

Poverty and Unemployment Here To Stay

BE AWARE!!! – Poverty and Unemployment are here to stay and will impact on both us and our children. HOWEVER, futurists are unanimous, although there will be less jobs, there will be plenty of work. The Transition will be painful.

Many of my quoted statistics in the following document refer to the situation in the US, but the same applies to all countries – to a greater or lesser extent. I will first discuss Escalating Poverty then Rising Unemployment.

POVERTY AT THE HAND OF INFLATION

It is in the interests of Governments to manipulate inflation to the downside, for the following “politically expedient” reasons:

- Lower inflation means lower wage/cost increases, which lowers budgeted expenditure, which lowers budget shortfalls – easier to balance books;
- Lower inflation makes Government look good as everyone knows high inflation hurts the poor – Greenspan’s confiscation of wealth through inflation;
- Lower reported inflation makes GDP growth appear higher than it actually is, as it is reported after correcting for inflation – makes Government look good.

Accordingly, Governments around the world manipulate inflation to the downside in numerous ways, including the following:

- Excluding items whose prices are rising quickly like Food, Fuel, Medical costs, Heating Energy and Rent, which probably rose 6-10-15% p.a. and increasing the weighting of those that rise slowly. The theory is that “in the end the inflationary impact of such “volatile” items, feeds through to core inflation” through wage increases etc., but this did not happen for two reasons;
 - These high inflation items account for 80% of the expenditure of 90% of the public, but only a fraction of the expenditure of business; and
 - Since there has been a decade+ of artificially low “cost of living” wage adjustments, the inflationary impact of these “excluded” items through wage increases on “core inflation” was muted;
- Hedonic adjustments – these are mostly arbitrary subjective adjustments that reduce the effects of inflation. eg. Computers of from the year before are the same price as those of this year, but they are twice as fast, so they will deem

the cost to have halved despite the fact that they cost the same and we cannot work twice as fast. eg. Cars have more features this year than last year, so they will arbitrarily “deem” the cost to have declined by say 2% as they feel we benefit from the improved features;

NOTE!! these two effects are annually self-reinforcing, since the inflation statistics and NOT the real cost of living increases are used by employers and retailers to justify the limitation of higher input cost increases demanded by employees and suppliers alike.

These effects are graphically illustrated on the www.Shadowstats.com's “Alternate Data” page, which shows that inflation using the formulae of 1980 & 1990 was considerably higher than the official figure. Naturally, this is not quite accurate, since the modern shopping “basket of goods” is different from that of 3 and 2 decades ago. Contrarily, I think we all intuitively know that over the past decade+ inflation in the USA (average 2%) and most others was considerably higher than the official figures, especially when looking at Fuel, Food, Medicare, Rent etc. which experienced double digit inflation for most of those years. Therefore, I think we can safely say that the inflation experienced by the masses was quite a bit higher than that indicated by the “official 2%” etc inflation figures, since those high inflation items constitute the bulk of their “living costs”.

As mentioned, this also implies that GDP growth was overstated, as applying a higher inflation rate to Nominal GDP results in a lower “Real” GDP growth rate. Again the chart on www.Shadowstats.com's “Alternate Data” sheet, clearly shows that the US has experienced negative real growth since 2000. From the Shadowstats charts it is clear that we have had more than a decade of positive inflation and negative GDP growth and, therefore, we have already had a decade+ of stagflation. This is born out by the fact that in “Real terms”, the S&P and other global equity markets have gone nowhere in the past decade+ when measured in Gold, Euro's, etc. Remember, GDP Growth is the Nominal Growth in Economic Activity, reduced by the effect of Inflation and it should ideally be at least equal to or higher than population growth.

The above situation is set to continue for the foreseeable future as Governments continue to print money to avoid bankruptcy, suppress interest & inflation rates and perpetuate the gravy train.

However, as always, there are numerous obvious and hidden consequences to inflation manipulation. The consequences include the following:

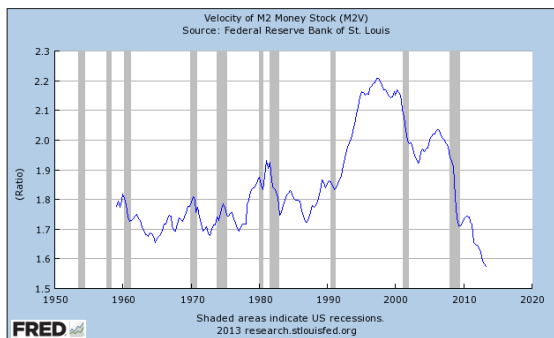
- Probably 95% of people received cost of living adjustments of 2% p.a. over the past decade+, when their living cost actually increased by 6-10% p.a. The cumulative effect of this was that they became 50% poorer in “REAL” terms over this period. This shifted the focus to “household” income;
- To compensate for the reduction in the purchasing power of the bread winners’ income they sent their wives to work and/or took two jobs. The proof of this statement lies in the fact that a man could support his family in the 1960’s while the wife looked after the children, whereas the income of both is barely enough to cover their modern “family” living costs;
- As a consequence the children grew up with insufficient parental supervision and guidance, since both parents were working. Furthermore, since the parents felt guilty that they spent so little time with their children, they did not adequately or appropriately discipline the children during the brief times they were together. This caused a generation of “difficult” children and teachers who were intolerant of their behaviour arising from their situation.

