

# The Danger of Unquestioned Beliefs

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Could you sacrifice a child to appease the gods?

From *The Daily Mail*:

*‘Carthaginian parents ritually sacrificed young children as an offering to the gods and laid them to rest in special infant burial grounds’*

*‘An Oxford University professor said that [Carthaginian] people might have sacrificed their children out of profound religious piety’*

In the context of modern society, this appeasement to the gods is incomprehensible.

What this extreme example demonstrates is the power of belief systems. Stories passed on from generation to generation perpetuate.

Throughout history, belief systems gain traction and are invariably proven to be based on false premises.

The Earth is flat...

Leeches could cure ailments from tonsillitis to hemorrhoids...

Belief systems exist while people...well, *believe*.

When probing questions are met with the response of ‘because that’s the way it is’, doubt creeps in. At that point, belief systems start to crumble.

As this Huffington Post article suggests, religion, the most enduring of belief systems, is also being challenged (emphasis mine):

*‘An ongoing spate of recent studies — looking at various countries around the world — all show the same thing: **religion is in decline**’*

Questioning the existence of god was once considered heresy...punishable by death.

How the tables have turned.

Today, the question is asked openly, and it is religion that’s fighting for its survival.

When it comes to belief systems, once the curtain is drawn and the Wizard of Oz is revealed, the illusion is shattered. People no longer believe.

Belief in central banker ability to manage an economy and manipulate markets remains largely unquestioned. The press dedicates a lot of space to it.

The Fed was ushered into existence in 1913...at the behest of a powerful banking cartel.

What do we have to show for this century of meddling with economic settings?

Here’s the verdict from the Bank for International Settlements (BIS) — often referred to as ‘the banker to the central bankers’ — courtesy of its president:

*‘**The global economy is caught in a permanent trap of boom-bust financial cycles, a deformed structure becoming ever more distorted**’*

*‘The Bank for International Settlements said the rot in the global monetary system has not been cut out since the Lehman crisis’*

Could an assessment be more damning?

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Yet, we, as a society, take these incompetent charlatans seriously. Believing they know what they're doing.

After the events of 2008/09, Alan Greenspan, Ben Bernanke and Janet Yellen all confessed to being caught off-guard. None of them

Surely, admitting to this gross dereliction of duty warranted a shattering of the illusion? No.

The media still fawns over these economic quacks.

My guess is that it's going to take an even greater crisis to shatter the belief in central banks.

This will result in a great deal of money being sacrificed by those who worshipped at the altar of these false economic gods.

Another central banker myth that goes unchallenged is that inflation is good for the economy.

Really?

A targeted inflation rate of 2% reduces the buying power of \$1 today to 98 cents next year and 96 cents the year after that. And on a

How is this systematic erosion of wealth good for you and me?

It's not.

Decades of conditioning have created a belief system in a targeted-inflation policy.

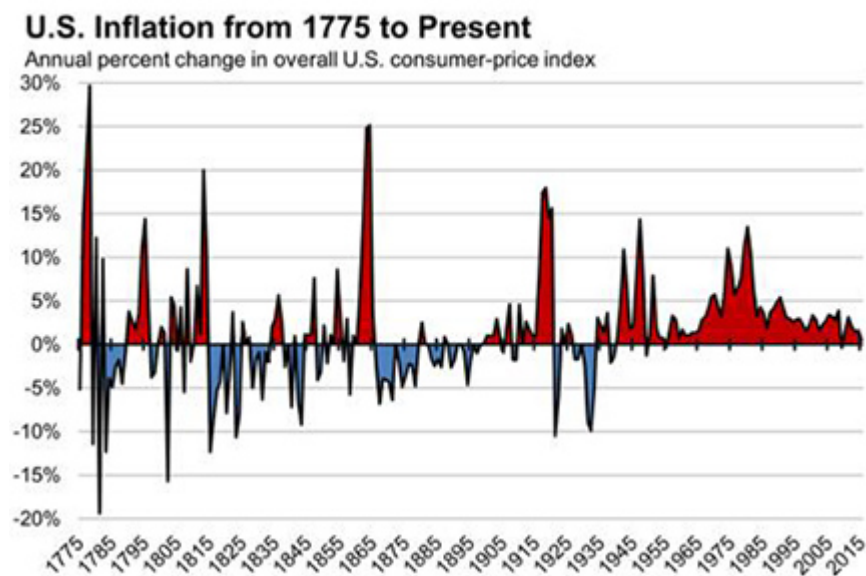
Rarely is the blatant stupidity of this sanctioned wealth-destruction ever questioned.

In my book, *How Much Bull Can Investors Bear?* I raise the question. There's a very real prospect of deflation — the central bankers

This is an edited extract from the book:

*'Since the 1930s, the word deflation rarely entered our economic vocabulary. Inflation was everywhere and anywhere for so long*

*'While inflation appears to be an ever-present force, history shows us that has not always been the case.*



*'The defining line in this chart is when the US Federal Reserve was established in December 1913. Prior to the establishment of*

*'It took two World Wars and a Great Depression before the Fed eventually steadied the economic ship. From 1945 onwards it's*

*'For the past 30 years (since the mid-1980s) we've been conditioned to a steady rate of inflation...hovering between 2–5%. After*

*'...The prospect of deflation has seriously upset the economic applecart. Society has been indoctrinated and conditioned to believe*

