the Road” Is Not A Long Term Strategy!

- Debtor Nations: Consuming More Than They Produce and dependent on Debt to sustain themselves.
- Creditor Nations: Export Dependent and Now Producing More Than Can Sustainably Be “Bought”. Dependent on Credit to Debtor nations to sustain economies.
- The Emerging & Frontier Nations: Primarily Commodity exporters increasingly dependent on the vagaries of the US Dollar and the trade levels of the developed economies for economic stability.
- Initial Stage of Globalization – Like the Early Stages of the Industrial Era we have a “New Gilded Era”
- Gross Inequality within nations being replaced by equality between nations.
- The electorate is no longer willing to tolerate their elected officials ignoring real problems and simply “kicking the can down the road”!
- Elements of Social Change are key drivers of the coming change in governance, institutions and the nature of the sovereign state.
- The initial stage of Globalization has fostered (like the early stages of the Industrial Era) a “New Gilded Era”.
- Crony Capitalism has been a dominating theme in America for at least the past two decades.
- It is clearly evident that we are now entering a period when many well established cycles are heading downward.

#### 3-TRENDS UNDERWAY – It's Happening All Around Us!

- **MULTI-POLAR TRANSITIONS FROM A UNI-POLAR WORLD:** As the United States' growing dependence on foreign capital increases due to its international debt burden, the US is becoming more dependent. With the U.S. market additionally becoming increasingly less important to many nations this further reduces the US' political power.
- **DE-DOLLARIZATION:** The process of moving away from the dollar - prepared by Europe and triggered by China and Russia - can no longer be stopped. And as a “supra-national” reserve asset, gold is likely to play an increasingly important role in it.
- **DEMOGRAPHICS:** Aging populations, declining birth rates and slowing numbers of emerging & frontier market labor forces entering the global labor pool is now beginning to have a profound impact on the rate of growth of global aggregate demand.



- **BIG REVERSAL:** As outlined by a ground breaking paper by the BIS the global economy is transitioning from an era where: *Deflation = Debt + Demographics + Disruption* to an era of *Inflation = Interest + Income + Inversion*
- **FIAT CURRENCY FAILURE:** Sovereign debt in developed economies has now reached and exceeded the level (Total Debt is over 90% of GDP) where further increases in debt no longer stimulates demand. In fact [according to brilliant economists such as Lacy Hunt](#) (who I have interviewed [here](#) & [here](#)), it now has a negative multiplier. In other words, at a certain point you can't solve a debt problem with more debt. This is where a fiat currency historically begin failing.
- **SECURITY-SURVEILLANCE:** Terrorist attacks, whether radical Muslim fundamentalists, deranged domestic citizens or individuals / groups using violence to promote some form of social change regarding a specific 'injustice' is increasingly becoming a regular occurrence in our modern society. As of yet, government and political leaders have no workable answer while citizens become impatient.
- **TECHNOLOGY DISRUPTURES:** The next wave of technology will replace 1000's with each additional one created. That technology is Visual Recognition or "seeing" capabilities for robotic applications. The possibilities are as endless as the jobs themselves have been. Self driving Trucks alone will revolutionize the largest employer in America – truck, bus & delivery drivers. "The Global Economy will require 600 Million Net New Jobs within the next 10 Years!" according to the World Bank.
- **FINANCIAL – ECONOMIC – POLITICAL:** The next financial crisis will be a prime visible catalyst for the changes that will occur in the advent of the New World Order. We suspect it will be centered on the ~ \$600 Trillion, OTC, unregulated SWAPS market collateralized on "Mark-to-Magic" (Derivative Mark-to-Mark was removed and never re-imposed after the 2008 Financial crisis) of Currencies and Bond SWAPS.
- **INEQUALITY:**
  - Inequality in the US now compares to that last seen at the end of the US "Gilded Era". Though massive growth in personal wealth has occurred as a result of increased asset prices, US households are not seeing this as they have been out of the stock market since the 2008 Financial Crisis.
  - President Barack Obama [set out four major economic issues](#) that his successor must tackle. As he put it: "... restoring faith in an economy where hardworking Americans can get ahead requires addressing four major structural challenges: boosting productivity growth, combating rising inequality, ensuring that everyone who wants a job can get one and building a resilient economy that's primed for future growth."
  - Because financial assets including and especially equities are overwhelmingly concentrated in the hands of the rich, the longer policies that inflate those assets take to trickle down, the wider the wealth divide gets.
  - We are seeing increasing Inequality within developed nations but improving Equality between nations and specifically between developed and emerging economies.
- **CREDITISM v CAPITALISM:**
  - The global economy has mutated from a Capitalist economic structure to a Credit Structure.
  - Regulations and Government Policies no longer allow capitalism to work.
  - Capitalism was dealt a mortal blow in 1913 with the establishment of the central bank and income tax, and buried in the New Deal. It's no surprise the left falsely labels the grotesque and failing mixed economy capitalism where every failure can be ascribed to capitalism and used as a justification for more government.

#### 4- WHAT'S NEEDED – A Financial / Economic / Political Triggering Event

- **A NEW FORM OF SOVEREIGNTY:**
  - Modern communications technology has made obsolete the historic concept of the Nation State the same way Corporations over three decades ago had to decentralize control, downsize, right size and outsource to stay viable within a Global Economy.



- The Nation State can no longer have their size of government, fiscal spending, entitlement programs nor their military 'out of line' with other nation states and expect to see their standards of living maintained or increased. The Globalized economy will punish them to the point of destruction. The current re-balancing required when redraw the borders of many nation states as they likely collapse into regional trade identities. Corporations had to 'get larger' to compete and survive.
- We have endless global examples of nation states having troubles keeping its member constituents in the fold. Some high visibility examples would be: Spain's Catalonia holding a referendum vote to separate, Scotland also holding separation votes to withdraw from the UK or Canada's French speaking Quebec province championing separation from Canada and forcing a change to the national constitution.
- Communications technology has made traditional borders meaningless, while at the same time has made smaller groups more autonomous because of their ability to collaborate and share what they have in common. De-centralization became the norm within business corporations in the 80's and with technology such as the internet now being ubiquitous, countries are now experiencing the same driving change, for the same reasons which drove corporations to change three decades ago.
- A Corporation's allegiance is to "Profit, Shareholders & its Business Viability". Nowhere does a corporation ever mention any responsibility to, or speak about their country responsibility – other than to abide by the law! Governments on the other hand are always talking about creating an environment for companies to prosper. Why? Today it's about jobs and revenue stream from taxes. The nation state is more dependent on business & trade for jobs than ever.
- "The State is the organization of the herd to act offensively or defensively against another herd similarly organized."
- The State is a state of mind; it is the herd mindset itself. As such, it can only be overthrown in the battleground of the mind. Once the State is spiritually dethroned and the populace fully transfigures from herd to civilization, the "Government," like a shepherd without a flock, will no longer even merit its designation. It will then merely be a heavily armed, but even more heavily outnumbered, gang of rustlers writ small.
- "Government is the idea of the State put into practical operation in the hands of definite, concrete, fallible men. It is the visible sign of the invisible grace. It is the word made flesh. And it has necessarily the limitations inherent in all practicality. Government is the only form in which we can envisage the State, but it is by no means identical with it. That the State is a mystical conception is something that must never be forgotten. Its glamour and its significance linger behind the framework of Government and direct its activities."
- "Country is a concept of peace, of tolerance, of living and letting live. But State is essentially a concept of power, of competition: it signifies a group in its aggressive aspects." Government "is the machinery by which the Nation, organized as a State, carries out its State functions" and "a framework of the administration of laws, and the carrying out of the public force."
- A NEW FORM OF EXCHANGE & TRADE:
  - We need to think about building a world defined by networks governed by rules, but with no rulers.
  - Bitcoin has shown to the world. It is a global network/community of people who have voluntarily opted into an alternative monetary system with no one in charge. Let me repeat that again, nobody is in charge. There's no CEO, there's no individual empowered to come in and just make changes to the code. In contrast, there's a sprawling community of developers, entrepreneurs, thinkers, writers, etc, whose degree of influence within the network changes over time.
  - Bitcoin's governance can be best described as anarchy, and it's precisely this structure that appeals to so many. It's a voluntary system governed by rules, but there are no rulers. There





are key influencers and people whose opinions matter to the direction of the project, but these people have no official position, and their influence can disappear as quickly as it rose. It may not be clean and pretty, but it's the way I think governance ought to work.

- Bitcoin is the global community that's been built around it. This global network helps people understand how connected we are as human beings. That we have infinitely more in common with each other than the corrupt governments and sleazy oligarchs who rule our respective nation-states. It's a very valuable lesson that "we the people" on a global level need to internalize if we're to overcome the centralized hierarchies that dominate human affairs on earth at this time.
- A NEW FORM OF GOVERNANCE:
  - POLITICAL CORRUPTION: The perception of broad based government corruption and crony capitalism has reached a critical inflection point. There is a public sense that governments have been taken over and no longer are intent on serving the needs of the people but rather are serving the needs of the "elite" and powerful. The growing pervasive view that governments are manipulative (or being manipulated) and their elected politicians are corrupt (or minimally controlled) has achieved the level that their Governance is polarizing public opinion and jeopardizing their ability to influence public opinion and to effectively lead.
  - CRISIS OF TRUST: The electorate is withdrawing from the political process – They don't believe in what their elected politicians tell them, they distrust their government and the "system" isn't solving their needs.
  - SHIFTING VIEWS: Governance is shifting towards 1- Bottom Up Power, 2- Collaboration, 3- Specialization and 4-"Real" Leadership. What is driving these shifts is the perception of government corruption, polarization of opinion and new modern communication technology in the form of social media.
  - MISSING GLOBAL GOVERNANCE: There is no rule of law at the international level, enforced by a neutral legislator and referee. There are sectoral guidelines here and there, and the unilateral imposition of regulations by one or two superpowers within their territorial jurisdiction.
  - FAILED INSTITUTIONAL ROLES: The United Nations has been an abject failure as an institution for Global Governance! Frankly, it was not designed as such nor as it intentionally given the power to act as such. The UN's role as a "coordinator" for "collaboration" in future governance is going to be critical going forward but likely will take another reincarnation like its evolution from the "League of Nations".
- NEW FORMS OF INSTITUTIONS:
  - We need to think about building a world defined by networks governed by rules, but with no rulers.
  - If you avoid the reform of political institutions then even the strongest of them will weaken over time!
  - Across the developed world (with the notable exception of Japan), popular trust in technocratic/bureaucratic institutions has declined steeply, in some instances as a result of direct political interference in their work. And so most of the advanced industrial democracies—those countries on the top right side of the "J Curve" (describing the relationship between stability and openness)—are starting to edge down to the left. This will be an important global story in 2018.
  - Ever-larger segments of the public and their representatives have lost faith in the exercise of bureaucratic functions, inviting the political capture of more organs of the state. It's not an accident that the phrase "deep state"—which made its debut nearly a century ago in Mustafa Kemal Atatürk's Turkey—has now made its way to Washington and into the president's tweets.
  - Institutional erosion across many countries risks structural instability in the global system. Absent solutions from global leaders—which aren't in the offing in the foreseeable future—traditional state-based international relations will become more and more unstable. Conflict will become more frequent, decision-making degraded, and internal chaos common.

- The community of nations has shifted into “multi-lateral” gear in a stealth fashion. Between 1945 and 2000 a host of regional and global organizations were created to help deal with the world’s problems. These multilateral organizations generally came in three flavors. The first is the IGO or intergovernmental organization, where the members are sovereign governments usually represented by plenipotentiary ambassadors. The second is the NGO or non-governmental organization, where the members are from the private sector but reach across international borders. The third was a hybrid of the IGO & NGO.
- The present system of both public and private multilateral organizations appears to be seriously flawed and, in its present configuration, unlikely to meet the challenge of coping with globalization and its asymmetrical shocks. Here are some of the most obvious weaknesses in the IGOs: A haphazard architecture, Agenda Duplication, Agenda Gaps (insufficient attention to linkages), Rigid Decision Rules.

## 5- WHAT AN NTEGRATION OF THE NEW FORMS WILL LOOK LIKE

I would like to propose a “strawman” structure as a platform to begin the dialogue on how the forms may come to be and operate. What the “strawman” must incorporate is:

- Electronically Networked Federalism that can initially role up to Regional “Trade Zones” and down to autonomous self governing units at the lowest level.
- Eventually have the Globe as a single “Trade Zone”.
- Employs blockchain technology for trade transaction, exchange currency and the voting apparatus,
- Define global “separation of powers” specifically by “roles in resolution”,

## 6- HOW THE NEW WORLD ORDER WILL COME ABOUT –*Triggering Events*

- Political developments have fractured the west as an ideologically coherent entity.
- Modern western ideals of democracy and liberal global markets have lost prestige and appeal.
- The old days of domination by the leading high-income countries are over. Securing co-operation among such diverse countries is extremely hard.
- The position of today’s high-income countries, though still enormously powerful, is in relative decline.
- The election of Donald Trump would lead to the world experiencing an unraveling of the US-created, post-second world war liberal order into de-globalization and conflict, or a resurgence of co-operation. Evidence after one year suggests the former is ahead.
- In 2017 autocracy was on the rise. The “democratic recession” continues.
- Financially & Economically, a stealth, secular, structural shift is underway as leverage is beginning to fail because of collateral shortages,
- The End of the Debt Super-Cycle has Begun,
- The Baby Boomer Equity Bull Market is Coming to a Close,



1- THESIS 2018

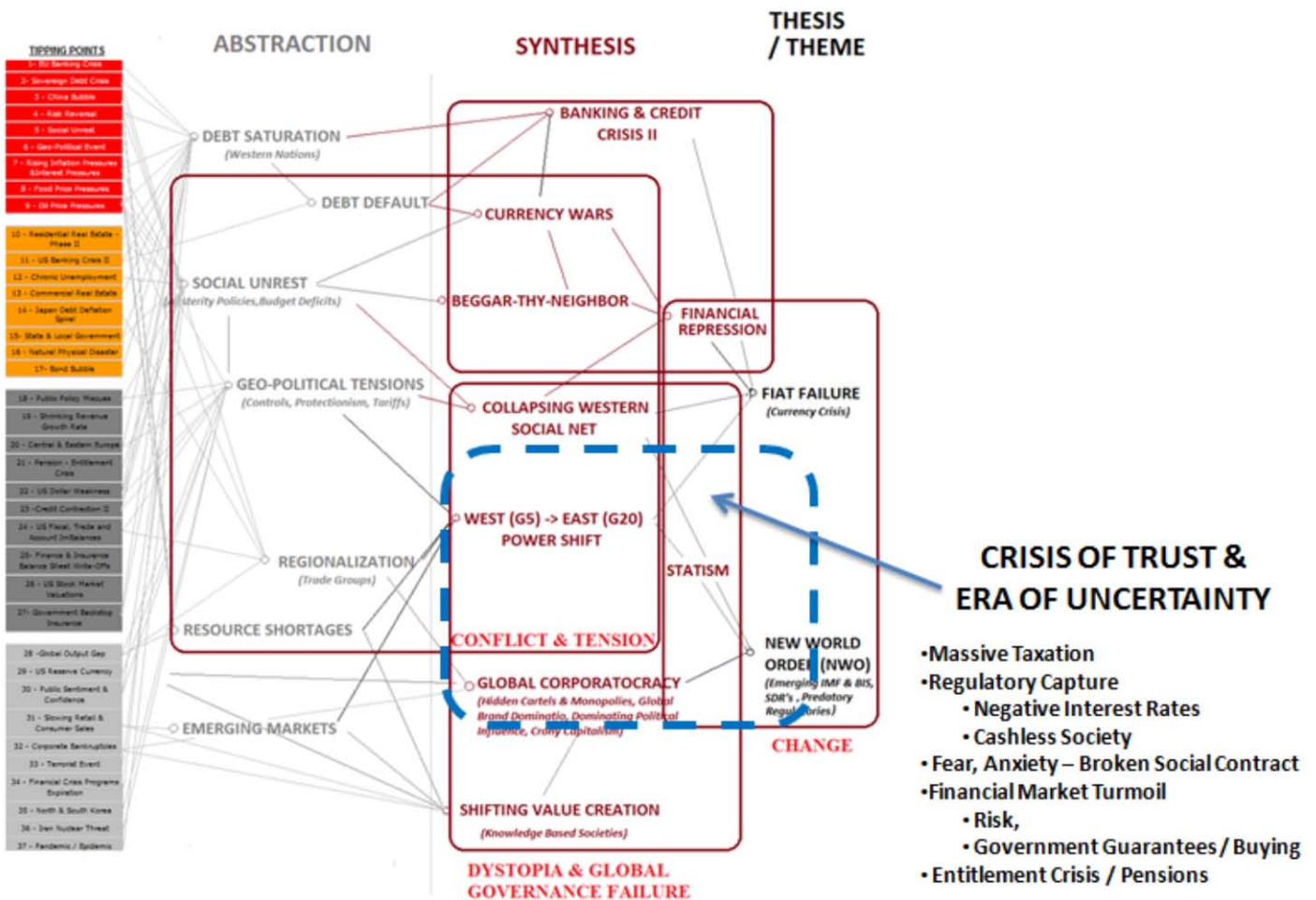
WHERE A 'NEW WORLD ORDER' FITS

Previous Annual Thesis Reports:

2000 - Extend & Pretend  
 2011 - Currency Wars – 'Beggar-thy-Neighbor'  
 2012 - Financial Repression  
 2013 - Statism  
 2014 - Globalization Trap  
 2015 - Fiduciary Failure  
 2016 – Crisis of Trust  
 2017 – Illusion of Growth

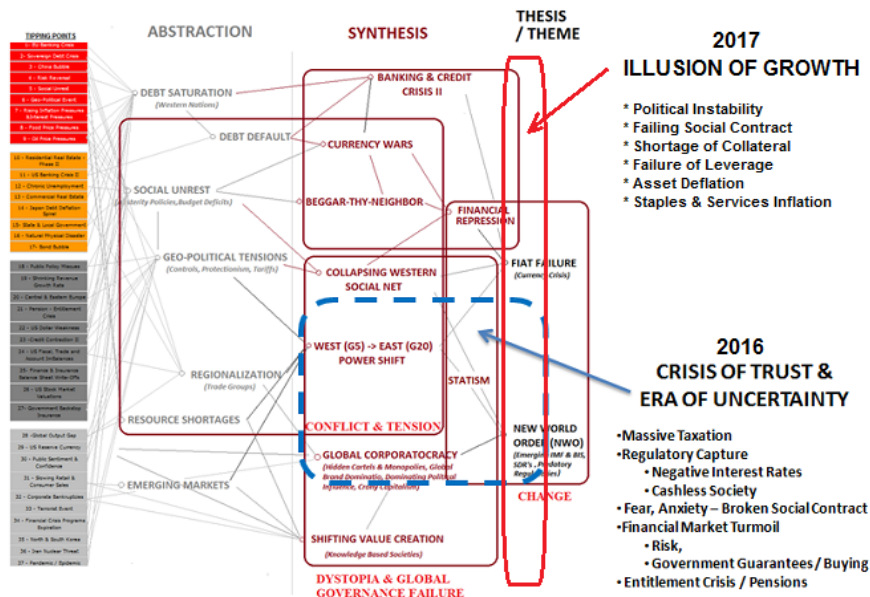
OUR ABSTRACTION PROCESS

In 2016 we focused on the Crisis of Trust in a growing era of Uncertainty.

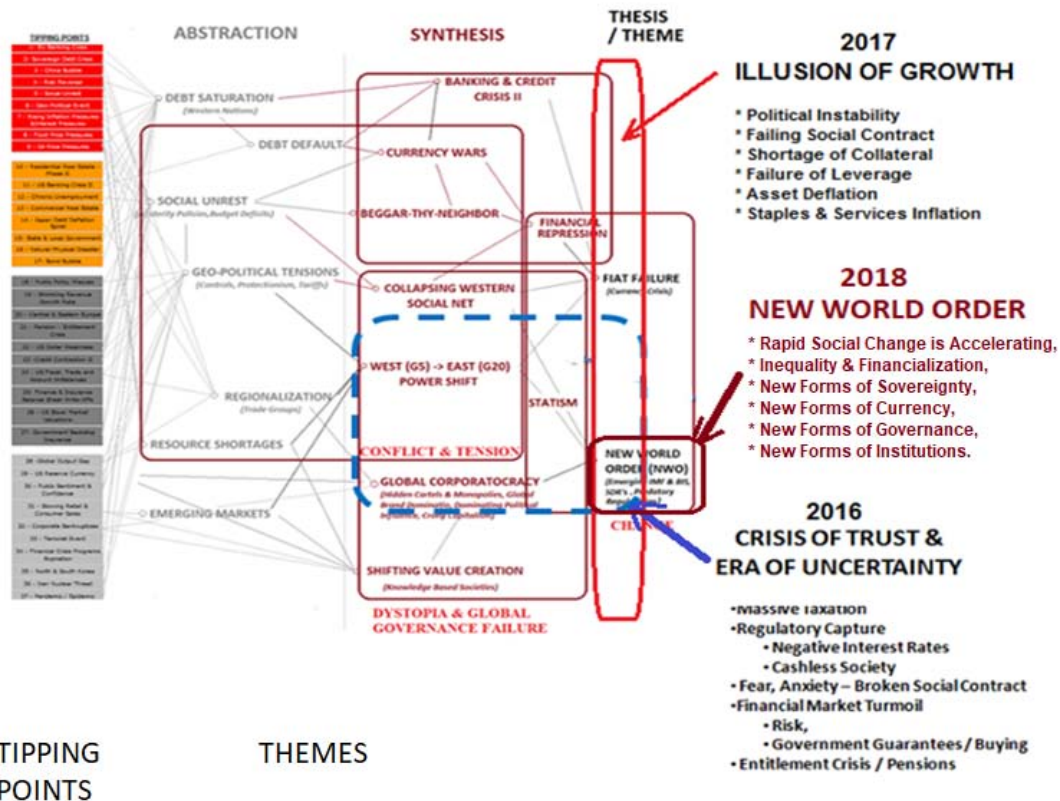




In 2017 we focused on the core problem of the "Illusion of Growth".

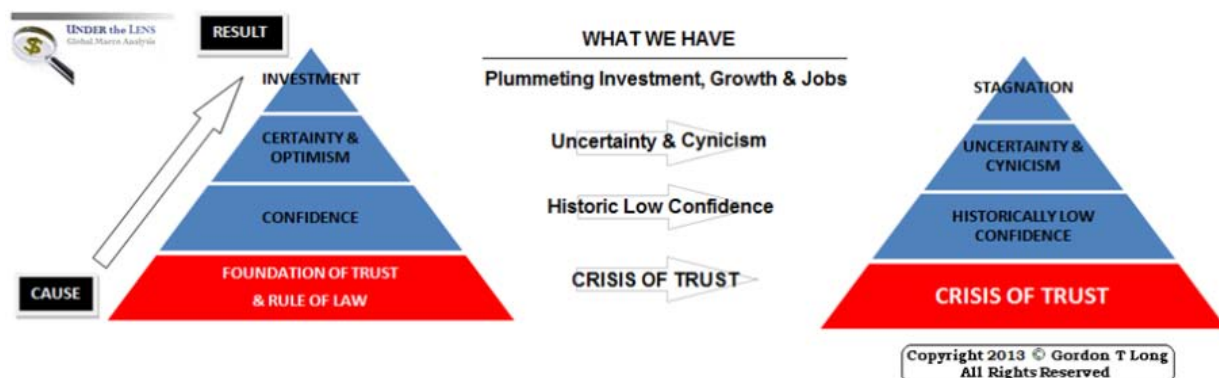


This year we progress as the world is, towards an emerging New World Order. In 2019 we fully expect to be talking about signs of a failure of Fiat Currencies.



## SPRING BOARDING FROM PRIOR YEARS

In 2016 we spelled out the emerging Crisis of Trust of what it would mean going forward.

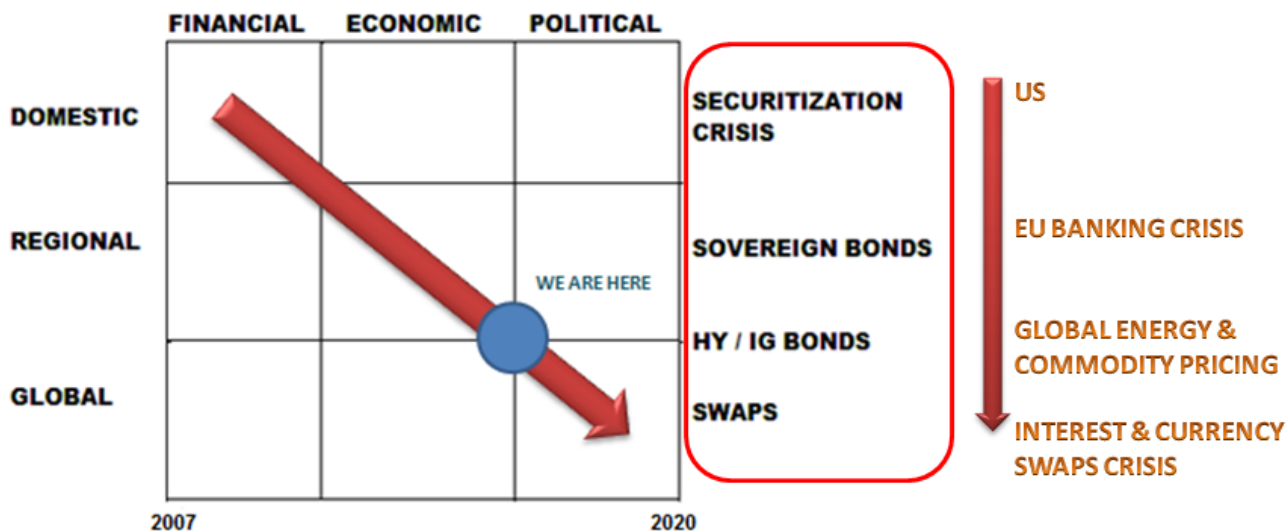
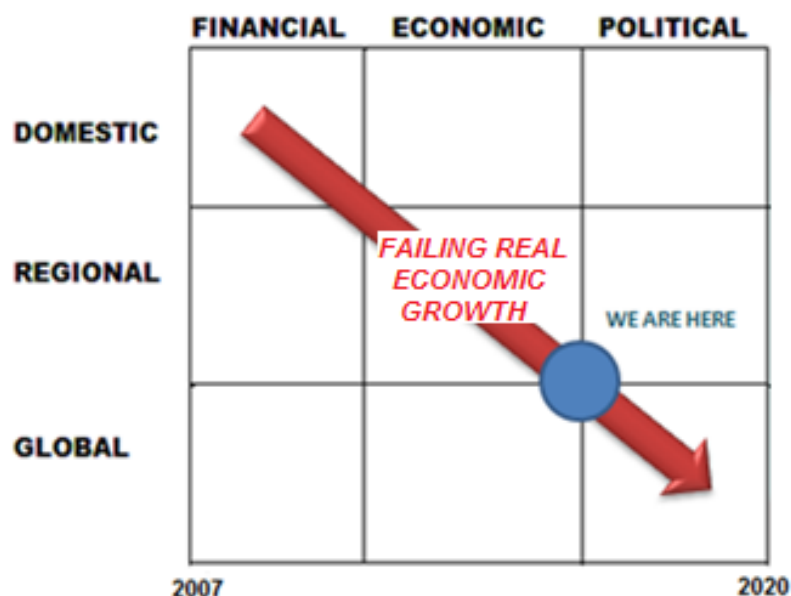


We believe it has unfolded as we predicted and continues to do so which is building towards new forms of governance, institutions, legal sovereignty, trade and exchange. The 2007 Financial Crisis has dramatically accelerated this shift towards a new world order to accommodate Globalization.

Look for the next Crisis to be:

- 1-Global,
- 2 Politically Initiated and
- 3- Implode from the Unregulated \$700T SWAPS / \$72T Shadow Banking Complexity

## FAILING REAL ECONOMIC GROWTH





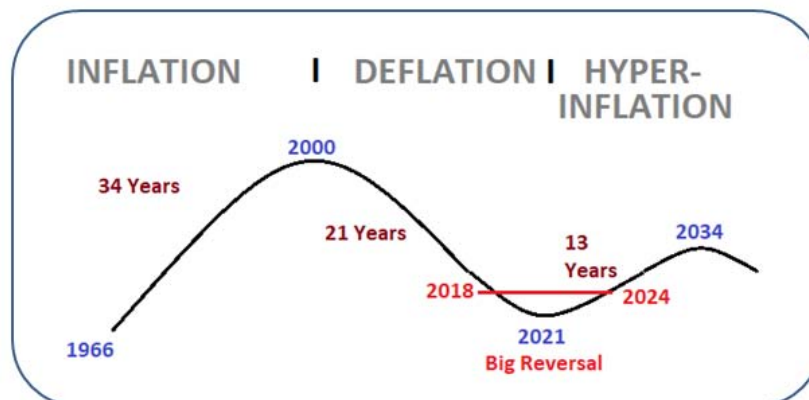
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ROADMAPS

## THE FIAT CURRENCY CYCLE FAILURE



## THE FIBONACCI TIME OSCILLATOR



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## 2- WHAT'S BROKEN? – “Kicking the Can Down the Road” Is Not A Long Term Strategy!

