

RICHARD E. GEIS a personal journal
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JOURNAL #22

12-12-80 Johnny Carson cracked a joke last night that is significant: "David Rockefeller had lunch today with President-elect Ronald Reagan. David likes to meet his new employees."

So the "conspiracy" has surfaced on national TV in joke form. Obviously Carson is so big he can tweak Rockefeller's nose and apparently get away with it.

I've watched the new sex comedy on NBC, NUMBER 96, and found it both unrealistic and more realistic than 99% of current TV fare. It shows the single male's absorption with sex, and the bitchiness some women display. It shows domestic and money problems with some humor. It has interesting, flawed, sympathetic characters.

It will be cancelled because of pressure from the Moral Minority who cannot stand for other people to think sex can be fun for consenting adults.

The economy is coming unglued. The multi-billion dollar losses recently on the commodity exchanges (where people gamble with 10% down) has reached disaster proportions. The stock market is wobbling around 900 again after a 100 point drop in two weeks...

Chrysler... Well, that corpse is still trying to convince people it is alive and well, in spite of the stink.

The prime rate is 20% and it is killing the economy as debt comes home to roost in too many places where it cannot be refinanced except at ruinous cost.

Christ, but January, February and March are going to be bitter, cruel months.

Reagan will probably declare a national economic emergency and Congress will probably pass at least a 10% tax cut and other tax changes to encourage savings and investments.

12-14-80 It's about time I commented on the Reagan cabinet which he has almost all named.

As I said some weeks ago, the import-

ant cabinet positions of Defense, State, Treasury, and the CIA head, and the National Security Advisor are the key positions of power in the U.S. government at the present time.

Who has Reagan appointed to these positions?

William J. Casey is the new Director of the CIA.

Caspar Weinberger is the new Secretary of Defense.

Donald Regan is the new Secretary of the Treasury.

Richard Allen is the new Foreign Affairs Advisor.

Alexander Haig is the favorite to become the new Secretary of State.

In addition, Malcolm Baldrige is the new Secretary of Commerce.

In the Senate, Howard Baker is the new Senate Republican leader.

I do not yet know who the new National Security Advisor is. But I'll bet he'll be a present or former member of David Rockefeller's Trilateral Commission or David Rockefeller's Council on Foreign Relations, as is every one of the men listed above!

In short, the Rockefeller/Morgan power locus have again placed their agents and fellow-travellers in the key positions of power in the executive branch. (Not to mention Vice President George Bush, who is a notorious Rockefeller man.)

And let us not forget that Paul Volcker, head of the Federal Reserve, is a CFR man.

No one who is not allied to Rockefeller/Morgan ever is picked for the key administration posts. Strange, huh?

You will not, of course, hear this observation made on network news.

12-16-80 Morgan Guarantee Bank took its turn raising the prime interest rate today—to 21%.

These rates are simply incredible, historic highs, and are symptoms of the weakness of the economy. Who would borrow money at 21-25%? Only those businesses and governments and individuals who

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5 issues \$3. 10 issues \$6.

are forced to borrow at what are now loan-shark prices in order to keep from going bankrupt a little longer. When you live on debt, you die from it.

Saudi Arabia and OPEC are raising their oil prices again. The US govt. is decontrolling the price of domestic oil in 1981... This means considerably higher gasoline prices. Thus people will drive a little less, their cars and tires will wear out slower, last longer, which means fewer new cars sold....

Iranian President Bani-Sadr let the cat out of the bag yesterday when he said, "The principle reason for the delay" (in settling the hostage crisis) "lies in the hands of those who hold real power in the United States."

Bani-Sadr also warned that "any decision by the United States to withhold a portion of Iranian assets "clearly would not lead to a solution."

To make his point perfectly clear he added, "Of course, I am not speaking only of the money that was stolen by the shah and his relatives. I am speaking also of the money that belongs to the Iranian government and is in U.S. banks or the banks that are under U.S. control."

He means the European branches of Chase-Manhattan and Citibank and Morgan Guarantee, etc.

The Rockefeller/Morgan group which controlled the shah and Iran in "the good old days" don't want to give back the billions they seized after their puppet, Jimmy Carter, declared a small national emergency and used his emergency powers to allow the big banks to let them take and use those funds.

(Now we hear talk of "unleashing" the CIA again for clandestine operation overseas. In other words, the CIA will again be the strong arm of the Rockefeller/Morgan power group, and will attempt to manipulate and subvert foreign governments to benefit its masters.

Watch it happen.

12-29-80 A CBS broadcast of a filmed report from Iran was instructive, not for the empty mouthings of the reporter, but for the significant fact that in the street background in Teheran a lot of autos zipped by on-camera. Which suggests that if there is gas rationing in Iran, it is not stringent, and that there is a lot of gas and oil for the people.

That means that all the publicity about Iraq's destruction of oil facilities and pipelines is exaggerated.

With the war on "hold" for the winter, neither country is really hurting badly. The major oil installations are badly damaged, but neither side seems intent on really trying to win or force a conclusion of the war.

The hostage negotiations hinge on money, of course, mainly the \$4 billion held in London branches of Rockefeller/Morgan banks.

If Iran ever gets control of those assets it will move them so fast... And that is a giant loss of deposits those banks I suspect cannot withstand or permit.

To keep from losing that money the power elite may require a "final solution" of the hostage situation by having Reagan order a military raid to "save" the hostages—to insure they are in fact gotten out or killed.

The most likely option, though, is fomenting a coup against the religious dictatorship that now runs Iran.

Interesting that Henry Kissinger is off on a tour of prospects for peace between Israel and the Arabs. He will stop at Cairo, Israel, Saudi Arabia, Oman, Morocco and possibly Jordan.

'Aides said Kissinger was making the trip as a private citizen, but sources close to Kissinger said he received approval from the president-elect and from Alexander Haig, Reagan's choice for secretary of state.'

Kissinger flew in a private jet, it is reported by AP. Not reported is who provided the jet.

Another little ploy by the Rockefeller/Morgan "old boy" club is the statement by President Carter's special Mid-east envoy, Sol Linowitz (a Trilateralist), who is resigning, that Kissinger should be named as his replacement.

Kissinger, speaking as the agent of

the real rulers of America, will make deals and issue instructions.

Ha! On NBC News tonight there was a report about the Kissinger trip to the mid-east. NBC reported that the private jet belongs to CBS! And that a fellow passenger on the jet is William S. Paley, President of CBS and also just incidentally a member of David Rockefeller's Council on Foreign Relations.

Making the report, with obvious relish, was Roger Mudd, who quit CBS recently.

The Kissinger report was not carried on CBS News.

12-31-80 Henry Kissinger is saying, it is reported in the news, that the U.S. must have a permanent military presence in the Persian Gulf area, to counter Russian pressure.

A U.S. move in that direction has been in the works for a year. Henry is only further "surfacing" the "need".

The Polish situation is "on hold" for a week or two. If the Polish private farmers force the government to let them form an independent union the seeds of extreme "deviationism" will have sprouted and will cause even more fundamental problems for the Polish communist government.

I expect Russia to move on Poland soon. Perhaps before January is out. They held back to allow a peaceful Christmas.

The statement by the Pope that if Poland was invaded he would fly to Poland to be with his countrymen is interesting in that it shows he is a Pole first, