Financial Chaos - A Memo From 2005

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Financial Chaos – probably in many nations in the next five years.

The word chaos is chosen to express likelihood of reduced profit margin at the same time as acceleration in cost of living.

Increasingly often, people ask my opinion on what is likely to happen financially. I am now thinking that the dangers are more numerous and larger than ever before in my lifetime. Quite likely, in the early months of 2005, the peak of prosperity is behind us.

In the past century, protection could be obtained by keeping your net worth in cash or government bonds. Now the surplus capacities are so great, that most currencies and bonds are likely to continue losing their purchasing power.

Mortgages and other forms of debts are over ten fold greater now than ever before 1970, which can cause manifold increases in bankruptcy auctions.

Surplus capacity, which leads to intense competition, has already shown devastating

affects on companies who operate airlines and are now beginning to show in companies in ocean shipping and other activities. Also, the present surpluses of cash and liquid assets have pushed yields on bonds and mortgages almost to zero when adjusted for higher cost of living. Clearly, major corrections are likely in the next five years.

Most of the methods of universities and other schools, which require residence, have become hopelessly obsolete. Probably, over half of the universities in the world will disappear quickly over the next thirty years.

Obsolescence is likely to have a devastating affect in a wide variety of human activities, especially in those where advancement is hindered by labor unions or other bureaucracies or by government regulations.

Increasing freedom of competition is likely to cause most established institutions to disappear within the next fifty years, especially in nations where there are limits on free competition.

Accelerating, competition is likely to cause profit margins to continue to decrease and even become negative in various industries. Over ten fold more persons hopelessly indebted leads to multiplying bankruptcies not only for them, but also for many businesses that extend credit without collateral.

Voters are likely to enact rescue subsidies, which transfer the debts to governments, such as Fannie Mae and Freddie Mac.

Research and discoveries and efficiency are likely to continue to accelerate. Within the next fifty years, probably as much as ninety percent of education will be done by electronics.

Now, with almost one hundred independent nations on earth and rapid advancements in communication, the top one percent of the population is likely to progress more rapidly than others. Such top one percent, may consist of those who are multi-millionaires, those who are innovators, and those with top intellectual abilities. Comparisons show that prosperity flows toward those nations having the most freedom of competition.

Especially, electronic computers are likely to become helpful in all human activities, including with people who have not yet learned to read.

Hopefully, many of you can help us to find published journals and websites and electronic search engines to help us benefit from accelerating research and discoveries.

Not yet have I found any better method to prosper during the future financial chaos, which is likely to last many years, than to keep your net worth in shares of those corporations that have proven to have the widest profit margins and the most rapidly increasing profits. Earning power us likely to continue to be valuable, especially if diversified among many nations.

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