

Introduction to Survival+: Structuring Prosperity for Yourself and the Nation

(excerpted from [Survival+: Structuring Prosperity for Yourself and the Nation](#) by Charles Hugh Smith; copyright 2010, all rights reserved in all media)

Since launching my blog www.oftwominds.com in May 2005, nothing seemed more important than warning readers that the unsustainably leveraged credit-mad global financial system was poised to break down. Once the system finally crashed in late 2008, my goal switched to writing a practical guide for not just surviving the coming Great Transformation but prospering: a concept I called **Survival+** (Plus). This requires liberating ourselves from failed models of credit expansion, resource depletion, financial looting and a counterfeit prosperity built entirely on debt.

I immediately ran into several great difficulties. Many others had foreseen the same calamity, and their focus narrowed on individual survival: relocating to a remote/sustainable spot and preparing for societal collapse by stockpiling self-defense and food.

While prudent and practical on a short-term timeline, this response struck me as incomplete on several levels. Most importantly, stockpiling six months' supplies would not sustain anyone through a 20-year Crisis and Transformation; their own Crisis was simply being delayed a relatively short time. In other words: "what happens in month seven"?

Secondly, many "survivalist" proponents focus on individual preparation, as if a single person or household can prosper without a stable, caring community for reciprocal support. This notion ran counter not just to my own experience but to all of human history. While I understood the desire to "opt out" and become an Isolationist--a solution to general turmoil which has roots going back to the dissolution of the Roman Empire and the Warring States era in ancient China--I felt a more practical, longer-term option to Isolationism should also be presented.

The second great difficulty is that individuals, households and communities exist in larger units: city-states, counties, nations and continents. Even if nation-states were to break apart, the world would remain tightly interconnected. Events, weather, shortages and surpluses in distant places would continue to impact us all. States (by which I mean all forms of government) will continue to extend control over resources and wealth.

Trade has been a key component of security and prosperity since the dawn of civilization. Long before fossil fuels dominated the global economy, land and sea trade in both goods and innovations bound Asia, the Mideast and Europe. Thus a retreat to isolated islands of self-sufficiency, while understandable and practical on one level, does not align with what history teaches us about prosperity. Prosperity ultimately depends on stable communities, surplus production and trade. These essentials have been largely ignored in analyses of the coming Great Transformation.

Thus our individual survival and prosperity are inextricably bound up in larger contexts: we cannot just ignore community, State and trade forces as if they will cease to exist. Viewing ourselves in isolation is ultimately misleading.

That is why I subtitled this book "Structuring Prosperity for Yourself and the Nation." To believe that we can prosper individually without regard for the actions of our fellow citizens and the State (government) is simply not practical. Yes, a handful of very rugged people have the experience required to live in the deepest remains of wilderness; but the wilderness cannot support more than a handful of people, and most of us do not have the requisite skills or ruggedness to survive that splendid isolation.

This, then, is a practical book for the rest of us.

As I organized the book, another great difficulty quickly arose. I realized that the way a problem is phrased implicitly stakes out the eventual solution. As a result, the greatest challenge in understanding our plight, both as individuals and communities, is essentially conceptual. The forces which benefit most from the status quo are pouring all their prodigious resources into framing the "problems" in such a way that the "obvious solutions" leave their own power, influence and wealth intact.

Lest you wonder how this works, recall that all through the initial phase of the financial crisis in 2008, the mainstream media and standard-issue financial punditry (SIFP) blamed the entire crisis on foolish low-income homebuyers who had chosen to finance their purchases with subprime mortgages.

Framed in this way, the "problem" appeared to be caused by credulous citizens in the lower socio-economic levels. The "solution" was thus to eliminate these people from the pool of potential homebuyers, and auction off their foreclosed homes to worthier buyers.

But subsequent events revealed this framing of the problem to be highly selective: the "problem" extended far beyond feckless subprime borrowers into the top rungs of American Capitalism: the money-center and investment banks, and a politically driven absence of oversight by the very governmental agencies tasked with protecting the public.

The status quo's convenient "framing of the problem" insured that any "solutions" would leave their power, wealth and influence entirely intact; only the impoverished subprimers would suffer, not those who profited so immensely from the housing/credit bubble.

It was thus clear that a practical analysis of the crisis and coming Transformation requires a deep understanding of how "solutions" are set in the framing of the "problem." Indeed, what is "obvious" must be questioned on the deepest levels, for what is "obvious" has two powerful characteristics: it can be managed/manipulated via the mass media, and it directs "solutions" which leave the rentier-financial Power Elite (what I call *the Plutocracy*) intact. (Key concepts are italicized when introduced.)

The nature of propaganda in a so-called free State must then be explored in depth as well.

The last great difficulty is also conceptual. It is relatively straightforward to present the causes of the coming global crisis: resource depletion, disintegration of the credit bubble, demographics, etc. Many books do a fine job of outlining the nature of these interlocking crises.

