

Armstrong Economics™

The Collapse of Capitalism

OR is it Socialism?

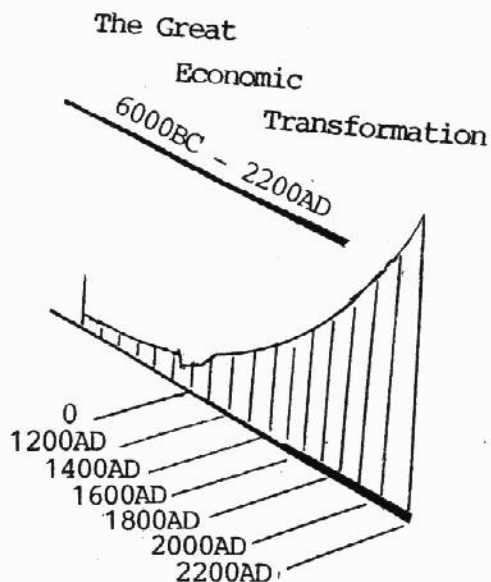
What does this MEAN FOR GOV'T?

There have been plenty of articles asking whether Capitalism is now dead. The problem is the question already presumes an outcome and fails to realize that we are still in the middle of the greatest Economic Transformation in the history of mankind. What we face is far more complex than mere capitalism. To set the record straight, capitalism is a two sided coin. First, there is the free market stuff of which Adam Smith argued against the Physiocrats who held that all economic wealth of a nation was in nature and land. Hence, manufacture by a blacksmith tending to the horses of the farmer did not create wealth but exploit it. Smith argued that the wealth of a nation was its total capacity to produce and a farmer standing with a blacksmith who both sold their product to France, equally returned with gold contributing to the wealth of the nation. This is not the only scope of capitalism. The otherside of the coin was the invention of something very foreign to the average person in the middle-ages. That money itself could work and earn more money without hard labor of the individual. This discovery truly creates the essence of capitalism and gave birth to financial panics with the "Tulip Bubble" in the 1630s that introduced the public to trading their first options (derivatives) since the fall of Rome. This was followed by the famous South Sea Bubble that took place along side the Mississippi Bubble in France that both collapsed in 1720. However, these investment booms sparked widespread speculation throughout Europe. The shares in France of Compagnie de Indes rose from 500 to 18,000 livres collapsing in ruin after giving birth to the term - "millionaire."

This is not a simple question of whether Capitalism will survive. What is really at issue is Socialism - and that embraces the very nature of Western Governments. This is more than the demise of just labor unions. Lifting this rock allows the scorpions to surface. It is more akin to opening Pandora's box and allowing a swarm of evils to escape and torment mankind. We have no choice but to speak very frankly, for unless we truly understand the nature of events, there is no way to close the box and make it all better. As Saint Jerome said of Rome: "When Rome fell, the Romans were still laughing." They had no idea of what was taking place and just assumed Rome was impregnable. We can stop an event, if we recognize it is happening.

If we are afraid to ask the correct question, then perhaps we are too biased to comprehend what we have done and take responsibility for our own actions? To paraphrase Edward Gibbon in his memorable epitaph on Rome: We were the capitol of democracy, the citadel of the earth, the terror of tyrants, illustrated by the footsteps of so many triumphs, enriched by the leadership in economic freedom that was the beacon to so many nations. This spectacle, how is it fallen?

The Greatest Economic Transformation!



It may seem strange, but we have been undergoing a battle of economic philosophy that transcends so many concepts, that unless we step back, most have difficulty understanding the trend. This battle has often been laced with efforts to control mankind. For within this battle, we will find religion, politics, scientific innovation and progress spanning technology in all areas, but also issues that include both slavery and labor that all create what has become known as our economy.

Sometimes we are too close to a problem that it is just impossible to see. When man landed on the Moon and sent the first pictures of Earth rising, only then could we see what our world honestly looked like. We are facing the very same problem. The change that we now see and are debating, is still from the view of a fly on an elephant's back. We do not know we are even on an elephant or what is an elephant.

