

# Global Recovery Manual

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## Introduction

*The first performance of Richard Wagner's mighty operatic Ring Cycle was first held at Bayreuth during the summer of 1876. The primary story is about a gold ring with magical powers stolen from the Rhinemaidens by evil men who wished to be powerful; the opera ends with the ring being returned to its owners after the death of the hero Siegfried. There is, however, a subsidiary tale of the gods who build themselves a mighty castle Valhalla and interfere in the lives of humans. The return of the ring coincides with the destruction of Valhalla.*

Now we have a more modern epic that probably started early in the last century when politicians, instead of building on existing social programmes, decided to start completely new state support plans and scrapped those that had grown up organically; the additional cost then was easily borne by taxpayers in an expanding economy. Unfortunately, well-meaning politicians continued to build on the concept that the state knew better than tradition and many more undertakings were embarked upon in health, education and welfare. This was in the belief that these programmes would always be affordable together with the cost of the people to manage them, either through taxation or by additional borrowings. It seems that nobody understood that by giving people money earned by others, rather than encouraging them to earn a living, they would create a permanent underclass that would grow when times were difficult.

There had always been economic downturns ever since Biblical times and, wise people that they were, they built them into a fifty-year cycle called the Jubilee at the end of which all debts were forgiven and onerous contracts voided. This same cycle was resurrected in 1928 when a little known Russian economist analysed data from the United States, Britain and France to arrive at a rhythm of between fifty and seventy years consisting of an upswing, a levelling out and a downwave; it was called the Kondratieff wave after its discoverer. Subsequently it was found to be caused by the increase, then the collapse of debt, during the downturn.

The last time it was tackled was during the Great Depression in the 1930s when politicians in various countries decided on a different approach to the unemployment during the downturn. In America FD Roosevelt embarked on public works programmes, in Britain the chancellor balanced the budget and let entrepreneurs thrive and in Germany Hitler went for re-armament; in France they dawdled between expansion and contraction. There were numerous analyses undertaken and programmes suggested should such an event ever occur again.

And now it is happening again, with total debts at least double those relative to the GDP than the 1930s, but it seems that the sound remedial programmes have been forgotten and the failures copied. Like Wagner's gods, politicians have built great physical and bureaucratic monuments to their own importance and latterly, also like the gods, they have interfered in peoples' affairs to

create mass unemployment and despair in the hope of keeping alive The European Union that cannot survive a downturn of this magnitude. All downwaves create their own technologies that drive the next upswing but this is the first for five hundred years, although politicians do not realise it, that is part of a major discontinuity that is likely to end the big institutions of the industrial era.

We should all be aware of the events around 1500 for this was the earlier watershed that, amongst other things, changed the very notion of individual freedom for millions. Fifty years either side of this date there was the invention of the movable type printing press, the fall of Constantinople to the Ottoman Turks, civil wars in England and Spain, new technologies, mega-inflation from imported gold in Spain, a major climatic shift and the Reformation that broke the power of the then Catholic church in much of northern Europe. Two hundred years later some of these events were to drive the industrial revolution and the start of the era of big power, money and government – the end of which we are now witnessing because it can no longer be afforded and is also outdated. Wagner would have understood!

So now we are faced with a similar set of conditions to the discontinuity half a millennium ago. There is militant Islam, new (particularly communication) technology, the threat of climatic shifts, likely wars over resources and immense debts that will never be repaid and will have to be extinguished somehow; there is also the printing of money that brings to mind the collapse of Weimar Germany. Although many would wish it, we will not return to the era of bigness, management and control beloved by politicians. The immense changes will bring the size of government down to what it was very early in the last century – and immense power and opportunity will be granted to the individual in the internet age – just like returning the ring to the Rhinemaidens.

How the transition is to be managed is the purpose of this manual which is based on at least nine principles:

- History shows it is futile to apply deflationary pressures to a nation without allowing the currency to float, as exemplified in the EU's Eurozone.
- Debts can only be extinguished by a. Repayment, b. Accommodation, c. Default and d. Inflation. It appears that although d. could be chosen, the most likely course will be currency devaluation and debt repayment. Any solution will destroy credit and lead to a deep recession.
- We are living in a climatic syndrome which drives 'soft' commodities upwards; applied to a depressed economy, this will cause stagflation.
- Individuals, either singly or in groups, take a nation out of recession, not the government. The best politicians can do is to provide a stable economic climate.
- Similar periods of history suggest that the present conditions will continue to engender nationalism and often conflicts; this is why anyone taking major decisions should understand its relationship to the past and the folly of reducing the armed forces.
- The best parallels to the present are the events fifty years either side of the year 1500. As is happening today, this caused a major discontinuity in the majority of lives.
- It is always wise to take remedial action before this is forced upon one and applied in panic.
- When cutting costs it is essential to define the interface between any organisation and those it aims to serve, then determine the overheads necessary to manage the new structure.
- Always arrange a recovery from the bottom up. The Digital Age will demand a new paradigm.

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