The books attempting to present solutions typically focus on either individuals (along the lines of "get rich as the world falls apart") or idealized policy "fixes" based on narrow academic understandings of large-scale structures (recommendations on G-20 trade policies, etc). The flaw in both approaches is that neither flows from what I call an *integrated understanding* of the actual problems. Practical solutions must follow from this integrated understanding. Without such a comprehensive conceptual framework, then all proposed solutions will be ungrounded and thus dangerously misleading.

Any "solution" which ignores key elements of the problem is doomed to solve nothing. As in our example of the so-called "subprime crisis," the "solution" of limiting uncreditworthy borrowers did nothing to address the actual problems: highly profitable fraudulent practices riddling every level of the mortgage/rating/securities industries, perverse incentives that created unprecedented opportunities for *windfall exploitation*, *over-reach* and looting.

I cannot claim that reaching such an integrated understanding will be easy. Many of the concepts presented here may be unfamiliar and thus difficult to grasp at first. Many are so alien to status quo "explanations" that they may well strike you as the opposite of "obvious." But since I have thought about these concepts and forces for years, they seem "obvious" to me. In the language of our Declaration of Independence: I hold these truths to be self-evident.

So let us begin.

We stand on the threshold of a Great Transformation that will unfold over the next 20 years-- a generation. The exact turn and sequence of events is unknown, but a clear-eyed appraisal of the forces, trends and cycles already at work will help us, collectively and as individuals, weather the challenges and turn what could be a catastrophe into a positive transformation.

To the status quo understanding of how our world works, this appraisal will be anything but "obvious." (Sorting out what is "obvious" is a big part of the analysis that follows.)

A number of other writers have addressed preparing for the Depression that has just begun. These books are, within their limited scope, practical and useful. Other books, most notably [The Upside of Down: Catastrophe, Creativity, and the Renewal of Civilization](#), address the positive potential for collapse.

(All books referenced in the text are listed in "Further Reading.")

This book, imperfect as it is, aims at a different, far more comprehensive goal: once we understand all the complex forces at work, then we can structure a response on all three levels: household/family, community and nation. For if there is anything we can confidently predict, it's that the nation's crumbling finances will drastically affect every individual, every family and every community.

Attempting to combine a structural/historical analysis with an abstract conceptual analysis and a practical framework of response is risky and perhaps even foolhardy; the typical approach would be to undertake only one narrow piece of such a comprehensive project. But then the opportunity for an integrated understanding would be lost, and hence my gamble to integrate not just history and the tangible world but also the political and internal/experiential realms.

Just as I will integrate the responses on three levels--individual, community and nation--I present the analysis on three levels--conceptual, tangible and internal (experiential/psychological/spiritual).

As if this wasn't enough to get me in trouble, I am also incorporating essays previously posted on www.oftwominds.com which include personal stories from readers and occasionally from my own experiences. I realize it may be jarring for you the reader to move from the highly conceptual to the personal, but I see no other way to combine the analytical and the practical in one volume.

Perhaps this anachronistic structure reflects my own anachronistic experience: while earning a degree in Comparative Philosophy (the study of both Eastern and Western traditions) I was also learning the construction trades. I became a builder for seven years and then *opted out* some 20 years ago for the same reasons I describe in this book.

Readers of my blog occasionally accuse me of possessing a puritanical streak, that is, a preference for sacrifice, frugality, physical skills, prudent planning and a contrarian emphasis on inner spiritual strengths rather than conspicuous wealth/personal aggrandizement. I plead guilty on all counts and turn to my family's religious roots for my defense. My grandparents forbade the reading of the Sunday newspaper comics as frivolous and served as lay missionaries in Central America.

While I personally don't find anything in Jesus' words or deeds which forbid the small honest pleasures of life, I do find plenty which condemns the lies, cheating, misrepresentation, fraud and willful obfuscation at the heart of our financial and political system's *simulacrum* of democracy and prosperity.

The notion that morality has anything to do with the coming collapse of the U.S. economy and political Elite has been entirely marginalized; ethics has no role or value in a system which only recognizes GDP, higher spending, bank profits, etc. and which only cheers "growth" as measured by these (easily manipulated) metrics.

To include morality and ethics in an analysis of our financial system is not just anachronistic but subversive in the sense that all such ideas have been driven out of the public sphere. That the concepts of sin and just desserts (in a Buddhistic term, karma) might have some purchase on our situation has been safely marginalized. This is indeed strange in a nation that has long welcomed freedom of worship and religious expression.

One does not even need to be a believer in any particular faith to sense the spiritual/ethical rot at the center of American finance and the politics which it controls. Nor does it require faith to recognize that this spiritual/ethical rot has consequences in the real world. Even those with no religious leanings whatsoever can detect the status quo's intense desire to suppress any moral/ethical lines of inquiry into the sources of their power and wealth.

Perhaps my worldview has made me overly skeptical of the rewards offered by the "American Dream" of debt-based consumption. I sense not limitless joy but a powerful divergence between the promised fulfillment and the reality of a society plagued by insecurity, declining integrity and loss of meaning, an over-medicated culture suffering from poor health and rampant drug abuse (legal and illegal), and a society harboring a peculiar penchant for resentful denial and adolescent fits of pique, rage, entitlement and self-destruction.

