

Deflation and Long-Term Market Trends from 2000 to 2030

Think of the Wars and consequent contractions in America, Argentina, Brazil, England, France, Germany, Japan, Indonesia, Korea, Mexico, Russia and Vietnam. Now multiply those effects in a linked global culture, economy and market after the largest expansion in history, with the Dow from 1980 to 2000 going up 44 times in real terms, and America going from the world's largest lender to largest borrower.

America conducted a series of costly Wars on Cancer, Drugs, Energy, Foreign Nations, Heart Disease, Native Americans, Poverty and Slaves, forgetting historical lessons going back to at least Atlantis, Babylon, Egypt, Greece, India, Israel, Persia and Rome. Herewith some corollary consequences, collateral damage if you will: Finance Deficit currencies and markets around the world may continue to fall for decades while interest rates rise. Stock indices may drop more than 99 percent in real terms. Real estate values may fall more than the 1780s, 1860s, 1930s and 1940s. Real estate in real terms may fall more than 100%. Rating services may resume their trend downgrading quality. Cities, companies, counties, households, nations and states may default in record amounts on bonds, contracts, currencies and Treasuries. Debt packages made of auto loans, business loans, credit card and mortgage debts may become unworthy investments. Derivatives which dwarf global economies and financial markets may default as underlying assets implode. Many pension plans may fall in value and be unable to provide the expected benefits

Estates and Pension plans may be raided by corporations, governments and relatives to remain solvent. Anger and fear over these developments may result in demonstrations and violence with ineffective, noisy and tardy political reforms. Prices for collectibles may continue to fall. Many may become little more than curios. More banks and quasi financial institutions will fail than failed in the 1930s. The total amount of credit outstanding worldwide will decline substantially as usury becomes outlawed, uncustomary or unpopular and people begin to save and pay cash. Central bank chairmen and Treasurers may be labeled corrupt fools greatly responsible for repeat collapses. The dollar may lose its place as the world's reserve fiat currency and the military may lose its standing and strength to China. Either gold or silver, a currency backed by gold or silver (such as the Islamic dinar), or the Chinese Renminbi yuan used since the Stone Age may take its place. The deficit and usury-based Federal Reserve and Treasury System as we know them may be discredited and then abolished for aiding friends and majors with bailouts that do not work while taxing the poor and middle class with illusory currency inflation putting them into higher tax brackets

The rich may be vilified, and their property and wealth may be increasingly taxed and seized. Regulatory and legislative reforms may limit, curtail or ban a number of structures facilitating speculation, such as options, futures, margin lending, hedge funds, mutual funds, IRAs, 401Ks and shorting. Fannie Mae and Freddie Mac may be shut down. Financial news networks may change formats or go off the air. Despite attempted manipulations by Russia, OPEC or other nations, the world price of oil may decline. (Exceptions may occur if production facilities are destroyed or shipping halted during wartime.) The debt forgiveness movement in the third world may eventually move to developed countries to see many of its goals realized. The price/earnings ratio for the S&P 500 may hit single digits (falling below 6), while the annual dividend yield on the Dogs of the Dow and S&P may rise into double digits (perhaps rising above 17 percent). Market timing may come to be viewed as the best approach to stocks, although investing in stocks may become considered foolish. Buy and hold may be denounced as a fatally flawed approach to the stock market as the 20th Century Bull market becomes the 21st century Bear. The demographic argument for continued boom fueled by baby boomer spending and retirement savings may transform somewhere near the bottom of the decline into an argument the same baby boomers demanding social services are responsible for continued bust. Many of the government and corporate entities bailed out by the U.S. government and the IMF over the course of the last 34 years may fail again, along with new ones. The Fed, IMF, UN, World Bank and other financing entities including Foundations may not bail them out. Corporations, Families, Fortunes, Foundations, IMF, World Bank and the United Nations may shut down or go offshore to find there is no place to hide. Existing high-yield junk bonds may fall below zero, and new ones may no longer be issued. After a period of derisive and negative popular allusions to the stock market, references to stocks in non-financial settings may become all but non-existent, considered as impolite conversation.

Bearish covert private secret speculators may make a lot of money and keep it. Safety-minded investors with gold and silver may see their purchasing power rise.

The Economy Trilateral, tricontinental and even regional or state free trade may fail as rust-bucket social welfare city economies implode. The trend toward economic contraction that began in 2000 may continue to develop into the greatest depression. The unemployment rate in the U.S. and in most countries around the world may rise and eventually exceed 25 percent. A record number of companies in the USA and world may fail. Governments may adopt numerous trade restrictions, import taxes, protectionist measures like income, internet, price, transaction, wage and wealth controls, fees and taxes. Big brother may watch all emails, listen to all telephone calls and record private conversations of parties of interest, to make examples of those who resist or do not subscribe. Consumer and corporate confidence may fall to record low levels. The number of new skyscrapers may decline dramatically as others like the World Trade Center or Sears Tower are abandoned. Affordable housing may become difficult to come by. Family members or neighbors may move in with each other. Homelessness may increase. Brazil, China and India may have a severe economic setback along with the rest of the world and then recover sooner. Brazil, China or India may emerge as the new economic leaders of the world. Politics Government political leaders, Congress, President and Supreme Courts may suffer record non-compliance and unpopularity. Future Presidents may be from different Political Parties. Many entities privatized or deregulated during the bull market may attempt to re-nationalize and re-regulate. Governments may lose enforcement, judicial and legal authority and resort to criminal domestic military Posse Comitatus acts like the Chicago 8, Elian Gonzalez, JFK, Kent State, Martin Luther King, Ruby Ridge or Waco. The bear market in social mood may afflict multiple presidents or dictators. The occupation of over 700 foreign military bases may progress from boosting the local economy at the expense of taxpayers to quagmires to economic, financial, political and public relations disasters as the USA may be asked to leave countries it occupies. Terrorists may again attack the U.S., like the Murrah Building in Oklahoma City, TWA 800 and the World Trade Center missile and truck bombings. Separatist movements may gain momentum. Many regions may establish new geopolitical entities like ABC and Kris Kristofferson's 1987 Amerika watched by 100 million people and not shown again.