### KEY MESSAGES

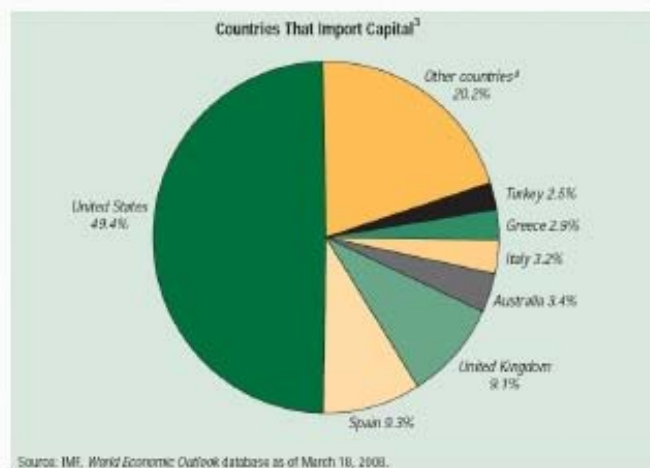
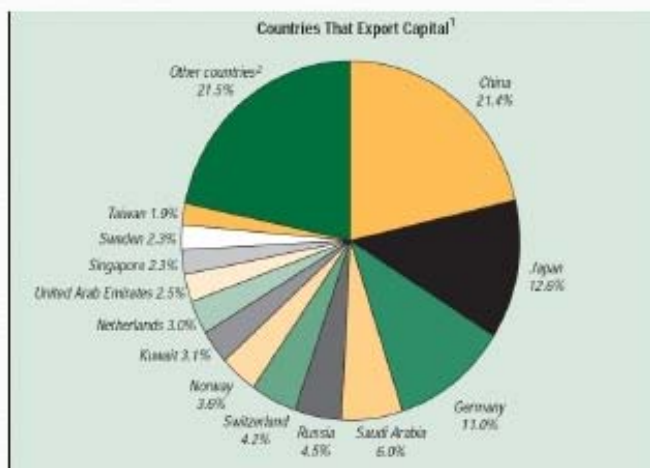
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- The initial stage of Globalization has fostered (like the early stages of the Industrial Era) a “New Gilded Era”.
- Crony Capitalism has been a dominating theme in America for at least the past two decades
- It is clearly evident that we are now entering a period when many well established cycles are heading downward.

### GLOBAL IMBALANCES

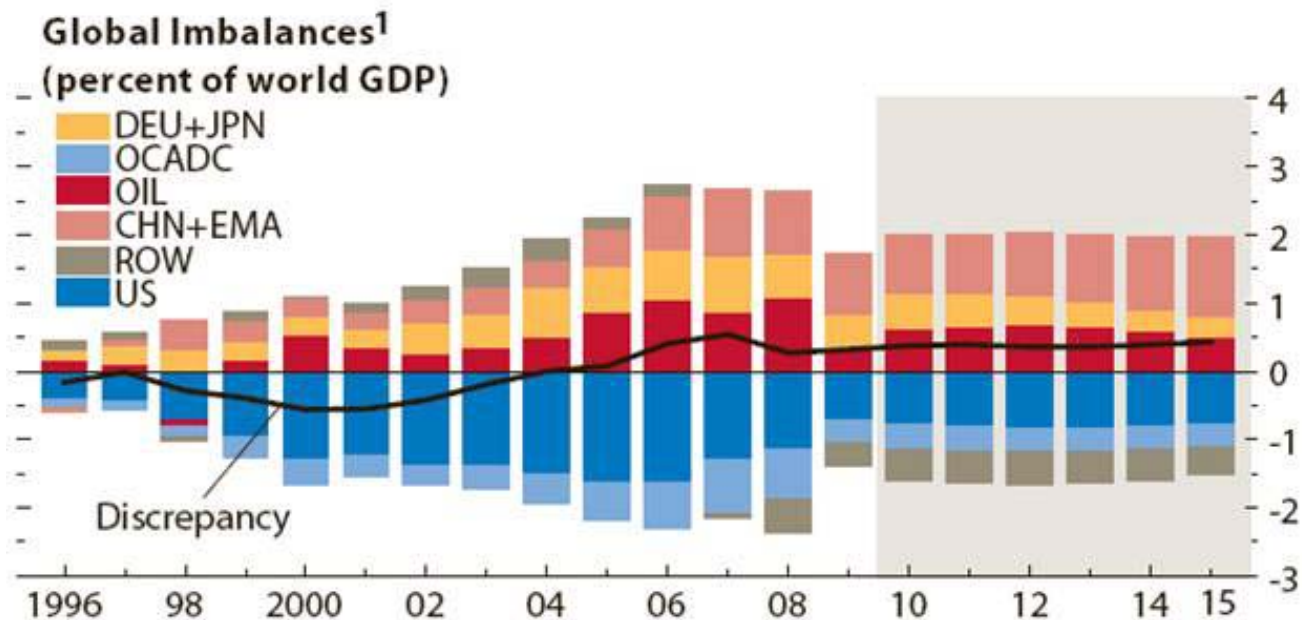
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## Global financial imbalances

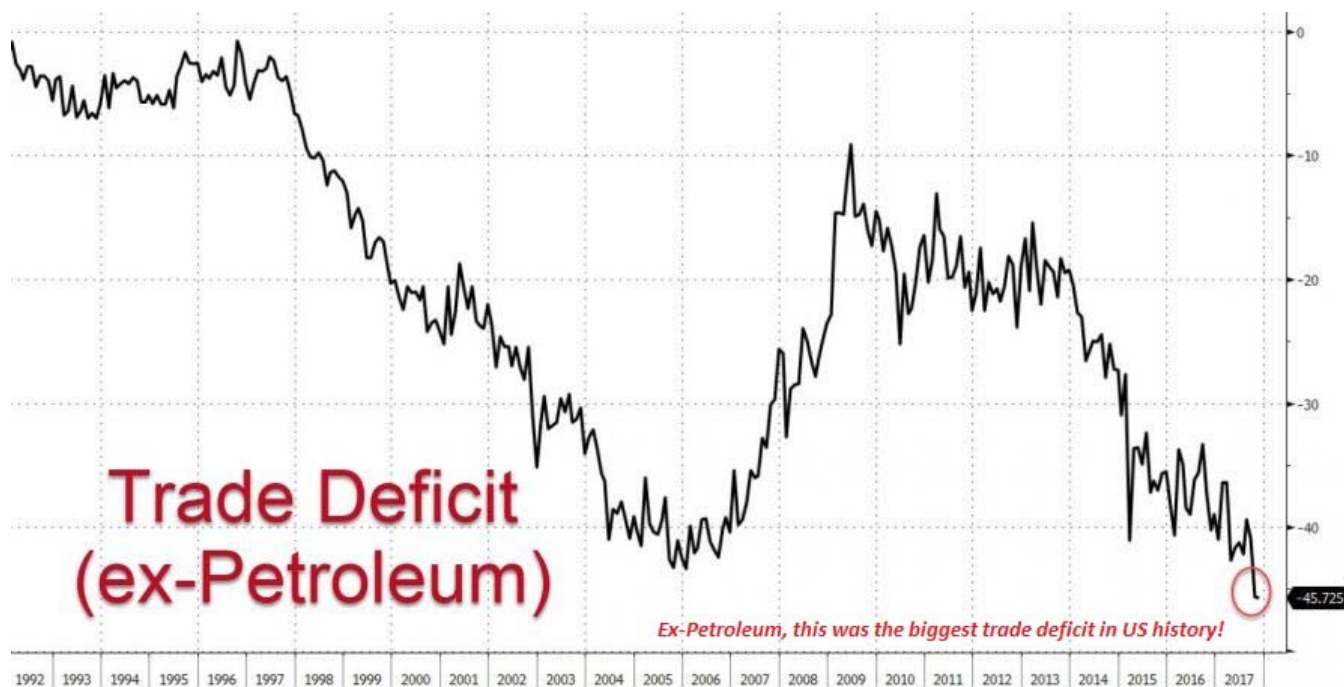
- U.S. current account deficit recently as high as 6% of U.S. GDP! Financing provided mostly by capital inflows from Asian countries and oil exporters.







The US Trade Deficit (ex-Petroleum) has never been greater and just continues to deteriorate --- and this is with a weakening US Dollar in 2017!



## THE NEW GILDED ERA

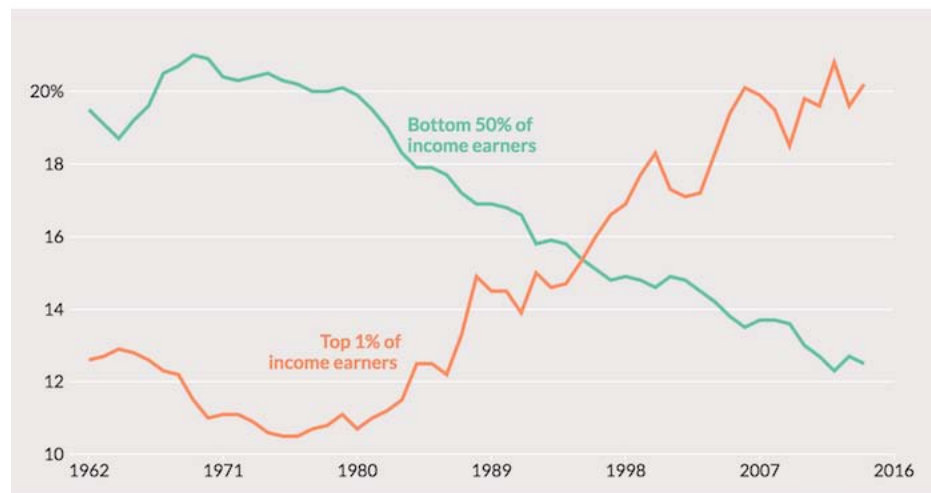
- The initial stage of Globalization has fostered (like the early stages of the Industrial Era) a “New Gilded Era”.
- Crony Capitalism has been a dominating theme in America for at least the past two decades.

## NEW GILDED AGE

Similar to the early stages of the US Industrial Revolution with the Rockefellers, Carnegie's, Vanderbilt's and Morgan's dominating the created wealth of the day, we have a New Gilded Era in the US. This time the wealth is being abstracted through the “Financialization” of the economies of the Developed nations.

### A tale of two countries

The share of U.S. pre-tax income accruing to the bottom 50 percent and top one percent of income earners, 1962-2014



Source: Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, “Distributional National Accounts: Methods and Estimates for the United States,” 2016, Cambridge, MA: National Bureau of Economic Research  
Note: The unit is the individual adult and incomes within married couples are split equally.



## CRONY CAPITALISM

Governments have become such a large part of national economies that large wealth extraction is most easily realized through the government trough. Crony Capitalism is the dominate theme of the day with overt corruption, influence peddling and “Regulatory Arbitrage” being the tools of the new game.

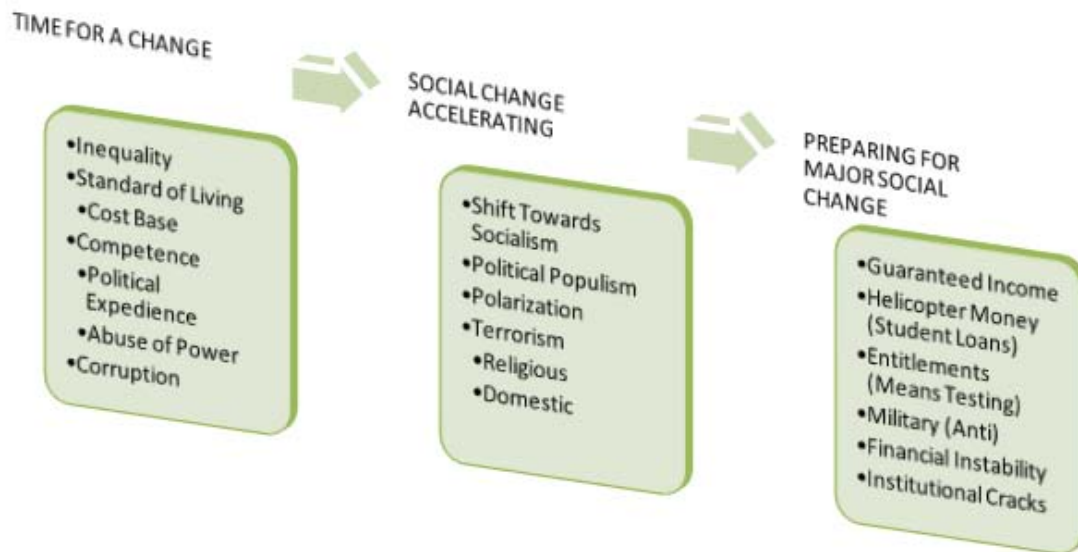
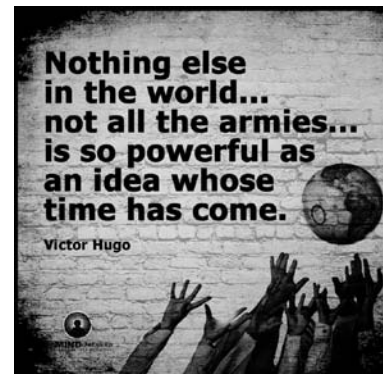


## ACCELERATING SOCIAL CHANGE

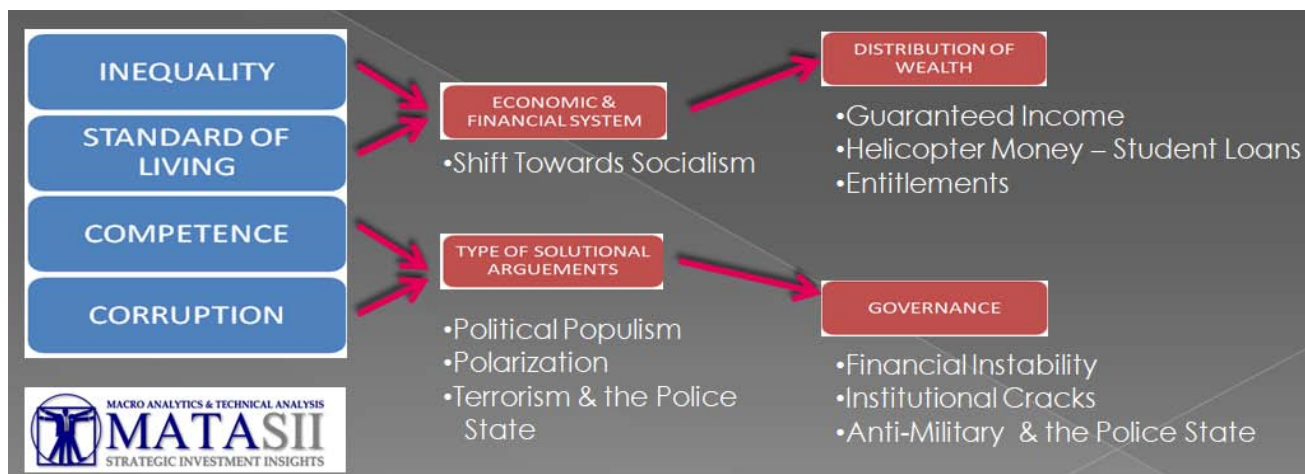
*"I see a species in the early stages of a historic transformation. We are moving away from hierarchies and into networks. Away from centralization and into decentralization. From the unconscious to the conscious." – Mike Krieger, [Liberty Blitzkrieg Blog](#)*

I produced a three part series at Macro Analytics with Charles Hugh Smith entitled: 2018: YEAR OF ACCELERATING SOCIAL CHANGE (Part I, Part II, Part III) that laid out some of the social drivers presently underway. We identified what is pushing society towards this change at this time, what we are witnessing as this social change is beginning to accelerate and why we should be expecting and preparing for the likely social changes ahead.

The following graphic lays out some of the key points discussed in the video.



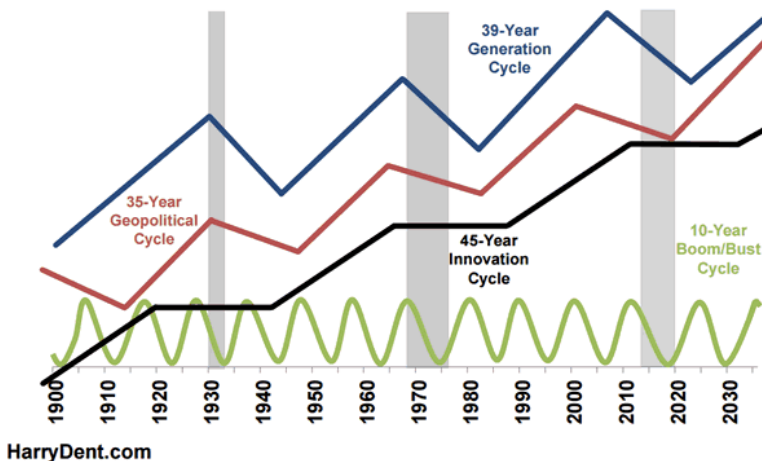
The electorate is no longer willing to tolerate their elected officials ignoring real problems and simply "kicking the can down the road"! To a large degree many of these drivers are instrumental in pushing towards the "New World Order" ahead and which we will lay out further in this 2018 Thesis.





I have done a lot of work over the years on Cycles as well as [interviewed such well respected cycle authorities such as Harry Dent](#) (his chart below from the interview). It is clearly evident that we are now entering a period when many well established cycles are heading downward. See my article: [Cycles - A Fuse, An Explosive and The Igniting Catalyst](#)

## Hierarchy of Macroeconomic Cycles Developed Countries



In this 2016 article and the video series just released (January 2018) Charles Hugh Smith and I discuss the work of Peter Turchin's "Ages of Discord"

Charles writes in "[Now Is The Winter Of Our Discontent: An Era Of Rising Discord](#)"

Do we control the slide into disorder and the emergence of a new order? The short answer is no: **the forces at work are systemic and structural, and not controllable with the usual political/economic tools.**

Historian Peter Turchin explores historical cycles of social disintegration and integration in his new book [Ages of Discord](#).

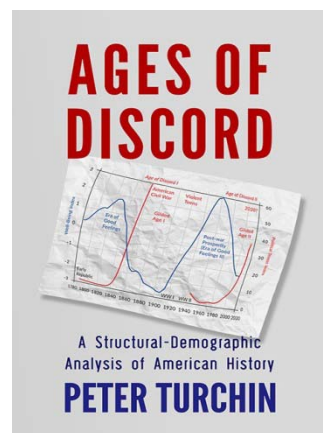
Turchin proposes a model of rising discord that eventually leads to a new cycle of cooperation and compares the expected result with historical data. He finds 25-year cycles that combine into roughly 50-year cycles, comparable (though not identical with) Kondratieff's proposed economic cycles (see chart below). These 50-year cycles are part of longer 150 to 200-year cycles that move from cooperation through an age of discord and disintegration to a new era of cooperation.

This work draws upon his previous books, including [War and Peace and War: The Rise and Fall of Empires](#), which I referenced in [Following in Ancient Rome's Footsteps: Moral Decay, Rising Wealth Inequality](#) (September 30, 2015) and [The Lesson of Empires: Once Privilege Limits Social Mobility, Collapse Is Inevitable](#) (April 18, 2016).

These long cycles parallel the cyclical analysis of David Hackett Fischer, whose masterwork [The Great Wave: Price Revolutions and the Rhythm of History](#) I've referenced many times over the years, most recently in [We've Entered an Era of Rising Instability and Uncertainty](#) (July 18, 2016).

**Turchin's model identifies three primary forces in these cycles:**

1. An over-supply of labor that suppresses real (inflation-adjusted) wages

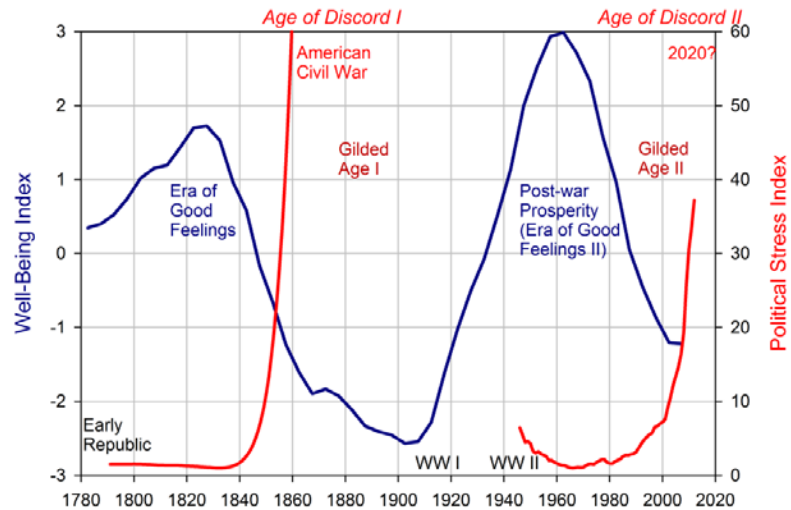




2. An overproduction of essentially parasitic Elites

3. A deterioration in central state finances (over-indebtedness, decline in tax revenues, increase in state dependents, fiscal burdens of war, etc.)

These combine to influence the broader social mood, which is characterized in eras of discord by fragmented loyalty to self-serving special interests (disintegration) and in eras of cooperation by a desire and willingness to cooperate and compromise for the good of the entire society (integration).



**Rising discord can be quantified in a Political Stress Index.** Do we find evidence of Turchin's disintegrative forces in the present era?

1. Stagnating real wages due to oversupply of labor: check.

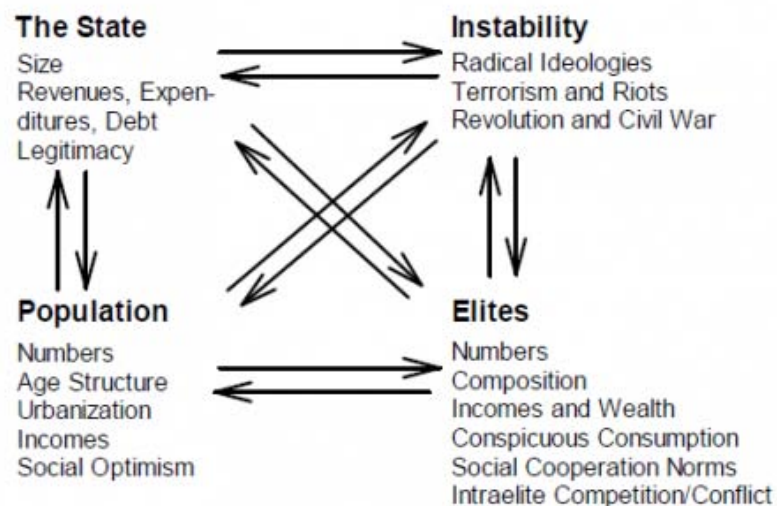
2. Overproduction of parasitic Elites: check.

3. Deterioration in central state finances: check.

Is it any wonder that political stress, however you want to measure it, is rising?

Cycles are the result of the interaction of complex, non-linear dynamics, and so they are not entirely predictable in terms of pinpointing the exact moment of crisis or the outcome of a systemic crisis.

If we study Turchin's model and Fischer's work on Price Revolutions and the Rhythm of History, it becomes increasingly difficult to believe central planning policy tweaks can ensure a permanent extension of **cooperation and prosperity**.



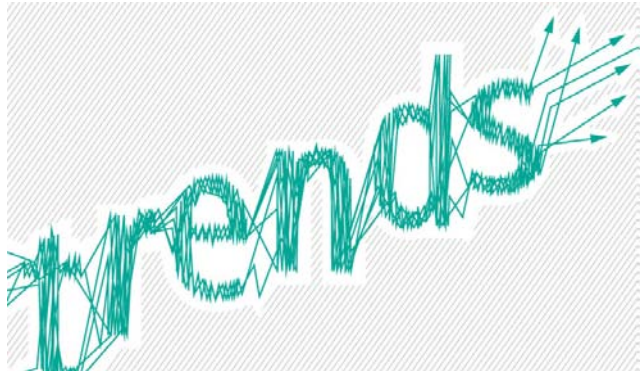
**Figure 2.1** The complex web of interactions postulated by the structural-demographic theory.



### 3-TRENDS UNDERWAY – *It's Happening All Around Us!*

#### KEY MESSAGES

- **MULTI-POLAR TRANSITIONS FROM A UNI-POLAR WORLD:** As the United States' growing dependence on foreign capital increases due to its international debt burden, the US is becoming more dependent. With the U.S. market additionally becoming increasingly less important to many nations this further reduces the US' political power.
- **DE-DOLLARIZATION:** The process of moving away from the dollar - prepared by Europe and triggered by China and Russia - can no longer be stopped. And as a "supra-national" reserve asset, gold is likely to play an increasingly important role in it.
- **DEMOGRAPHICS:** Aging populations, declining birth rates and slowing numbers of emerging & frontier market labor forces entering the global labor pool is now beginning to have a profound impact on the rate of growth of global aggregate demand.
- **BIG REVERSAL:** As outlined by a ground breaking paper by the BIS the global economy is transitioning from an era where: *Deflation = Debt + Demographics + Disruption* to an era of *Inflation = Interest + Income + Inversion*
- **FIAT CURRENCY FAILURE:** Sovereign debt in developed economies has now reached and exceeded the level (Total Debt is over 90% of GDP) where further increases in debt no longer stimulates demand. In fact [according to brilliant economists such as Lacy Hunt](#) (who I have interviewed [here](#) & [here](#)), it now has a negative multiplier. In other words, at a certain point you can't solve a debt problem with more debt. This is where a fiat currency historically begin failing.
- **SECURITY-SURVEILLANCE:** Terrorist attacks, whether radical Muslim fundamentalists, deranged domestic citizens or individuals / groups using violence to promote some form of social change regarding a specific "injustice" is increasingly becoming a regular occurrence in our modern society. As of yet, government and political leaders have no workable answer while citizens become impatient.
- **TECHNOLOGY DISRUPTURES:** The next wave of technology will replace 1000's with each additional one created. That technology is Visual Recognition or "seeing" capabilities for robotic applications. The possibilities are as endless as the jobs themselves have been. Self driving Trucks alone will revolutionize the largest employer in America – truck, bus & delivery drivers. "The Global Economy will require 600 Million Net New Jobs within the next 10 Years!" according to the World Bank.
- **FINANCIAL – ECONOMIC – POLITICAL:** The next financial crisis will be a prime visible catalyst for the changes that will occur in the advent of the New World Order. We suspect it will be centered on the ~ \$600 Trillion, OTC, unregulated SWAPS market collateralized on "Mark-to-Magic" (Derivative Mark-to-Mark was removed and never re-imposed after the 2008 Financial crisis) of Currencies and Bond SWAPS.
- **INEQUALITY:**
  - Inequality in the US now compares to that last seen at the end of the US "Gilded Era". Though massive growth in personal wealth has occurred as a result of increased asset prices, US households are not seeing this as they have been out of the stock market since the 2008 Financial Crisis.
  - President Barack Obama [set out four major economic issues](#) that his successor must tackle. As he put it: "... restoring faith in an economy where hardworking Americans can get ahead requires addressing four major structural challenges: boosting productivity growth, combating rising inequality, ensuring that everyone who wants a job can get one and building a resilient economy that's primed for future growth."





# MATASII

- Because financial assets including and especially equities are overwhelmingly concentrated in the hands of the rich, the longer policies that inflate those assets take to trickle down, the wider the wealth divide gets.
- We are seeing increasing Inequality within developed nations but improving Equality between nations and specifically between developed and emerging economies.
- CREDITISM v CAPITALISM:
  - The global economy has mutated from a Capitalist economic structure to a Credit Structure.
  - Regulations and Government Policies no longer allow capitalism to work.
  - Capitalism was dealt a mortal blow in 1913 with the establishment of the central bank and income tax, and buried in the New Deal. It's no surprise the left falsely labels the grotesque and failing mixed economy capitalism where every failure can be ascribed to capitalism and used as a justification for more government.

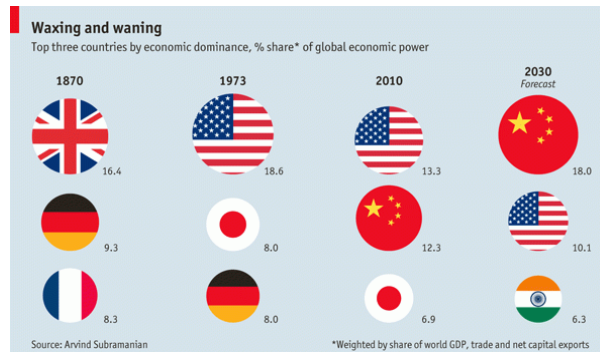


## A- CHANGE IS OCCURRING

### MULTI-POLAR VERSUS UNI-POLAR WORLD

A grand strategy, which has been pursued by US Administration, ultimately rests on the simple idea of a unipolar world — the notion that the United States is the only power that counts in the world today. Yet for all practical purposes, a multi-polar world already exists, yet the US acts in defiance of this.

We can observe changing dynamics of world order – steadily moving away from European-US hegemony to a more regional power-play story. Multi-polarity is most visible in economic terms, with the steady shift eastward in the economic center of gravity of the world to an extent that some writers now describe a process of "easternization." The old political order in the developed world, on the other hand, is causing either apathy, rage or political entrepreneurship. In Europe, there has been a marked and apparently structural decline in trust in the European Union and growth in the EU pessimism.