As an alternative to this highly profitable but doomed-to-disappoint definition of "prosperity" and "happiness," the goal presented here is what I term *full spectrum prosperity*. Simply put, much of true prosperity cannot be measured by rising GDP or other financial statistics. In this sense, it lies beyond the understanding and reach of the status quo and indeed of economics.

Since I hold no rung in the status quo other than moderate-income taxpayer, I am not beholden to any academic, State or corporate powers. I am self-employed and need not meet with any academic approval, assuage any political authority or satisfy any corporate publisher. I do not expect a lucrative publishing contract and am not seeking one. I don't expect anyone will buy the "pay the author fair value" version of this work though I do hope the free version gains wide distribution. I have no interest in appearing on TV or radio or in the mainstream media. The ideas speak for themselves and thus have no need for a spokesperson.

As a final note, I want you to know this book is not "dumbed down" in any fashion. Highly abstract, difficult-to-describe concepts are presented full-strength; no punches are pulled for the sake of increasing the audience or easing the challenges such a comprehensive book presents.

My goal is to provide an *integrated understanding* of why the devolution and insolvency of the U.S. economy is not just a possibility but an inevitability. But rather than feel the despair experienced by the status quo at this prospect, I am energized by a new understanding of prosperity and security based on the founding principles of our nation. This understanding is beyond the tired boundaries of "liberal" and "conservative" or indeed, of any ideological labels.

Much of this analysis might be familiar to you, or it might be entirely alien. In either case, I hope to change your understanding of our nation and our world's potential for sustainable prosperity.

I do not claim to provide solutions or answers per se, but I do present a framework which arises from this analysis like water from a spring. If this book furthers our collective discussion on the coming Transformation, I will consider it a success.

An Overview

A great clash between what we are told is unfolding and what is actually unfolding lies just ahead.

The status quo "Powers That Be" and its mainstream media repeatedly insist that:

- We have abundant cheap energy for a long time to come; shortages or permanently costly energy is decades away. We have plenty of time for technological wonders to arise and replace petroleum.
- The Social Security and Medicare entitlements promised to all Americans, though totaling some \$50 trillion in excess of projected tax revenues, will be paid; all that is needed are modest policy adjustments.
- The current financial meltdown was unexpected and could not have been foreseen; it is a temporary "bad patch" which has already been fixed by government intervention and modest policy/regulatory adjustments.
- Public and private credit and debt can continue expanding three times faster than GDP indefinitely; rising credit and debt are the essential lifeblood of permanent growth.
- Environmental issues such as the stripping of the world's fisheries, dead zones in the Chesapeake Bay, dwindling fresh water aquifers, etc. can all be fixed with modest policy adjustments.
- The consumerist culture that has evolved over the past 60 years is a natural and highly successful perfection of capitalism, prosperity and American values; Americans are the happiest, most prosperous people on the planet.
- The fast-growing epidemic of obesity and related chronic diseases in the U.S. are puzzling and worrisome, but we have the finest healthcare system in the world.

Yet all of the above is demonstrably false.

In reality, the decline of abundant cheap oil (oil under pressure in supergiant fields) has already begun. The iron laws of demographics dictate the promised entitlements cannot be paid and that Medicare is only a few short years away from insolvency. The current financial meltdown was not only easily predictable, it was inevitable, as the consequences of systemic fraud, deception, embezzlement, misrepresentation, collusion, debauchery of credit, exponential expansions of risk, debt and speculative leverage could not be held off forever.

The reduction of American culture and values to a one-dimensional "consumerism is the highest good" was not natural, and rather than produce the perfection of capitalism, it has produced the perfection of crony capitalism, monopoly capital and an ever-expanding State beholden to an Elite which owns or controls the vast majority of the productive assets, wealth, income and lawmaking machinery of the U.S.

Rather than being the happiest people on the planet, Americans are visibly unhappy, anxious, angry, depressed, distracted and all too often heavily sedated with powerful psychotropic medications.

This is not to question the positive contributions made by psychiatric medications to those suffering from psychiatric disorders; but we should question the idea that tens of millions of our citizenry (including children) are suffering from serious psychiatric disorders. We should wonder if the overzealous dispensation of such drugs masks cultural rather than psychiatric disorders, and an unspoken desire to "treat" these cultural disorders in a relatively low-cost fashion by numbing the patients' awareness of their own alienation, anxiety and unhappiness.

Rather than having the finest healthcare system in the world, we have the most perniciously incentivized system in the industrialized world, a system which consumes a staggering 16% of the nation's entire output but which provides little to no healthcare for tens of millions of citizens and which supplies incredibly costly but largely ineffective care to the elderly covered by an increasingly unaffordable Medicare.

Up to 40% of the entire sum spent on healthcare is paper shuffling, fraud and useless/harmful "care." Despite this vast outpouring of the nation's wealth, the health of its citizenry continues to decline in measurable ways; this vast expenditure has done nothing to stop the astonishing rise in obesity and related chronic diseases, arguably the most pressing public health issue facing the nation.