*'Yet, when I ask anyone, "What's so positive about prices going up by 2–3% each year?", they can't answer me...or at least not*

*'Governments want inflation because it creates the illusion of growth, enables greater levels of debt and generates more tax revenue*

*'People with debt want inflation.*

*'The Australian government, with a debt approaching \$500 billion, definitely (and desperately) wants inflation.*

*'But will inflation come, or are we destined for a sustained period of deflation?...*

*'...The answer to the question on inflation or deflation has a huge bearing on where you position your wealth in the coming years*

*'The Great Credit Expansion was primarily driven by baby boomer households leveraging up to invest and consume. The injection*

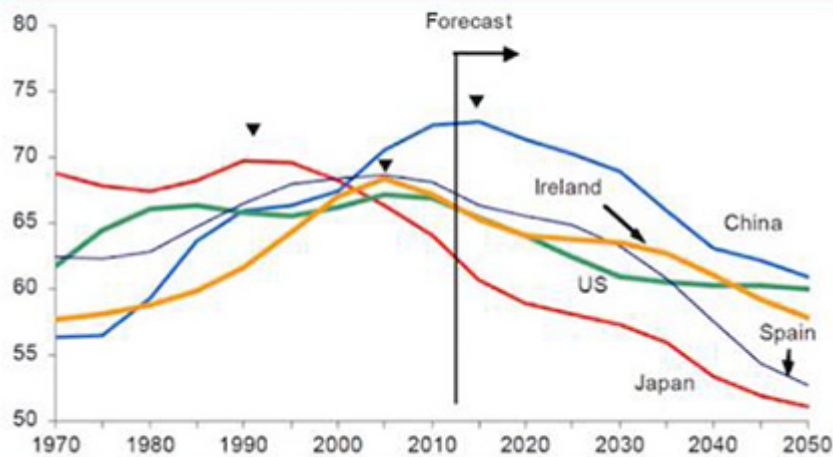
*'Based on the physics of "for every action there is an equal and opposite reaction", my theory is that the Great Credit Expansion*

*'Households (except in Australia) are slowing down on the uptake of debt. Boomers are focused on saving for retirement and paying*

*'My theory of the Great Credit Contraction is based on the trend of the 3Ds: debt, deleveraging and demographics — leading to*

*'The following chart shows you the demographic wind the global economy is facing in the coming years.*

**Chart 6: Working age population  
(age 15-64 / population, %)**



Source: United Nations, BNP Paribas

Source: Value Walk

[\[Click to open in a new window\]](#)

*'The productive sector — those of working age — is clearly in decline. The impact of this decline is incremental...slow at first, then*

*'As we outlined in Chapter 4, you have to look at the dynamics at play in the global economy to determine the best strategy for t*

*'From 1970 to 2005 the working age population (fuelled by baby boomers) was in the ascendancy. The combination of boomers*

*'A trend of that duration tends to establish belief systems — shares deliver long term superior returns, property values generally*

*'But what if, with the impending decline in the working age population, we see those beliefs challenged? What if the expansiona*

*'Shares may deliver inferior returns. Property values would come under pressure as people question the merits of borrowing larg*

*'That's a world that's completely alien to us...even me. However, this is what the Japanese have been living with since 1990. Ar*

*'The RBA reducing rates to 1.5% is an indication of the squeeze coming from the global forces of contraction...*

*'...We're in a world where we have an oversupply of cheap labour, mines, factories and transportation. We're over-indebted. We*

*'These are major structural issues that are not going to be cured by lower (accommodative) interest rates. In fact, lower rates ar*

*'Retirees will earn less and, therefore, spend less. Businesses will take advantage of the low rates to invest in automation and r*

*'...My best guess at this stage is that deflation will continue to exert its influence on all major economies. This is most definitely r*

*'Which is why we have to expect 'helicopter money' — despite the protestations to the contrary from the central bankers — to be*

*'The problem with dropping money into the bank accounts of both governments and people is twofold: How much is enough, and*

*'The policy of "helicopter money", or "peoples QE", will only be invoked as a measure of desperation...when deflation has a firm*

*'Therefore, those worried about inflation are looking to the horizon, and not what's immediately in front of them...the deflationary*

The central bankers would have us believe our banks are stronger, the economy is growing, and that everything is under

control.

If history has taught us one thing, it's that nothing is more hazardous to your wealth than an unquestioned belief in reassurances given by a central banker.

Since 2008, the world is much deeper in debt, and assets are at record price levels.

We are living in a very dangerous world. One that's on the cusp of destroying widely-held beliefs in how markets and the economy function.

Failure to think for yourself could result in your capital being sacrificed.

Regards,

**Vern Gowdie,**  
**Editor, *Markets %26 Money***

**Editor's Note:** Vern's book, *How Much Bull Can Investors Bear?* is a must-read for any investor hoping to protect their wealth from the coming crash. You can learn how to access Vern's book by [clicking here](#).

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Vern Gowdie Editor at Markets %26 Money

Vern Gowdie has been involved in financial planning in Australia since 1986. In 1999, Personal Investor magazine ranked Vern as one of the top 100 financial planners in Australia.

His previous firm, Gowdie Financial Planning, was recognized in 2004, 2005, 2006 %26 2007, by Independent Financial Adviser magazine as one of the top 100 financial planners in Australia.

He is a feature editor to Markets and Money and is Founder and Chairman of the Gowdie Family Wealth and the Gowdie Letter advisory service.



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