Fears about agricultural, biological, communications, energy and military technologies may lead to restrictions on its development. Politics may become far more apathetic, chaotic, polarized, splintered, radical or terrorist with occasional charismatic exceptions that betray great expectations. Law and order, Medicare and Social Security in current forms may fail. The U.S. may threaten and attack more countries to defuse attention from poverty and starvation at home. More countries may oppose U.S. interests and chose cooperation with Brazil, China, Pakistan or India instead. Third World War terrorism for hire may escalate on all continents. The USA may increase restrictions on immigration and emigration. The USA may require National ID and bureaucratic permissions for education, financial transactions or all travel. The USA may implement a transaction tax to increase compliance by tax resisters. Both anti-government sentiment and patriotism may grow into powerful emotional forces or militia. Openness and transparency may give way to secrecy. Spies and secret social organizations may have increased standing and power. The U.S. may accelerate its trend toward socialism and technocracy. Opposition to that trend may be futile if vigorous. Suspicion or hatred of foreigners or strangers may increase around the globe. Nations may tend away from democratic, liberal, representative governments toward totalitarian dictatorships. The Drug War may turn more violent. Eventually, possession and sale of recreational drugs may be decriminalized as regulatory authorities break down or fail. Government may attempt to ration goods and services in which it is or becomes involved with bailouts (such as air, automobiles, communications, credit, drugs, energy, food, healthcare, insurance, security or water). International travel may be restricted by statute or dangerous conditions. The U.S. and state governments may finish their takeover and demolition of the medical industry as third party payments fail.

Third parties may gain political clout and win local elections. Constitutionals, Libertarians, Greens and others may capture many local offices and at least one state government. At least one of the two major parties may disappear or re-form. Other Social Trends Social groups, including associations, classes, economic, industrial, legal, political, professional, religious, genders and unions, may polarize and splinter further. That is, they may polarize internally and with respect to opposing groups. The birth rate may continue to fall in the U.S. and Europe until the bear market in social mood (indicated by the downtrend in stock prices) ends. Spirituality may become increasingly popular. Its advocates may become increasingly passionate. Religious intolerance may increase. Beliefs in channeling, magic and superstition may increase. Science may be turned to manipulative or malevolent purposes. Epidemics may

increase in number and severity. Malaria and tropical invasive diseases, animals and plants may return to the U.S. DDT may be re-legalized. Sex and sugar may no longer be the sizzle that sells. Films and 3-D games may break new ground in horror and violence, with themes that may include demon possession, sadism, suicide, snuff, terror, torture or zombies. Brutal bread and gladiator circuses may be introduced and gain popularity as demeaning reality shows. Family-fare feature cartoons and channels and themes may fall in popularity, and parks and studios may stop marketing them. Environmentalists may become militant and intentionally polluting as global warming becomes global cooling. Professional sports may suffer decline and difficulties. New record performances by individuals may become rare. No team may have a 'dynasty' during the bear market. Leagues may consolidate and restructure. Attendance and viewership may fall. Salaries may decrease. Stadiums may close.

Physical fitness working out may go out of style as sports franchises fail. The U.S. space program may shut down. Conspiracy theories may become more plentiful as more people may believe them. People may rate the future increasingly less promising. Intergroup cross-cultural relations may become strained and violent. The suicide rate may go up. Mob violence may break out more often than it did from 1982 to 2000. Mass demonstrations expressing anger and intolerance with some social situations may occur. Hemlines may fall, and bright colors and nudity go out of style. Music sales may slump, and popular music may become angry, militant or sad. Hedonism may flourish. Pornography will become more bizarre. These trends will meet with social and political backlash, as mainstream behavior may simultaneously become more conservative. Popular self-help books may change focus from wealth and self-improvement to surviving hard times and overcoming adversaries. Cults and other escapist communities may be established. Food scares, probably including mad cow disease and contaminated imports, may hit the U.S. Most restaurants may decline in popularity. 'Family-style' comfort food and home cooking may become popular.

Interest in producing the plays of Shakespeare may wane. Anti-gay, racist and xenophobic entities may organize and openly pursue their agendas. Areas of cities may become dangerous places in which street gangs 'rule' some neighborhoods. The number of Broadway shows may fall dramatically. Disney may close its NYC theater productions, and Times Square may become X-rated again. Well-off people may adopt poverty fashions that conceal rather than accentuate their wealth. Gangsters, pirates and other outlaws may become popular folk heroes. Entertainment media may feature fewer heroes and more anti-heroes. The Olympic Games may be cancelled at least once, if not terminated altogether. Organized labor may grow and become more active. The number and severity of strikes may rise. Many amusement parks, entertainment centers, movie theaters and sport stadiums may close. The number of coffee and donut shops in the United States may decline substantially. Per capita consumption of alcohol and other depressants may increase. Public art, such as sculptures and murals, may become giant, ponderous and ugly. One or more of the sciences may go through a 'paradigm shift.' Terrible secret activities that we could not even imagine may take place, some to be revealed only years or decades later. Euthanasia and eugenics may return.