In effect, the U.S. healthcare system is bankrupting the nation even as it fails to improve the health of the citizenry at large. It is thus a stupendous failure, creating ever-smaller marginal gains with ever-greater expenditures for costly tests, drugs and treatments.

Rather than look to an increasingly unhealthy diet and lifestyle, the nation's "sick-care" system seeks ever more costly "treatments" and pharmaceutical "fixes" for complex chronic diseases which are simply not curable by "magic bullet" drugs.

Contrary to the constantly repeated assurances of The Powers That Be, modest policy and regulatory modifications are not replenishing the nation's fisheries or ground water, nor is tweaking the parameters of various systems reversing environmental and economic decline.

You may think these assessments are sensationalist, harsh or even offensive. That is not my intention. I believe the evidence is overwhelming that all these soothing contentions pressed upon us by the Powers That Be on a daily basis are in fact false.

If this assertion is true, the vast majority of what is "reported" and "consumed" as "news" and "commentary" is essentially propaganda, either conscious or subconscious.

If the status quo's intellectual justification for their dominance is fundamentally false, then we can anticipate the wholesale destruction of that justification as events undermine all the self-serving propaganda.

As a result, we will have to construct an alternative understanding of our world which aligns far more closely to reality than the current status quo's complacent faith in a decaying, failing system.

If this is true, then we have no time left for distracting little debates about policy tweaks, economic hairsplitting and modest adjustments; the time such modifications could have any measurable impact are long gone. We have run out of time for trivializing conversations along ginned-up ideological lines, "I'm a conservative and you're a liberal" and the mass media's entertainment-passed-off-as-analysis. We have also run out of time for the easy distractions of complexity itself, the unspoken idea that things are now too complex to modify in any meaningful way.

Reality, in contrast, has no problem adjusting complexity downward.

If all the fundamental contentions of the Powers That Be are demonstrably false, we are forced to ask why they press them so mightily and persuasively on us.

The answer to this critical question can be found by asking *cui bono*: to whose benefit? Although we are constantly told the system benefits all of us, that it is the very perfection of prosperity, free market capitalism and thus of happiness itself, this is also demonstrably false.

This leads to the conclusion that the entire intellectual structure which supports and enables the U.S. economy, government and culture is nonsense, and those pushing it so mightily and perseverently are doing so out of a highly refined self-interest--a self-interest which does not magically better the nation or those not fortunate enough to belong to the Elite (the Plutocracy) or to its *high-caste* technocratic workforce.

These are troubling assertions, and they require careful analysis.

Before you decide this is merely sensationalist, please read the following analysis and look into the sourced books. Compare your own lived experience and intuitions with the mass media's "happy story" that everything is just fine, minor financial perturbations have been resolved and a consumerist Utopia is still firmly in place.

It is my contention that the global meltdown has exposed the Plutocracy's *over-reach* via ever-larger bets, ever-riskier leverage and ever-larger redistributions of national income to its own coffers. To protect its interests and dominance, it must defend at all costs the intellectual framework that enables its dominance.

Thus there is a whiff of desperation in its campaign to convince the world that this is not at heart a global crisis which threatens to bring down the entire structure but a "normal" if slightly deeper recession which has already been repaired by the usual "fix" of State manipulation of interest rates and money supply.

We must be alert to the concentrated ownership/control of the mass media, and to the overwhelming need of the global Elites to reassure their restive, anxious populace that the structure of Elite dominance and wealth is robust, secure, and in the populace's self-interest.

We must also be alert to the irony that the Elite's first task is to convince the underclasses that there is no Elite, no Powers That Be and no Plutocracy. While there is no "membership" card in the Plutocracy, the simple facts of concentrated ownership, influence and income roughly define that class. Conflicts between various segments of the Elite does not mean there is no Plutocracy--it only means that greed and over-reach naturally set up some shuffling and pushing to head the line.

In actuality, the structure is not in the populace's self interest, and it is increasingly insecure, brittle, and vulnerable to decay and/or disruption on numerous levels. Much of the vulnerability stems not from Elite over-reach but from the fact that we as a species have reached the carrying capacity of the planet in terms of a high-energy consumption dependency on cheap abundant petroleum for food, transport, water, "growth," etc.

Nonetheless those who control the vast majority of assets, wealth, and tools of persuasion have the most to gain from a continuing belief in the system's stability. Thus their defense of the system which serves their interests above all else will be fierce and unremitting.

The human mind harbors a bias for what I call *independent agencies*, a bias which finds full flower in conspiracies both real and imagined. Ancient humans saw an independent agency of fickle gods who punished or rewarded human supplication with drought or rain.

All human groups form loose confederacies, alliances and "secret societies" (such as cliques in high school) which outsiders rightly identify as conspiracies formed for the benefit of the members.

This bias to perceive independent agencies has a selective advantage: the ability to discern causal agents offers substantial advantages over a passive perception of chaos/randomness.

Why bring this up now? Only to note that The Plutocracy is not a conspiracy in the formal sense of a membership which gathers like the Bohemian Club or even an informal assemblage such as the Bilderberg Group. "Membership" is granted solely by great wealth and control of productive assets; political influence flows from that.