It seems as if history is repeating itself with so many rising powers on the global stage. Although the US has long maintained its uni-polar status for quite some time, it seems now that America's days of being the world's cop are over, with the other emerging power galvanizing rise of multi-polarity.

The USA emerged as the policymaker in the world, as its structural power had unmatched influence across countries to state their policies. However, the then world order did not seem to guarantee peace with the outbreak of Gulf War and later on American invasion of Iraq in 2003. Most think-tanks opined that America's policy of interventions and invasions would result into imperial overreach. Perhaps, the opinions seem prescient today with the US continuing to be beset by fiscal deficits, facing increased unemployment and losing its relative economic power. Moreover, a resurgent Russia, rising China and other emerging great powers gaining ground on the global stage are ensuing the multi-polar world order.

Putin is rethinking of strategic alliances in South Asia and Moscow's role in Syrian Crisis has brought it enough support from Middle East to govern the world affairs. Russia's military power, as well as improving economic power, indicates Kremlin's growing influence on world affairs.

Often 21st century is regarded as Chinese century due to Beijing's growing relative economic power and military power. China is leasing out world's major economic corridors to access markets and it is making its grip stronger on the global arena by incorporating manufacturing industry. Moreover, as the Western bloc is unable to apply economic aggression. This leaves Beijing free to pursue its main political objectives, such as strengthening Army on its maritime boundaries, carrying on drilling activities on disputed Islands, and expanding its influence and commercial facilities across the continent, without fear of economic isolation. Thus, China is another actor challenging American hegemony.

Other emerging powers are India, Brazil, Iran and South Africa which are gaining quite notable space on the world stage. It is yet to be seen what this new order unwraps. Historically, no order has witnessed long-term peace. Wars have shaped modern world more than the treaties. In the era which is marked by security dilemma, where nuclear bombs are credited for being the greatest deterrent of war instead of understanding and institutions, where expenditure on nuclear proliferation exceeds the expense of human welfare— there peace seems like an Utopian dream. Let's hope this time the new order brings out peace and prosperity for the planet. Let's hope the pen, not the gun writes the future of coming generations.

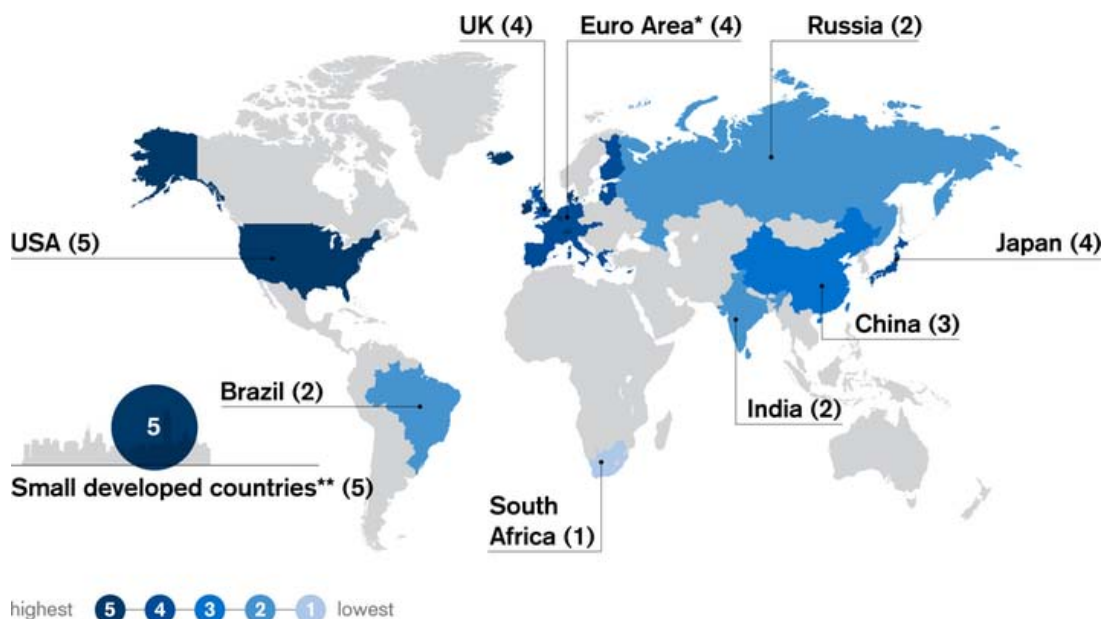
On a global plane, the United States may appear to be the world's only superpower, spending more than the next 15 nations combined on military power. But viewed at the level of its key strategic relationships with Europe, Russia, China and Japan, the United States in each case needs them to achieve its foreign policy goals as much — or more — than they need the United States. The US still fails to fully appreciate this and change its approach to foreign policy.

In other words, at the bilateral level, the other established and emerging powers of the world enjoy either strategic parity with the United States — or a favorable balance of power and interest. And the balance is likely to tilt further in favor of Europe, Russia, Japan and China in the future.

This is in part because:

*The U.S. market will become less important to them — and in part because the United States' growing dependence on foreign capital will increase its international debt burden.*

- This makes it more vulnerable to the policies and attitudes of its principal creditors.
- The US is using its power in the Middle East in a way that will destabilize the region and create greater Western-Islamic tensions.
- The United States has had very little success in helping create stable democracies in any part of the world over the last two decades, including in its own neighborhood.
- For much of the last decade, the world has heard repeatedly about the superiority of the American model. That model is seen more and more to be failing.
- The United States needs a reasonably strong Russia — and not just to maintain the safety of its nuclear weapons. It also needs to help balance an increasingly powerful China, check Taliban-like extremists and terrorists in Central Asia and the Caspian Sea, help stop nuclear proliferation in Iran — and stabilize the world oil market. In return, Washington has very little to offer Moscow, that Russia has recovered its economic independence from the International Monetary Fund and has begun to repatriate substantial sums of capital.
- In recent years, the balance of interest and power with China has shifted to one of mutual dependence. China has neutralized U.S. power in a number of ways: by modernizing its nuclear forces and by adopting a good neighbor policy in East Asia. It has also done so by stepping up its diplomacy toward the resolution of the North Korea crisis and by becoming one of the largest suppliers of consumer goods to the United States and one of its biggest creditors.
- In 2002, the central bank of China has become the largest purchaser of U.S. Treasury bills. Together with the Japanese central bank funded 45 % of the U.S. current account deficit in the second quarter of 2003.
- China has also become an increasing destination for Japanese goods and capital, including for Japanese companies relocating production abroad.
- China has taken the lead in establishing a free trade zone with the countries of Southeast Asia. This has reduced Japan's dependence on the United States.
- China has also strengthened the foundations of an emerging East Asian economic community that one day may represent yet another challenge to America's international economic position.





Neo-conservative supporters would prefer to ignore these developments — because they contradict the appealing notion of a unipolar world. But viewed from the perspective of American strategic relations with Europe and Asia, the central feature of international relations today is not American unipolarity — but the once popular notion of interdependence.

Elsewhere, the troubled underdeveloped regions of the world, struggling with disorder, bad governance and arrested development, if not outright poverty, do not seem to be the beneficiary of American dominance. In these regions, the central challenge is less any great power competition for influence than the collective weakness of the developed world to do anything about their problems.

## Trading Places

China is set to overtake the U.S. economy by 2030

	2017	2018	2022	2027	2032
U.S.	1	1	1	1	2 ▼
China	2	2	2	2	1 ▲
Japan	3	3	3	4 ▼	4
Germany	4	4	4	5 ▼	5
India	7	5 ▲	5	3 ▲	3
France	5	6 ▼	7 ▼	8 ▼	9 ▼
U.K.	6	7 ▼	6 ▲	6	7 ▼
Brazil	8	8	8	7 ▲	6 ▲
Italy	9	9	9	12 ▼	13 ▼
Canada	10	10	11 ▼	10 ▲	12 ▼
South Korea	12	12	10 ▲	9 ▲	8 ▲
Indonesia	16	16	16	13 ▲	10 ▲

Source: Centre for Economics and Business Research

Bloomberg 

Report by the Centre for Economics and Business Research in London:

The [growing importance of Asia's major economies](#) will continue in 2018 and beyond, according to a league table that sees the region dominating in terms of size in just over a decade. In 2032, three of the four largest economies will be Asian -- China, India and Japan -- and, by that time, [China will also have overtaken the U.S.](#) to hold the No. 1 spot. [India's advance won't stop there](#), according to the CEBR, which sees it taking the top place in the second half of the century. Also by 2032, South Korea and Indonesia will have entered the top 10, supplanting the Group of Seven nations of Italy and Canada.

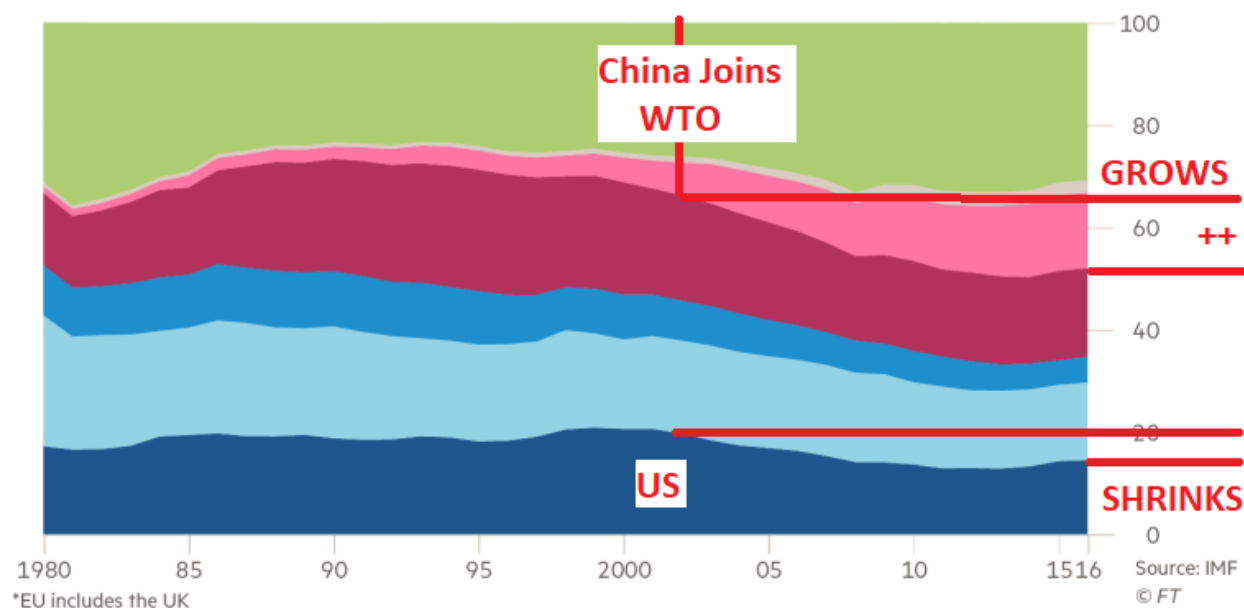


## China rising trade

## DRAMATIC GLOBAL SHIFT IN NEED FOR US\$

Exports and imports, %

■ US ■ EU\* excluding intra EU ■ Japan ■ Other advanced economies ■ China ■ India  
■ Other developing economies



The issue of when a global reserve currency begins or ends is not an exact science. There are no press releases announcing it, and neither are there big international conferences that end with the signing of treaties and a photo shoot.

Central banks and governments have long been aware that the dollar has a sell-by date as a reserve currency. But it has taken until now for the subject to be discussed openly. The fact that the issue has been on the radar of a powerful bank like JP Morgan for at least five years, should give one pause. Questions regarding the global reserve currency are not exactly discussed on CNBC every day. Most mainstream economists avoid the topic like the plague. The issue is too politically charged. However, that doesn't make it any less important for investors to look for answers.

On the contrary. The following questions need to be asked: What indications are there that the world is turning its back on the US dollar?

The mechanism underlying today's "dollar standard" is widely known and the term "petrodollar" describes it well. This system is based on an informal agreement the US and Saudi Arabia arrived at in the mid-1970s. The result of this deal: Oil, and consequently all other important commodities, is traded in US dollars — and only in US dollars. Oil producers then "recycle" these "petrodollars" into US treasuries. This circular flow of dollars has enabled the US to pile up a towering mountain of debt of nearly \$20 trillion — without having to worry about its own financial stability. At least, until now.



For a long time the basis on which this global currency system rests was poorly documented. Finally, *Bloomberg* [published a comprehensive article in May 2016](#), which provided detailed confirmation of the agreement that was hitherto only known as a rumor. The fact that this article is published now also represents a subtle clue that there are simmering shifts in the global currency system.

The trend becomes ever more tangible and can be described by the following term: de-dollarization. The world is looking for alternatives to the dollar — and finds them more and more often. At the same time the big oil producers and the largest exporters have stopped accumulating US debt securities. In one sentence: Since 1973 the dollar standard has been based on “usage demand” for dollars — they were needed. But when China and Russia find alternatives for their bilateral trading activity, they need fewer dollars. The same applies to European countries which have adopted the euro since 1999.

There have been many attempts by various nations to undermine the dollar's preeminence in recent decades. Some were nipped in the bud by US interventions — such as the plan of Iraq's former dictator Saddam Hussein to sell oil for euros. Or the rumored plan of Libya's eccentric ruler Muammar al-Gaddafi to issue a pan-African gold currency.

Others are less well known, but are indeed continuing to “bubble” below the surface: For example, since 2008, an agreement exists between Saudi Arabia, Kuwait, Bahrain, and Qatar which provides for the creation of a monetary union. The [planned new currency is nicknamed — rather unimaginatively — the “gulfo.”](#) “The project is inspired by the European currency union, which is seen as a great success in the Arab world,” according to an article by *Telegraph* journalist Ambrose Evans-Pritchard. He *inter alia* quotes Nahed Taher, the CEO of Bahrain Gulf One Investment Bank: “The US dollar has failed. We need to delink from it.” However, it appears the plan has been put on hold in recent years. As recently as mid-2013 a statement was issued according to which the common currency was going to be put in place “by 2015 at the latest.” Today it is no longer even talked about. Moreover, other potential members such as the United Arab Emirates or Oman have so far failed to join the club. One should nevertheless keep an eye on developments in the Gulf.

A clear signal that something is afoot would be the abolition of the Saudi riyal's peg to the US dollar. As recently as April of this year economist Nasser Saeedi advised Middle Eastern countries to prepare for a “new normal” — and specifically to review the dollar pegs of their currencies:

*“By 2025 it is clear that the center of global economic geography is very much in Asia. What we’ve been living in over the past two decades is a very big shift in the political, economic, and financial geography.”*



While the role of oil-producing countries (and particularly Saudi Arabia) shouldn't be underestimated, at present the driving forces with regard to de-dollarization are primarily Moscow and Beijing. We want to take a closer look at this process.

There exist numerous political statements in this context which leave no room for doubt. The Russians and Chinese are quite open about their views regarding the role of gold in the current phase of the transition. Thus, Russian prime minister Dimitri Medvedev, at the time president of Russia, held a gold coin up to a camera on occasion of the 2008 G8 meeting in Aquila in Italy. Medvedev said that debates over the reserve currency question had become a permanent fixture of the meetings of government leaders.

Almost ten years later, the topic of currencies and gold is on the Sino-Russian agenda again. In March, Russia's central bank opened its first office in Beijing. Russia is preparing to place its first renminbi-denominated government bond. Both sides have intensified efforts in recent years to settle bilateral trade not in US dollars, but in rubles and yuan. Gold is considered important by both countries.

The gradual move away from the USD to a multi-polar monetary order has several important effects, which only make sense when viewed through this lens. Contrary to what is asserted in most mainstream reports, oil-producing countries are not so much interested in a much higher oil price in USD terms, but rather in competition for market share. They are increasingly able to choose in which currencies they want to trade.

The most important effect has become evident since 2014: two of the largest holders of US treasuries (China and Saudi Arabia) have abandoned their support of Washington. On the other hand, oil producers have no interest in recycling their revenues as "petrodollars."

**The process of moving away from the dollar - prepared by Europe and triggered by China and Russia - can no longer be stopped. And as a "supra-national" reserve asset, gold plays an important role in it.**



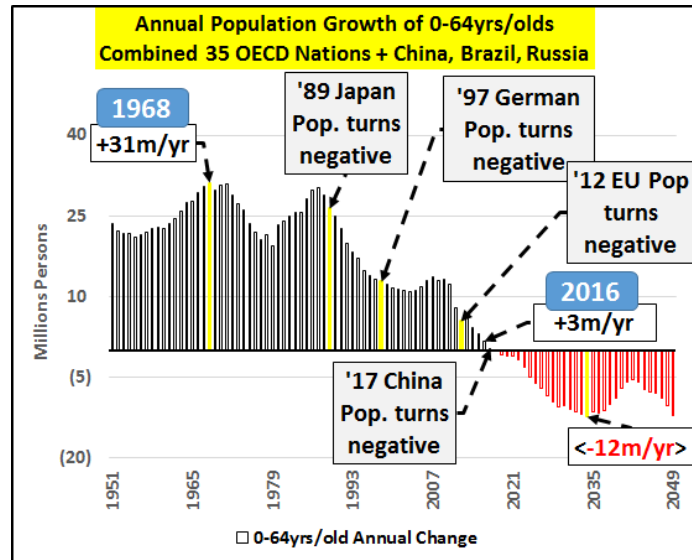
## DEMOGRAPHICS

Global demographics, like a slow ticking time bomb, is little noticed until it goes off. Aging populations, declining birth rates and slowing numbers of emerging & frontier market labor forces entering the global labor pool is now beginning to have a profound impact on the rate of growth of global aggregate demand.

The demographic charts to the right and below tell us that the moment is now at hand where we have reached a critical inflection point.

Global consumption continues to rise but at an increasingly slower rate. A rate that is much slower than monetary inflation (money & credit growth) and aggregate global supply.

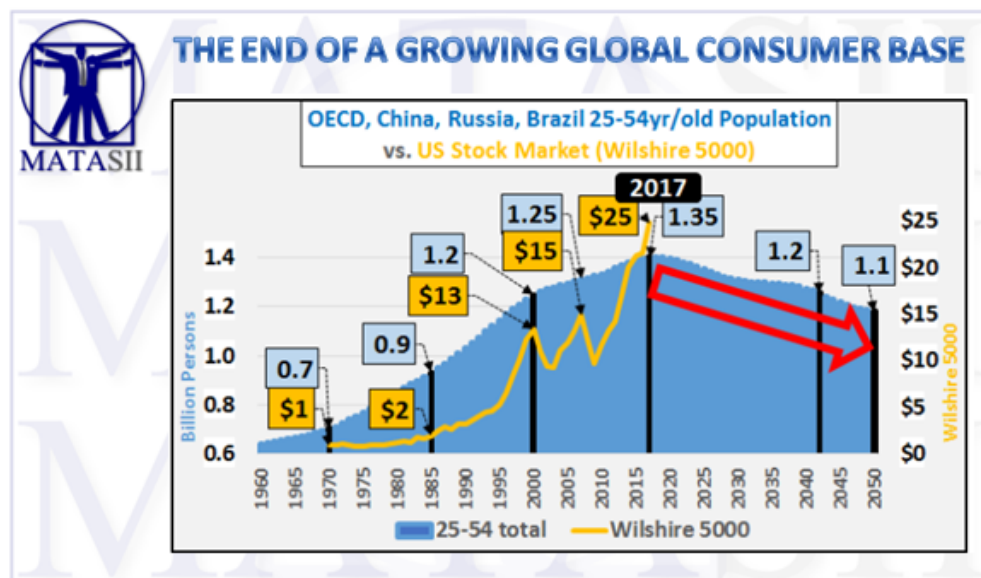
Economic theory tells us that this will lead to general price deflation pressures.



After nearly a decade of Monetary Policies of QE (Quantitative Easing) and QQE (Quantitative & Qualitative Easing), ZIRP and NIRP intended to stimulate demand (by bringing forward future demand) it is reasonable to expect that there should be a "hole" created by demand pull forward. Unfortunately, these policies may have in fact created a profound increase in supply which noted economist Nouriel Roubini refers to as the "Supply Shock" in his paper "[The Mystery of the Missing Inflation](#)" which is confounding central bank inflation targeting policies.

*Standard economic theory suggests that the correct monetary-policy response to such positive supply shocks depends on their persistence. If a shock is temporary, central banks should not react to it; they should normalize monetary policy, because eventually the shock will wear off naturally and, with tighter product and labor markets, inflation will rise. If, however, the shock is permanent, central banks should ease monetary conditions; otherwise, they will never be able to reach their inflation target.*

The stealth shift in Demographics overlaid with a sustaining "Supply Shock" will act as profound change agents in forcing a New World Order to cope with the Political, Economic and Financial fallout..





## BIG REVERSAL

I wrote extensively on this in 2017 and produced a number of video's addressing the subject. I encourage you to review:

MACRO ANALYTICS - 11-02-17 - [The Results of Financialization - Part III - The Big Reversal](#)

.. as well as the Bank of International Settlements ground breaking paper which we strongly encourage you to at least scan:

[Demographics Will Reverse Three Multi-Decade Global Trends – Working Paper #656 August 2017](#)

## TODAY:

*Deflation = Debt + Demographics + Disruption*

Where Debt is Total Global Credit/Debt, Demographics is the Slowing Global Birth Rate and Disruption is the Creative Destruction of Technology Innovation (Internet & Robotics)

## TOMORROW:

*Inflation = Interest + Income + Inversion*

Where Interest is rising global IG, HY and Lending rates, Income is real wage & job opportunities and Inversion is the fact that the savings rate growth will be smaller than the rate of Investment growth and requirement to support developed economies entitlement debts.

# MATASII MACRO MAPS



## THE COMING BIG REVERSAL





## FIAT CURRENCY FAILURE

There has never been an example in history where economies that left the basic principles of sound money by implementing a "Fiat" Currency have survived. On the other hand the trash bins of history are full of examples of where it has been tried and failed.

It is simply not in the nature of politicians nor the public to live within their means by deferring needs when the fulfillment of both wants and needs could be realized immediately by pushing off to tomorrow the day of payment.

Credit in its simplest form is nothing more than a facility to take on debt for tomorrow's purchases and thereby forgoing the process of savings.

The roadmap that arises from this is so predictable that it allowed me to draw the schematic at the bottom of the page in 2008 during the financial crisis, predicting a future "Fiat Currency Failure" based on history.

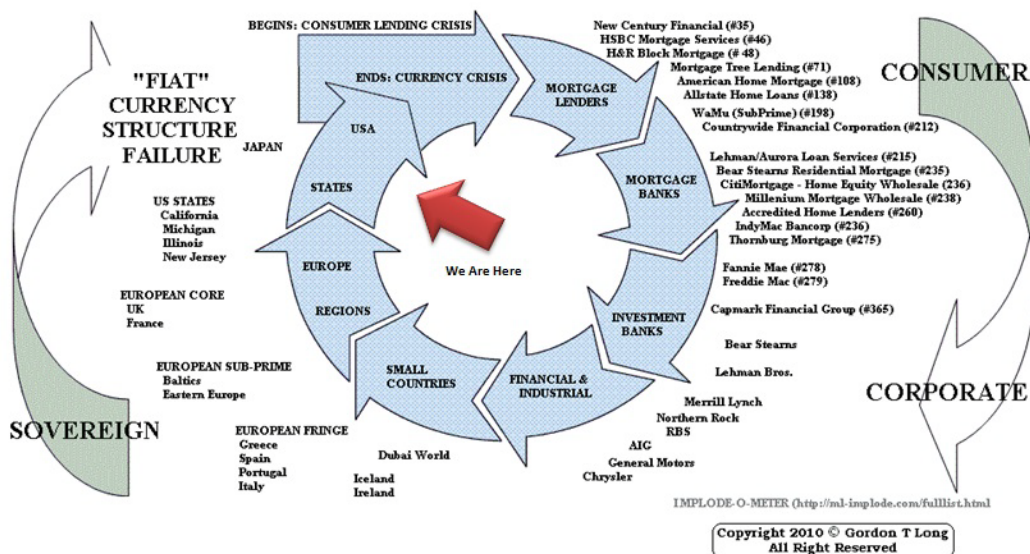
Sovereign debt in developed economies has now reached and exceeded the level (Total Debt is over 90% of GDP) where further increases in debt no longer stimulates demand. In fact [according to brilliant economists such as Lacy Hunt](#) (who I have interviewed [here](#) & [here](#)), it now has a negative multiplier. In other words, at a certain point you can't solve a debt problem with more debt. This is where a fiat currency historically begins failing.



## MATASII MACRO MAPS



### THE ROADMAP TO A FIAT CURRENCY FAILURE



MATASII.COM

## SECURITY-SURVEILLANCE

- Evolving Police States,
- Ubiquitous Surveillance,
- Increasingly level of Societal Paranoia with Public Safety,
- Restrictions and Surrender of Personal Freedoms

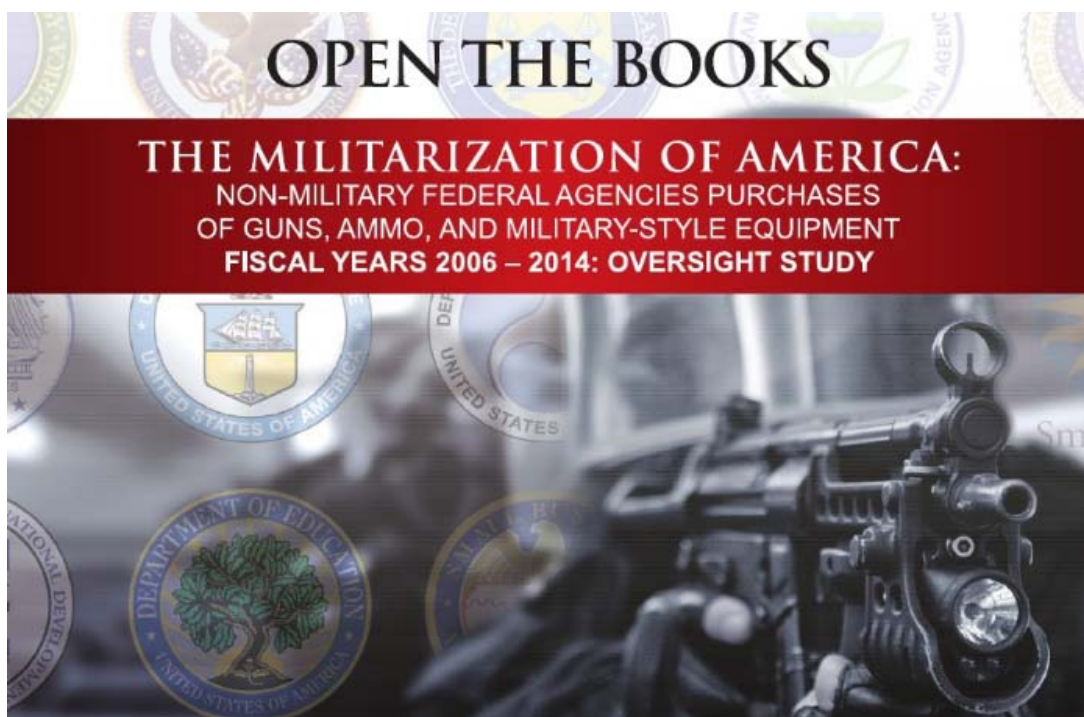
With 911 and the launch of the “War of Terror” (and with it the initial Patriot Act) we have witnessed a dramatic shift towards modern societies becoming quasi “Police States”.

Terrorist attacks, whether radical Muslim fundamentalists, deranged domestic citizens or individuals / groups using violence to promote some form of social change regarding a specific “injustice” is increasingly becoming a regular occurrence in our modern society.

As of yet, government and political leaders have no workable answer while citizens become impatient.

This creates an environment where governments use power in the form of a “police state” to respond while the citizenship becomes more and more alarmed of what they are giving up for perceived safety. Standing in airport security screening lines only once will tell you the price that is being demanded.

People are going to increasingly resent the encroaching police state and freedom restrictions and increasingly blame those in power for creating the “mess” in the first place. Nearly two decades of US and NATO bombings in the Middle East has only created a whole generation of impacted casualties wanting some sort of retribution (revenge!).





## TECHNOLOGY DISRUPTORS

### Schumpeter's Creative Disruption

- Industrial Robotics,
- Retail Automation,
- Self Driving Cars & Trucks
- "AMAZON'ed"

Unless you have been living in the depths of the Amazon (I am not referring to the retailers infinite warehouse space) you are being touched by technology change on a daily basis. Whether a new app for your smart phone, voice remote control for your TV, video cams for you home security or "save / self driving" electronics on your car – the list is endless.



On the surface all these advancements are making your life better and your standard of living better. That is arguable, but what isn't that technology advancements of Schumpeter's "creative disruption" are destroying net employment.