Our society is still growing and changing. We are going through puberty where the youth rebels against the parent. The profound change, the Great Economic Transformation, became bluntly visible back in 1989 where the world economy began to unravel with the fall of Communism. That fundamental change was truly an economic transformation wave as a contagion and now is spreading causing the collapse of even what we view as socialism in the Western nations. What we are facing is confusing. Nevertheless, if we want to see the elephant, it is time to take flight.

There is a very core structure to the economic society of man. The Industrial Revolution was not just a slogan. It is hard for modern man to look back from where he now stands and comprehend the meaning of "revolution" as it was truly expressed. The way of life prior to the Industrial Revolution remained essentially the same from Greek times, Rome, middle-ages, and the birth of the United States. The word "Economics" was an English translation of a book written by a great mind and a diversified man of tremendous experience - Xenophon (ca 431-350 BC). Xenophon was a brilliant practical man. He began life early on as the commander of the elite Greek force known as the "Ten Thousand." Xenophon admired Socrates profoundly, and developed a dislike for extreme democracy for the very crime it had committed by ordering Socrates to be executed for his ideas. Xenophon wrote three works on the subject casting Socrates in a different light from that of Plato - the "Apology" - "Symposium" - "Memorabilia." Yet in the field of finance and economics, his political work is what perhaps the most powerful committee on Capital Hill is named after - "Ways and Means" written around 351 BC advocating peace rather than war between the Greek states. But we owe the very word "Economics" to the title of his truly master work - "Oeconomicus" that simply meant in ancient Greek - how to regulate the household. It was a How To Do Book for Gentlemen Dummies that explained how to manage your estate from growing crops, managing slaves, and your wife.

What does this have to do with the Industrial Revolution? Everything! Life as society knew it was completely different before the 19th Century. The Romans called them "villa" and we called them "plantations" that are associated with slavery. But this is how society operated. There were independent estates that were virtually self-sufficient. Whether the work force was composed of slaves purchased after battle in ancient times, or serfs in the middle-ages, or imported African slaves

after taking the citizens of a conquered nation as workers fell out of favor. The King of England had even used the criminal laws to create labor. Any misdemeanor allowed the King to sell you as a laborer for a certain period. Instead of prison, you were sent at first to America. When the American Revolution began, the destination changed to Australia. Nevertheless, it was the same model that existed for thousands of years - a self contained farm-like enclave. Our Constitution forbid indentured servitude, as the King once called it.

History is punctuated with revolts and disturbances from slaves. There was the famous slave army led by Spartacus in Roman Republican times. What made Rome a great National Empire, is it began to alter the course of this labor. Rome began to create the concept of citizenship and bestowed upon selected nations the dignity of Roman citizenship. This was the start of a very gradual change to the long-standing economic model where the spoils of war included the captives being sold as slave labor. This is why Rome lasted as long as it did.

The economic model of the villa was superior to public service and service jobs. During the 3rd Century AD, money became rare following what was a hyper-inflation. This caused tremendous hoarding & a economic contraction strengthening the villa model. The Roman Emperor Diocletian (284-305AD) tried to revive the empire like Ronald Reagan & Margaret Thatcher, but obviously created much of the practices still employed today. To be able to collect taxes, passports were created and people could not move without permission. To tackle inflation, he substituted wage and price controls as did Richard Nixon. He redesigned the entire monetary system, ie Bretton Woods 1944.

When Rome fell after 476AD, the concept of the villa prevailed. Life survived because of this self-contained economic model. This evolved into feudalism during the 9th and 15th Centuries due to the increase in population and the inability to acquire wealth to establish a villa. Towns would form and the landlord became the nobility. Castles were constructed because of the lack of security. Charlemagne (742-814) began to reconstruct the old Roman Empire. This economic model received its first major shock that not even the fall of Rome had inflicted. It was the Black Plague in the 13th-14th Centuries that killed about 1/3rd of the population making labor scarce and caused landlords to start to pay wages in addition to a percentage of the crop and free housing. This led the monarch of England to begin to tax wages and we see the first labor revolt led by Wat Tyler in 1381 over this new taxation. Yet, predominantly, the economy was still agrarian and the model was still the villa.