People who control, say, \$100 million or more (via family ownership or managerial position) tend to meet one another socially or to do business, and while they jockey for advantage within a group like the rest of us, they form a small class of citizens possessing virtually unimpaired political influence.

Thus in describing a Plutocracy I am not positing a semi-formal conspiracy but simply a financial elite which controls some 2/3 of the productive wealth of the U.S. This is simply a statement of fact. Their collective self-interest is in maintaining the conceptual, legal and financial systems which enable their continued dominance of wealth and influence.

It is important to note this bias for independent agencies is founded both in our minds and in the real world. People with similar self-interests naturally band together in *self-organizing*

networks and groups to protect those interests, and since information is power then the inner workings of various *self-organizing groups* are confidential as part of that self-protection.

Thus when I speak of The Plutocracy I refer not to a formal conspiracy with meetings and officers but to a self-organized Elite based on protecting their ownership of 2/3 of the productive wealth of the nation. As each acts to protect his/her wealth at the highest reaches of influence (tax shelters, tax breaks, legislative exclusions, legal rulings, etc.) then they are also acting to defend their class.

The notion that a rentier-financial power Elite wields largely hidden sway over much of the U.S. wealth, political process and media is not new.

Indeed, the evidence describing this Elite is widely available in books such as: How The World Really Works, The Rich and the Super-Rich (out of print, but used copies are available), Tragedy & Hope: A History of the World in Our Time, Wealth and Democracy: A Political History of the American Rich, The Power Elite and This Land Is Their Land: Reports from a Divided Nation.

What I term the Plutocracy has been fully researched and documented. To question its existence and power is not a matter of opinion but of misinformation.

Why would intelligent middle class people consciously or unconsciously defend and support a conceptual system which so heavily favors an Elite over the common good? Certainly self-interest plays a major role. If you are reporting events and trends that undermine your employers' wealth and power, you may well conclude that favoring the status quo in all matters will protect your career, income and status far more effectively than announcing the Emperor has no clothes.

As a free-lance writer in the mainstream media, I witnessed how such mechanisms work in the real world. Media organizations depend on large advertisers for their income, and even though "editorial" (news and commentary) is separated from "advertising/marketing," everyone is aware that negative reporting could influence income and thus eventually detract from each individual's ability to pay their child's tuition, make the car payment, etc.

Thus stories which reflect poorly on major advertisers like realtors and builders are not killed outright--they are merely strangled by demands for more evidence, more documentation, etc., or watered down in the name of "fairness" and placed in little-seen areas of the media outlet's offerings.

In some cases, otherwise independent-minded people have never encountered a serious critique of the status quo's conceptual foundation and thus they believe that understanding of the world is "obvious." Without a skeptical accounting of *cui bono* (to whose benefit?) then what is "obvious" will naturally tend to defend and support a status quo which has labored to construct and defend an "obviousness" which protects its own wealth, ownership and influence.

As its own interests diverge from those of the society at large, the Plutocracy has an irresistible incentive to foster the illusion that policies which benefit the Elites also benefit the

middle class. Thus while the Plutocracy and its mass media minions trumpet the benefits of the free market, these same Elites work with unremitting zeal to exempt themselves and their State factotums from these very same free market forces.

Lastly, the status quo understanding of the world is that any problem is inherently "fixable" with minor policy adjustments. Thus even as the global financial pyramid of highly leveraged bets and debts unravels, the status quo response is bureaucratic shuffling of oversight duties, minor tweaking of regulatory rules trumpeted as "major fixes" and behind the scenes, trillion-dollar bailouts of the Plutocracy funded by the non-Elite taxpayers.

When the non-Elite citizen comes to understand this, a new mechanism takes hold that I call *when belief in the system fades*.

This is how empires fall: complacency joins hands with self-aggrandizement.

There are four other subtle processes at work in the dissolution/erosion of the system's intellectual foundation:

1. As we shall see in the following chapters, Elites and underclass alike respond to the visible crumbling of the empire with a sublime complacency grounded in vague appeals to some mythical past spirit which will magically arise to enthuse a torpid, self-absorbed Elite and populace. In the U.S., appeals are made to "the can-do spirit" which powered America's past confidence and resolve.

Unfortunately for both the Elite and the underclass (both of whom depend on State largesse and a vibrant middle class paying high taxes), rousing but ultimately empty incantations are no substitute for difficult choices, tradeoffs and sacrifices.

2. Even as interconnected crises afflict the empire, the Elite moves deeper into an increasingly visible self-aggrandizement marked by pervasive over-reaching. Having mastered its influence over the State, the Plutocracy finds few limits or obstacles to its over-reach.

This over-reach has the characteristics of a positive feedback loop: the more wealth the Elite controls, the greater its influence, which then enables even more wealth acquisition and ever greater influence, and so on.

3. As a result, the interests of the Plutocracy and thus the State diverge from the common interests of the citizenry as a whole. This widening structural imbalance of power creates cynicism and a *profound political disunity* that cripples any attempt at structural solutions.