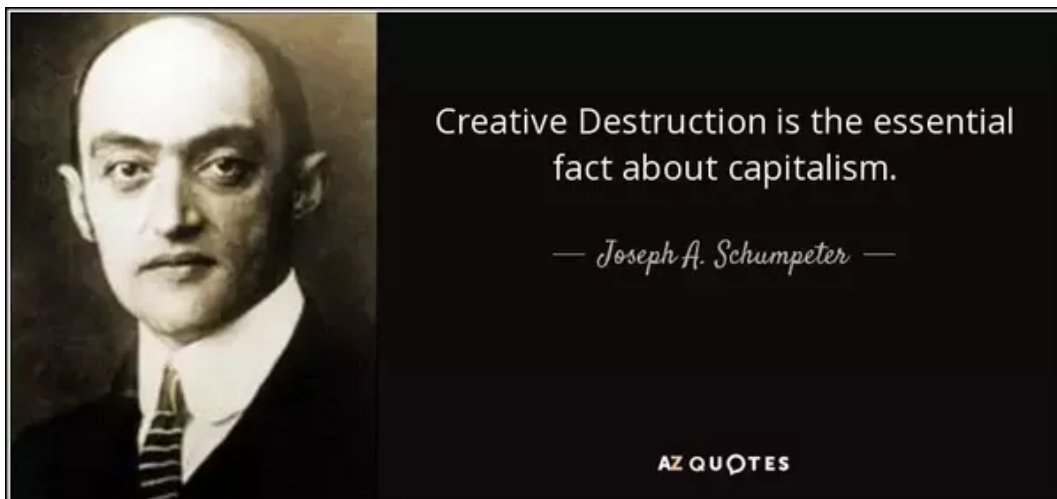
In the Industrial revolution, new technology replaced 10 people with a single machine. This wasn't really a problem because we were expanding the number of companies by orders of magnitude greater and therefore employment was expanding (before globalization).

With Robotic advancements we have been witnessing 100's of jobs being replaced for every new one required. We are feeling the squeeze as labor and repetitive work has rapidly went by the wayside (secretaries, switchboard operators, bank tellers, filing clerks etc.).

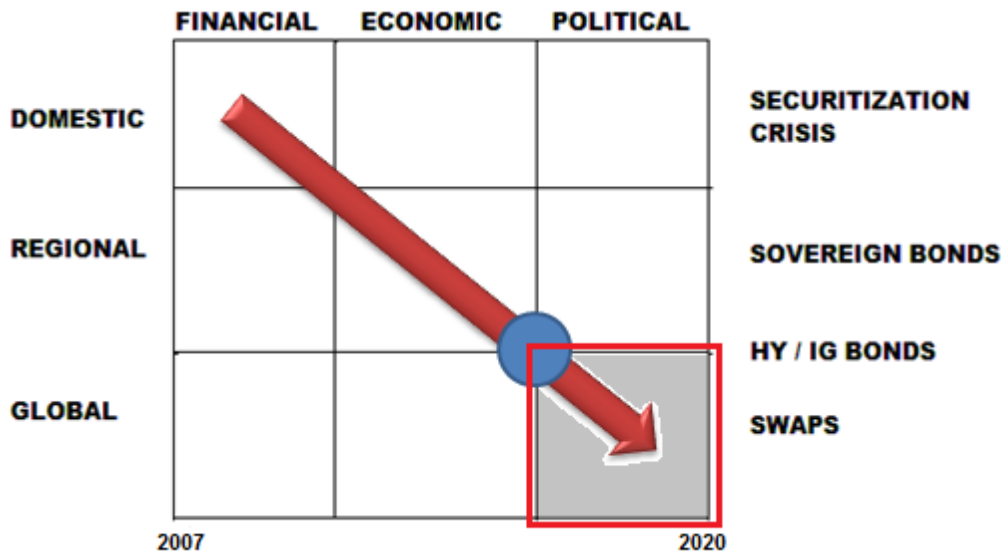
The next wave of technology will replace 1000's with each additional one created. That technology is Visual Recognition or "seeing" capabilities for robotic applications. The possibilities are as endless as the jobs themselves have been. Self driving Trucks alone will revolutionize the largest employer in America – truck, bus & delivery drivers.

When this arrives (and it has started) the changes to the global workplace will be shattering.

*"The Global Economy will require 600 Million Net New Jobs within the next 10 Years!" – World Bank*







#### FINANCIAL (Domestic)

2008 US Financial Crisis was fundamentally about a Banking debt problem within a specific sector of the US financial markets. It was centered on the US Mortgage Securitization market and the use of MBS' (Mortgage Backed Securities), CDS (Credit Default Swaps) and CDLO (Collateralized Debt Loan Obligations).

#### ECONOMIC (Regional)

2012-2013 European Banking Crisis was fundamentally about a Banking Debt problem the engulfed almost the entire Euro denominating sovereign debt market.

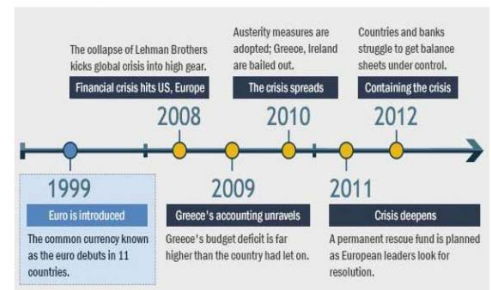
#### POLITICAL (Global)

We fully anticipate the next crisis to be Global in nature and to involve the entire global debt market from Sovereign Debt to Investment Grade (IG) Corporate Debt to High Yield (HY) junk bonds. We have mispriced risk due to Monetary Policies that distorted the debt market for too long a duration.

We suspect it will be centered on the ~ \$600 Trillion, OTC, unregulated SWAPS market collateralized on "Mark-to-Magic" (Derivative Mark-to-Mark was removed and never re-imposed after the 2008 Financial crisis) of Currencies and Bond SWAPS.



#### **TIMELINE OF EUROPEAN DEBT CRISIS**



The next financial crisis will be a prime visible catalyst for the changes that will occur in the advent of the New World Order.

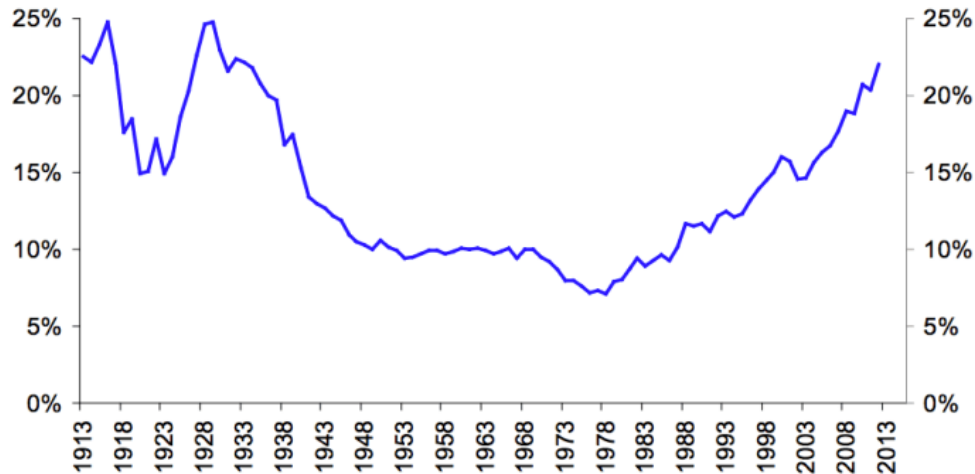




## B- INEQUALITY

Inequality in the US now compares to that last seen at the end of the US "Gilded Era".

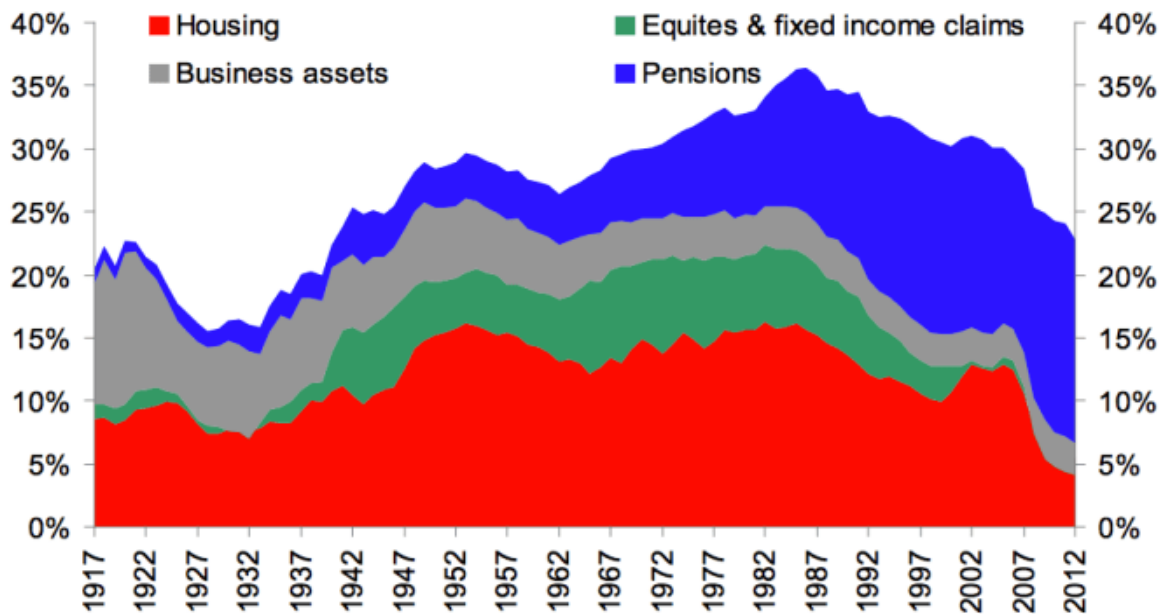
**Top 0.1% (above \$20 million) Wealth Share in the United States, 1913–2012**



*Note: Series based on pre-tax cash market income including or excluding realized capital gains, and always excluding government transfers.*

Though massive growth in personal wealth has occurred as a result of increased asset prices, US households are not seeing this as they have been out of the stock market since the 2008 Financial Crisis (see green shading).

**Composition of the Bottom 90% U.S. Wealth Share**



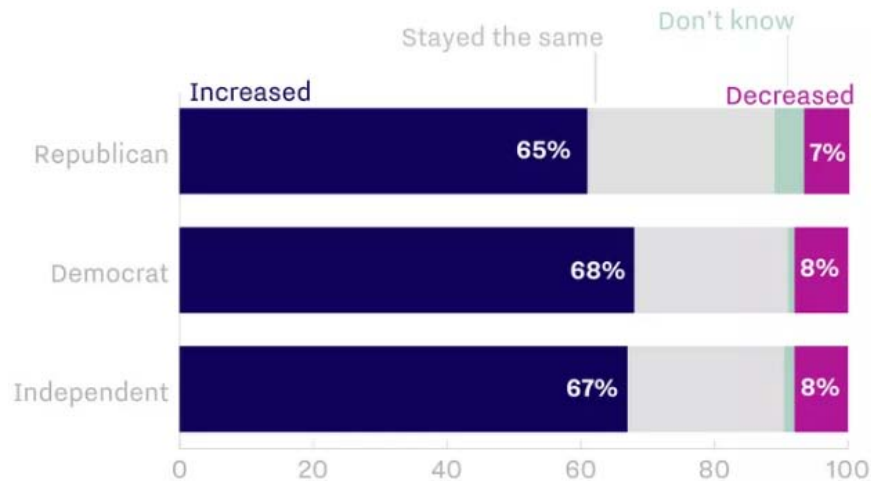
*Note: Series based on pre-tax cash market income including or excluding realized capital gains, and always excluding government transfers.*



Everyone it now appears, that most Americans now recognizes that Inequality is a serious problem in the US.

## In the past 10 years, has the gap between the rich and everyone else...

The survey was conducted in 2014.



Data from a Pew Research Center/USA Today survey conducted January 15 to 19, 2014

The degree of Inequality is not much different in most countries around the world.

In a recent issue of The Economist, President Barack Obama [set out four major economic issues](#) that his successor must tackle. As he put it:

*"... restoring faith in an economy where hardworking Americans can get ahead requires addressing four major structural challenges: boosting productivity growth, combating rising inequality, ensuring that everyone who wants a job can get one and building a resilient economy that's primed for future growth."*

It's hard to quibble with the items on the president's list. Slow productivity growth, rising inequality, inadequate employment and the lack of sustainable economic growth all are important problems. In reality, [inequality](#) is the only item on that list that a president can influence in any significant way. It also happens to be the most important one – critical for solving the other three problems as well as preventing the disappearance of the middle class.

The alarming level of economic inequality globally has been well documented by prominent economists, including Thomas Piketty, [Francois Bourquignon](#), [Branko Milanović](#), and [Joseph E. Stiglitz](#), and well-known institutions, including [OXFAM](#) and the [World Bank](#). And it is obvious even from a casual stroll through the streets of New York, New Delhi, Beijing, or Berlin.

Voices on the right often claim that this inequality is not only justifiable, but also appropriate: wealth is a just reward for hard work, while poverty is an earned punishment for laziness. This is a myth. The reality is that the poor, more often than not, must work extremely hard, often in difficult conditions, just to survive.

Why does it matter if the rich are getting richer and the poor poorer?

Not only is greater inequality a threat to our democratic capitalist society, it's bad for the economy and causes a whole host of other problems – including other items on the president's list (above).



Since the rich save more, whenever they receive more income, [total consumer spending tends to fall](#) and unemployment rises. This lowers economic growth, reduces government tax revenues and makes it harder to solve other economic and social problems.

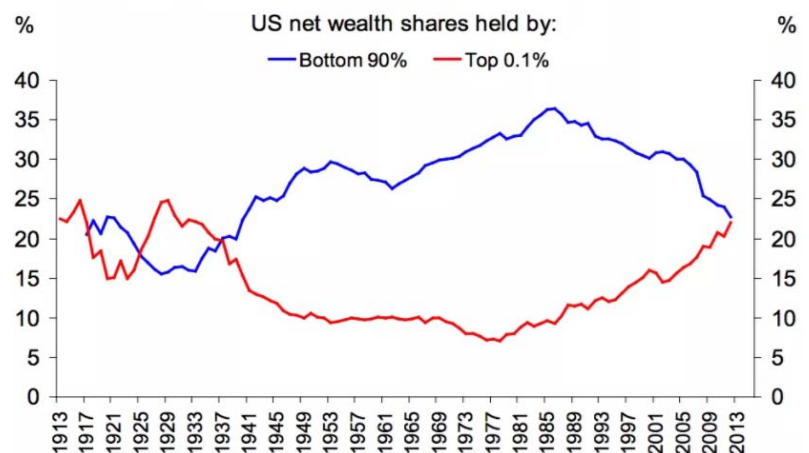
And as the wealthy earn more and need to find a place to invest or park their excess cash, financial institutions tend to take more aggressive risks to boost returns for their investors in order to avoid losing those savings to a competitor. Increased risk-taking is what led to the global economic meltdown in 2008.

Furthermore, households have many fixed expenses. When their income falls, people must borrow in order to pay their monthly bills. This process, however, is not sustainable; at some point debt repayments will exceed the ability of people to repay, causing credit to dry up. As a result, people risk losing their homes and their ability to pay for basic necessities.

Too much inequality also has negative consequences for our health. As British epidemiologists Richard Wilkinson and Kate Pickett document in their book, "[The Spirit Level](#)," a great deal of evidence shows that inequality is associated with health problems (such as obesity, infant mortality and lower life expectancy) as well as social problems like crime and addiction.

Finally, inequality makes it easier for the very rich to affect political outcomes through campaign contributions and lobbying. Coming full circle, this makes it more difficult to solve the inequality problem through government tax and spending policies.

US: Top 0.1% owns as many assets as the bottom 90%



## FINANCIALIZATION

Because financial assets including and especially equities are overwhelmingly concentrated in the hands of the rich, the longer the policies that inflate those assets take to trickle down, the wider the wealth divide gets.

Related – and this is important – the longer the trickle-down lag, the longer the policies stay in place because after all, those policies were ostensibly designed to reflate the real economy and once you're pot-committed (which central banks were a long time ago), you can't very well throw in the towel and say the effort has been a failure. Rather, you've got to keep accommodative policies in place until growth and inflation finally tick up. Again, the longer those policies are in place, the wider becomes the divide between those who are disproportionately benefiting from financial asset price inflation and those who aren't.

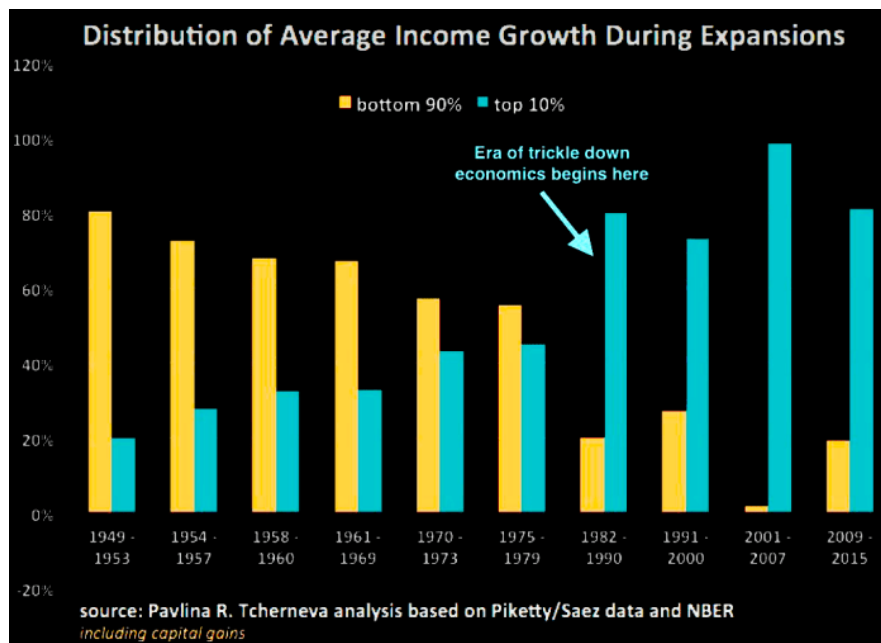
Note what's implicit in the above. Namely: this is not a linear dynamic. And that nonlinearity runs all the way up the proverbial totem pole. Here's how Salient's Ben Hunt [recently explained this](#):

The goodies of a trebled stock market aren't evenly distributed. Who owns stocks? If we're talking about households, leaving aside pension funds and endowments and other institutional investors, it's the rich, mostly. And that household share of the Central Bankers' Bubble doesn't increase linearly with wealth, but exponentially, meaning that **the really rich own a lot more stocks than the merely rich, so the really rich have gotten a lot richer than the merely rich.**

It should go without saying that the GOP tax plan is going to make this worse. For one thing, corporations are going to use repatriated cash to buy back more shares and otherwise reward capital.

But the more overt "FU" to the middle class and to low income Americans comes courtesy of simple math, which shows that by 2027, households bringing in more than \$1 million (the top 0.6% of filers) [will be getting 81.8% of the benefits](#) from Trump's tax plan.

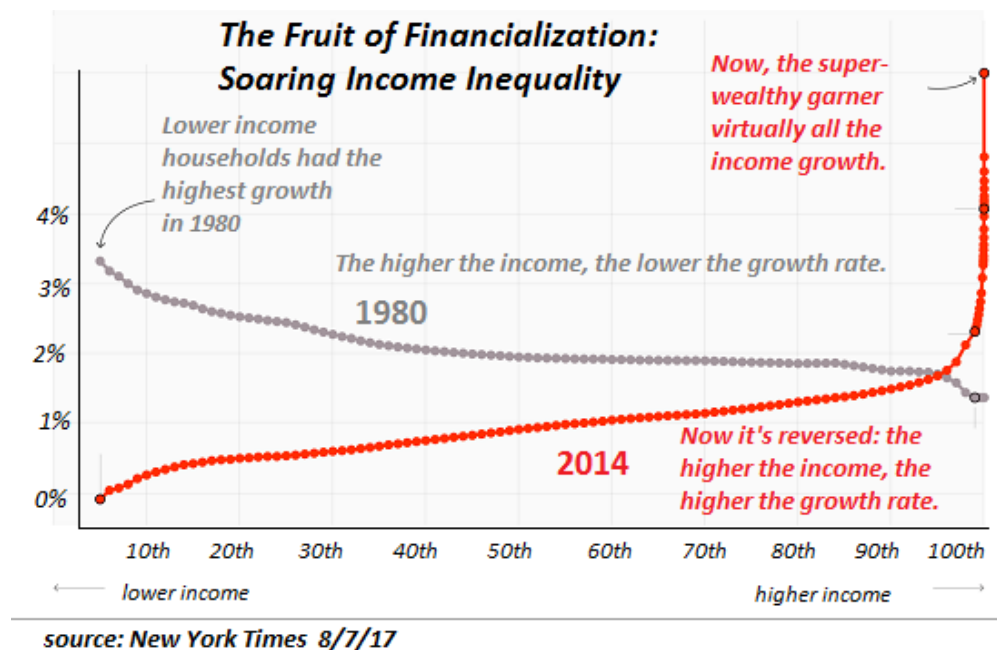
Now with all of the above in mind, consider the following chart from [Pavlina Tcherneva](#):



As far as how this ends, allow William Spriggs, chief economist at the AFL-CIO, to explain it to you in no uncertain terms:

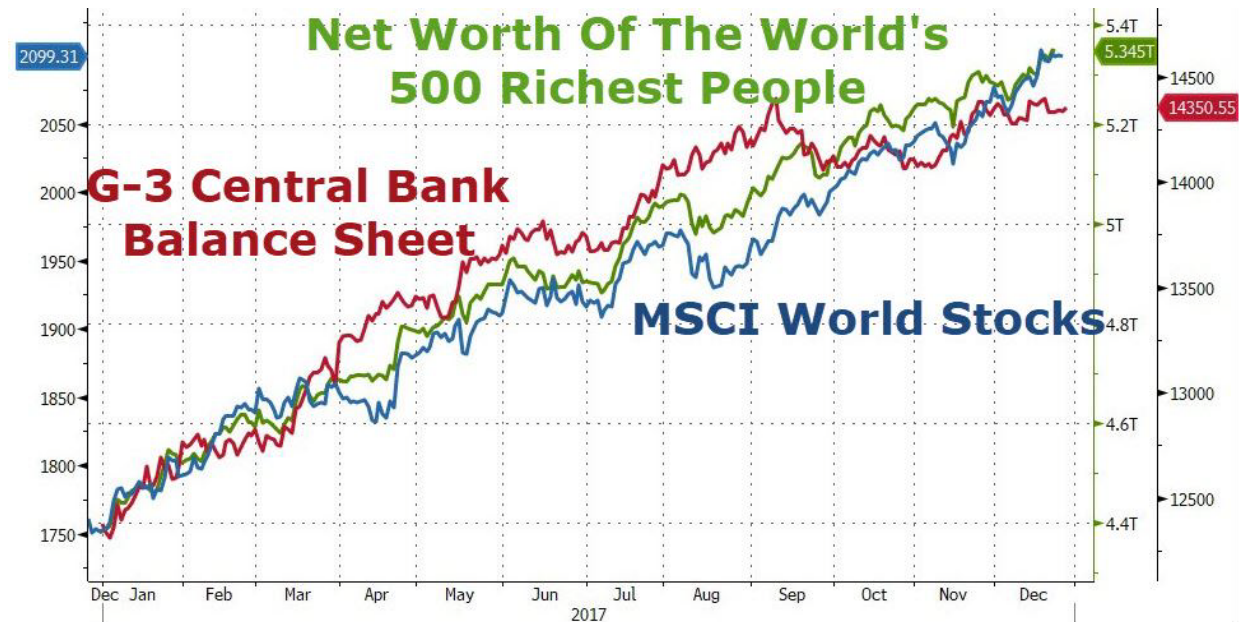
*This is the last time they can get away with it, because the backlash is going to be huge. In the end, the trend toward inequality amounts to capitalist suicide. Businesses can't create themselves, they respond to general growth in income. Inequality chokes off business development.*

Grab the torches and the pitchforks. This is Capitalist Suicide!



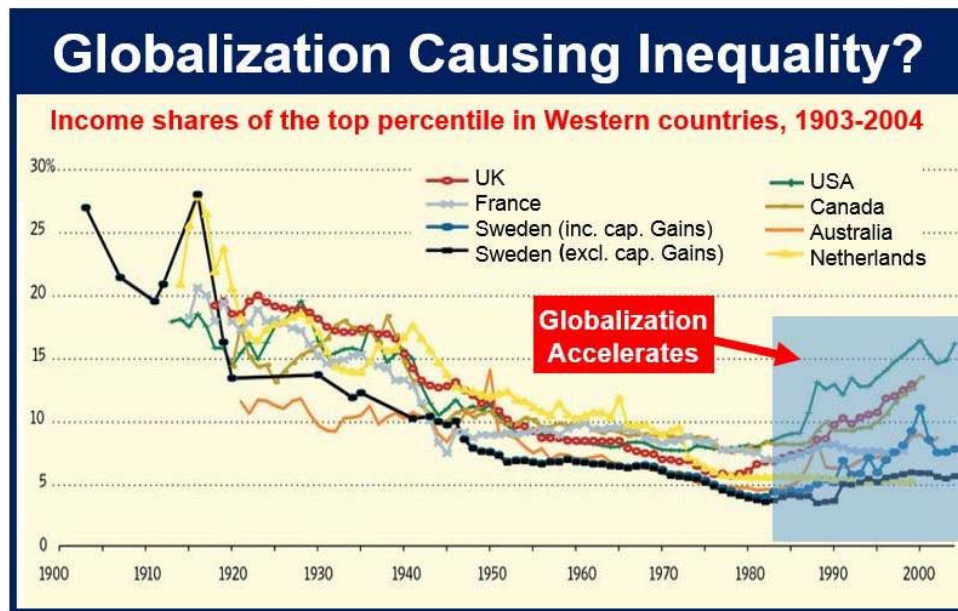
Just in case you don't believe that central bank policies are a direct cause of markets rising and asset appreciation for the rich – here is the proof!





## GLOBALIZATION

Globalization is having tremendous benefits for the world as a whole. However, it comes with a price tag which few recognize and even fewer in positions of change are prepared to do anything about!



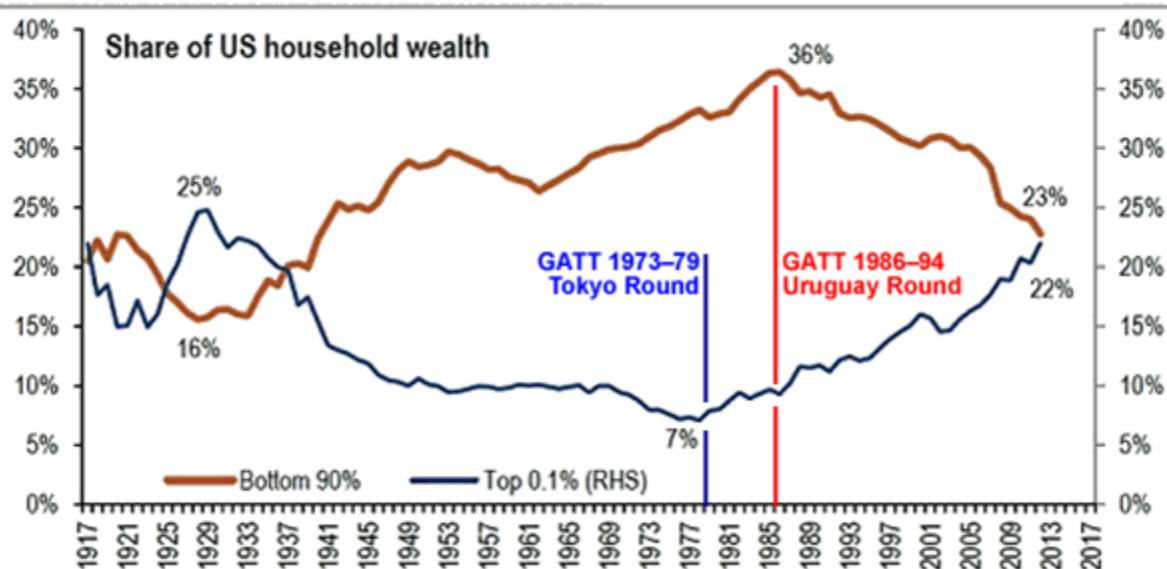
Globalization is making the rich even richer (*charts above and below*)!

This is not altogether bad if that wealth is increasing the standard of living of global society overall. The good news is that it is!

The bad news is that the developed economies are being dramatically impacted and emerging economies see their standards of living increase significantly.



Chart 5: Distribution of wealth in the US since 1917



What we are witnessing is increasing Inequality within developed nations but improving Equality between nations and specifically between developed and emerging economies.

#### MILLENNIALS & COLLECTIVISM



Millennials are reasonably well-informed. They just don't get their information from their parents' and grandparents' favorite hypocrisy peddlers. The median age of Americans watching CNN, MSNBC, and Fox News is over 60, with Fox the most geriatric at 68. The younger set watches a lot of videos, some from consistently ideological sources but many representing eclectic viewpoints that can't be pigeonholed. Between the internet and their own experiences, the Millennials are getting a pretty good idea of what the future holds and they don't like what they see nor believe in what previous generations thought America was about.

Polls and studies indicate that many Millennials are embracing Marxism: they want and believe that somebody should fund their "needs"! Millennials have learned what they are taught, and cutting through all the hypocrisy, the lesson plan was collectivism.