In Russia, the seeds of the 1917 Revolution were sowed during the reign of Ivan IV (the Terrible)(1530-84), when he confiscated lands of his enemies to give to his supporters. Ivan found the lands worthless once the serfs fled. He then decreed that the serfs would be bound to the land for life in order to maintain its value. He made all Russians on farms essentially slaves of the state. This eventually created the pool of discontent that fueled into the bonfire of Revolution years later.

Of course in the United States, the slavery issue was recognized as wrong and a real problem, especially after the language written by Thomas Jefferson in the Declaration of Independence. This issue dominated early politics, and perhaps came to a head when the Supreme Court showed it was indeed as Judge Posner refers to it, the Political Court. In 1857, the Supreme Court held that blacks were just property in the case of Dread Scott who sued for his freedom when his master traveled to a state that did not allow slavery. The Civil War was not over racism. It was over the collapse of the economic system of labor. Racism emerged more so as a bitter response by the South attaching blame for their demise to the freedom of the slaves.

There is yet another layer to this onion. We can see that slavery was a very ancient practice as outlined by Xenophon in "Oeconomicus" that was the supply of

labor itself. It was how the villa model maintained its economic viability for thousands of years. The treatment of slaves varied greatly from humane as members of a family to personal objects for torture. The later was more pronounced due to the interval of indentured servants that were criminals. In Greek times, by law, if a slave was to be a witness, he must be tortured for it was presumed he would lie otherwise. In Roman & Greek times, the economy was 90% agrarian, that declined to 70% in the 1870s, 40% in 1929, and finally 3% by 1980. It has been this villa model that was undergoing the Great Economic Transformation to the Industrial Revolution. City dwellers, were often public servants or the poor.

The Great Transformation has been the growth of society through progress and technologies. We have been evolving even in our understanding of economics, since the nature of the economy is in fact changing with each passing year. We must look at this transformation and understand that as the changes in labor have taken place, everything else in our world also changes. Had it not been for the Black Death, there would never have been a shortage in labor giving birth to wages that led to payroll taxes.

