Maximising Individual Wealth

The Digital Age Handbook

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SAMPLE

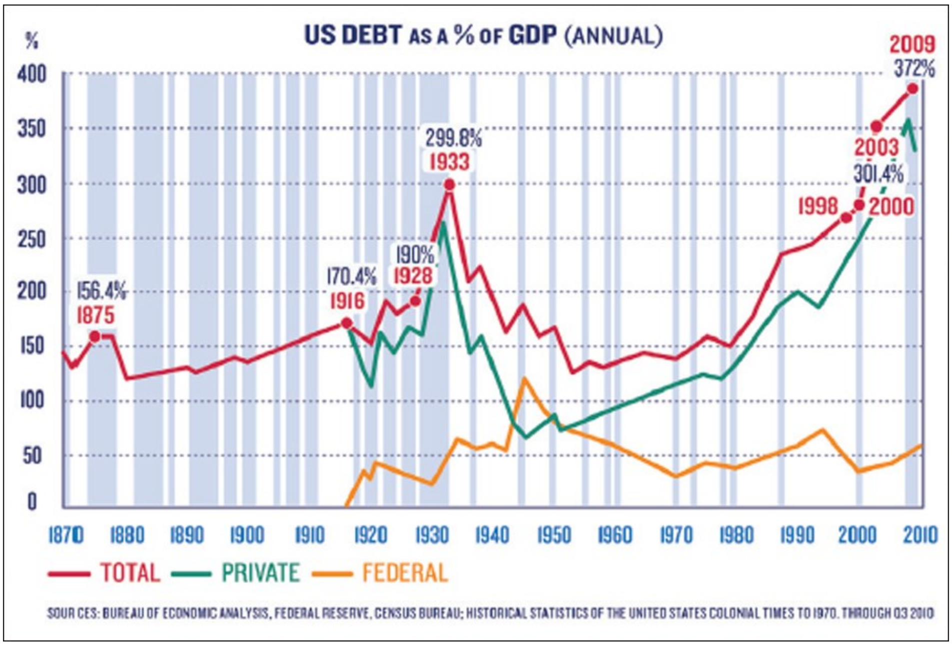
Introduction

The Digital Era will enter the world like a constructive dynamic wind lasting perhaps half a generation, taking much of the present increasingly redundant state superstructure with it.

Those who have read and understood this handbook will be able to make wise prior dispositions of their career and wealth. The others will be taken care of in a highly constructive programme designed to make each individual a respected member of society.

The wind is being driven by two powerful forces: debt and technology.

We can see the mountain that must be climbed by reviewing the amount of debt relative to America's total output by studying Diagram 1 which sets out this ratio from 1870 to the near present. It comes by courtesy of Hoisington Investment Management of Austin, Texas.



[PIC – diagram1.jpg]

The reader will discern a pattern of around 50 to 70 years which goes back to around 1790, of which the latest two cycles, and the start of the present, are shown; the end of the second rhythm was in 1880, the third in 1950. We can learn something of what lies ahead by tracing the movement of the third cycle from its start in around 1890 then its rise to 1929 when the debt/GDP was around 200% and the unemployment figure was 4.2%.

But in 1929 things went horribly wrong. Through various gross policy errors and the large overhanging private debt shown in green, the economic output declined by 50% in the years to 1932 and unemployment rose to nearly 25%. From 1930 debt started to collapse, taking with it about half of the 22,000 banks and many other enterprises. Despite strenuous efforts to alleviate unemployed through the Roosevelt New Deal, those out of work stayed stubbornly above 17% throughout the 1930s while private debt collapsed. It was only during the magnificent war effort that unemployment fell to 1.2% in 1944.

The present economic cycle started in 1950 and the debt/GDP ratio stayed reasonably low until 1980 when a combination of a rise of public and private debt saw the ratio starting to rise rapidly and unemployment increased to around 7%. Over the next decades the ratio rose to 273% in 2009 and by 2016 it is nearer 400% – and unless drastic action is taken, it will continue to rise, bringing on a major recession. The US is not alone. Most other nations have ratios better or worse and history shows that no lasting recovery is possibly unless the debt/GDP ratio is reduced to 200% or lower.

We now have some background to the present which, if the future is to resemble the past, means that this debt of at least $20 trillion has to be lost in the US, for it is evident that the greatest quantity will never be repaid. The two methods of debt destruction are deflation and inflation. The Americans tried the first in the 1930s, the Germans suffered the second in the early 1920s; neither country is determined to repeat their history, which destroyed livelihoods and savings and in Germany saw the rise of Adolf Hitler!

***Whatever method is tried, one may be sure that unemployment will rise dramatically and dealing with it is one of the prime objectives for this handbook; the other is to identify the investment opportunities in the new era of the Digital Age. For how the recovery is managed – see the* Global Recovery Manual*.**