They see daily in their job searches and witness that very close to half the US population receives some sort of largess from one or more governments. Living in their parents basement, social networking continuously on the i-Phones they put the reality of their future survival together fairly accurately.



Let me relate a personal example of the values and priorities of the Millennial generation.

I have a niece and nephew who are twins and recently graduated from McGill University in Canada (Canada's oldest University with top Ivy league credentials). Both had been top scholar throughout their schooling and McGill was no exception. My nephew was accepted into the most prestigious Aerospace program in the world at Michigan on a full scholarship for his PhD.

While attending Michigan he spent a summer in Boston at MIT which gave us the chance to host him for a weekend of sailing on Cape Cod. Having done my undergraduate in Aeronautical Engineering I was tremendously excited to spend time talking to him about his after graduation plans. Was he going to NASA, the Jet Propulsion Lab at CalTech, the Goddard Space Center etc.?

When asked his response on his future he replied: "I plan to work for the government!"

I thought this rather vague? Wasn't his particular area of study in determining where in government. I prodded further in that regard and got the same response. His ambition was to get a job with the government. It represented security, employment, retirement benefits and manageable hours to allow a personal life. There as nothing more to his future ambitions than that!

My niece (his sister) was another story. She always had slightly better grades (they were first and second in every class). The family discussions always had her studying Neuro-Surgery at McGill (here her grandfather had worked). When I got to meet with her after graduation I found her employed as a constable with the RCMP (Royal Canadian Mounted Police) driving a cruiser in one of the toughest crime areas in Canada!

I asked her what made her not continue at McGill and to join the RCMP? I thought based on her speaking four languages fluently she was planning to get into the CIS (Canada's FBI / CIA)? Her answer, like her brothers, was directly to the point. Good pay, job security for life and a pension. I asked about the CIS and she was ambivalent about it. A constable's life was sufficient.

I am obviously extremely proud of my Niece and Nephew so it was quite an awakening for me to hear the rational for their choices.

The Millennials see this:

- Government employees average pay, retirement pensions and medical benefits exceed those of their private sector brethren who support them,
- Saw in the US others not inconsequential student loan debt. He realized that this mound of obligations has something to do with the anemic economy and dismal job prospects.
- It takes a while for those Millennials who find their way into the private sector (employment position in MA at MIT) to discover how thoroughly it was dominated by the public sector.

#### "The World Is Criminally Corrupt & Broken" - A Surprising Dinner Conversation with The Younger Generation

In general:

- They don't trust government, corporations or anyone with power to do the right thing.
- It seems being thrust into adulthood with terrible employment and wage prospects resulted in a very healthy dose of cynicism about how things work.
- There's a very clear appreciation that the world as is functions today is criminally corrupt and broken.
- Their views of the future are not wildly optimistic, but neither was there a sense of dread or pessimism.
- There is a vibe of, yeah our generation was screwed, the government sucks and so do all these corrupt institutions, but we're gonna get out there and do our best.
- More of a world view on subjects.
- Someone who lived 30 years or more before the internet came to dominate everything will naturally possess a radically different perspective of the world and where it's headed than someone who never knew life without it. This is precisely why a younger person will inherently understand the value and utility proposition of something like Bitcoin far more easily than someone much older.



"When I go out and chat with people my age and older, I notice a completely different tone compared to when I engage with younger generations. One thing is crystal clear. Older friends of mine not only think the status quo will strike back against extremely disruptive forces like Bitcoin and crypto assets, **they also think the status quo will win.** They expect a return to the gold standard, or some IMF-globalist one world digital currency to provide a framework for the post-dollar reserve currency system. Generally speaking, the biggest difference between the two groups is that one expects the current power structure to cunningly survive this current period, while younger people think the world can, and will, be fundamentally changed for the better.

Generally speaking, older people tend to be strongly anchored to the world paradigm as it exists, while those who are younger are naturally more open to massive disruption and upheaval. I'd argue that the current younger generation is even more willing to flip the table over and build entirely new structures than most people realize. The popularity of crypto assets amongst this generation is just one manifestation of this desire. That's not to say us optimists are naive and expect this to be a smooth transition without a fight, but it's to say we believe paradigm level, positive change is not only possible, but likely. Which is precisely the attitude you must have if you want to win. **If you go into a battle expecting to lose, the result is obvious.**

.....

The evolution and success of Bitcoin and crypto assets is not just a function of revolutionary technology being introduced into the world. Its blistering adoption rate is a reflection of a global consciousness developing amongst younger generations. It's reflection of a burning desire for a more dynamic, trustless and decentralized world, and it will be up to them to ensure that it happens.

*Their values and desires will be what shapes the world as older generations retire and die off. If you aren't talking to them and studying the way they see things, you're going to be completely blindsided by the next 10-20 years.*

## *Millennials are a major 73M (US Alone) Financial, Economic & Political Destabilizer*

### *WORKING WOMEN*

There is not only a shift coming due to Millennials but also from working women. Women have historically been more "nurturing" than men - often more sympathetic and helping. This has profound and often un-discussed factor (for obvious political correctness reasons).

[College-Educated Women Are Moving Away From GOP](#): Recent WSJ/NBC News poll shows women with four-year degrees favor Democrats over Republicans leading Congress by 32 percentage points

[Voters Increasingly Favor Democrats for Congress, New Poll Shows](#): Wall Street Journal/NBC News poll finds percentage of voters preferring Democrats to lead Congress widens from October survey

### *THE DEVELOPED ECONOMIES ARE SHIFTING TOWARDS SOCIALISM*

Here is where the leading respected thinkers on the subject of Inequality are taking the current narrative in well followed academic journals. It is also the education the future voting Millennial generation has been receiving for the last decade and half. Here are only two examples:

Kaushik Basu, former Chief Economist of the World Bank, is Professor of Economics at Cornell University and Nonresident Senior Fellow at the Brookings Institution wrote recently in "[Inequality in the Twenty-First Century](#)":

"Yet recognizing the flaws in current structures is just the beginning. The greater challenge is to create a viable blueprint for an equitable society. (It is the absence of such a blueprint that has led so many well-meaning movements in history to end in failure.) In this case, the focus must be on





expanding profit-sharing arrangements, without stifling or centralizing market incentives that are crucial to drive growth.

A first step would be to give all of a country's residents the right to a certain share of the economy's profits. This idea has been advanced in various forms by Marty Weitzman, Hillel Steiner, [Richard Freeman](#), and, just [last month](#), Matt Bruenig. But it is particularly vital today, as the share of wages in national income declines, and the share of profits and rents rises – a trend that technological progress is accelerating.

There is another dimension to profit-sharing that has received little attention, related to monopolies and competition. With modern digital technology, the returns to scale are so large that it no longer makes sense to demand that, say, 1,000 firms produce versions of the same good, each meeting one-thousandth of total demand.<sup>1</sup>

A more efficient approach would have 1,000 firms each creating one part of that good. So, when it comes to automobiles, for example, one firm would produce all of the gears, another producing all of the brake pads, and so on.

Traditional antitrust and pro-competition legislation – which began in 1890 with the Sherman Act in the US – prevents such an efficient system from taking hold. But a monopoly of production need not mean a monopoly of income, as long as the shares in each company are widely held. It is thus time for a radical change, one that replaces traditional anti-monopoly laws with legislation mandating a wider dispersal of shareholding within each company.<sup>3</sup>

These ideas are largely untested, so much work would need to be done before they could be made operational. But as the world lurches from one crisis to another, and inequality continues to deepen, we do not have the luxury of sticking to the *status quo*. Unless we confront the inequality challenge head on, social cohesion and democracy itself will come under growing threat."

Steven Pressman, Professor of Economics, Colorado State University in [the "Conversation"](#):

"The next president can do things that would directly help solve the inequality problem. Some solutions he or she can pursue alone; others will require the cooperation of Congress.

First some direct actions. The U.S. government purchases goods and services from many businesses and must decide whom to hire for this. If government policy favors companies that provide better pay to average workers – or that have lower ratios of CEO pay to average pay – the president can help increase the income of many Americans.

To take one recent example of this, in September the [president signed](#) an executive order that increased the minimum wage to US\$10.20 for workers who are getting paid under a federal contract. The next president can increase this even more and can require greater employment benefits for contract workers. These income and benefit gains will be replicated elsewhere in the workforce.

Support from Congress, however, would be necessary to raise the minimum wage for all workers, which has been stuck at \$7.25 since 2009 and [has been falling](#) (in real inflation-adjusted terms) ever since.

Also with the help of Congress, the next president could employ both tax and spending policies to reduce income inequality. As [my study](#) shows, such policies are major determinants of the size of the middle class across nations.

And cross-national data show that top tax rates and income inequality are [highly correlated](#). Sharp cuts in the top rates in the 1980s explains why [inequality has gotten so much worse](#) since then.

Evidence from our own country and from other countries shows that good policies and programs do make a difference. Inequality reached a low point in the U.S. after World War II when taxes were high, labor unions were strong and the New Deal provided a strong safety net to average Americans. And other developed nations, such as France and Norway, with more programs and stronger programs to support middle-class and lower-income workers have not experienced the same surge in inequality that we've had in the U.S. Some of these programs include paid family leave, more robust unemployment compensation, health care for all and higher minimum wages."



## C- CREDITISM HAS REPLACED CAPITALISM

### CREDITISM & FINANCIALIZATION OF THE ECONOMY

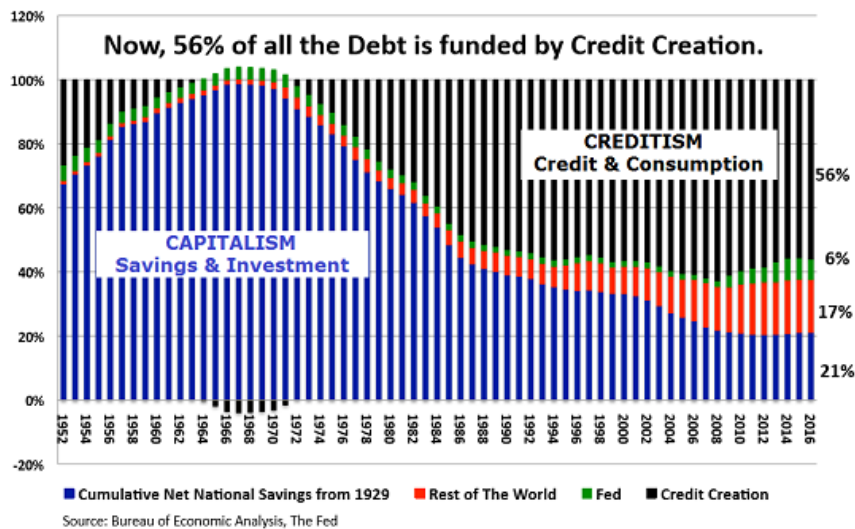
Another massive trend underway is what my friend Richard [Duncan has written extensively about](#) and terms "Creditism".

He believes strongly that the global economy has mutated from a Capitalist economic structure to a Credit Structure. The basic thinking here is that in a capitalist system Savings (profits) from Production is reinvested into productive assets which increase productivity and thereby increase the standard of living of a society. When there are no personal savings and corporate savings are not reinvested into productive assets but rather into investment instruments we begin shifting towards the Financialization of the Economy.

Consumers without savings become dependent on Credit. Corporations shift towards Share Buybacks and Shareholder Dividend payouts versus investing in CAPEX. What happens is overall Productivity gains diminish other than by expecting more for less from labor (i.e. no raises lost defined benefits and pensions etc) and robotics.

Regulations and Government Policies no longer allow capitalism to work.

### Where Does The Money Come From To Fund The Debt? Source of Funding, % Breakdown from 1952



- About the Lack of Real Growth – Illusion of Growth
- Banking = Debt Becomes an Asset

### CAPITALISM IS NO LONGER ALLOWED TO WORK

- Regulatory Red Tape & Compliance Costs
- Political Correctness & Political "Oversight"
- NIMA, Zoning, Permits, Approvals, Licensing
- Legal System – Liabilities, Green Mail,
- Tax Code
- Unfair Foreign Competition – Unlevel Competitive Playing Field



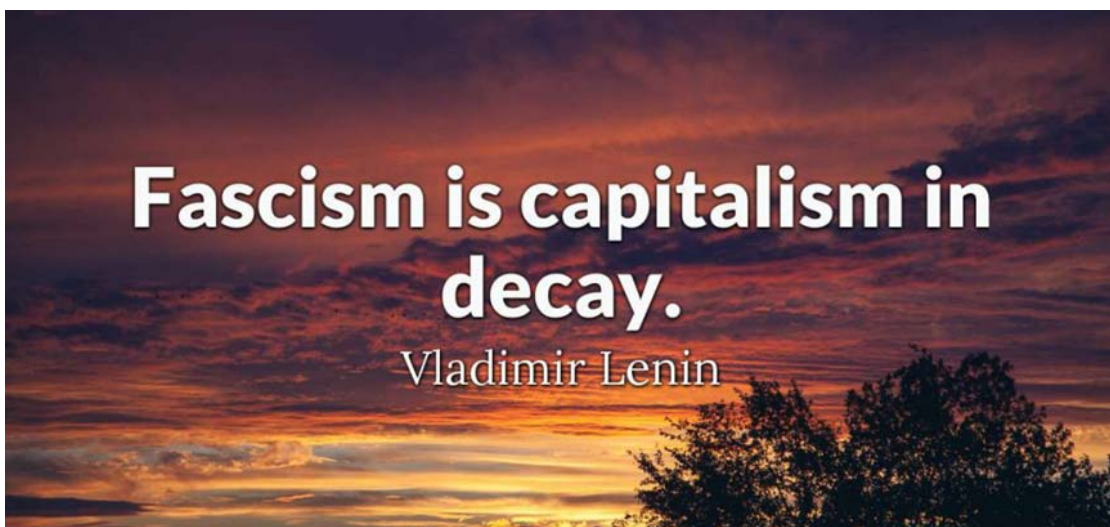


### *FASCISM IS CAPITALISM IN DECLINE*

It is the intellectual crime of the century to call this bastardized state of affairs capitalism or freedom. Capitalism—investment, production, and voluntary exchange—is what people do when they're left to their own devices and are free to pursue their own legitimate interests. It was dealt a mortal blow in 1913 with the establishment of the central bank and income tax, and buried in the New Deal. It's no surprise the left falsely labels the grotesque and failing mixed economy capitalism. It's every failure can be ascribed to capitalism and used as a justification for more government.

What's revolting is the rhetoric of capitalism's so-called defenders. Conservatives ritualistically praise a "free market system" that hasn't existed for decades. It's useful cover: invoke the free market while supporting and profiting from collectivist skims and scams. From the dwindling ranks of true entrepreneurs and honest businesspeople the rhetoric snares some of the more gullible. However, even when the red team has full control of the government, it just keeps getting bigger, more intrusive, and more powerful, reminiscent of communism.

At root, the conservative problem with capitalism is the phrase, "free to pursue their own legitimate interests." The second law of government is that you can do almost anything *to* people if you tell them you're doing it *for* them. (The first law of government is nothing succeeds like failure.) Liberals and conservatives alike pose as benefactors. A system based on freedom and self-interest—capitalism—obviates that pose. Ostensible benefactors can't use government and other people's money to bestow their "munificence," extracts their rents, and grasp their power. In part it explains the vitriolic hostility of both sides towards Ayn Rand, who extolled freedom and rational self-interest and condemned coercive altruism.





# MATASII

## *D – NEW ‘NORMS’ WILL MEANS NEW ‘FORMS’*

Changing “Norms” will have a profound impact on the forms of 1- Sovereign States, 2- Exchange & Trade, 3- Governance and 4- Institutions & Organization will begin taking form.

**N**  
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### **NEW NORMS**

- Power Will Come from the Bottom Up (not Top Down)
- Centralized Coordination versus Centralized Power & Control
- Equality
- International Laws
- Universal Employment versus Universal Income
- Re-Emergence of Savings
- Re-Establishment of Hard Currencies
- Rules Based Control

### **CHANGE**

Rise of Individual  
Fall of Control  
Falling Inequality  
Reduced Country Laws  
Falling Entitlements  
Reduced Credit  
Fall of Fiat Currencies  
Arbitrary Political Mandate







#### 4- WHAT'S NEEDED – A Financial / Economic / Political Triggering Event

##### KEY MESSAGES

##### A NEW FORM OF SOVEREIGNTY:

- Modern communications technology has made obsolete the historic concept of the Nation State the same way Corporations over three decades ago had to decentralize control, downsize, right size and outsource to stay viable within a Global Economy.
- The Nation State can no longer have their size of government, fiscal spending, entitlement programs nor their military 'out of line' with other nation states and expect to see their standards of living maintained or increased. The Globalized economy will punish them to the point of destruction. The current re-balancing required when redraw the borders of many nation states as they likely collapse into regional trade identities. Corporations had to 'get larger' to compete and survive.
- We have endless global examples of nation states having troubles keeping its member constituents in the fold. Some high visibility examples would be: Spain's Catalonia holding a referendum vote to separate, Scotland also holding separation votes to withdraw from the UK or Canada's French speaking Quebec province championing separation from Canada and forcing a change to the national constitution.
- Communications technology has made traditional borders meaningless, while at the same time has made smaller groups more autonomous because of their ability to collaborate and share what they have in common. De-centralization became the norm within business corporations in the 80's and with technology such as the internet now being ubiquitous, countries are now experiencing the same driving change, for the same reasons which drove corporations to change three decades ago.
- A Corporation's allegiance is to "Profit, Shareholders & its Business Viability". Nowhere does a corporation ever mention any responsibility to, or speak about their country responsibility – other than to abide by the law! Governments on the other hand are always talking about creating an environment for companies to prosper. Why? Today it's about jobs and revenue stream from taxes. The nation state is more dependent on business & trade for jobs than ever.
- "The State is the organization of the herd to act offensively or defensively against another herd similarly organized."
- The State is a state of mind; it is the herd mindset itself. As such, it can only be overthrown in the battleground of the mind. Once the State is spiritually dethroned and the populace fully transfigures from herd to civilization, the "Government," like a shepherd without a flock, will no longer even merit its designation. It will then merely be a heavily armed, but even more heavily outnumbered, gang of rustlers writ small.
- "Government is the idea of the State put into practical operation in the hands of definite, concrete, fallible men. It is the visible sign of the invisible grace. It is the word made flesh. And it has necessarily the limitations inherent in all practicality. Government is the only form in which we can envisage the State, but it is by no means identical with it. That the State is a mystical conception is something that must never be forgotten. Its glamour and its significance linger behind the framework of Government and direct its activities."
- "Country is a concept of peace, of tolerance, of living and letting live. But State is essentially a concept of power, of competition: it signifies a group in its aggressive aspects." Government "is the machinery by which the Nation, organized as a State, carries out its State functions" and "a framework of the administration of laws, and the carrying out of the public force."

##### A NEW FORM OF EXCHANGE & TRADE:

- We need to think about building a world defined by networks governed by rules, but with no rulers.
- Bitcoin has shown to the world. It is a global network/community of people who have voluntarily opted into an alternative monetary system with no one in charge. Let me repeat that again, nobody





is in charge. There's no CEO, there's no individual empowered to come in and just make changes to the code. In contrast, there's a sprawling community of developers, entrepreneurs, thinkers, writers, etc, whose degree of influence within the network changes over time.

- Bitcoin's governance can be best described as anarchy, and it's precisely this structure that appeals to so many. It's a voluntary system governed by rules, but there are no rulers. There are key influencers and people whose opinions matter to the direction of the project, but these people have no official position, and their influence can disappear as quickly as it rose. It may not be clean and pretty, but it's the way I think governance ought to work.
- Bitcoin is the global community that's been built around it. This global network helps people understand how connected we are as human beings. That we have infinitely more in common with each other than the corrupt governments and sleazy oligarchs who rule our respective nation-states. It's a very valuable lesson that "we the people" on a global level need to internalize if we're to overcome the centralized hierarchies that dominate human affairs on earth at this time.

#### A NEW FORM OF GOVERNANCE:

- **POLITICAL CORRUPTION:** The perception of broad based government corruption and crony capitalism has reached a critical inflection point. There is a public sense that governments have been taken over and no longer are intent on serving the needs of the people but rather are serving the needs of the "elite" and powerful. The growing pervasive view that governments are manipulative (or being manipulated) and their elected politicians are corrupt (or minimally controlled) has achieved the level that their Governance is polarizing public opinion and jeopardizing their ability to influence public opinion and to effectively lead.
- **CRISIS OF TRUST:** The electorate is withdrawing from the political process – They don't believe in what their elected politicians tell them, they distrust their government and the "system" isn't solving their needs.
- **SHIFTING VIEWS:** Governance is shifting towards 1- Bottom Up Power, 2- Collaboration, 3- Specialization and 4-"Real" Leadership. What is driving these shifts is the perception of government corruption, polarization of opinion and new modern communication technology in the form of social media.
- **MISSING GLOBAL GOVERNANCE:** There is no rule of law at the international level, enforced by a neutral legislator and referee. There are sectoral guidelines here and there, and the unilateral imposition of regulations by one or two superpowers within their territorial jurisdiction.
- **FAILED INSTITUTIONAL ROLES:** The United Nations has been an abject failure as an institution for Global Governance! Frankly, it was not designed as such nor as it intentionally given the power to act as such. The UN's role as a "coordinator" for "collaboration" in future governance is going to be critical going forward but likely will take another reincarnation like its evolution from the "League of Nations".

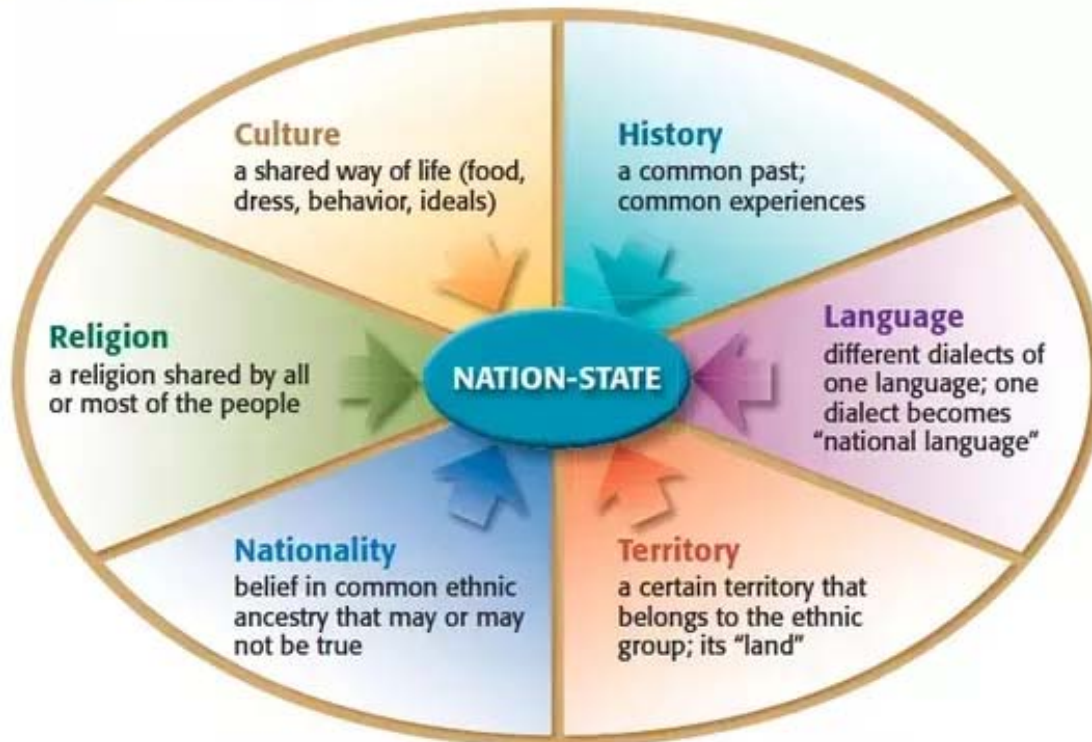
#### NEW FORMS OF INSTITUTIONS:

- If you avoid the reform of political institutions then even the strongest of them will weaken over time!
- Across the developed world (with the notable exception of Japan), popular trust in technocratic/bureaucratic institutions has declined steeply, in some instances as a result of direct political interference in their work. And so most of the advanced industrial democracies—those countries on the top right side of the "J Curve" (describing the relationship between stability and openness)—are starting to edge down to the left. This will be an important global story in 2018.
- Ever-larger segments of the public and their representatives have lost faith in the exercise of bureaucratic functions, inviting the political capture of more organs of the state. It's not an accident that the phrase "deep state"—which made its debut nearly a century ago in Mustafa Kemal Ataturk's Turkey—has now made its way to Washington and into the president's tweets.



- Institutional erosion across many countries risks structural instability in the global system. Absent solutions from global leaders—which aren't in the offing in the foreseeable future—traditional state-based international relations will become more and more unstable. Conflict will become more frequent, decision-making degraded, and internal chaos common.
- The community of nations has shifted into “multi-lateral” gear in a stealth fashion. Between 1945 and 2000 a host of regional and global organizations were created to help deal with the world's problems. These multilateral organizations generally came in three flavors. The first is the IGO or intergovernmental organization, where the members are sovereign governments usually represented by plenipotentiary ambassadors. The second is the NGO or non-governmental organization, where the members are from the private sector but reach across international borders. The third was a hybrid of the IGO & NGO.
- The present system of both public and private multilateral organizations appears to be seriously flawed and, in its present configuration, unlikely to meet the challenge of coping with globalization and its asymmetrical shocks. Here are some of the most obvious weaknesses in the IGOs: A haphazard architecture, Agenda Duplication, Agenda Gaps (insufficient attention to linkages), Rigid Decision Rules.

## Bonds That Create a Nation-State



## *A NEW FORM OF SOVEREIGNTY*

The future of the concept of the "Nation State" and "National Sovereignty" is deteriorating in its usefulness. It arose from the days of monarchies enforcing their military power on an area. It wasn't about what the people wanted but rather what they were told to accept. Is it still a valid concept?

We have endless global examples of nation states having troubles keeping its member constituents in the fold. Some high visibility examples would be: Spain's Catalonia holding a referendum vote to separate, Scotland also holding separation votes to withdraw from the UK or Canada's French speaking Quebec province championing separation from Canada and forcing a change to the national constitution.



## *AN OBSOLETE CONCEPT*

Taking military conquest out of the equation, countries were basically formed because of a common base of mutual identity: Language, Religion, Culture, and Physical Geographic Proximity. Other bonding Power & Control mechanisms such as a common Currency, Government, Military, Policing etc all stemmed from this.

But Communications technology has made traditional borders meaningless, while at the same time has made smaller groups more autonomous because of their ability to collaborate and share what they have in common. De-centralization became the norm within business corporations in the 80's and with technology such as the internet now being ubiquitous, countries are now experiencing the same driving change, for the same reasons which drove corporations to change three decades ago.

## *CORPORATIONS ARE GLOBAL ENTITIES, NOT SOVEREIGN CONTROLLABLE ASSETS*

A Corporation's allegiance is to "Profit, Shareholders & its Business Viability". Nowhere does a corporation ever mention any responsibility to, or speak about their country responsibility – other than to abide by the law! Governments on the other hand are always talking about creating an environment for companies to prosper. Why?

Today it's about jobs and revenue stream from taxes. The nation state is more dependent on business & trade for jobs than ever.

Obviously countries are now dependent on companies creating jobs and paying taxes. But it is more than just that. The GDP formula of a countries economic wealth is best considered in the following light.

$$GDP = C + G + I (E-I)$$

C= Consumption:

G= Government:

I = Investment:

(E-I) = Trade Balance:

Globalization has relegated sovereignty to the "dust bin" in more ways than one!

This entire formula doesn't work unless productivity increasing jobs are being created, savings and productive investment occurring and the nation state not restricting innovation.



## *THE SOVEREIGNTY OF "CULTURE"*

The real sovereignty of the nation state is through the bonding of culture. Culture which can be described as "How we do things around here!". Culture with the advent of the internet is becoming more and more borderless.



Let's use the seminal work of Randolph Bourne as articulated by "[The Herd Mind](#)" by Dan Sanchez via The Foundation for Economic Education. It may sound a little academic but it gets to the root of the difference in Country, State, and Government.

***The State is a state of mind; it is the herd mindset itself.***

Randolph Bourne famously wrote, "War is the health of the State." This has long been the byword for anti-war, anti-state libertarians, and rightly so. But Bourne did not mean exactly what most libertarians take this phrase to mean. To understand the maxim's original meaning, as Bourne used it in his great unfinished essay "[The State](#)," one must understand his distinctions among three concepts that are often conflated: Country, State, and Government.



For Bourne, a *Country* (or *Nation*) is a group of individuals bound together by cultural affinity. A *State* is a Country/Nation collectively mobilized for attack or protection. As he distinguished between the two: "Country is a concept of peace, of tolerance, of living and letting live. But State is essentially a concept of power, of competition: it signifies a group in its aggressive aspects."

#### The State and the Government

And *Government*, according to Bourne, "is the machinery by which the Nation, organized as a State, carries out its State functions" and "a framework of the administration of laws, and the carrying out of the public force."

What libertarians commonly refer to as "the State," Bourne termed "the Government" instead. So, the way libertarians often interpret his famous aphorism is what Bourne would have expressed if he had written, "War is the health of the *Government*." This also happens to be true, but it is not what he meant.