Given that any real solution would reduce the Plutocracy and State's share of the national income, both the Plutocracy and the State (including all those dependent on its various fiefdoms) resist all structural change, preferring stagnation to any reduction in their income and power.

One of the single most powerful mechanisms at play is windfall exploitation.

Windfalls in Nature are rare, and thus all organisms are selected to exploit them as fully as possible--gorging, so to speak, on any newfound riches. The Plutocracy's influence enables it to

suppress or weaken counterforces (such as regulatory systems) and thus open up windfalls which it can then exploit.

For example: having dispensed with troublesome barriers between finance and banking and nettlesome limitations on securities ratings and off-balance sheet assets, investment bankers opened up new windfalls: mortgage-backed securities, bogus "low-risk" ratings, CDOs and other derivatives, and so on.

A second related mechanism is over-reach.

As barriers to Plutocratic expansion topple and the Elites' share of national income rises, then a positive feedback loop forms: the more the Plutocracy expands, the greater the profits, which then fuels greater political influence, and so on. At a critical (and largely invisible) juncture the Plutocracy inevitably over-reaches.

Over-reach takes many forms. It might be an unparalleled expansion into highly risky derivatives, or a domestic Plutocracy reaching into international speculations. The key point is that over-reach pushes the Elites' financial speculations beyond a level of known, controllable risk into uncharted territory, a territory which promises stupendous profits along with equally stupendous but purposefully obscured risk.

Over-reach inevitably pushes a stable system into instability.

Once the Plutocracy's income, power and influence are threatened by the rising instability caused by over-reach, then the Elite resorts to propagandistic manipulations of financial and economic data to mask the structural instability from the populace. The hope is that the system which so greatly benefits the Plutocracy can be restored to health, but the mechanisms of "recovery" are essentially inauthentic: *simulacra* of reform, propagandistic manipulations of financial and economic data to mask the structural instability, and outright fraud/looting of State resources (bailouts, loans, etc.)--that is, publicly-funded exemptions from risk and free market forces that would otherwise require the Plutocracy to absorb the catastrophic consequences of its over-reaching leveraged gambles.

This failure to address the underlying causes--systemic over-reach and Plutocratic domination of the economy and political system--insures the instability will only worsen. As ever-more frantic attempts to protect the interests of the Plutocracy fail, then another feedback loop forms: the more sham reforms and State bailouts fail to restore stability, the more desperate the Plutocracy's attempts to retain power.

It is worth recalling that the average compensation for the 10 top hedge fund managers during the go-go years of the 2000s was \$600 million each. That is not a typo. This is an excellent (if extreme) example of over-reach and windfall exploitation.

As it enriches itself via semi-legal or simply officially sanctioned looting, fraud, deception, embezzlement, collusion, "sweetheart" State contracts, tax avoidance, environmental loopholes and a hundred other mechanisms of over-reach and windfall exploitation, the Elite inadvertently

provides the lower classes with a compelling example of increasing wealth via fraud and manipulation rather than production.

Both the *high-caste* technocrats (who keep the State and economy running smoothly for their Plutocratic overlords) and the underclass sense their shares of the national income and wealth are diminishing as the Plutocracy diverts a greater share to their own pockets; quite naturally they seek some way to maintain or grow their own declining purchasing power/wealth.

As they watch the Plutocrats in action, they learn the most effective ways to increase one's share of the income/wealth are looting ("gaming the system" of pensions, benefits, State entitlements, etc.), deception, fraud and embezzlement (accounting trickery, collusion, sweetheart contracts, etc.) and influence-peddling, known in the Third World as corruption, *baksheesh*, etc.

As the middle class increasingly runs afoul of the byzantine, Kafkaesque regulations imposed by an ever-expanding State, they find that financial leverage and legerdemain is far more lucrative than actually producing goods and services.

Unsurprisingly, the Plutocracy finds ways to gain exemptions, loopholes and special dispensations that greatly reduce the reach of troublesome regulations and taxes that burden middle class entrepreneurs.

As the middle class abandons thrift and production for financial speculation and highly leveraged debt (following the example of their Plutocratic overlords), tax revenues soar as leveraged speculation pyramids into bubbles, enabling vast expansions of a State which is inherently seeking constant expansion of its income and powers.

When these financial bubbles eventually deflate, then tax revenues plummet as productive work and investment have declined. Why bother working hard when the big, easy money is made via leveraged speculation? Only fools would tolerate all the regulatory costs and high taxes imposed on producing goods and services; far easier to speculate in bubbling assets like housing, stocks, energy, etc.

The State responds to this drop in tax revenues by raising taxes on the remaining productive middle class, creating a positive feedback loop which reinforces the incentives to either drop out, move to speculation or game the system.

Though heavily marginalized, the underclass also copies the Plutocrats' lead by gaming whatever entitlements the State offers to buy the underclasses' silence, passivity and compliance. Thus petty corruption and fraud increases in all State entitlement programs as every sector of society seeks to suck off the maximum benefits while contributing the least possible to the public coffers.