The Battle Lines

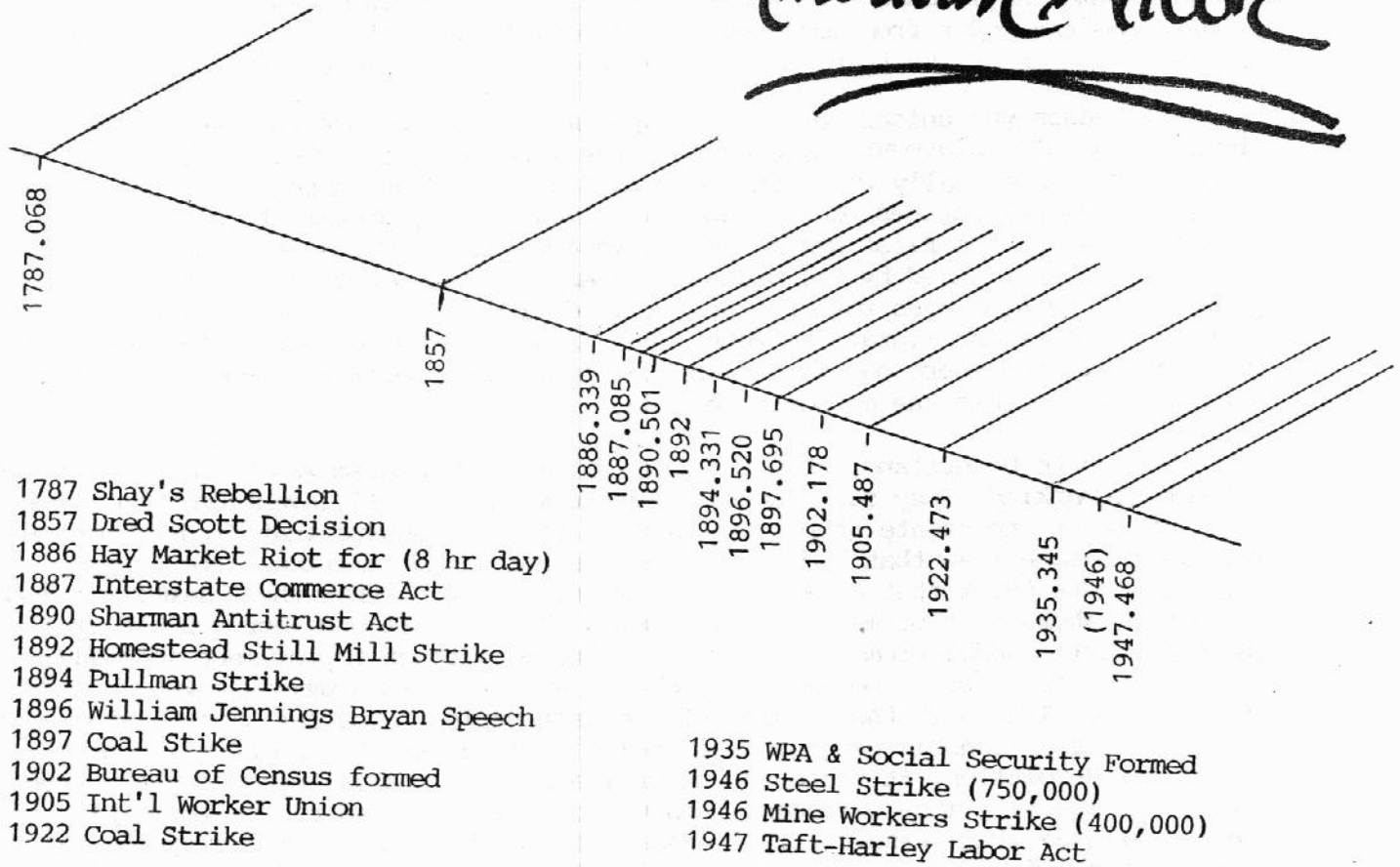
We have not bothered to notice what even caused the battle between communism and capitalism. Yes, we can attribute this to Karl Marx (1818-1883). This does not explain why Marx came to the conclusions that he did and set in motion decades of geopolitical conflicts that has cost the lives of countless millions! Imagine for one minute, somebody invented a new technology making physical labor obsolete and to survive you need to understand how to make a machine move with your mind. The young children adapt quickly and emerge as the new work force. You cannot even be now trained to do the job with your mind, and there is no place for you to earn any living at all. Would you not be angry at this new transformation?

We must understand that from the school of Physiocrats who believed that all wealth was created only by nature, we end up with the runaway idea that man can create utopia - the imaginary world where man could live indefinitely under the perfect plan. This idea was sparked by Sir Thomas More in 1516 that created a whole class of thinkers who believed in this utopian world was possible. Sir Thomas More (1478-1535) was a major influence and contributed to what we now face today under Socialism.

Marx railed against the change from the agrarian society to the industrial revolution side of capitalism. He did not see the state as the issue. What he saw was that this new economic model would lead to paid workers in factories who would be exploited to make a profit for the employer. Marx saw this new economic model as changing the world taking people from the traditional farm and turning them into consumers of products manufactured, but that their employers would be so greedy, they would decline to pay the worker and eventually this new system that was changing the world would collapse because the greed of the employer would suppress the income of the laborer, and that would result in the collapse of this new evil experiment - industrial capitalism.

The battle begun by Marx between his utopian ideal of Communism v. Capitalism is not over. The Communistic system transfers power to the state as does Socialism. This has sanctioned the power of a central government at the expense of the economic freedom of Capitalism. What we are really saying when we ask whether Capitalism is dead, is should we abandon freedom and run behind the walls of the castle since the state is the modern-day landlord? Do we reverse this Great Economic Transition, or understand what is going on for just once?