For Bourne, the State is not a distinct ruling body subsisting extractively on the ruled, i.e., a "gang of thieves' writ large," as the great Murray Rothbard incisively conceived it. Rather, he saw it as a certain orientation of a whole people: a spiritual phenomenon pervading an entire populace that animates and empowers such a ruling body. As Bourne expressed it:

*"Government is the idea of the State put into practical operation in the hands of definite, concrete, fallible men. It is the visible sign of the invisible grace. It is the word made flesh. And it has necessarily the limitations inherent in all practicality. Government is the only form in which we can envisage the State, but it is by no means identical with it. That the State is a mystical conception is something that must never be forgotten. Its glamour and its significance linger behind the framework of Government and direct its activities."*

In peacetime, Bourne explained, the State is largely relegated to the background; individuals are then more concerned with their own affairs and purposes. But during the build-up to war, and especially following its breakout, the foreign enemy looms large in the public imagination. Hence, the Country is overtaken by war fever and develops what Gareth Garrett called a "complex of vaunting and fear." This hybrid mania of boastful belligerence and timorous terror ("fight-or-flight") causes the populace to regress from a civilization to a herd. The people seek safety in numbers: in a multitude unified for a single purpose (a "great end") and directed by a single agency. The varied dance of individuals gives way to the uniform huddle and stampede of the unitary drove, with the Government as drover.

As Bourne wrote:

*"The State is the organization of the herd to act offensively or defensively against another herd similarly organized."*

And in wartime, the "mystical conception" of the State "comes into its own" as the "herd-sense" becomes dominant in the Country and the "aggressive aspects" of the group come to the fore. This is what Bourne





meant by, "War is the health of the State." The dictum speaks to the flourishing of an ideal and the resulting transformation of a whole society, not merely the aggrandizement of a Government.

Yet, war is also the health of the Government, which is the single directing agency to whose banner the State-minded masses flock. Under the perceived exigencies of war, the people:

"...proceed to allow themselves to be regimented, coerced, deranged in all the environments of their lives, and turned into a solid manufactory of destruction toward whatever other people may have, in the appointed scheme of things, come within the range of the Government's disapprobation. The citizen throws off his contempt and indifference to Government, identifies himself with its purposes, revives all his military memories and symbols, and the State once more walks, an august presence, through the imaginations of men."

Economically, this means that the manpower and resources of the Country undergo "mobilization": a vast redirection away from the provision of individual consumer wants and toward the all-important war effort. In this way too, the Government swells in power and grandeur, as the consumer-directed market economy is supplanted by the Government-directed "War Economy," or even "War Socialism" (*Kriegssozialismus*, as the Germans called it in World War I).

#### The "General Will"

*In the fever of war, the individual will is sacrificed for the "General Will," which ostensibly expresses itself through the Government.*

Individuals renounce their identities for the sake of uniting Voltron-like into a State, like the gestalt "Leviathan" pictured on the cover of Thomas Hobbes's book by that name.

As Bourne put it:

"War sends the current of purpose and activity flowing down to the lowest levels of the herd, and to its remote branches. All the activities of society are linked together as fast as possible to this central purpose of making a military offensive or military defense, and the State becomes what in peacetimes it has vainly struggled to become—the inexorable arbiter and determinant of men's businesses and attitudes and opinions."

*The herd is mobilized, not only against the foreign foe, but against any dissidents within the group who resist assimilation into the [Borg](#)-like hive- or herd-mind and who refuse to join the swarm or stampede into war: in other words, against "enemies foreign and domestic."*

As Bourne explained:

*"The State is a jealous God and will brook no rivals. Its sovereignty must pervade everyone and all feeling must be run into the stereotyped forms of romantic patriotic militarism which is the traditional expression of the State herd-feeling. (...) In this great herd-machinery, dissent is like sand in the bearings. The State ideal is primarily a sort of blind animal push towards military unity. Any interference with that unity turns the whole vast impulse towards crushing it."*

*The State crushes dissent through Government policies restricting civil liberties, but also through private citizens acting as "amateur agents" of the Government: who berate skeptics into silence, report critics to the authorities for "disloyalty," or even take the security of Herd and Homeland into their own violent hands.*

Remember that in Bourne's framework, the Government is by no means identical with the State. As such, the State can animate a private citizen even more than it does an officeholder. As Bourne remarked:

*"In every country we have seen groups that were more loyal than the King—more patriotic than the Government—the Ulsterites in Great Britain, the Junkers in Prussia, l'Action Francaise in France, our patrioteers in America. These groups exist to keep the steering wheel of the State straight, and they prevent the nation from ever veering very far from the State ideal."*

This an extremely apt description of the Fox News types who castigate Barack Obama for his lack of "patriotism" and the insufficiency of his war-making. The spirit of the State dwells within Sean Hannity even



more so than it dwells within the President of the United States. What is ironic is that a war-drumming jingo like Hannity usually imagines himself a paragon of manhood; yet his dull, stampeding herd mindset marks him out as less of a man, and more of a beast.

### Bourne's Legacy

Randolph Bourne was not a libertarian, but a dissident progressive. Still, we libertarians can learn a great deal from him. For instance, perhaps our terminology, as penetrating and illuminating as it is, has led us to focus too much on the herdsmen in office who drive, shear, milk, and butcher us, and not enough on the more fundamental problem: our society's bovine propensity to become a manipulable herd in the first place, especially when spooked. Occasionally thinking in terms of Bourne's typology can be a useful corrective in this regard.

Bourne's terminology and analysis also shed light on the all-important question of how to achieve liberation. ***The State lives in the minds of the Government's victims. Simply overthrowing a Government will only spook the herd even worse.*** The State will not only survive such an overthrow, but it will likely even feed off of it, as the panicked herd acts even more herd-like in the crisis, granting new herdsmen even more tyrannical power than the old ones had.

*The State is a state of mind; it is the herd mindset itself. As such, it can only be overthrown in the battleground of the mind. Once the State is spiritually dethroned and the populace fully transfigures from herd to civilization, the "Government," like a shepherd without a flock, will no longer even merit its designation. It will then merely be a heavily armed, but even more heavily outnumbered, gang of rustlers writ small.*

Accomplishing this becomes ever more urgent as Americans are driven into ever more calamitous wars. It is increasingly apparent that breaking the spell of the State that turns men into beasts may be the only way we can avoid being driven to self-destruction by alarmist warmongers and their terrorist [symbionts](#), like buffalo being stampeded off a cliff by herd-spooking hunters.

*Future directions:* Bury The Old Sovereign State System or reinvent it?

In looking ahead at the next ten years, the first decade of the New Millennium, one thing appears clear. The old order, based on the assumption of strong policy capacity by nation states acting individually, is dying. Their policy capacity is now quite weak and in fact almost every one of the five principles of the Old Order appear to be negated by globalization:

First, sovereignty is no longer what it used to be. National governments cannot exert the imperative power they used to, through legislation and regulation. National rules can be avoided by moving to competing jurisdictions. In addition, the legitimacy of sovereign acts is increasingly challenged by invoking higher principles such as human rights.

Second, unlike the old order of the control of physical territory, the competitive arena today is virtual rather than geographic. Distance, trivialized by the jet age and the internet, has become a much less meaningful economic variable, and no longer affords natural protection against foreign competition. In addition, the community of internet-surfers has shown that affinity groups are no longer territorial. They exist in the ether and ignore physical distance. The old order is ill-equipped to deal with virtual reality and therefore finds itself increasingly marginalized.

Third, the nation state star of the old system is becoming the bit player of the new. Corporations, special interest groups, NGOs and other ad hoc players are now seizing the limelight. These new players – especially corporations, to a lesser extent industry associations – are now called upon to exercise governance functions without clear legitimacy or democratic mandate. Yet their presence and power cannot be ignored. They must, as players, be factored into the system.

Fourth, the idea that the only sources of international law are treaties between sovereign nations applicable only to the signatories is losing ground. Considerations that take precedence over sovereignty are now invoked to create international law, beyond treaties. In addition, the applicability of that law no longer depends on the acquiescence of all parties. The UN Charter is theoretically applicable even to non-members, and armed intervention in the internal affairs of



another country no longer requires the acceptance of that intervention by the country in question, as the Kosovo case demonstrated.

Fifth, although war still remains an option in dealing with international conflict, it does not have the respectability it enjoyed in the old order. Even when armed action is taken, war is no longer formally declared. In fact there have been very few formal declarations of war between sovereign states since 1945. Instead, armed conflict is seen as temporary police action or self-defense, not a legitimate instrument of policy.

For all intents and purposes practically every assumption of the Old Order is now invalidated. But as it limps into obsolescence there is nothing to replace it.

Currently the only candidate is the "Market System".

According to its advocates, all or almost all decisions could be taken by free markets through the interplay of supply and demand. The role of the state would be minimized to almost nothing. It would continue its retreat through further trade liberalization, privatization, and deregulation as well as budget cuts. Market forces would take up the slack and ensure governance services, which could be treated like any other commodity.

Is this scenario sustainable? Probably not, for at least three reasons:

First, the asymmetrical shocks created by globalization will have to be alleviated by an actor or actors outside the market mechanism. If the gap between winners and losers is allowed to increase without control, social cohesion is likely to suffer. The resulting social fracture may create very dangerous situations as the new malcontents with nothing to lose may resort to violence and to weapons of mass destruction.

Second, the efficiency of market systems depends on the existence of competition. If there are no antitrust or anti-combine rules, competitors are tempted to unite rather than compete. The trend towards mergers and acquisitions seems to vindicate that view.

*As one CEO put it, Why beat them if you can buy them?*

As markets become more concentrated and oligopolistic, competition diminishes. New monopolies may assume governance roles with no democratic legitimacy whatsoever. Is it better to submit to the rules of a private monopoly which no one controls or to those of a public one which, theoretically at least, could be controlled through the democratic process? Since there are no globally enforceable antitrust rules, given present trends, the absence of competition is more likely to prevail in global markets than its presence.

Third, market systems have always depended on the rule of law to function properly. Without such rule of law, they tend to become mafia systems since, in the absence of a policeman, taking by force is cheaper than selling and intimidating more effective than marketing. The collapse of the rule of law in the former Soviet Union and the emergence of a mafia-dominated market system there could be a precursor of things to come at the global level. The assumption that markets will discipline themselves spontaneously appears overly optimistic and has not so far been vindicated in those instances where the rule of law does not prevail.

If governance by markets is not a suitable alternative to the old order, what is?

It would most likely involve a fundamental rethink of the idea of sovereignty itself. Because of its link with democracy, sovereignty cannot be discarded altogether. But its home base in nation states may have to be shifted elsewhere. More direct forms of global governance may have to be devised. Principles of shared sovereignty along federal or con-federal lines could be explored and, in some form or other, all relevant actors should be at the negotiating table.



A NEW FORM OF EXCHANGE & TRADE

INTERNATIONAL BANKING –SHADOW BANKING,  
EURODOLLAR SYSTEM & OTC SWAPS

The central reason for today's excess global credit, debt and financial leverage is a flawed international accounting standard for the International Banks centered predominately around the creation of Eurodollars.

This is an extremely complex matter to understand and would expand this report dramatically to attempt it here. I will therefore leave it to readers who are interested to review the following sources that do an incredible job of distilling the issue of Eurodollar creation, Shadow Banking Credit creation, OTC Swaps, Rehypothecation and repos.

The bottom line is that International Banks are able to create unlimited amounts of "money" with the click of a mouse or the stroke of a pen. There is almost to limit the amount other than the reality of being protected from insolvency by underlying collateral values.

The Basel Accords for Bank Capital Ratios have been rewritten and manipulated to the point that sound banking practices take a back seat to cross border accounting "holes" that foster the ability to keep lending growth going, bank stock values up – all to avoid being eaten by a potentially more aggressive and devious banking competitor.

The game will continue until the financial system becomes unstable and collapses from the cascading impact of a counterparty failure – as small and insignificant as that may initially be seen to be.



#### UNDERSTANDING OF SHADOW BANKING, THE EURODOLLAR SYSTEM AND THE OTC SWAPS MARKET

- Refer to MATASII Post: THE EURODOLLAR SYSTEM - CENTRAL SOURCE OF GLOBAL OVER LEVERAGING
- Refer to Eurodollar University at [Macro Voices](#)
  - Part I
  - Part II
  - Part III
  - Part IV
- Refer to : Anatomy of the US Dollar End Game at [Macro Voices](#)
  - Part I
  - Part II
  - Part III
  - Part IV
  - Part V







## BLOCK CHAIN TECHNOLOGY

- We need to think about building a world defined by networks governed by rules, but with no rulers.
- Bitcoin has shown to the world. It is a global network/community of people who have voluntarily opted into an alternative monetary system with no one in charge. Let me repeat that again, nobody is in charge. There's no CEO, there's no individual empowered to come in and just make changes to the code. In contrast, there's a sprawling community of developers, entrepreneurs, thinkers, writers, etc, whose degree of influence within the network changes over time.
- Bitcoin's governance can be best described as anarchy, and it's precisely this structure that appeals to so many. It's a voluntary system governed by rules, but there are no rulers. There are key influencers and people whose opinions matter to the direction of the project, but these people have no official position, and their influence can disappear as quickly as it rose. It may not be clean and pretty, but it's the way I think governance ought to work.
- Bitcoin is the global community that's been built around it. This global network helps people understand how connected we are as human beings. That we have infinitely more in common with each other than the corrupt governments and sleazy oligarchs who rule our respective nation-states. It's a very valuable lesson that "we the people" on a global level need to internalize if we're to overcome the centralized hierarchies that dominate human affairs on earth at this time.

Similar to the Internet, the blockchain technology is changing the way we do business. Blockchain technology and Cryptocurrencies are decentralizing i) money, ii) contracting, and iii) capital markets.

"Bitcoin gives us, for the first time, a way for one Internet user to transfer a unique piece of digital property to another Internet user, such that the transfer is guaranteed to be safe and secure, everyone knows that the transfer has taken place, and nobody can challenge the legitimacy of the transfer. The consequences of this breakthrough are hard to overstate."

Marc Andreessen  
Internet Pioneer & Founder of Netscape

- Distributed Ledgers have the power to ensure the highest level of transparency and accountability in contractual agreements.
- Cryptocurrencies are an integral part of this newfound provenance, and first-mover investors are eagerly collecting these digital tokens backed by mathematics.

## ACCEPTANCE & ADOPTION

"The root problem with conventional currency is all the trust that's required to make it work. The central bank must be trusted not to debase the currency, but the history of fiat currencies is full of breaches of that trust. Banks must be trusted to hold our money and transfer it electronically, but they lend it out in waves of credit bubbles with barely a fraction in reserve."

Satoshi Nakamoto  
Creator of Bitcoin  
The Mysterious programmer(s) going by the pseudonym Satoshi Nakamoto

If consumers prefer "sound" or commodity monies such as gold or government monies such as the euro, then the blockchain technology may not become the global decentralized money that Bitcoin creators had envisioned. On the other hand, not everyone has to agree on using the same currency. Instead of completely replacing the commodity and fiat monies, Cryptocurrencies may become a third option with unique advantages and risks.

"This whole revolution came out of a breakdown of trust. It came out of the '08 financial crisis when people said we no longer trust financial institutions, we don't trust governments and in parts of the world today still. If you're in Venezuela, it's really hard to trust a Central Bank or in Zimbabwe. So the de-centralized revolution was Bitcoin is really the poster child of a response to the breakdown in trust."

Mike Novogratz



"Bitcoin is a reflection of panic. It's a reflection of people trying to get into a safe place knowing the major governments of the developed have got their printing presses running 24 by 7. It's a reflection of anxiety and fiat currencies and the fact it's not practical to go back to a gold standard. What scares me most about Bitcoin, if the central bankers are studying it to figure out how the blockchain works. They are going to be controlling our spending with blockchain technology that is being perfected in the Cryptocurrencies universe."

Danielle DiMartino Booth,  
Former Federal Reserve Adviser to the Dallas Federal Reserve President

"Cryptocurrency is a reflection of the disaster of the monetary dollar system..."

Ron Paul  
Former US Congressman and Congressional Banking Committee

**KEY MILESTONES** in the development of Blockchain Technology were:

**EARLY '70S ASYMMETRIC ENCRYPTION:** Asymmetric encryption fundamentally changed the way people can share private information. Today, governments, banks, insurance companies, and many other firms use encryption tools for applications such as storing sensitive customer data and enabling secure online payments.

**2008 BITCOIN SOFTWARE PROTOCOL:** In 2008, the developer of Bitcoin released the first version of the Bitcoin software protocol. During the first few months, programmers from around the world worked on improving the software code. By the end of 2009, the Bitcoin software was robust, open-source, and free. Anyone could download the software and begin sending transactions to other people.

**CHRONOLOGICALLY TIME-STAMPED DATA LEDGER:** "Blockchain Technology" was held back because changes to digital data could not be chronologically ordered without relying on external timestamps. Although a seemingly small inconvenience, the inability to timestamp data made it possible for counterparties to change, add, and delete digital files without leaving footprints. The blockchain data structure enabled internal time stamping for the first time. From this point forward, governments and companies could digitally track every single change made to each data file.

## KEY CONCEPTS

- **Digital Wallet:** The digital coin software, also referred to as a "Cryptocurrency wallet," on a user's computer or phone,
- **Miners:** The individuals or groups of individuals that operate the computers that listen to transactions are often referred to as miners. Using special hardware, miners create blocks containing a list of transactions that have been broadcasted to the network by users. Next, blocks are added one after the other in a chronological order, creating a chain, hence, the name, blockchain. Once they detect a transaction, they will add this transaction to a list of transactions stored in a block. Before confirming the transactions, the miners will solve a difficult mathematical problem, referred to as a "nonce." The first miner to solve the nonce will receive a reward and the transaction fee that the user paid to the network when she broadcasted her payment. After approximately ten minutes, the transaction will be confirmed by all of the computers in the network.
- **Initial Coin Offerings** When a group of developers is ready to launch their new Cryptocurrency, they can have an "initial coin offering" (ICO) or "token generating event (TGE)". In 2017, ICOs raised over \$1.7 billion in investment capital. For example, the French developers behind the Cryptocurrency Tezos raised \$232 million in July of 2017. The month prior, Bancor raised \$150 million. In fact, out of the 25 highest crowd-funded projects in all of history, 18 of them are blockchain companies. (ICOs) are a disruptive force in the capital market. Start-up firms are challenging bank lending and venture capital by issuing cryptographic tokens directly to investors.
- **Cryptocurrency Exchanges** A Cryptocurrency exchange is a website where investors can buy and sell Cryptocurrencies for other Cryptocurrencies or for fiat money such as USD and EUR.



Cryptocurrency exchanges are generating the highest revenues during the Cryptocurrency boom. Coinbase, the biggest exchange in the U.S., has a valuation of over \$1 billion.<sup>15</sup> Gemini is an exchange made by the Winklevoss Twins, who sued Mark Zuckerberg over the ownership of Facebook. However, Gemini is only open to U.S. based Cryptocurrency traders. The six most important exchanges on an international basis include Kraken, Poloniex, Bitstamp, Bitfinex, and Bittrex, and GDAX owned by Coinbase.

- **Cryptocurrency Brokerages** In addition to Cryptocurrency exchanges and Over-the-counter markets, the Cryptocurrency ecosystem has the equivalent of traditional investment banks like Goldman Sachs. In the crypto world, brokerages are the new investment banks. They help new Cryptocurrency companies launch initial coin offerings by setting up escrow accounts, clearing qualified investors, and settling trades. Brokerages charge a percentage of total revenue earned by the ICO. Brokerages also offer customized service for high-net-wealth individuals who want to gain exposure to Cryptocurrencies. This service is paid for by the spread between the price that the brokerage buys or sells the Cryptocurrency at on an exchange, and the price they charge the customer. The largest brokerage in Europe, Bitcoin Suisse in Zug, Switzerland has a monthly turnover of \$150 million. Other brokerages include Coinfinity in Graz and BitPanda in Vienna.

A famous blockchain enthusiast, Vitalik Buterin, built a blockchain-based decentralized contracting platform called Ethereum in 2014. More recently, start-ups are using the blockchain technology to decentralize lending markets. For example, the German company eSports.com is accepting cryptocurrency investments to crowd-fund the capital required to launch their business idea. Similar to the Internet decentralizing information, blockchain technology is decentralizing money, contracting, and capital.

#### CRYPTOCURRENCIES

"At their core, cryptocurrencies are built around the principle of a universal, inviolable ledger, one that is made fully public and is constantly being verified by these high-powered computers, each essentially acting independently of the others."

Cryptocurrencies are a medium of exchange and store of value like currencies; however, they have no physical or digital existence. Instead, Cryptocurrencies are account amounts held in a digital ledger that can be transferred to other users. The term Cryptocurrency is really a misnomer because there is no such thing as a Cryptocurrency with an identification number such as token number "1234567." In fact, none of the Cryptocurrency coins have unique identifiers because a Cryptocurrency is not actually a coin in the traditional definition of the term. Rather, each Cryptocurrency account name is linked to a certain number of cryptographic accounting units, and these accounting units have been given the name Cryptocurrency

#### [Research Based on Incrementum's Paper](#)

Technological and regulatory risks may impede the proliferation of the blockchain. 2018 may witness unprecedented growth in this sector if scaling problems are surmounted and governments issue clear and supportive legislation.





# MATASII

*A NEW FORM OF GOVERNANCE*



We can expect to see the governance structure shift towards being:

- **BOTTOMS UP POWER** versus the current top down centralized military like “command and control” structure of power.
- **COLLABORATION:** Increasing requirements for more interaction between governing bodies as the world becomes increasingly interconnected.
- **SPECIALIZATION:** Rather than competition between governing bodies we should expect to see more specialization based on particular competences, skills and dominate resources.
- **LEADERSHIP:** Leaders motivated with a vision and belief systems will arise who will bind together voters and mobilize followership. This is counter to current populist politicians led by polls, steered by campaign contributions and incited by personal power. The public will reject the “prepared” politician crafted for public consumption.

What is driving these shifts is the perception of government corruption, polarization of opinion and new modern communication technology in the form of social media. Let’s explore these.







#### *PERCEPTION OF CORRUPTION, MANIPULATION & CRONY CAPITALISM*

The perception of broad based government corruption and crony capitalism has reached a critical inflection point. There is a public sense that governments have been taken over and no longer are intent on serving the needs of the people but rather are serving the needs of the “elite” and powerful.

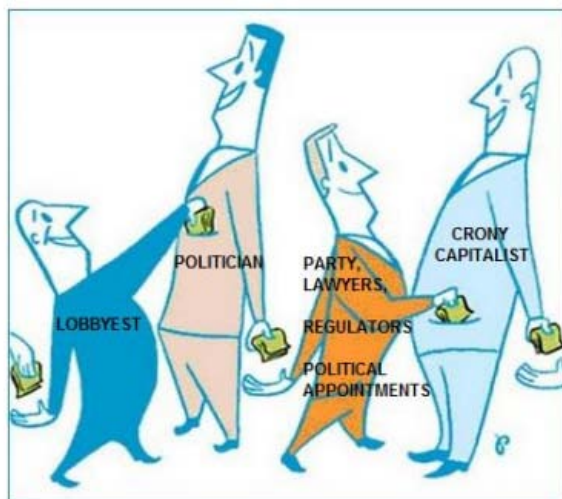
The growing pervasive view that governments are manipulative (or being manipulated) and their elected politicians are corrupt (or minimally controlled) has achieved the level that their Governance is polarizing public opinion and jeopardizing their ability to influence public opinion and to effectively lead.



Rather than list endless examples (for the sake of space), I encourage you to read [“The Crony ‘Tribute’ System”](#) which I published in 2014 on the degree of corruption within our political system and how systemic it had become – it has only become much worse since because of lack of indictments and how politicized the US legal system has become.

## **THE CRONY TRIBUTE SYSTEM**

*Lobbying, Influence Peddling & Campaign Contributions are Soooo Passé*



Gordon T Long  
11/6/2014



I posted the following article by Michael Kreiger: [THESIS 2016: CRISIS OF TRUST - DEEPENING CYNICISM TOWARDS OUR POLITICIANS CONTINUES TO WORSEN](#) because I thought it aptly described the growing cynicism in global governance which I spelled out in our 2016 Thesis: Crisis of Trust. I think it fittingly positions a number of the discussions in this section concerning Governance, the Sovereign Nation State, new forms of Institutions and changing methods of Trade Transaction & Exchange.

Over the course of 2017, I spent a lot of time detailing where we stand as a species and where I think we're going. To summarize, I think the positive impact of the internet and social media on humanity is still very much in its infancy. The more connected we become to one another across the planet, the more we'll realize we have far more in common with one another than we do with the sociopathic oligarchs and politicians in charge of our respective nation-states.

Much of the 20th century was defined by unimaginable human conflict and terror, unleashed upon the public by crazed elites and rulers who were able to successfully manipulate large populations. The key to preventing a repeat of this sort of thing in the 21st century is billions of human beings across the planet communicating and sharing friendship with one another to the point we can no longer be tricked in killing each other. We need to learn to see "the other" in ourselves and voluntarily collaborate with our fellow humans on the challenges that face us in order to bring our species to the next level. This isn't just a pipe-dream or insane utopian ramblings, I think it's entirely possible.

That said, the road could be long and some real disasters may lie ahead before we finally get our footing as a species. As far as I see it, there are several factors still preventing us from getting from point A to B. For one thing, leaders of nation-states throughout the world are almost always some of the worst individuals society has to offer. The types of people who aspire to, and generally attain political power, tend to be the most unconscious, power hungry, sociopathic characters around. That's just how this stuff works.

It's in the best interests of these leaders to convince their citizens that other human beings living in rival gangster nation-states are the enemy. Pretty much all nation-states are run as organized crime syndicates, the only question is a matter of degree. As such, the goal of political leaders is more often than not to propagandize "the people" into thinking that they are somehow special, the chosen ones, etc. When this sort of propaganda is successful, it provides the pretext for all kinds of barbaric horrors against other humans who are, naturally, less special or righteous than they are. Humans will never break the destructive cycle of murder and authoritarianism until we recognize that we are all connected. The key to achieving this sort of understanding on a planet-wide level is for us to become resilient against government/corporate propaganda, which happens when we talk to one another. Working with one another is even better.

This is one of the primary reasons Bitcoin so captured my imagination beyond simply its promise of decentralized money and a displacement of the current financial system. What I've seen evolve in Bitcoin over the past several years is a truly global community of like-minded people. Individuals from all over the world who have crossed language and cultural barriers to voluntarily work and support a project they passionately believe in. It transcends nation-state boundaries, politicians and central banks. It shows what's possible when people come together and voluntarily collaborate on something. It shows us that we can be so much more as a species than what we are today.

It's not a coincidence that Bitcoin and crypto assets have taken the world by storm at this particular moment. When the financial system died in 2008/09 and corrupt politicians the world over decided to save the crooks and leave everyone else hanging, something clicked. A lightbulb went off and we recognized that the old way of doing things is corrupt, archaic and unacceptable. While the entrenched interests remain in power, the hearts and minds of the public were lost, never to be regained. It's because of this incredibly shady and crooked era in government policy that we now have this incredible opportunity for paradigm level change at our fingertips. When given lemons...well you know.

The reason the next several years are going to be so fascinating and chaotic is precisely because nothing was solved by the response to the financial crisis. The only thing politicians achieved was keeping a terminal and corrupt financial system afloat while bailing out the oligarchs who wrecked the planet. This Potemkin Village financial system remains propped up, but it has zero chance of



long-term survival. It will be entirely replaced by something else and we have the opportunity to determine what that will be. We need to do this now, and on our own terms, so that oligarchs and their political henchmen can't dictate it to us later. That's precisely what I see happening in the crypto asset space, and why I'm so optimistic about its impact on human affairs.

It's not just the financial system though. Total and unequivocal government support of this crooked financial infrastructure led to a severe loss in government credibility as well. This opens up governments across the world to the same forces of decentralization that are currently working their magic upon money. Everyone knows that politicians everywhere are self-serving, corrupt and dangerous. Increasingly, we will ask why we need them at all. If we don't need central banks, why do we need politicians? If we don't need politicians, what do we need? How can we govern ourselves more ethically and transparently going forward? In the case of the U.S., why is decision making for over 300 million people centralized in a place called Washington D.C., which everyone admits is a sleazy swamp. Is this really the best we can do?

When I think about 2018 and beyond, I see a species in the early stages of a historic transformation. We are moving away from hierarchies and into networks. Away from centralization and into decentralization. From the unconscious to the conscious.

That said, the old system isn't gone just yet. It remains a dangerous zombie, and its benefactors will fight to keep their schemes alive. The years ahead will be characterized by increased tension between the old and the new. What comes next is up to us.