Thus does a nation or empire built on the sacrifices and communal spirit of its citizenry degrade into a doomed culture of self-aggrandizement in which sacrifice is for suckers and looting, manipulation, fraud, embezzlement, exploitation of influence, debauchery of credit,

maximization of leverage and the pursuit of speculative riches are the order of the day from the Plutocracy on down through the technocratic upper caste to the underclass.

4. In a society with what we might term an *adult understanding* of the world, it is understood that difficult trade-offs are a necessary part of life. One cannot pursue every path at once, acquire every desired object at once or learn every skill at once. Priorities must be established via vigorous, open-minded debate (either within oneself for one's own decisions or within the nation-State for larger issues) and a painful triage laid down in which some wants are set aside in favor of actual needs.

Broadly speaking, this is the result of a cost-benefit analysis. Items with increasingly higher marginal costs and increasingly lower marginal returns (a topic covered later) are sacrificed in favor of projects with low costs and high returns. This is, after all, mere common sense.

This painful "adult" process has been replaced in the U.S. by a *permanent adolescence* in which accountability, integrity and trade-offs have been banished by stupendous borrowing. Infantile tantrums and various states of psychological denial have crowded out open-minded discussion; every want has been funded by breathtakingly massive borrowing by the State, private enterprise and households alike.

Once the thick shield of denial is finally pierced by events, it is replaced by the search for an external force or agency to blame for self-destructive indulgences. Personal responsibility, integrity and accountability are set aside in favor of an adolescent sputtering rage.

A pernicious, largely unexamined legal system creates tremendous incentives for unnecessary actions designed to ward off lawsuits, feeding vast armies of high-caste technocratic parasites who produce nothing in the way of wealth-producing goods and services even as they burden the remaining productive sector with make-work rules and costly strategies to avoid potentially ruinous lawsuits.

In true Orwellian fashion, much of this parasitism is described by its practitioners as protecting the "little guy" from the oppressive Elite and State. But as the Plutocracy and State increase their share of the national wealth at the expense of the citizenry, this claim rings increasingly hollow.

Thus we have seniors covered by Medicare receiving multiple costly (and often useless) tests designed less to identify the active causes of disease than to shield the practitioners from lawsuits and to enrich those administering the tests.

Meanwhile, millions of non-elderly citizens cannot obtain even a single test as they lack the benefits provided to the upper-caste State and corporate technocrats.

Rather than face the impossibility of funding such a morally and fiscally bankrupt system of parasitism and profiteering, we as a nation have simply borrowed trillions of dollars to stave off any painful prioritizing.

Very few weapons systems are ever cancelled for the same reasons; the profiteering by a few enterprises and the contributions they make to lawmakers insure that every weapons system will receive funding, even if that requires borrowing gargantuan sums year after year.

This evasion of hard choices (and free market forces) via endlessly rising debt will eventually bring down the nation's currency and its debt-ridden State. The irony is that this seemingly carefree self-indulgent adolescent avoidance of cost-benefit analysis guarantees systemic collapse.

Let's begin our search for an integrated understanding with a look at how over-reach, windfall exploitation and the divergence of Elite/State and middle-class interests illuminate the disintegration of post-World War II America into the present Depression.

1. The great postwar income convergence (i.e. the rise of the great middle class, the reduction of poverty and the relative reduction of the Plutocracy's share of national income) reverses in the early 1970s as the "true prosperity" of the postwar era ends and is replaced by income flowing increasingly to the top as stagflation, globalization and the decline of the dollar gut the purchasing power of the middle class.

2. The rising productivity of the 50s and 60s slips to the flatline through the 70s and early 80s, only picking up again as computers revolutionize the back office, sales, manufacturing, just-in-time shipping/production, etc.

3. Concurrent with this gradual return to increasing productivity is the rise of finance as the key profit-center of corporate America. As income skews ever more heavily to the top 1%/5%, then capital (productive assets) become ever more heavily concentrated in the hands of the rentier-financial Plutocracy. The top 1% now owns some 2/3 of the nation's entire productive wealth.

4. As profits rise (from rising productivity) then the profits flow not to wages (which remain flat to down 1975-2009 for all but the top 10% upper-caste professional class) but to those who own the capital.

5. As the middle class experiences a decline in their income and purchasing power (for reasons cited above: declining dollar, rising income disparity, and wages falling due to global wage arbitrage) then they take on ever-larger debts to fund what they have been brainwashed by the media to believe is "the American dream" of imported luxury goods, expansive homes, overseas cruises, etc.

The only other mechanism available to the middle class to increase household income is for Mom/Aunt/Grandma to enter the workforce, which she does in the tens of millions, with sociological consequences which are still unfolding.

6. This advertising/media-driven desire to borrow to fund the "good life" is hugely profitable to the money-center and investment banks, which expand rapidly into mortgage securitization, derivatives and consumer credit to the point that they come to dominate corporate profits.

7. The financial Plutocracy, observing that actually producing goods is not very profitable unless you can fix prices as per ADM (Archer Daniels Midland) or gain government subsidies and tax giveaways (oil lease depreciation, etc.) sinks its capital into the FIRE economy (finance, insurance and real estate), eschewing real-world investments as comparatively unprofitable.

