



MONETARY & ECONOMIC REVIEW

Volume XXV, No. 1

Spring/Summer 2010

Economic and Political Risk European Socialism Run Amok

By Dr. Larry Bates

Dr. Larry Bates, an economist and publisher and editor of Monetary & Economic Review and Unravelling The New World Order, is a former member of the Tennessee House of Representatives and Chairman of its powerful Committee on Banking and Commerce. He is a former bank CEO and an internationally recognized expert on political systems and the Federal Reserve and how it affects the economy and your investments. Dr. Bates is author of the book, The New Economic Disorder, and co-author of the recently released A Nation in Crisis.

Capital, the means of production, is always looking for a “home.” Capital looks for two major factors: 1) political stability and 2) economic stability. The primary driving force behind the two factors is government. The growth in the size and scope of government is detrimental to political stability. We have seen the governments of Europe install their European style socialist order that no-one can afford and that fails to efficiently deliver promised “services.” The Eurozone political order is a “poster child” of exactly what NOT to do but what is being heavily promoted by the Obama administration for the USA.

The results of the political instability in the Eurozone has led to the economic instability in that region. We have seen most of the region’s debt downgraded, with defacto default of Greece on 100 billion of Euro debt. We have seen the Euro tumble to the lowest level since 2006, and the forced austerity plans have curbed any prospect of growth. We have seen a ripple effect moving to Asia as their stocks have fallen due to concern that demand from Europe will drop as a result of the fall of the Euro’s value. Many observers believe the Greek rescue package only buys time and offers no permanent solution to their crisis. The major effort to stabilize Greece was to try and stop the contagion from reaching Spain and Portugal and the rest of the EU. Spain’s problems are estimated to be so huge that the IMF and EU do not have sufficient reserves to handle it. It is so serious that many fear that the European Union (EU) may break up. After all, many of the countries in the EU had to manipulate their balance sheets just to qualify for membership. We expect a move to change the EU Constitution to allow the monetization of debt. This simply means a massive printing of fresh cash (Euros) to fund the debt, resulting in massive currency depreciation.

Bringing It Home

What we learn from history is that we don’t learn from history. Again, when governments spend money, they can only get it through 1) taxes, 2) borrowing, or 3) by printing the money. The Obama administration has the USA on a fast track to end up in the same sorry state as Europe. The 2010 elections will in large part determine whether political stability will return to the USA and get us off the European socialist track. Failure to change the control of Congress will result in a battle between a number of states and the federal government over 10th Amendment restraints. When European style socialism fails, the political structure unravels, economic stability deteriorates, and taxes are raised to help bridge the shortfall of revenue to the government. Capital flees and looks for another “home.”

What to Do

The following recommendations are made to help you mitigate the economic and political risk that is bearing down upon us with the force of a runaway train.

Stay fully engaged in the political arena by supporting (financially and otherwise) those candidates at every level who share your values, can articulate their message, and have a reasonable prospect of success.

Educate those around you as to the economic and political risk they face. Call the FAMC publications department (1-800-336-7000) for a list of educational materials to share with those you are concerned about.

Evaluate the economic and political climate of the state in which you reside. In some cases, an exit strategy to a more desirable economic and political climate might be advisable.

Evaluate all asset holdings in relation to economic and political risk. MER readers may call an FAMC economist or consultant for a free consultation and risk analysis (1-800-325-0919, Ext. 7470).

Prepare for medium and long-term food and water supply.

Get acquainted with local officials and assess their level of understanding of the effects of economic and political upheaval. Insofar as possible, help educate the uninformed.

Above all, help raise the understanding of those you care about such as family, friends, and particularly, those in your fellowship circles.

Act on solid information and due diligence.