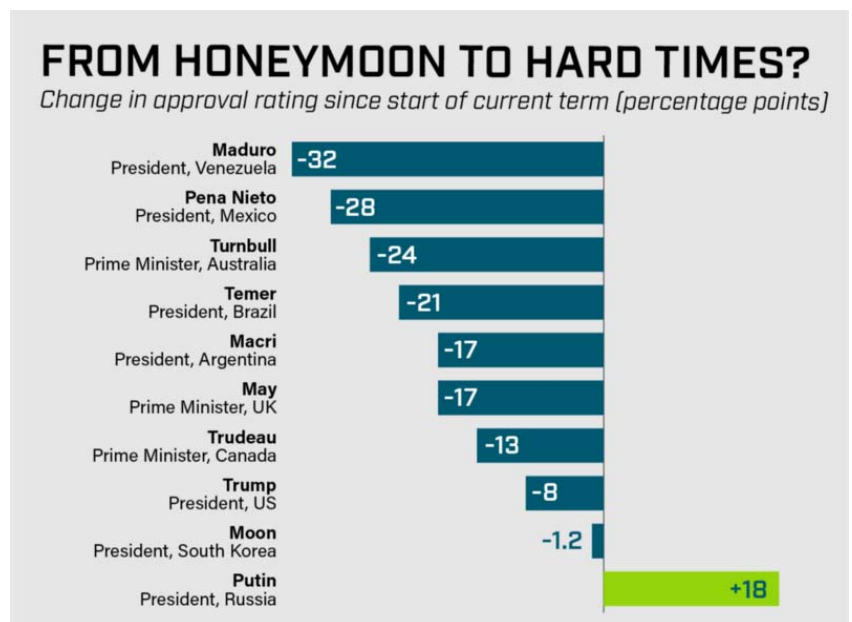
Never forget that we are all connected. That you have tremendous power to impact the world based on your everyday thoughts and actions. Understand that we don't have to live this way. Fill your heart with love, not hate. Stay true to your higher nature. If enough of us do this, the future is unimaginably bright.

Here another article that gives some further insight into the feelings of about the level of corruption from differing age groups.

["The World Is Criminally Corrupt & Broken" - A Surprising Dinner Conversation With The Younger Generation](#)

*The electorate are withdrawing from the political process – They don't believe in what their elected politicians tell them, they distrust their government and the "system" isn't solving their needs. The unwritten Social Contract is breaking down!*

Wherever you look in the world you continuously see that newly elected politicians quickly lose their populist support (example right). It isn't just corruption that causes this but the ability to "control" polarization of opinion.

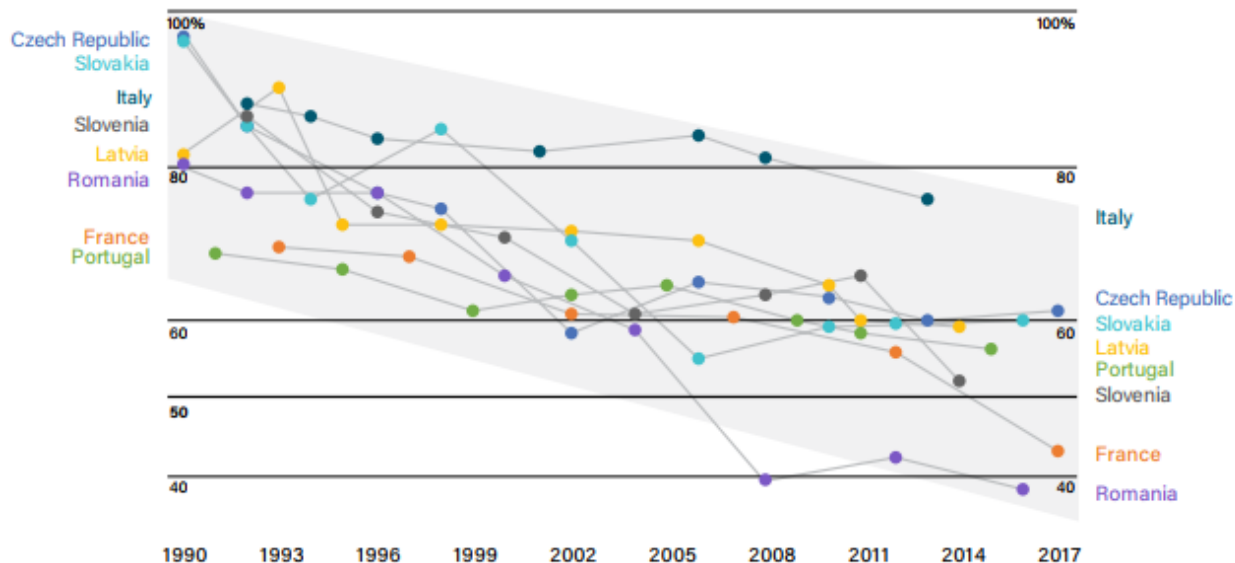


Sources: Consulta Mitofsky, Datanálisis, Fairfax Ipsos, National Industry Confederation (CNI)/Ibope, Poliarquía, Ipsos MORI, Angus Reid, CNN/SSRS, Realmeter, Levada Center

SIGNAL



## Parliamentary election turnout is falling in Europe



Source: International Institute for Democracy and Electoral Assistance

## POLARIZATION MAKING GOVERNING NEARLY IMPOSSIBLE

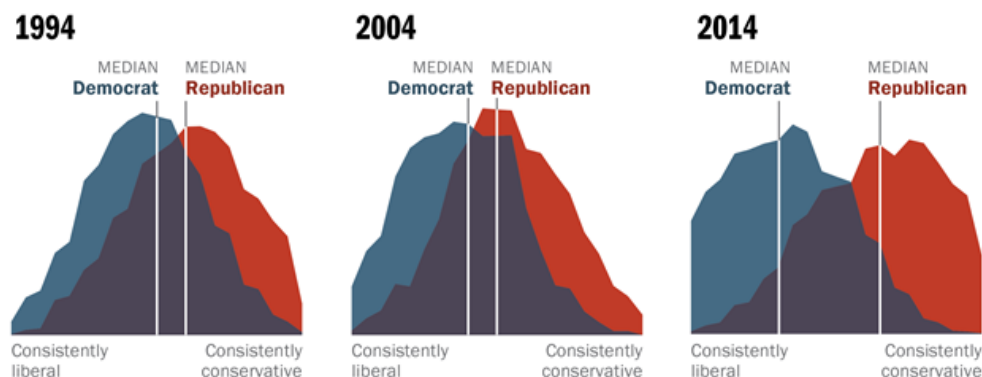
PEW Research Center: [Political Polarization in the American Public](#) - How Increasing Ideological Uniformity and Partisan Antipathy Affect Politics, Compromise and Everyday Life

.....

*We are witnessing in the US both Democrats moving to the left and Republicans moving to the right, with less and less overlap between the parties. Today, 92% of Republicans are to the right of the median (middle) Democrat, compared with 64% twenty years ago. And 94% of Democrats are to the left of the median Republican, up from 70% in 1994.*

## Democrats and Republicans More Ideologically Divided than in the Past

*Distribution of Democrats and Republicans on a 10-item scale of political values*



Source: 2014 Political Polarization in the American Public

Notes: Ideological consistency based on a scale of 10 political values questions (see Appendix A). The blue area in this chart represents the ideological distribution of Democrats; the red area of Republicans. The overlap of these two distributions is shaded purple. Republicans include Republican-leaning independents; Democrats include Democratic-leaning independents (see Appendix B).

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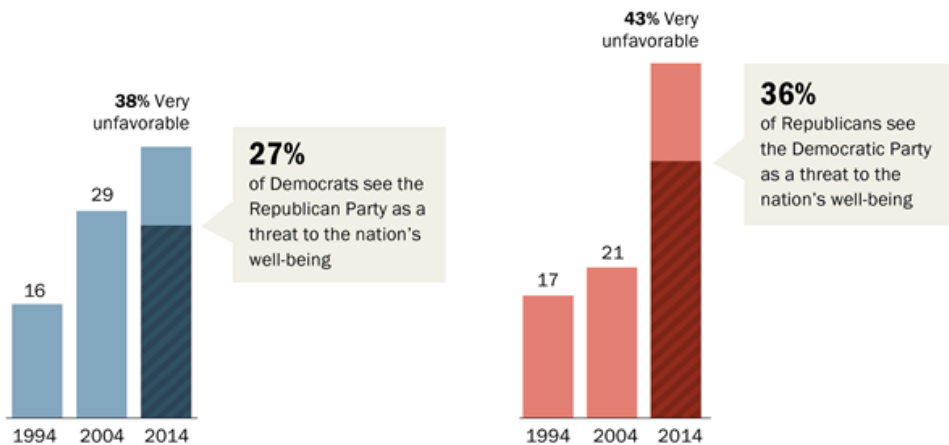
*Beyond the rise in ideological consistency, another major element in polarization has been the growing contempt that many Republicans and Democrats have for the opposing party. To be sure, disliking the other party is nothing new in politics. But today, these sentiments are broader and deeper than in the recent past.*

*On measure after measure – whether primary voting, writing letters to officials, volunteering for or donating to a campaign – the most politically polarized are more actively involved in politics, amplifying the voices that are the least willing to see the parties meet each other halfway.*

## **Beyond Dislike: Viewing the Other Party as a ‘Threat to the Nation’s Well-Being’**

**Democratic attitudes about the Republican Party**

**Republican attitudes about the Democratic Party**



Source: 2014 Political Polarization in the American Public

Notes: Questions about whether the Republican and Democratic Parties are a threat to the nation's well being asked only in 2014. Republicans include Republican-leaning independents; Democrats include Democratic-leaning independents (see Appendix B).

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*Many of those in the center remain on the edges of the political playing field, relatively distant and disengaged, while the most ideologically oriented and politically rancorous Americans make their voices heard through greater participation in every stage of the political process.*

*Most Americans in the center of the electorate think that Democratic and Republican leaders should simply meet each other halfway in addressing the issues facing the nation.*

[Has political polarization gone too far?](#) – 02-18-17 William Carter, Libertarian

Yes, vastly so. And it has done so by the design of career politicians who want you and I at each other's throats blaming the "other" party or "the rich" or "lazy people on welfare" or \*insert whatever scapegoat group of the week here\* for problems that they are all responsible Democrat and Republican.

Here's the truth the average "man or woman on the street" Democrat has far more in common with the average "man or woman on the street" Republican than he or she does with their state and especially federal level Democrat representative. The same holds true for the Republican.

Most of us have families, friends, jobs, mortgages and those are the things we care about. What we really want is generally to be left alone with some assurances of basic stability in our lives.

Many of the platform priorities of the two parties are actually more similar than they appear at first blush too.



As an example, most republicans aren't actually against welfare programs. They just don't trust the federal government to be responsible with the money and actually run the programs.

Democrats on the other hand don't trust corporations or private groups to do so. Unfortunately, the truth is power concentrated in the hands of a few whether public or private sector is never a good thing. Humans are fallible and subject to temptation.

The major problem comes because for some reason people are obsessed with the idea of *banning* things they don't agree with.

Republicans want to ban abortions, drugs, experimental medical procedures, gay marriage, etc. Democrats want to ban gun ownership, even mentioning subjects of history they find offensive, open religious demonstrations or symbols, etc.

Every last one of them whether conservative or liberal responsible for such behaviors are completely hypocritical and asinine.

Here is the irony: all Americans share a single, defining trait regardless of our gender, age, race, religion, sexuality, political affiliation, etc.: We all *hate deeply, fundamentally HATE* being told we can't do something by a group we do not consider ourselves to be a part of.

That's why slavery was abolished. That's why both men and women of any race can vote, it's why Prohibition failed spectacularly, it's why abortion is legal, it's why the War on Drugs is an ongoing disaster, it's why every major attempt at gun control over the last 15 years has been blocked, etc.

But that penchant for trying to control the behaviors of our neighbors and keeping us at each others throats is not a coincidence. It's how a Congress that has amazingly low approval ratings for decades manages to stay in power. They distract us with each other.

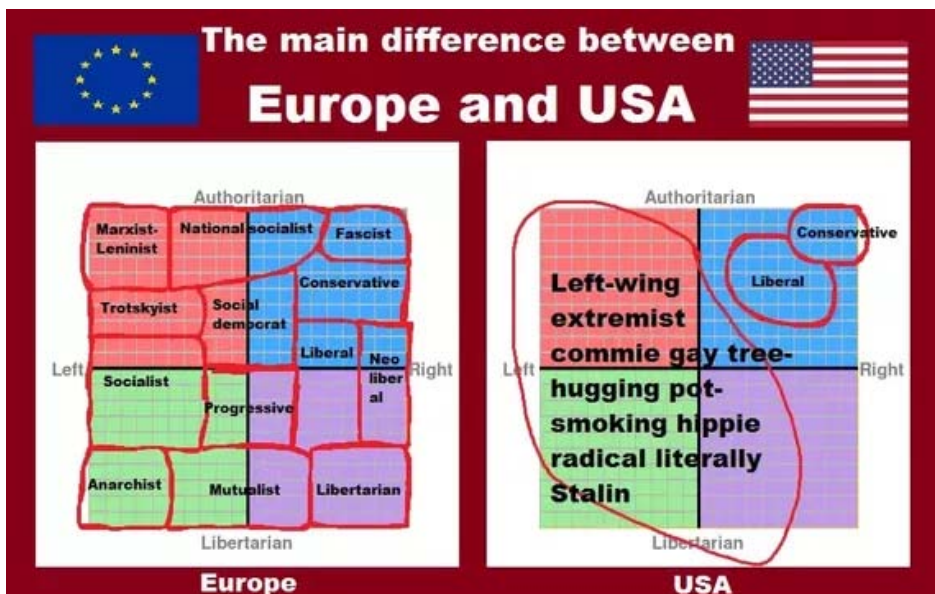
They do it by taking advantage of the modern, 24 hour news cycle that depends on sensationalism for ratings to feed our fears of the "other side."

In essence, they are trying to make us all forget that the "other side" are just people too.

Remember how I wrote that the people on the street had more in common with each other than with their Democrat or Republican representative? Well, the Democrat and Republican congressmen also have more in common with each other than they do with you. Much more.

When it comes to career politicians (that is politicians not in their first term), the only difference between a Republican and a Democrat is what special interest group signs the checks they get under the table.

What politicians want is power and influence and more importantly to hold onto that power and influence.





## MISSING GLOBAL GOVERNANCE

The United Nations has been an abject failure as an institution for Global Governance! Frankly, it was not designed as such nor as it intentionally given the power to act as such. The UN's role as a "coordinator" for "collaboration" in future governance is going to be critical going forward but likely will take another reincarnation like its evolution from the "League of Nations". We will discuss this and new institutions in the next section but let us consider the way things work (or rather don't work today).

A clear insight into how present Governance operates was the meeting of the WTO in Seattle in November 1999. This meeting was supposed to kick off the so-called Millennium Round, a further stage in trade liberalization to be achieved in the early years of the 21st century.

The meeting was unsuccessful ostensibly because its formal participants, the 140-odd trade ministers from member states, could not agree on an agenda (more polarization). The meeting failed because of the fundamental flaws in what is often referred to as the "multilateral" process.

First, the participants were trade ministers with jurisdiction limited to trade matters. Given global interdependence and interdisciplinary linkages between economics, politics, social affairs and the environment, the agenda of issues should have been much larger. But a wider agenda would have required the presence of other ministers and perhaps even the heads of government of the member states, who alone could have dealt with the breadth of challenges occasioned by further trade liberalization.

Given the complexity of international relations in era of globalization, anything less than a summit conference would not be adequate. On the other hand, it is clear that a summit conference of 140-odd heads of government operating under current rules of sovereign equality and consensus decision making is likely to be an exercise in futility unless carefully prepared.

Second, only the existing actors, i.e. nation state governments, were officially at the table. The new emerging non-state actors were in the wings and in the streets demonstrating loudly against the WTO.

These were the self-appointed representatives of civil society, consumer groups, special interest groups, etc., all genuinely concerned with the direction that globalization is taking and yet without a clear negotiating mandate from their various constituencies.

- Should they not have been at the table, and if so, how?
- Do they have the same legitimacy as elected governments?

Third, the underlying theme of Seattle and similar conferences seems to have been the elimination of the existing rules created by sovereign nation states to regulate international trade, not their replacement by new international rules. The focus was and is on liberalization, on reducing the role of the state and moving more and more towards free markets. The indiscriminate and accelerated migration of decision making from the one-person = one-vote democratic formula to the one dollar = one-vote market formula creates a danger of serious democratic deficits, increasingly deplored by many.

What we call the Seattle Approach (narrow sectoral agendas; trying to deal with each issue, one at a time without regard to linkages; formal representation only by national governments; and decision-rules based on consensus) is likely to lead to further failure in future conferences, not just of the WTO but of other IGOs (Intergovernmental Organization) as well – the IMF, the World Bank, etc.

The severe backlash against globalization evident at Seattle should give pause to national governments and lead to new approaches in international negotiation.  
*Is anyone in charge?*

The net result of the structural weaknesses of the global governance system currently in place creates a very dangerous situation. As globalization proceeds in asymmetrical fashion, creating winners and losers and introducing major distortions in the world system, there is an uneasy feeling that no one is in charge.



A number of areas of human endeavor are in danger of spinning out of control!

*There is no rule of law at the international level, enforced by a neutral legislator and referee. There are sectoral guidelines here and there, and the unilateral imposition of regulations by one or two superpowers within their territorial jurisdiction.*

Among the areas likely to experience strong turbulence in the near future because of a lack of globally coordinated Governance are the following:

*The global financial system.* Currently unregulated worldwide, the global financial system is vulnerable to speculative attacks by large investors who can use market momentum and volume to realize self-fulfilling prophecies. There are no global financial regulators and the two institutions that have some claim to that title, the IMF and the World Bank, are under severe criticism for worsening the problems they have set out to cure.

*The internet.* At this stage no one regulates the global internet, although legislation exists in specific countries that is necessarily limited by the territorial jurisdiction of the legislators. Some international agreements exist but they tend to be guidelines and rules of thumb. There are no universal laws that are fully enforceable. The possibility of rogue players, hackers, saboteurs or whatever remains real. In the face of this delinquent behavior there is possible action by one superpower, the United States, but its extra-territorial reach is neither simple nor considered legitimate by other countries.

*The global environment.* If the dangers associated with possible climate change are in any way real, they will have to be dealt with at the global level. At present the Kyoto Agreements and other similar initiatives are tentative, not really enforceable, and even if enforced judged to be insufficient by many experts. The climate change issue is far from a consensus in either its diagnostics or the remedies to be brought forth. Yet if the magnitude of the problem is as high as some experts believe, we may be in for real trouble.

*Genetic engineering.* Biotechnology is probably the scientific discipline that is the closest to allowing Man to play God. The potential for genetic engineering, both good and bad, is enormous. Yet it is totally unregulated worldwide and there are no institutions likely to change this situation in the near future. Legislation by individual states is quite meaningless since their jurisdictions can be circumvented by going elsewhere.

*The spread of epidemics.* The world is at the mercy of the spread of disease, much more so than during the outbursts of bubonic plague in the 14th century. There are very few global instruments to prevent or control such epidemics beyond some special-purpose IGOs with limited jurisdiction and enforcement powers.

*International terrorism and weapons of mass destruction.* The success of terrorists in operating globally underscores the difficulty in trying to find national responses to global problems. The continued existence of states either tolerating or sponsoring terrorism creates an old order dilemma: respect the sovereignty of these states and do nothing, or intervene unilaterally against all principles of international law as the United States has done in the past.



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## SOCIAL MEDIA CREATING DISTRIBUTED AUTONOMY

We need to fully appreciate the profound impact Social Media is now having regarding both framing public opinion and as an emerging form of governance.

[Link to an Overview of 61 Major Social Media Platforms](#)

Human nature by default has been programmed to be socially active to a certain extent. Some people are more active, while others are less so! However, people have always been looking for ways to connect and network with each other. And, in this age of digitisation, people have found ways to be socially active on the internet, which is possible with the advent of the numerous social networking platforms and apps. Now, even relationships begin, grow and end on social media. People no longer need a personal handshake or face-to-face meeting. Social media sites have also grown in numbers by leaps and bounds. As per the statistics revealed on [Statista](#), approximately 2 billion users used social networking sites and apps in 2015. And, with the increased use of mobile devices, this number is likely to cross the 2.6 billion mark by 2018.



- A community-building tool that unites (the world)
- A revolutionarily *change* in the way people, organizations, and governments interact with each other. In the past few years, *social media* has been credited with toppling totalitarian regimes during the Arab Spring.
- Satellite TV and the Internet have been viewed as instruments of *social* and political *change* — connecting communities, educating the youth, and creating *social* networks previously unaccounted for, like virtual groups. However, in the Arab World and the Middle East, such technological developments have been hailed as tools for the empowerment of marginalized communities such as women and the youth, also brought new opportunities that have resulted in the breaking of the communication monopoly by those in power and the creation of a new communication environment.
- Social media has become a universal communication model, and has been the launching point from which many *social change* movements have gone viral.
- New technologies have changed the rules of the game regarding public opinion construction and the communication flow traditionally monopolized by the hegemonic power structures.
- Online spheres of communication mark the emergence of the virtual yet vibrant space of political campaigning and social empowerment, especially for the youth and marginalized communities.

The road to a new structure of governance is likely to be arduous, with pitfalls and barricades along the way. But in our view this is the true Millennium challenge in international relations and should be taken up within the next few years while the current system is still capable of maintaining some order in the world.

## FURTHER READING

***Intelligent Governance for the 21st Century: A Middle Way Between West and East*** is a book published in 2012 by the investor and philanthropist [Nicolas Berggruen](#) and the editor and writer Nathan Gardels.

It argues that Western democracies have become stymied by populism and short-term thinking, while authoritarian Eastern nations, notably China, need to bolster their meritocratic but authoritarian systems with the popular legitimacy characteristic of Western polities.

The book was first published in English and later translated into Spanish, Portuguese and other languages. Contents[\[edit\]](#)

- Chapter 1: "[Globalization](#) and the Challenges to Good [Governance](#)" contrasts the geopolitical and geo-civilizational outlooks of West and East as they face the transition underway from American-led globalization to an interdependence of plural identities.
- Chapter 2: "America's Consumer Democracy versus China's Modern Mandarinate" analyzes the contemporary strengths and deficiencies of both systems.
- Chapter 3: "Liberal Democratic Constitutionalism and [Meritocracy](#): Hybrid Possibilities" revisits debates over the qualities of political meritocracy versus electoral democracy as forms of good governance. In particular, it examines affinities of Western classical and [Enlightenment](#) thinkers with Confucian precepts.
- Chapter 4: "The New Challenges for Governance: Social Networks, Megacities, and the Global Scattering of Productive Capabilities" brings older governance debates into the 21st century.
- Chapter 5: "Intelligent Governance: Tenets and Template" is an exercise in political imagination that proposes an institutional design for a middle way between West and East.
- Chapter 6: "Rebooting California's Dysfunctional Democracy" describes the [Berggruen Institute on Governance](#)'s work to find ways for of the American state of [California](#) to redesign its government in order to escape from legislative gridlock and chronic fiscal weakness.
- Chapter 7: "The [G-20](#): Global Governance from Summits to Subnational Networks" shows the Berggruen Institute on Governance's efforts to make the Group of 20 more effective.
- Chapter 8: "Europe: Political Union and the Democratic Deficit" describes how the Berggruen Institute on Governance has encouraged the [European Union](#) toward closer political and fiscal unity.

The book's conclusion, "Survival of the Wisest", argues that wisdom and long-term thinking combined to democratic legitimacy is the right political combination for success in a globalized world.

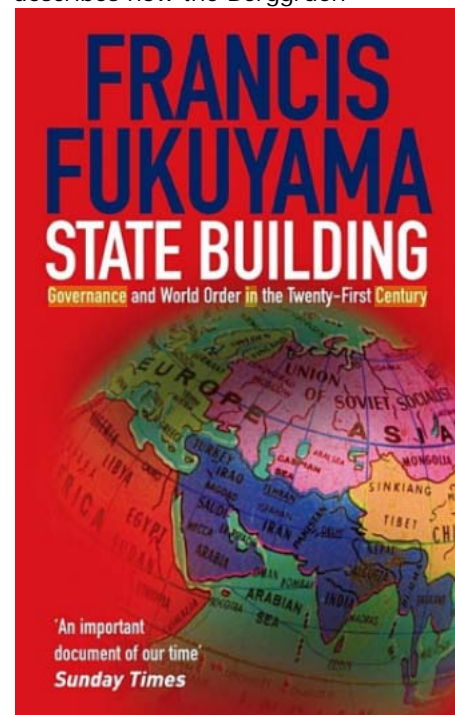
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- Reviewed by [G. John Ikenberry](#) (January–February 2013). "[Intelligent Governance for the Twenty-first Century](#) [Nicolas Berggruen and Nathan Gardels](#)". *Foreign Affairs*.

## External links[\[edit\]](#)

- [Official US website](#)
- [Spanish website](#)
- [Berggruen Institute on Governance Official website](#)

**State Building: Governance and World Order in the 21st Century**





## NEW FORMS OF ORGANIZATIONS & INSTITUTIONS

*If you avoid the reform of political institutions then even the strongest of them will weaken over time!*

The legitimacy of institutions depends on their credibility and, as former UK Conservative politician Michael Gove put it in the run-up to the Brexit vote, “the people of this country have had quite enough of experts.”

Across the developed world (with the notable exception of Japan), popular trust in technocratic/bureaucratic institutions has declined steeply, in some instances as a result of direct political interference in their work. And so most of the advanced industrial democracies—those countries on the top right side of the “J Curve” (describing the relationship between stability and openness)—are starting to edge down to the left. This will be an important global story in 2018.

In the UK, there is criticism of “remainers talking the country down” by fighting over the terms of Brexit. In the US, partisan attacks on the non-partisan Congressional Budget Office have become commonplace. Greek courts found the former head of the statistical office guilty of insubordination and breach of duty for revealing the true size of the country’s deficits.

Ever-larger segments of the public and their representatives have lost faith in the exercise of bureaucratic functions, inviting the political capture of more organs of the state. It’s not an accident that the phrase “deep state”—which made its debut nearly a century ago in Mustafa Kemal Atatürk’s Turkey—has now made its way to Washington and into the president’s tweets.

In the US, the legitimacy of the mainstream media has dramatically decreased.

*Much of the public now believes that reporting is habitually “politicized,” feeding the growth of conspiracy theories and political movements that previous generations would have considered unacceptable.*

It has also eroded faith in the electoral process by fueling anxiety that the country’s democracy is “rigged.”

The growth of “fake news,” fears that voting systems can be manipulated by candidates, the gerrymandering of districts, and rules designed to make it harder to vote are all discrediting the voting process.

Lower turnout in elections across Europe and the US demonstrates growing public apathy. Protest votes among those who do turn out have become more common.

We’re also seeing the broad erosion of political institutions across Eastern Europe, in Spain, Turkey, Brazil, South Africa, and other countries.

The rise of populism across the developed world and, increasingly, in emerging markets, isn’t yet having a dramatic impact on policymaking. Special interest groups remain too powerful, the disenfranchised too weak, and chronic problems too complex for most governments to bring about dramatic changes in policy. But the expansion manipulated by candidates, the gerrymandering of districts, and rules designed to make it harder to vote are all discrediting the voting process.

This trend will lead to market-negative tipping points in countries where institutions are most badly damaged and least resilient. The result is often instability (see Venezuela) or authoritarian rule (see Turkey). Both can degrade the investment climate, particularly when a president’s cronies control the economy.

Weakened institutions also heighten unpredictability in policymaking. Institutions are guardrails; strong courts and media lessen dependence for stability on powerful (sometimes erratic) individuals.

Lastly, institutional erosion across many countries risks structural instability in the global system. Today’s disgruntled middle classes in emerging markets would have a more direct route to power, as would the developed market “left-behinds” from globalization. Absent solutions from global leaders—which aren’t in the offing in the foreseeable future—traditional state-based international relations will become more and more unstable. Conflict will become more frequent, decision-making degraded, and internal chaos common.



### *"MULTI-LATERALISM" AS THE EXISTING STRUCTURAL DEFAULT*

Faced with growing global interdependence and having witnessed the inability of the "Sovereign State Order" to prevent the Second World War and its 50 million deaths, the community of nations shifted into "multi-lateral" gear, so to speak. Between 1945 and 2000 a host of regional and global organizations were created to help deal with the world's problems.

These multilateral organizations generally come in three flavors.

- The first is the IGO or intergovernmental organization, where the members are sovereign governments usually represented by plenipotentiary ambassadors.
- The second is the NGO or non-governmental organization, where the members are from the private sector but reach across international borders.
- The third is a hybrid, with private and public elements mixed in varying fashion.

### *INTER-GOVERNMENTAL ORGANIZATIONS (IGO's) vs NON IGO'S*

#### IGO's

The IGO group was a direct consequence of the Second World War; the principal new IGO was the United Nations and its family of subsidiary bodies.

At the top of the hierarchy is the UN General Assembly, the final authority in the UN family. The subsidiary bodies include dozens of agencies, some of which are quite independent such as UNESCO, the World Bank and the IMF. The two latter organizations, although initially born within the UN system, are autonomous agencies.

In addition to the UN family, there are regional and sectoral IGOs. The regional include:

- NAFTA (North American Free Trade Association),
- APEC (Asia Pacific Economic Community),
- MERCOSUR, etc.

Most of these regional groupings have limited objectives and the IGO itself possesses only a very small secretariat.

The European Union is in a class by itself because its final goal is openly political – European unification – while the means to achieve this goal are economic in nature.