American Labor



Marx began a class-warfare that could yet tare the very fabric of our society to shreds. A traditional 72 year cycle of political trends shows that from the first real labor riot in 1886 that took place on May 4th, 1886 known as the Haymarket Riot, 72 years later we come to 1958 that truly marked the beginning of the end for the labor union movement. The Taft-Harley Labor Act of 1947 was designed to take away the power of the unions. By the 1960s, we have the incident of Jimmy Hoffa and the unions are then cast in the light as being evil and controlled by organized crime. This critical shift in perception, curtailed the union movement after just one 72 year political cycle.

This was the culmination of the Utopian Philosophies of creating the perfect world that even Marx ascribed to by essentially taking all the toys away from the people and transform them into one giant classless society. This stands as a clear warning that we cannot just run toward ideas with our eyes closed. We must look at an idea from all perspectives and with an unbiased eye. That is so hard to do for it requires the "distinterested" mind that can see the world for what it is, not from a personal perspective.

The collapse of General Motors is the collapse of the last vestige of Marxism - the labor unions. This illustrates that we are not seeing the collapse of capitalism, but we are in the final stage of the death of socialism. Governments will rail for it has been the source of their power - vote for me and you get something. We are in the final Phase-Transition taking the form of a tsunami of spending to make it all better. What we must be concerned about, will be who gets blamed when it fails?

The foreign auto-manufacturers have set up shop in the South where the labor laws were far more favorable to create non-union work forces that have been quite successful.

The foreign car manufacturers have demonstrated that unions are a bad idea from the dreams of Kark Marx that unleashed class-warfare. The union movements had their points from the outset. But working conditions should have been attacked in a political context (democracy). Unions assumed the mantle of communism creating confrontation and transferred the power from management to labor. It did not solve the problems and only became like a drunk who then had the keys to the liquor store - self-destructive.

The reason why unions were a bad experiment, was because they merely turned the employer into a slave and altered the free markets that was contrary to the nature of mankind. Historically when the crops failed in a agrarian model, people simply migrated. The Philistines of the Bible were most likely Greeks who migrated due to crop failures at the First Heroic Age. Invasions of the Goths, Germans, and even Attlia the Hun were all caused by the grass is greener on the other-side belief. Unions just promoted increased wages rather than skills diminishing the individual motivation to learn new skills and migrate between jobs. This is the same reason why Communism died. Creating a system where one-size-fits-all, promotes a decline in human growth that is then manifest within the economic decline.

We have to understand, that the fatal flaw in Communism was to diminish the essence of mankind. They say necessity is the mother of all invention. That is so true. If we try to create utopia, we destroy the very engine that creates progress. This is the same flaw that had led to the destruction of American jobs. Do not for one minute think that a labor union is any different that the **Communistic Model**. It is not. Where in a normal economic model, to earn more one improves his skills, the **Communistic Model** promotes advances in income without improvement in skills. When that shift in power became too obvious, even the Government turned against this trend in 1947 with the passage of the **Taft-Harley Labor Act**. This system indeed stymied natural economic progress and created much damage to the benefits of the **Industrial Revolution**. It froze the natural economic evolution and began a trend toward transferring jobs overseas. This was only accelerated by the imposition of the payroll tax that essentially increased the cost of labor. Where historically mankind migrated in an agrarian society causing him to populate the world, this very same trend still takes place today. Instead of the work force migrating to better lands, the **Communistic Model** reversed the roles and caused the employer to migrate. What government did not notice, was this trend was not caused by the "greed" of the employer, but by the **Invisible Hand** of Adam Smith. Labor demanded the highest wages with the lowest productivity, and consumers demanded the lowest price with the highest reliability. The employer migrated to survive. Throughout history, human nature has never migrated for no reason. Migrations take place when prodded by the fickle finger of necessity.

Communism, when implemented as a government policy, lasted only one 72 year political cycle. In 1917, we find the Russian Revolution and Sun Yat-sen set up the rival government in China at Guangzhou as the Nationalists. 72 years later, we come to 1989 and Tinananmen Square followed about 5 months later by the fall of the Berlin Wall. These changes were economically driven. The stagnation of the human spirit led to the steady decline in productivity. This is the same trend we have seen in the American labor unions.

What we must understand is that only when people lose their security, then and only then do we see political unrest. Just as humans did not migrate without reason, all political unrest is unleashed following economic implosions. The collapse of the **Mississippi Bubble** set in motion a irresponsible government policy regarding the money supply - the invention of paper money. This collapse of a European-wide speculative boom in 1720, set the stage for the great wave of revolutions that toppled the last vestige of **Feudalism** - Monarchy. It was not just the American Revolution, with its slogan, "No Taxation Without Representation," but also 72 years later we come to 1792 and the overthrow of the French monarchy.

The Big Picture

Can Socialism Survive?

Will it collapse like Communism?

What happens if the Bailout fails?

Since the unions failed because they diminished progress in the same way as did Communism, can even Socialism survive? Once the state gathered the power as if it were the landlord sitting in his castle, there became a vested interest so that the state will always argue it is the solution. This sets up the danger of a conflict that would once again return to Revolution if the economy fails in the hands of the state. The players may change, but today we have elected ministers rather than the title of monarchs. Still the interests are no different! It always boils down to "he who has the power, makes the rules."

Let me set the record straight. I do not approach this subject from a political perspective. I do not subscribe to the extreme right nor the extreme left. I fully understand that the only reason humans group together into herds like any vast body of many mammals with few exceptions, is for protection, companionship, and to act collectively to create a working society. I fail to see why if these are the very basic reasons why we group together, then there should be no dispute that there is a natural collective benefit from such a grouping practice. We can contribute to create a mutually beneficial system of roads, communications, hospitals, schools, and things like a fire company as well as utilities. This is a common good and the core reason why we gather together. Thus, we presume there is a natural obligation to contribute collectively to further those ends.

What is equally dangerous, however, is the assumption, thanks to Marx, that the government is our parent and it will always be there to take care of us. We will be forced to face the fact that politicians have made a lot of promises. They have not always funded those promises. It has been: "Trust me. When the day comes, we will be here!" The day has now arrived. It is time to see if the promises made that are now obligations, are even viable. Can there be any way to handle what is unfolding without the economic implosion? This should not be an endorsement for any political party for this has been the byproduct of both parties with equal blame that traces back to the unfunded promises that began with FDR, and the rapid spending of decades without considering just once, we were on a gold standard and that meant we could not just print money at will for we had to pay in gold. This is what caused the gold standard to collapse. A six-year-old with a pocket calculator could have made that forecast. If you continue to increase the supply of paper currency that you are claiming is backed by gold at a fixed ratio, something has to give. Even the collapse of the British pound from its fixed exchange rate to the Deutsche mark before the Euro that everyone attributed to Soros, was the same problem. The official overvaluation of the pound that could not last. Reality always causes readjustment. That is what we must fear the most.

Understanding the Mississippi Bubble & the French Bailout that set in motion the Age of Revolution

At first, you might ask: Why look at something from 1720? Well the answer is simple. The French Government was in part responsible for the Mississippi Bubble and contributed to the exponential rise at the end that involve the Government bailout that had to be paid by taxes not so different from current events.

The **Mississippi Bubble** was a financial scheme not so different from the wild unbacked derivatives created by AIG and others. The scheme was at first engineered by John Law who was an early economic theorist, who was friend with the Duke d'Orleans. In 1716, John Law founded **Banque Generale**, with the authority to issue notes that were the earliest form of paper currency. The following year, he founded **Compagnie d'Occident** ("Company of the West") with the exclusive deal to develop the new French territories in the Mississippi River valley. This enterprise began to monopolized the tobacco and African slave trade as well. By 1719, he then formed the **Compagnie des Indes** that was essentially just renaming the Company of the West to the Company of the Indes with a complete monopoly over all French trade. This new entity also assumed the powers as if it were a Roman governorship, with the power to both collect taxes and to coin money. In reality, this operation assumed control of both the trade and finances of the French government.

It was this link and exclusive power with the French government and the vast expansion of unlimited profits in the New World, that created the image of the best possible investment. The public were naive but exploring how capital could be used to actually work and make more money. This had been a novel idea for since the fall of Rome, during the Middle-Ages, there was no national organized state that promoted international investment. This was akin to the fall of **Communism** and the interest in investing in a new world of private investment in China and Russia.

It was this expectation of potential profits that created perhaps what may still remain as the wildest speculative boom perhaps in history. Between the discovery of America in 1492 and 1700, the majority of investment was professional or solely by the state. There was no opportunity for the public to get involved on a speculative nature. So this was the first true experience of allowing the public to participate is the new frontier. As this cycle unfolded, its duration would be 224 years from the discovery to the real bust that set in motion Revolution. The shares of the lead enterprise, **Compagnie de Indes**, rose from 500 livres to 18,000. By 1719, 625,000 shares had been issued. This boom gave rise to the term "millionaire" and then the boom was so profound, **Compagnie de Indes** was merged thereafter with **Banque Generale**. The scheme then was expanded, like that of the **South Sea Bubble** in England, to retire the national debt of France by exchanging shares for the bonds.

This led to a monumental speculative bubble that spread throughout Europe. It was so successful without really producing profits but was a early demonstration of how future expectations can create value in anticipation of profits (venture capital), that the French government began to get involved. The French government began to issue paper money itself. This was a form of derivative for it was widely accepted only because it was convertible into shares of this new company. The truth of the matter was that the vast expansion was fueled by the unlimited issue of paper currency between late 1719 and the fateful time of the year - September/October 1720. It was this linkage between the shares and the government finances that created a bust that was the closest thing to a mushroom cloud in finance. The bear market collapse was so significant, by December 1720, John Law had to flee France. The French government was forced into a bailout assuming all the debts of the company, and then to pay for their own folly, they began to raise taxes. That set in motion the resentment that led to the French Revolution.

The entire speculative boom of the early 1700s had such a profound impact upon the politics, it is difficult to find words to convey the significance. The South Sea Bubble also transformed into a scheme to retire the national debt of England in return for shares. That entire incident was between late 1711 and burst also in late August 1720. The entire collapse was also a contagion that swept all of Europe. The last stages of the speculative boom saw the shares rise from 128½ pence to 1,000 between January and August 1720. The collapse was fierce because there was no market-makers, middle-men, or a mature two-sided market. The concept of puts and calls had developed in the earlier speculative bubble known as the Tulipmania (1634-1637) in Netherlands. But this did not involve a debt crisis or the government issuing derivative forms of money convertible into stock shares. The lack of sophisticated market functions led to a one-sided collapse in both the South Sea Bubble and the Mississippi Bubble contagion within 3 months. The English share collapsed from 1,000 to 124 by December 1720 though the company did survive until 1853. It was the collapse in debt that devastated the economy.

The French Bailout & The Revolution (the Bonfire of Discontent)

Most of us have seen the play about the French Revolution, yet I doubt that most of us can relate to the plight or understand a revolution. The Black Death that struck Europe with such devastating force between 1347-1351, also created a economic pandemic by the massive depopulation of society. By 1400, there was about half the population of 1300 in England. The mortality of the plague varied greatly between 1/8th to 2/3rds with the overall mean being about 1/3rd. This created an economic earthquake forcing the end of serfs and the beginning of wages for the common man sowing the seeds of capitalism to come. This also caused a collapse in revenue and thus the introduction of personal taxes once again that died with Rome. This caused the first tax rebellion in England led by Wat Tyler in 1381 that was brutally crushed by the King. This led to a decline in wars as well as trade. Therefore, the Black Death set the stage for modern economic growth by necessity setting in motion truly the Greatest Economic Transformation that is still underway. Thus the Bubbles of 1720 come at the end of a 224 year cycle - the first that truly embraced all of society post-1492 and the Black Death.

The involvement of the French government in the speculative boom, also placed the focus of responsibility for it upon the King. The raising of taxes to pay for the bailout set in motion the French Revolution fueling the bonfire of discontent. The Revolution began with the storming of the jail, Bastille Day (7/14/1789) as it is remembered today. This led the king to flee to his palace at Versailles in October 1789, which the people later stormed on June 20th, 1792. At trial, they referred to him now as "Citizen Capet" and tried him for treason on December 1792 only to be executed on January 21, 1793 followed later that year by his wife, Marie-Antoinette. The First Republic was declared on September 21, 1792. This citizen government simply failed with 5 directors in succession falling into the hands in Napoleon in 1799, who eventually crowned himself emperor in 1804.