Though rarely noted, this is a longstanding trait of capitalism stretching back to 1400-era Venice. When trade became less profitable than mainland farming, the Venetian Elite stopped funding trade and bought farms on the mainland. As a side effect, Venice ceased to be a military and trading power. But the Elite remained immensely wealthy.

8. As the tech bubble expands, middle-class investors see the Plutocracy (those with enough capital to qualify as angel investors and vulture, oops, I mean venture capitalists) reaping huge gains, and they enter the dot-com stock bubble buildup with a vengeance.

9. In a happy accident, the Soviet Empire collapses just as productivity begins its computer-fueled rise in the U.S. In a so-called Unipolar World in which U.S. military, political and financial influence is unrivaled, non-U.S. investors seek the relative safety and high returns (based on appreciation of the dollar) of U.S. financial instruments.

10. The dot-com bubble implodes in a speculative meltdown, and retail investors (a.k.a. the middle class 401K investors) are devastated. The ephemeral wealth they once possessed, however briefly, fuels their speculative desire to get into the next get-rich-quick game, which just so happens to be "something everyone understands:" real estate and housing.

11. Having exhausted the dot-com play, Plutocratic capital is seeking a new high-profit home. The miracles of derivatives (CDOs, credit default swaps, etc.) and securitized debt (mortgage tranches, etc.) open up vast new opportunities for leverage, off-balance sheet shenanigans and outright fraud/debauchery of credit. As chip wafer plants disappear from Silicon Valley (too dirty, too costly, etc.) then they're replaced with paper: mortgage-backed securities. (Over-reach and windfall exploitation writ large.)

12. Sniffing gold in them thar exurban hills, the under-capitalized and over-indebted U.S. working class and middle class reach for the chalice of easy-money gold: leveraged real estate. (Over-reach and windfall exploitation writ small.)

13. With the Federal financial regulatory agencies in a Republican/Democrat-enforced somnambulance, the coast is clear for brigands, shysters, fraudsters, con artists, liars, cheats, and assorted riff-raff in the realty, mortgage and appraisal businesses, who all feed the ravenous maw of the money-center banks' apparently limitless appetite for real estate assets to securitize and leverage in exotic and stupendously profitable ways.

14. For a wonderful five years circa 2002-2006, the game is afoot and no-down-payment Jill and \$100 million-bonus Jack are immensely enriched. Meanwhile, the underlying real economy is becoming ever more imbalanced and ever more fragile as real production and real productivity plummet as everyone rushes to the speculative riches of exurban McMansions and malls.

15. Elite and middle-class interests seem to converge during this speculative mania: everyone is benefiting from the real estate bubble except the poor, who are bought off with minimal social welfare programs and endless entertainment (via TV) then safely ignored, as they don't vote or spend.

But this convergence was illusory; while the Plutocracy and State functionaries benefited (via stupendous capital gains for the former and vastly richer pension promises for the latter), the private-sector middle class is in essence the bag-holder: when the newfound "wealth" in housing and stock market gains vanish, it is the middle class wealth which is destroyed en masse.

16. This last best speculative leveraged credit bubble pops (alas, exponential expansion of credit cannot go on forever), gutting the stock market which had grown utterly dependent on leverage, debt, gamed/fraudulent accounting and asset bubbles for its rising profits.

17. Doubly devastated by the implosion of housing and their stock investments (mostly in 401K and IRA retirement funds), the middle class faces the terrible consequences of its 26-year stupor of ever-rising debt and leverage. Alas, the Emperor's clothes are revealed as remarkably transparent.

18. Having borrowed and squandered trillions of dollars since 1981 on unaffordable entitlements, military misadventures and assorted bridges-to-nowhere pork spending, the Federal government (The Fed and the Treasury) finds its ability to borrow its way out of its current debt hole annoyingly limited. The rest of the world has finally caught on to the con, and Chinese university students are openly mocking the Treasury Secretary's Orwellian claim of "we support a strong dollar." The rest of the world shuns Treasury debt and works to create an alternative reserve currency, shutting down the "dollar con" (we take your tangible goods and give you paper in return.)

19. With the global media concentrated in a scant few corporate hands (less than 10), this pulling away of the curtain is deleted/excised from media coverage in a ruthless campaign of pure propaganda.

20. As the wheels fall off the U.S. economy and the bubbles cannot be re-inflated, fruitless attempts at holding back the tide with incantations (stop, tide, I speak for the U.S. Treasury!) and loopy sand castles (the bottom is in, buy now!) abound. Unresponsive to propaganda, the real world grinds down into a global Depression without visible end.

If we do nothing, we will be swept along in the Great Descent. Alternatively, if we want to prosper, then we must first gain an integrated understanding of all the interlocking crises we face.

If you would like to find out more about [Survival+: Structuring Prosperity for Yourself and the Nation](http://www.oftwominds.com) (406-page book available in print or ebook formats), please visit my website www.oftwominds.com.