In the European Union the transfer of sovereignty from national to supranational entities is voluntary and conscious, and not an unintended by-product of the signing of treaties, as is the case in other instances. The creation of a unified currency, the Euro, is another significant step in sovereignty transfer because, as the mercantilists of old claimed: *La souveraineté, c'est le pouvoir de frapper monnaie*. By delegating that power to a politically neutral European Central Bank, the Euroland countries have conceded a good part of their sovereignty.

Another group of regional IGOs exists in the form of military alliances. The principal surviving military alliance is NATO. It assumed direct governance responsibilities in Kosovo in 1999, and less direct ones in Kuwait in 1991 in opposing Iraq's invasion of that country. Not always mandated by the United Nations, NATO has justified its interventions on the basis of principles of human rights, especially in the Kosovo case. In the Kuwait case, the Iraq invasion was a clear violation of Kuwaiti sovereignty, and therefore the intervention much easier to justify on old sovereignty grounds. But in the Kosovo intervention, the NATO action was clearly not.

A small number of IGOs fall into the category of "global" without being "universal" – that is, their reach is global but not their membership. The WTO (World Trade Organization, a successor to the GATT) sets up global trade rules but does not at the moment count on global membership. Almost three-quarters of the UN





member states are also part of the WTO, but a good quarter is still outside. In that missing quarter are very powerful countries who have yet to join.

Another global but not universal IGO is the OECD. Composed of 29 Member countries, the OECD has been the club of the advanced industrial nations. Its membership is global, since practically every area of the world is represented, but it is not universal since membership is not open to all countries.

Finally an IGO that exists only in an informal sense but is probably the most powerful is the G8. This gathering of the seven most industrialized nations plus Russia is a powerhouse with considerable clout as long as its members act in unison. Now appears to already be in the process of breaking down.

#### NGO's

In a parallel course to the IGOs are the NGOs. These are usually voluntary private sector organizations with no profit motive, seeking to realize a goal, redress a wrong, etc. Their very existence is an implicit indictment of governments. If government action within the IGOs were perfect there would be no need for NGOs. In such a case, NGO action would be limited to political interventions within member states rather than at the international level.

The leading NGOs include ecological organizations such as Greenpeace, Worldwatch, humanitarian groups such as Médecins sans frontières, CARE, etc. Within the group of NGOs but in a separate class are industrial associations and professional groups which establish rules and regulations within specific sectors. These may set standards and establish performance norms within their area of jurisdiction. Within the nation state these sectoral NGOs have the full support of the national governments, which endorse the norms and apply them as if they were laws. Outside the nation state the enforcement capabilities of these sectoral nongovernment associations is more limited. The International Olympic Committee, the World Boxing Association, the associations of chiropractors, travel agents, actors or whatever may impose guidelines and rules but have little clout to enforce them against delinquents.

Somewhere between the IGO and the NGO are mixed organizations involving both government and private participation. The UPU (Universal Postal Union) was founded in 1874 and brought later into a relationship with the United Nations in 1948. Uniting member countries into a single postal territory, it fixes international postal rates. The Hague International Tribunal for War Crimes in the former Yugoslavia was created in 1993 to prosecute and punish crimes against humanity committed in that country since 1991. Its official status as an organization duly created by governments does not necessarily imply that it has coercive powers beyond the will of the leading member countries.

#### *A global governance vacuum?*

#### *Weaknesses of the intergovernmental multilateral system*

The present system of both public and private multilateral organizations appears to be seriously flawed and, in its present configuration, unlikely to meet the challenge of coping with globalization and its asymmetrical shocks. Here are some of the most obvious weaknesses in the IGOs:

1. *A Haphazard Architecture.* There are over 500 IGOs officially sanctioned by governments in some form or other and many thousands more with semi-official or consultative status. Some of these IGOs have been created with a definite purpose in mind. Others have emerged from a communiqué at the end of a ministerial with unclear goals. Experience shows that it is much easier to create an IGO than eliminate one. Once created these organizations have their own survival as their principal goal. The abolition of an IGO is a traumatic event which international diplomacy avoids at all costs. What happens instead is that the redundant IGOs continue to exist but with smaller budgets and smaller influence. As a result the constellation of IGOs coexists in somewhat disorderly fashion.

2. *Agenda Duplication.* There is no clear division of labour between the IGOs. They often duplicate each other's work, studying the same problems and issues. The same ministers may end up meeting in a number of different venues with different hats but ultimately dealing with the same problems and repeating the same positions over and over again.



3. *Agenda Gaps: insufficient attention to linkages.* The opposite is also true. The complexity of modern life has created new important linkages. Some of these are geographic, where decisions in one part of the world affect the rest of the planet. Other linkages are intersectoral (agriculture affecting manufacturing, manufacturing affecting services, etc.) and interdisciplinary (economic decisions having social implications, technological decisions having environmental impacts, etc.) In the failed MAI (Multilateral Agreement on Investment) negotiations at the OECD the negotiators by protestors and the fact that they were ignored in the proposed agreement ultimately brought about the cancelling of the negotiations altogether. mistakenly believed that an investment code could be agreed upon without reference to its impacts on everything else. This proved to be a costly error since these linkages were noted.

4. *Rigid Decision Rules.* Most IGOs are governed by the old principle of sovereign equality, which means one state = one vote. Although at first blush this principle appears “democratic”, upon analysis it turns out to be antidemocratic. With the proliferation of statehood as a result of decolonization and the break-up of empires, many microstates have become members of the IGOs and exert voting power well beyond their true demographic importance. The fact that Togo, Japan, Iceland, the United States, Luxembourg and India all have the same voting weight creates severe distortions in the intergovernmental system. Among other things it gives much greater power to the small number of voters in the microstates who, through the one state = one vote rule, exert more influence per capita than the voters in the more populous states. In other words, one state = one vote negates the principle of one person = one vote. A Luxembourg voter has through the IGOs a much greater voting strength than his American counterpart. In addition, in many IGOs the interpretation of sovereign equality reaches the point where consensus is required for all decisions – in other words, one state = one veto. This is a fatal flaw in the IGOs. The one state = one vote and in extreme versions one state = one veto condemns IGOs to extremely slow decision making that often leads to weak decisions involving bad compromises. In an era of rapid social change, the ponderous and compromise-ridden decision making of the IGOs is not well suited to crisis management. Economic relief packages often come too late and humanitarian interventions finally take place long after hundreds of thousands have been killed, as was the case with Rwanda-Burundi a few years ago.

#### *Weaknesses of the NGO System*

The structural weaknesses in the IGOs are matched by equivalent although less visible weaknesses in the NGOs. The general claim of the NGOs is to represent civil society, a laudable goal to be sure. However, that claim cannot easily be validated since there are no established rules concerning the operations of the NGOs. Each sets up its own modus operandi. Among the legitimate questions that may be asked are the following.

- Who finances the NGOs?
- Where do they get their money?
- Is the funding tied to particular positions taken by the NGO, or not?
- How independent are the NGOs from their funding source?
- By what mechanisms do the NGOs receive instructions from the constituencies they are supposed to represent?
- How is the delegation of power and responsibility effected? In other words, are they as democratic as governments? More so? Less so?
- What is the internal decision-making mechanism of the NGO?
  - Is it consensus?
  - Unanimity?
  - Simple democratic majority rule, etc.?



## 5- WHAT AN INTEGRATION OF THE NEW “FORMS” WILL LOOK LIKE – HOW IT COULD OPERATE

I would like to propose a “strawman” structure as a platform to begin the dialogue on how the forms may come to be and operate.

What the “strawman” must incorporate is:

- 1- Electronically Networked Federalism that can initially role up to Regional “Trade Zones” and down to autonomous self governing units at the lowest level.
- 2- Eventually have the Globe as a single “Trade Zone”.
- 3- Employs blockchain technology for trade transaction, exchange currency and the voting apparatus,
- 4- Define global “separation of powers” by “resolution roles”,

The best example of an attempt that I have seen that incorporates the above is from [Alexander Fell](#) in Germany. Here is a short video that gives you an introduction to his thinking. **It is an illustrative example only** of the type of thinking currently being worked on – just like Cryptocurrencies and Blockchain Technology were only a few short years ago.

### [Play Video](#)



#### A NEW FORM OF GOVERNANCE

##### Structure

- The new form of Governance consists of three equivalent parties:
  - Politicians,
  - Citizens and
  - Head of state.
- Every separation of power acts by resolutions:
  - The resolutions of the Politicians are **Laws and Budgets**.
  - The resolutions of the Citizens are **Referenda**.
  - The resolutions of the Head are **Executive Orders**.



- Two out of three parties need to agree on a resolution in order for it to become a decision.
- There is one exception: The head can veto against any decision, except his removal from office.

#### Head of State

- The Head of State is elected from the citizens and by the citizens. The 512 candidates receiving the most votes, run against each other in 9 rounds. The half with the most votes gets through to the next round.
- The head of state is elected or re-elected every 3 years.

#### Politicians

- The Politicians are distributed among 13 committees:







- Labour & Migration,
- Economy & Sovereign Money,
- Economic Cooperation & Development,
- Energy & Environmental Protection,
- Agriculture & Food,
- Law & Consumer Protection,
- Education & Research,
- Healthcare & Personal Development,
- Family & Social Security,
- Defence & Internal Security,
- Housing & Urban Development,
- Transportation & Digital Infrastructure,
- Foreign & Special Affairs
- Each committee consists of 321 politicians. They serve a three year term, which is arranged in such way, so that each year 107 people leave and 107 new people come in.
- Politicians are chosen among voluntary voters by lottery. This prevents corruption and creates a group of people of all ages and every walk of life.

A study by Lu Hong and Scott Page has demonstrated that such diverse groups generally find better solutions than homogeneous expert groups.

#### A BLOCKCHAIN VOTING SYSTEM

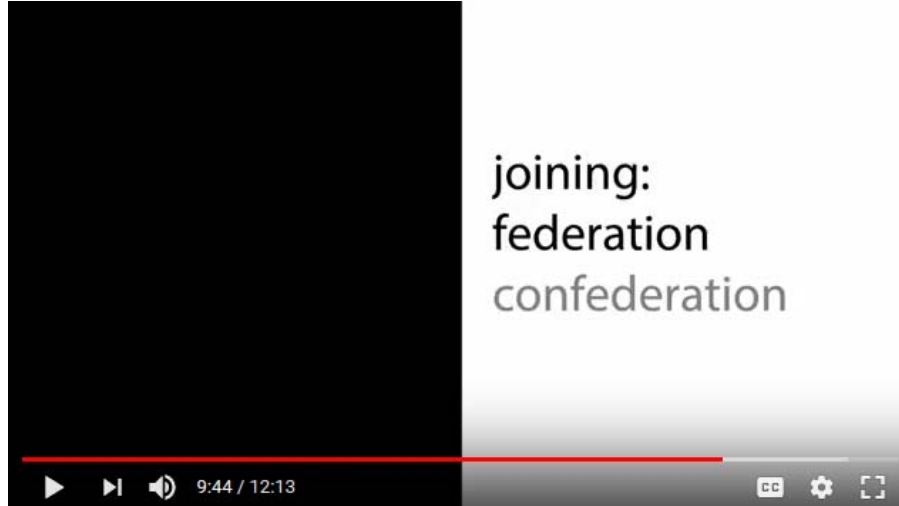
- We vote on our mobile device, PC or electronic voting machine.
- For every vote, each voter receives a unique secret code.
- Voting results list all codes with associated votes, and all voters, but not which code belong to who.
- Therefore, you can verify your vote and remain anonymous. And the number of voters cannot be forged.
- If you disclose your code, the distribution of all disclosed votes help validate the total vote.
- Timeframe for each vote, a minimum of 24 hours and a maximum of one week.
- During the voting process, the progress is displayed, but not the votes or the voters, in order to protect privacy, and freedom of opinion.
- The absolute majority among the votes cast is deciding, if required using exhaustive ballot.
- All votes will be saved in a blockchain. This is a distributed database, which is stored and updated redundantly in multiple places. This makes it both transparent and unforgeable. Blockchain helped Bitcoin succeed, because it offers greater security than online banking.
- The true reason, why Facebook offers no dislike button, is to deny us a public voting mechanism.
- The public opinion on our YouTube videos is expressed in the like/dislike-ratio.
- We are being denied the same feedback mechanism on Facebook. The intention is to retain mainstream media's control over the public opinion. For the same reason, we never learn how many friends see our posts.
- That's like eBay removing its feedback system to safeguard sellers feelings.
- The denial of the dislike button is a fundamental violation of the freedom of speech, the foundation of freedom. Because the inhibition of necessary feedback arrests personal and social development – like political correctness.

#### A SOVEREIGN STATE – SCALING

- 1- NEW FORM OF “FEDERALISM”
  - a. Bottom Up Power
  - b. Top Down Coordination and Collaboration
  - c.
- 2- REGIONAL TRADE BLOCKS – EMERGING SOVEREIGNTY PROXY
  - a. Increasingly more powerful
  - b. Coordinating Regional “White Spaces”
  - c. Fostering Collaboration
  - d. Defining missing & required rules of operation.



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- Citizens can install their own state government, without other party's consent.
- Governors and state politicians only govern within their state. Citizens of a state vote for state and federation, on referenda and resolutions, on governor and head of state.
- In case of conflict, the federal government has the last word, unless the state has left the federation.
- State governments modify the system: resolutions by the federal government now need the approval by the states representing the majority of the federal population.
- Resolutions by the head of state are automatically approved by all states; except those, whose governors reject them.
- Resolutions by the federal politicians are also approved automatically; except by those states, in which the majority of politicians rejects them.
- Citizens without state government regard resolutions by the head of state or federal politicians as approved and can vote on them.
- Federal resolutions by citizens transcend state borders. The absolute majority among the votes cast approves such resolutions.
- An approved resolution still needs the agreement of one of the other two parties, to become a decision.
- Agreement is reached in the same way as approval.

3/3 vote

- Three decisions require all three parties to agree:
  - One: Decisions which contradict, repeal or amend previous decisions. Decisions against civil disobedience are invalid.
  - Two: Increasing the number of committees or its politicians. A decrease only requires a 2/3 vote, but cannot fall below its initial value. Other modification of the government or tax is invalid.
  - Three: Joining a federation or confederation, provided the system remains intact. A federal state or federation can restore its sovereignty with a 2/3 vote.

## EQUALITY – A FAIR ECONOMY

- Re-introduce a free economy with 15% sales tax. Other taxes and deductions are invalid.
- Introduce sovereign money. Only 5% of our bank balance is backed by real money. Sovereign money means, our bank balance IS 100% money. Sovereign money inhibits banking crises, and retains its full value even if banks fails.
- These two economic steps are absolutely necessary, to limit the state's power to a healthy extent, to enrich the hard-working people with wealth and the lazy people with hard work.

## 6- HOW THE NEW WORLD ORDER WILL COME ABOUT – *Triggering Events*

### KEY MESSAGES

1. Political developments have fractured the west as an ideologically coherent entity.
2. Modern western ideals of democracy and liberal global markets have lost prestige and appeal.
3. The old days of domination by the leading high-income countries are over. Securing co-operation among such diverse countries is extremely hard.
4. The position of today's high-income countries, though still enormously powerful, is in relative decline.
5. The election of Donald Trump would lead to the world experiencing an unraveling of the US-created, post-second world war liberal order into de-globalization and conflict, or a resurgence of co-operation. Evidence after one year suggests the former is ahead.
6. In 2017 autocracy was on the rise. The “democratic recession” continues.
7. Financially & Economically, a stealth, secular, structural shift is underway as leverage is beginning to fail because of collateral shortages,
8. The End of the Debt Super-Cycle has Begun,
9. The Baby Boomer Equity Bull Market is Coming to a Close,



### A SECULAR STRUCTURAL SHIFT HAS BEGAN – *The Failure of Leverage*





### THE END OF THE DEBT SUPER CYCLE

The secular US fixed income bull market,

- which began in 1981 when the Fed embarked on what would become a forty five-year credit easing regime that benefitted, treasury, mortgage, corporate, municipal, small enterprise and consumer borrowers, and would eventually spread globally to other advanced and emerging bond markets;
- which allowed the US government to deficit-spend (eventually without the expectation of recourse) its way to unrivaled military might that defeated and then contained potential hostile threats abroad;
- which provided primary funding for bank and shadow bank lending that gave the US dollar and financial markets status as the ultimate sanctuary of global wealth;
- which provided a platform on which global bank and non-bank counterparties could swap contingent liabilities amounting to many times the size of underlying cash markets without fear of regulatory interference; and which provided speculators across other asset markets (including real estate) to continually sponsor unsustainable valuations.~

***No longer produces capital or serves an economic purpose, and is almost over.***

### THE END OF THE "BABY BOOMER" EQUITY BULL MARKET

The secular US equity bull market,

- which not coincidentally also began in 1981 and served as the principal funding mechanism for great advances in digital technologies, communications, finance, logistics, health care, energy, retail, and other industries; which helped raise and maintain competitive trade advantages for the US and its allies;
- which expanded capital expenditures, productive output and consumer demand;
- which helped collateralize expansive public and private credit issuance and debt assumption, in turn creating a positive feedback loop that further increased nominal production, consumption and asset prices, and
- which created nominal wealth for US and non-US asset holders,

***Is also in its evanescence.***

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***We think the Fed's much publicized "fear of inflation" (which is ostensibly driving the new rate hike regime) is a necessary public narrative that will let the Fed pursue its true objective – a stronger dollar and deflation amid a contracting real economy.***

*Stock and bond markets in advanced, financially-oriented economies, have devolved more into political imperatives necessary to maintain social services and the perception of wealth, rather than serving as the traditional means to build and price wealth and capital.*

***They no longer serve societies or global trade.***

In over-leveraged economies, stock and bond markets become co-dependent. To sustain market prices, debt and equity require nominal output growth. To sustain market values, they require real output growth. The only way to increase nominal output growth and raise nominal equity prices in a highly leveraged economy with leveraged currency is to raise the quantity of credit, which must eventually reduce real output and asset values.





The question before us is whether “eventually” is occurring now?

US and global economies have begun to experience necessary structural changes that directly impact:

1. *Incentives to produce and consume,*
2. *The fundamental manner in which the political dimension approaches monetary and fiscal policies, and*
3. *The way in which investors think about assets, liabilities, economics and capital markets.*

Investors seeking to create wealth by investing in broad equity markets face a fundamental structural problem caused by the irreconcilability of:

1. *Naturally occurring commercial deflation,*
2. *Economies and political systems that rely on inflation, and*
3. *The crowding out of consumption and investment by necessary debt service.*

*The primary reason we think stocks are peaking is scale.*

*Aggregate market caps, valuations, revenues and earnings of public companies cannot be sustained by the level of real production in the underlying US and global economy.*

*We think bonds are on the eve of reconciliation for the same basic reason.*

*The scale of systemic leverage has already begun to reduce incentives to expand credit for capital formation, which, in turn, promotes debt deflation.*

#### A FAILURE OF LEVERAGE - A Shortage of Real, Unencumbered Collateral

We expect debt deflation coincident with central bank monetary inflation, which would offset the deflation...on paper (like feet in the oven, head in the freezer producing a reasonable average). Before this occurs, we expect a financial or economic event that focuses public attention on the leverage problem.

As liabilities without directly-linked offsetting assets, the purchasing power value of currencies are always susceptible to dilution. Dilution comes in the form of credit issued by banks (and, potentially, non-bank lenders) that is either not collateralized by assets or collateralized by assets that themselves are liabilities (like Treasury notes). The wider the gap separating the amount of un-collateralized credit denominated in a currency from that currency's base money (bank reserves and currency in float) – the ratio that determines monetary leverage - the greater the amount of future monetary de-leveraging will have to occur. (De-leveraging must ultimately occur so that debtors can service or repay their obligations and so producers have incentive to continue to supply goods and services in exchange for that currency.)

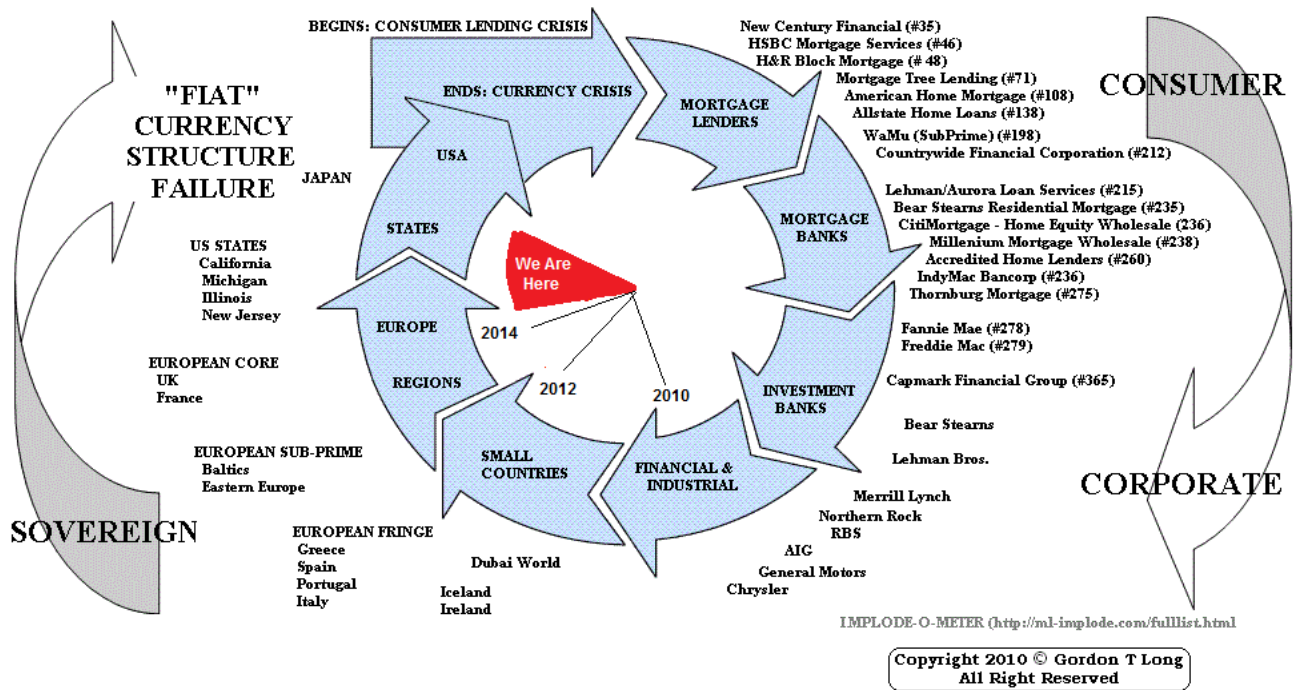
#### DECLINE OF THE US THE DOLLAR AS GLOBAL IMPRISONER

- The Key Impediment to Change
- The Creator of Global Imbalances

The roadmap we laid out in 2008 is tracking to a “Fiat Currency Structure Failure” by late 2019 – early 2020.



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## THE FIAT CURRENCY CYCLE FAILURE





*HOW THE US MAY REACT – Power & Status Are Not Given Up Easily!*

I encourage you to read James Traub's "[The United States of America Is Decadent and Depraved](#)". James Traub is a contributing editor at Foreign Policy, a fellow at the Center on International Cooperation, and author of the book "John Quincy Adams: Militant Spirit." After reading his work you will better see how US decadence has lead to terminal self-absorption and the culture of mass contempt. Like the Roman Empire and many empires before the rot comes from within. The rot is well underway and will not allow the US the change in a benevolent manner. The US will not relinquish its image of itself easily.

A leading European opinion setter is Martin Wolf at the well followed Financial Times. He recently penned the following "[The new world disorder and the fracturing of the west](#)" which encapsulates global worries about the US.

We have reached the end of an economic period, that of western-led globalization, and a geopolitical one — the post-cold war "unipolar moment". This is what I argued almost exactly a year ago. The question was whether:

*the world would experience an unraveling of the US-created, post-second world war liberal order into de-globalization and conflict, or a resurgence of co-operation?*

A year into the presidency of Donald Trump, we should return to this point. In brief, unraveling is even more likely. Experience has underlined the special character of Mr Trump's presidency. On a daily basis, he violates the behavior and attitudes the world expects of a US president. But the exploitation of office for personal gain, indifference to truth and assault on institutions of a law-governed republic are all as one should have expected. A liberal democracy only survives if the participants recognize the legitimacy of other participants. A leader who calls upon his officials to prosecute erstwhile opponents is a would-be dictator, not a democrat. Character is one thing; actions quite another. So far, Mr Trump has governed mainly as a traditional Republican "pluto-populist", delivering policies to the plutocracy and rhetoric to his angered base. Yet his characteristics are still to be seen, in his consistently mercenary attitude to US alliances and narrowly mercantilist views of trade. The Trump presidency has weakened the cause of liberal democracy (democracy that rests on a neutral rule of law).

In former communist countries of eastern Europe, the style of plebiscitary dictatorship (euphemistically called "illiberal democracy") characteristic of Vladimir Putin's Russia seduces admirers and encourages imitators. Tayyip Recep Erdogan's narrow victory in the referendum on presidential power moved Turkey further in this direction. Yet the UK's 2016 Brexit referendum has not, so far, attracted imitators inside the EU. In France, Emmanuel Macron stemmed the populist and xenophobic tide. But the German elections have weakened the country's ability to respond to Mr Macron, while the forthcoming Italian elections might prove disruptive not just for Italy, but for the whole of the eurozone. Arguably, the most important of all the political developments of 2017 was in China. Here Xi Jinping has apparently established supremacy over the Communist party and reinforced the supremacy of party over state, and state over the Chinese people. Of the world's strongmen, he has emerged the strongest — the leader of a rising superpower.

*In 2017, then, autocracy was on the rise. The "democratic recession" continues.*

What, meanwhile, has happened to global co-operation? Here, too, we saw significant developments. One was the decision of Mr Trump to pull out of the Trans-Pacific Partnership, in which US allies, notably Japan, had invested so much, and to renegotiate the North American Free Trade Agreement. Another was the administration's decision to pull out of the Paris climate agreement. In the opposite direction was the rhetorical attempt of Mr Xi to pick up the mantle of globalization. On balance, the forces against co-operation made progress last year, as did those against democracy. That is not surprising when the world's leading country has a president who sees conflict as the norm. These developments have to be set against longer-term trends.

*Most important, the position of today's high-income countries, though still enormously powerful, is in relative decline.*



China's military spending is rising sharply, relative to that of the US, even though it remains at just 2 per cent of gross domestic product. The share of high-income countries in world output has fallen by about 20 percentage points since the beginning of the century, at market prices, and their share in world merchandise trade has fallen by 17 percentage points.

Here are a few implications:

First, these **political developments have fractured the west as an ideologically coherent entity**. Close co-operation among the high-income countries was largely a creation of US will and power. The centre of that power currently repudiates the values and perception of interests that underpinned this idea. That changes just about everything.

Second, **modern western ideals of democracy and liberal global markets have lost prestige and appeal**, not just in emerging and developing countries, but in the high-income nations themselves. While no alternative economic system has yet won the day, the appeal of xenophobic populists and authoritarians (often the same) has risen.

Third, managing the world economy, the global commons (notably climate) and security issues, demands co-operation between high-income and emerging countries, above all China. **The old days of domination by the leading high-income countries are over**. Securing co-operation among such diverse countries is extremely hard.

Finally, there is a real risk of conflict between the US and China, as Harvard's Graham Allison argues in his book, *Destined for War*. Optimists will argue (rightly) that economic interdependence and nuclear weapons make war insane. Pessimists will respond that humanity has a huge capacity for blundering into disaster. Maybe the generals who surround Mr Trump will fail to keep him under control. Maybe they will even promote a ruinous war over North Korea.

## THE BEGINNING

### *Future Global Electronic Blockchain Networks Are Necessary, Even Mandatory To Overcome Abusive Governments and Oligarchy*

Humans are easily divided and conquered, both within our respective nation-states and on a global level. Here in the U.S. we're instructed that there are two main ways of viewing the world politically (Democrats or Republicans) and that we must make a choice between one or the other. This is beyond ridiculous and we should stop playing such a stupid game immediately.

**On a more global level, we're constantly propagandized that some outside barbarian is right outside the gates and we must give up our civil liberties in order to stay safe.** In my own lifetime alone, it's gone from Russia to Iraq, to al-Qaeda, to ISIS and now back to Russia. There's never really been a break from non-stop fear mongering, particularly since the military-industrial-surveillance complex was institutionalized after 9/11.

In contrast, the universal truth is we're a global family of human beings and we must stand in solidarity with one another on a planetary level if we're to overcome centralized oppression, which all of us suffer from irrespective of what our passports say. The very wealthy and powerful work together on a global basis, and we must do the same. We're all in this together, and we have a common enemy. That enemy is concentrated power, within our communities and on a global basis.

- We are ruled by what was stolen from us – ideas:
  - Money instead of Wealth.
  - Equality instead of Equivalence.
  - Security instead of Freedom.
- There is no way to freedom, freedom is the way. So when we take the first step, we're there. Freedom is not free, but it should be.
- An idea whose time has come, cannot be stopped.





- No standing army can defend ideas whose time is up. Like the dinosaurs, they had their time and now it's time for the impact event.
- You can have everything and be nothing. You can have nothing and be everything! You can do everything but change nothing. But if enough of us, do nothing, we will change everything.
- We can heal our body. We can heal our family. We can heal our nation. And thus become a family of nations and thus, heal the world.
- We can blow ourselves to the sky, or we can go to the stars.

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