So, let us now look more closely at some of the effects on the Global Economy.

INFLATION TRENDS – Explaining past and future trends – reason why

We all know by now that “Inflation is always and only a monetary phenomenon” i.e. the more you print the higher the inflation – allowing for a lag. Considering that Global Money Supply has more than trebled in the past 5 years, one would expect considerable inflation. Therefore, the question has to be asked “why has considerably higher inflation not manifested”? I am of the opinion that the primary reason is that the inflationary pressures have largely been offset by a range of considerable deflationary pressures, including the following:

- Deflation has been imported from China for the past two+ decades, manufacturing moved from the costly West to the cheaper East;
- Automation of production and systems has brought prices down while pushing unemployment and profits up – eg. Automated car production etc;
- Online shopping, which cuts out the middle man, makes it possible for companies like Amazon to sell both new and second hand books at considerably lower margins than even big “wholesale” book stores can;
- Artificially manipulated “low official” inflation numbers resulted in 90% of wage earners being given cost of living increases of 1-2%, which kept cost push wage inflation low;
- The velocity of money is at historic lows and the gradual decline (see chart below) has countered the inflationary forces considerably.



Consumers are spending less and Corporations are investing less, while Banks are holding onto much of the newly created cash to build their reserves as many are technically insolvent (mark to market rule). This has dramatically reduced the velocity of money – the rate at which money changes hands;

- Companies have kept prices the same, while reducing the quality i.e. cost of inputs by using cheaper raw materials. This is partly due to downward pressure exerted by the buying power of the big boys, who decline to allow suppliers to increase prices. The suppliers in turn have no choice other than to cut costs or go under. This is why Kettles and Irons now last 1-2 years, whereas they lasted 20-30 years in the 50's & 60's. Greed – the desire to maximise profits at all costs has added momentum to this trend;
- Improved manufacturing (eg thinner metals in pots) and Substitution of expensive with new and cheaper materials has also kept costs low;

- Interest rates have been declining for 32 years and this has partially reduced the cost of debt and, therefore, the cost of equipment and working capital that has to be recovered;
- People are moving in together which is putting downward pressure on rentals and resulting in shared utility, food and often transport costs. Most pensioners are struggling due to low interest rates and returns on their investments, so many are moving in with their children. Contrarily, many young people cannot find jobs or earn enough so they are staying with or moving back in with their parents. Remember, during the great depression, multiple (3-4) generations often lived together in the same house;
- NOTE! Many of these trends are at all-time lows and cannot go much lower, where-after they will rise, so the days of higher inflation are fast approaching. Bearing in mind that higher inflation leads higher interest rates, the current Bond Bubble off artificially low interest rates is in serious trouble;
- Speculation – US Gasoline Consumption is down 50% and I suspect people are hurting. Savings are just coming off negative and I think the consumers have a greater desire to save than to spend. Any rise in credit extension is likely due to necessity not choice. Due to the high cost of inputs, prices of some items and therefore sales are higher and if you apply a low inflation adjustment it seems as if sales growth has been positive. However, this is an illusion and sales are probably negative. I think the US is hurting big time.

In conclusion, Governments have created this poverty and have a vested interest in perpetuating same as they ride the “Fiat Money” gravy train. Furthermore, the USA Government spends all its tax revenue on interest and welfare programs, whereas the day to day Government expenditure is funded by new debt. Imagine the hardship and the negative impact on GDP growth when Government is forced to cut back on Government spending and welfare in particular. Therefore, “Poverty” is here to stay for as long as manipulated statistics perpetuate.

Another real threat to the poor is that Futurism raises the likelihood that there will be an accelerating gap between those who can afford “genetic enhancement” and those who cannot. The result will be that only those who are “enhanced” will be able to do

the better jobs and those who are not will only get the truly menial jobs – that Robotics cannot do – and so the rich get richer and the “trapped” poor get poorer.

In the absence of dramatically enhanced and accelerated education, the “trap” merely gets bigger.