Consequently, it was the direct involvement of the French Crown and its very costly bailout that resulted in raising taxes and oppressing the people that led to the collapse of the French economy ending in Revolution. Looking at government to bailout the follies of the Investment Banks is a dangerous course of action. It now shifts the blame to the Government and raises the risk of political instability in the long-run should the Government fail to reverse the trend. What if we end in hyper-inflation because of massive printing and still trying to fund all the debt (new and old) that will drive interest rates higher competing with the common man destroying his ability to survive economically? If we to turn to taxes to make those who did not cause the crisis pay for everything letting the investment bankers off the hook once again, then how can we justify this vast transfer of wealth?

It is always debt that destroys the best plans and Foundations of MANKIND!

The debt crisis is always distinguished from the mere speculative bubble. The Tulipmania did not change the course of history as did the Bubbles of 1720. Likewise, the excessive borrowing by Spain and the desperate attempt to invade England to pay off those debts with its Armada in 1588, resulted in the collapse of Spain taking with it Italy who was its banker. In the end, Spain and Italy lost their ability to be any sort of a world power. It is always debt that destroys a nation. It destroyed even Rome.

What we must understand is that we have been evolving as an economy for a very long time. Communism and Socialism are a mere blip on a screen. Because the governments have stepped in to bailout the crisis, this raises some concern. For had we just let the Investment Bankers fail and stood behind the public deposits 100% in Commercial Banks, we would have been better-off. Sometimes, it is honestly best to let the free markets sort out the weak from the strong, because it is quite frankly, far too complicated to anticipate correctly - this is why Communism also failed.

We have been gradually evolving from the villa economic model and it has taken a very long time. Even during the later years of the Byzantine Empire, there was a growing resentment between the villas and the cities, whereby they were self-contained and felt exploited to support the unruly poor in the cities and the politicians. There was a massive flight from the cities that even altered the economics (tax base) in what became the feudalization of the Byzantine Empire (we have also seen the same flight from cities to the suburbs, a word that is handed down from the latin, "suburbium." This trend of promises and excessive state debt, led to the Great Monetary Crisis of 1092, and the virtual collapse of the monetary system. This led to Alexus I (1081-1118AD) to petition for help from the West that gave birth to the Crusades. It has always been the state debt that destroys society for never will any politician listen no matter what form of government is in place.

Marx railed against the coming age of the Industrial Revolution. He saw evil and was blind to the evolution of the economy as a whole. We are still caught-up in the philosophy of Marx. Phase one was the collapse of communism. Phase two, will be the collapse of socialism - state promises that are unfunded yet seek to still create the world of Marxism to a lesser degree. Somehow there is not much difference between the state taking title to the land, or allowing you to keep the title but dictate how it is to be used. Labor can no longer migrate, only capital.

The Communistic/Socialistic theory of Marx is collapsing. Our socialistic life may be coming to an end because again our promises exceed our resources and this bailout is likely to push the government over the edge. If we cannot see how we make the same mistakes over and over again, what hope do we have? We can survive as a society only when we open our eyes. If we cannot do that, then we may be headed into a new dark age of feudalism with the break-up of organized states. Such a possibility would be for the 2030-32 area or as late as 2071. We have to stop the debt and insane taxes before it is too late once again.

While labor has been still undergoing the transformation to greater skills, at the same time we continue to migrate from the cities as plagued Byzantium. This suburbization of society is only enhanced by the internet - the next great leap in the overall trend of the Industrial Revolution. Cities will call for help for they lack the tax base to survive or the wisdom to manage it. We are in the last death throes of Marx's ideas of Communism/Socialism. He railed against the Great Economic Transformation, because he remained just a fly on an elephant's back. We can survive if we are rational and objective. We need to restructure or we will lose it all.