

How High Will You Be When the House of Cards Falls?

Retrieved Monday 10th of July 2017 05:51:55 PM

How good is your memory?

Can you recall what the big issue of the day was back in 2007?

Was it the Aussie share market marching towards a record high of 6800 points? By the way, a decade later, the All Ords is still 15% higher than it was in 2007.

No, the All Ords was not it.

The subprime lending crisis brewing away in the US?

No.

People were largely clueless to the unfolding catastrophe on the other side of the Pacific.

To be fair, the Fed was also guilty of blind ignorance to what was happening in its own backyard.

Had Aussies been aware of what was about to hit the fan in the US, they probably wouldn't have poured borrowed money (margin loans) into the share market.

What was it?

Want a hint?

Kevin 07.

Well, it wasn't actually KRudd — the self-proclaimed economic conservative — himself. It was the great moral platform upon which he stood in 2007.

'Climate change is not just an environmental challenge. It is so great we should be at the stage now in this country where climate change is the greatest moral, economic and social challenge of our time.'

– Kevin Rudd at the National Climate Change Summit, 6 August, 2007

Kevin 07 tapped into the prevailing social mood.

People — especially the younger generation — wanted to do their bit for the environment.

Al Gore's *An Inconvenient Truth* had struck a chord (as it turned out, Al's work of fiction was more of 'a convenient lie'). Proving once again that the world is not what it seems.

Priorities change in times of crisis

But I digress, again.

Fast forward a couple of years, and '*the greatest moral, economic and social challenge of our time*' gave way to Rudd's expletive-rich rant about the Chinese.

It wasn't just the Chinese who sabotaged the [Copenhagen climate summit in 2009](#).

Social mood had also shifted.

Climate change was no longer a 'front and centre' consideration

The new '*greatest moral, economic and social challenge*' was how to deal with the after-effects of the most severe financial crisis since the 1930s.

Superannuation statements were printed in red ink. Those who borrowed to invest lost heavily...even their homes. The public mood

On the employment front, the RBA reported:

‘The decrease in average hours worked in the 2008–2009 episode reflected a fall for both full-time and part-time workers. The fa

Politicians and bureaucrats (with secure jobs and taxpayer-funded retirements) carried on like nothing had happened. Hundreds of p

Meanwhile, outside of Canberra’s bubble, financial security and job security relegated the environmental concerns of 2007 to yester

The moral of the story? In the good times, society is prepared to lift its sights above self-interest, engaging in the social issue of the

However, when the tough times hit, forget that altruistic stuff. It’s all about our own personal, financial and employment security.

Public mood waxes and wanes with personal wellbeing.

A word of advice for those in favour of the current social issue of same-sex marriage. Act now while capital city property prices and t

When these oversized bubbles hit a pin, public mood is bound to change. If same-sex marriage is not legislated before the next crisi

When it comes to losing the house and/or job, all else fades into the background. Which begs the question: When will the next crisis

If our politicians are a guide, it’ll be sooner rather than later.

Politicians are the worst timers of a market.

They only act once a trend has been established...again, feeding off a social mood.

In the 2010–11 budget, then Treasurer Wayne Swan — in seeking to deliver his elusive budget surplus — announced a Resource S

After ‘negotiating’ with the mining sector, the Minerals Resource Rent Tax came into being on 1 July, 2012.

When did the mining boom peak? Let’s refer to the RBA for the answer...

‘In mid 2012, investment in the Australian resource sector had peaked at just under 8 per cent of GDP, compared with its averag

Well done, Swanny...you picked the very top of the market.

Imposing a tax *after* the big bucks had been made.

Treasurer Scott Morrison’s latest budget blindsided the major banks with a tax on their aggregate liabilities. This is his ham-fisted att

Courtesy of the RBA’s accommodative interest rate policy, the banks are stuffed full of liabilities.

Australian households have been encouraged to borrow as much as they can in order to buy as many homes and/or trinkets as they

Record profits make the big banks an easy target.

In 2012, we witnessed the peak of the mining boom. If history repeats itself, 2017 should go down as the peak of the lending boom.

With imitation being the best form of flattery, Treasurer Morrison’s ego has been well and truly stroked by South Australia’s copycat

When you have lazy and fiscally irresponsible treasurers lining up to leech off a fat host, you know the days of the host are numbered.

In the not-too-distant future, the federal and state budgets of 2017–18 may go down as the bellringers on these overpriced, overhyped.

One final digression. Here's a suggestion to Treasurer Morrison: Introduce a 'robot and automation' tax *before* the impact is felt on employment.

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The next financial crisis will be a bloodbath.

Back to the topic at hand.

The next [global financial crisis](#) is going to make 2008–09 look like a Sunday school picnic. That's a bold claim that isn't made lightly.

The deliberate and targeted central banker policies, aimed at reflating global asset prices with the creation of an additional US\$60 trillion of debt.

This will not be a hard landing; it'll be a bloodbath.

Thinking you can solve a [debt crisis](#) with more debt is as logical as curing obesity with a diet consisting entirely of Big Macs, fries and sugary drinks.

Our clueless treasurers are introducing a tax on debt when waves of debt defaults are looming. Perfect timing, as usual.

My aforementioned bold claim is not without official backing.

The 25 June, 2017 edition of *The Telegraph* carried this line:



Source: The Telegraph

[\[Click to enlarge\]](#)

The Bank for International Settlements (BIS) is often referred to as 'the central bankers' central bank'. This is an extract from the article 'The Next Global Financial Crisis' by Dr. Michael H. Hayes.

'The global economy is caught in a permanent trap of boom-bust financial cycles. This deformed structure is becoming ever more

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

'The current ageing and unstable cycle could finish in much the same explosive way, contrary to the widespread belief that it wa

“The end may come to resemble more closely a financial boom gone wrong, just as the latest recession showed, with a vengea

Got that?

'The global economy is caught in a permanent trap of boom-bust financial cycles.'

Why?

Because we have built an economic model that's entirely and utterly dependent on greater levels of debt-funded consumption to achieve 'growth'.

The [global economy](#) is one gigantic Ponzi scheme...needing an ever-expanding debt base to keep it from collapsing.

The lesson from the 2008 debt crisis was: Take a breather, take some pain and build a better system...one that's less reliant on debt.

The central bankers, their political masters and financial-sector benefactors — acting out of self-interest and hubris — deliberately and wilfully ignored the message.

The market's retribution for this arrogance will be delivered with a vengeance.

The inconvenient truth, which the ruling class dares not to reveal, is that the master puppeteers have again used public mood (our growing sense of entitlement to a life we cannot afford) to enrich themselves.

When the next crisis hits and the convenient lie is exposed, the mood could turn very angry.

Without any rich veins to tap, what can treasurers (the world over) do to placate the masses?

The crowd's sole focus is going to be their own wellbeing; to heck with anyone or anything else.

Where are the handouts going to come from?

Could it be that unlimited money printing is in our future?

Don't discount that very real possibility.

The comedic duo of Rudd and Swan established the precedent in 2008, with cheques being sent to those above and below the ground.

All this adds up to the realisation that navigating our way through the next debt crisis is going to be extremely challenging.

The inconvenient truth for most people is that the life they've been led to believe they're entitled to has been a lie.

Regards,

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

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Vern Gowdie has been involved in financial planning in Australia since 1986. In 1999, *Personal Investor* magazine ranked Vern as o



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