It is my opinion that the “house of cards” that has been built on “official statistical lies” that mask reality, coupled with unsustainable Debt, Deficits, Derivatives, Bond Bubbles (artificially & historically low rates), Off Balance Sheet Funding antics, repeated unpunished Fraud and Theft etc. is on the brink of collapse. Regardless, the world needs a “Collapse” to reset its moral compass.

UNEMPLOYMENT – Expect decades of rising unemployment and understand why

If you believe US, UK, EU and other Government unemployment figures, you should know that they all fudge the figures. It has now become so bad, that many governments acknowledge the “unofficial rate”, in the same way that South Africa’s official unemployment figure is about 26%, but it acknowledges the unofficial figure of 42%. By way of illustration, the USA excludes anyone who has worked one hour a month, or anyone who has given up looking, from their statistics.

Again, a visit to www.Shadowstats.com’s “Alternate Data” tab shows the low “Official USA Unemployment” figure from the Bureau of Labour Statistics (BLS) compared with the high “Shadowstats Total” that adds back those excluded by the BLS to “make the figures look better”. Bottom line – Actual Unemployment is far higher than stated.

What is more important is to understand why I say the 30 year future trend is to ever higher unemployment, i.e. High unemployment cannot be fixed – it is here to stay. Before I get into the meat of the explanation, it is important to sketch a perspective. In the 1960’s, a man could support his family and the wife could stay home to raise the kids. Due to the abovementioned inflation manipulation, which suppressed wage and price inflation and impoverished 90% of the people over the past 3-4 decades, the majority of women were compelled to enter the labour force to help keep food on the table. Similarly ever more pensioners were compelled by sub-par interest rates

and longevity to work long after their planned retirement age. This created a situation where the supply of adult people wanting/keeping jobs kept increasing to the detriment of new entrants to the job market, during a time when the demand for workers was declining due to reasons explained below.

Trends underlying rising unemployment include the following:

- Manipulated Government Statistics would have us believe that all is well and the economy is growing, when in fact we have positive population growth and negative economic growth. Consequently many jobs have in reality been lost – a fact that is born out by the labour participation rate chart which shows participation is at the same rate as it was in the 1970's (down from 66.5% almost 6 years ago to 63.4% today while the S&P broke new records);
- Many jobs in the West have been lost over the past two decades as manufacturing moved from West to East. Rising internal demand in the East has partly mitigated jobs lost in the East due to declining demand from the West during the last five years;
- Robotics. Modern “human like” robots have already been developed that can do simple tasks. Futurists predict that the next decade will see Robots that can do most of the routine domestic & office jobs currently done by humans – cheaper and more reliably than their human counterparts;
- Automation of production – We have all seen videos of textile, car etc. factories with automated production lines doing the work. Similarly, progressively more warehouses are entirely automated and we are moving into an era where almost all production can be automated. NOTE! 3D printing could move fabrication into the home;
- Automation of systems – Computer algorithms are taking over jobs galore. We expected the paperless society, but it is only with the advent of improved IT, cloud technology and the modern youth's approach to communication and administration are we finally beginning to see this trend manifest;
- Automation in agriculture – In the early 1900's 40% of the US worked in agriculture on many small farms, compared with 3% at present on mostly mega farms. This trend may be mature in the US but it still has a long way to

run in almost all emerging economies like China, India, etc where automation in agriculture is still in its infancy;

- E-Commerce – This trend knocks out the wholesaler and often the retailer, since product can move directly from the factory to the consumer;
- Modern trend favouring the outsourcing of skills means there are less permanent and more temporary jobs – NOTE! People with temporary jobs have trouble getting credit, which will again impact on consumer demand;
- Ever increasing amount of women who are joining the workforce to keep food on the table – to the detriment of young entrants;
- Increasing amount of men who are taking a 2nd job to keep food on the table – to the detriment of young entrants;
- Pensioners not retiring because of the cumulative effect of:
 - Inadequate retirement income, due to inadequate cost of living increases – see above; coupled with
 - Underperformance of their investments in a decade of negative “real” returns as the markets have gone nowhere during a time when their daily living costs escalated dramatically; and
 - Non-existent income generated by their savings in this time of historically low near zero interest rates.
- Pensioners not retiring due to increased longevity – they need to have more set aside since they are expected to live longer than initially expected. NOTE! Many Pension funds are no longer actuarially solvent due to a decade of “lower” returns – their search for yield raises this risk.

While this paints a scary picture, especially since high unemployment is likely to precipitate higher crime, protests and even anarchy, all is not lost. Due to the rate of change of technology Future Trends are going to create dramatic changes in the way things are done and whole new markets. The trouble is that this transition will take time and will require a paradigm shift in the way we are educated, think, do things and interact. This means that the majority of the current generation of adults and the current education system need to be re-patterned.

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