

An Unjust Financial System is America's No. 1 Enemy

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RANCHO SANTANA, NICARAGUA – Yesterday, the Dow retreated slightly.

But it is still near its all-time high of 21,000 points. And by many measures, U.S. stocks have never been more expensive.

Meanwhile, bullish sentiment among investment advisers is at a 30-year high.

Consumers are more confident than they've been in the last 16 years.

And the latest Gallup Poll shows President Trump's approval rating falling to 37%.

We are surprised it's that high.

Deep Unfairness

Today, we are ed up the coast to check out property.

An oceanfront farm, for example, is on the market for \$2,500 an acre.

Is that a good deal?

We don't know... but we'll let you know what we find.

Meanwhile, we'll use the next two days to continue [our "campfire tale."](#) We want to bring new and old readers together recalling what we think we've learned so far.

So let's dig in...

In our view, the No. 1 problem in America — the thing that got Mr. Trump elected — is the deep unfairness of the financial system.

The middle classes have to work for their money; the rich get richer without lifting a finger.

The typical working guy hasn't had a raise in 40 years after accounting for inflation. It takes him more hours of work to pay for the basics — food, lodging, transportation, and medical care — than it did in 1975.

The feds report "job growth." But it is fake news. Almost all the new jobs since 2009 have been in the low-paying service sector.

The average person in the heartland feels cheated. But by whom?

The real villain is hard to get worked up about: A financial system? A fake dollar?

Huh... How does that work again?

So he turns to more convenient enemies — the Mexicans, the Chinese, the lefties, President Obama, or the Muslims.

Disguised Larceny

But here's the thing...

The insiders, the well-educated, the Establishment scions, the Deep State swamp critters... the coastal elite who drink chardonnay and espressos.... university professors... lawyers... folks who read *The New Yorker*... got into Wall Street Silicon Valley... and have “I’m With Her!” stickers on their imported cars – those people have made nearly all the income of the entire 21st century.

And their stock and bond portfolios have gone up three times as fast as GDP for the past 35 years. They are now richer, sassier, and more insufferable than ever.

But as we [showed yesterday](#)... and practically every day for the last five years... these gains did not come about honestly. They were not the fruit of hard work, self-discipline, long hours, or creative genius.

In an economy, some people will always do better than others.

But real wealth is created by people who sweat and strain in the Main Street economy, not the sleek folks in air-conditioned offices of Wall Street or the regulars at Mar-a-Lago who check the stock pages of *Barron's* to see how much they made while they were playing golf.

Economists told us that making the rich richer was good for us all. They claimed there was a “wealth effect” that would make everyone else all better off. But it was a lie.

The fake-money system – with its artificially low interest rates and its endless supply of make-believe credit money – is more than disguised larceny, not real wealth creation.

Accident-Prone

Mr. Trump’s plans, as revealed so far, will have little effect on this scam.

Spending less on boondoggle government programs will help (if he’s able to push through real cuts).

Less regulation will help, too (if it is meaningful). But more money to the military will not help.

A cut for corporate taxes will be a good thing. A hike in import taxes will be a bad thing. And entitlement transfers are expected to continue more or less as before.

There you go.

So the economy we need to prepare for... or at least understand... is the one we’ve got, not the one we hoped Mr. Trump would disrupt and repair.

And this economy is corrupt, grotesque, and accident-prone.

Sinking *Titanic*

Remember, there are two types of people in an economy. There are the makers and the takers. The makers do win-win deals. The takers insist on win-lose deals.

An economy grows or shrinks depending on the balance of the two groups.

There are no magic interest rates... no panacea trade policies... no budget tricks. If you want your economy to be fair and to produce real wealth, you simply reduce the number of takers and leave the makers alone.

That is the task that greeted Mr. Trump when he entered the Oval Office.

But the fix was in. The president probably couldn’t change course, even if he wanted to. We’ve already gone too far.

Here at the *Diary*, we've seen so far that the U.S. is not the constitutional republic it was meant to be. It is an empire run by insiders known as the Deep State.

Elections matter, but not much.

A president can rant and rave. He can get up to mischief at home and abroad, especially with the powers granted to him by post-9/11 hysteria.

But when he asks for fundamental changes from Congress or the bureaucracy, his requests can sink into the Washington swamp like the *Titanic* into the North Atlantic Ocean.

Boys in Uniform

Empires thrive on war...

Mostly fake wars, ones in which there is nothing at stake and, after a few years, no one can remember what it was all about.

But there's a hidden reason for these wars: The Deep State benefits. The wars shift resources to crony industries – especially the military-security complex. Everyone else loses. Still, these takers can be hard to stop.

Often, we have cited the work of Italian economist Vilfredo Pareto. He was the one who realized that governments were often taken over by clever insiders he called "foxes."

Little-noticed at the time was one of Pareto's best students, Benito Mussolini, who decided to join the foxes rather than the sheep.

Mussolini began his political career as a socialist, a novelist, and an anti-imperialist. But he realized that the public is always willing to follow for its guns and parades.

Even when a country has no plausible enemies, a nationalist-militarist agenda is easy to sell.

People will resist spending to aid the poor or put on Shakespeare festivals. But they will open their purses, and give up their seats, for their boys in uniform.

Mussolini had a uniform specially designed for himself...

And within two years of coming to power in Italy, he began his own fake war. He invaded the Greek island of Corfu and Albania on its road to ruin.

"February Incident"

Twenty years later, Italy would be occupied by two foreign armies – Germany in the north and the U.S. in the south...

...and Mussolini and his mistress would be dangling upside down from the metal girder above a gas station.

Meanwhile, on the other side of the planet...

Japan was on the march. But in 1936, Japanese finance minister Korekiyo Takahashi cut military spending. He saw the Japanese Army getting stronger while the economy got weaker.

In the February 26th Incident, he was assassinated by a group of rebelling military officers.

The buildup continued, shifting more and more resources to the war effort. Once underway, an empire typically expands until it either goes broke or is defeated, often both.

In Japan's case, the end came when atomic bombs dropped on Hiroshima and Nagasaki, finally popping the bubble in Japanese military spending.

More to come...

But first, over to Chris Lowe coming to you today from our Delray Beach offices in Florida.

Regards,

A handwritten signature in black ink, appearing to read "Bill Bonner". The signature is fluid and cursive, with a long horizontal stroke at the end.

Bill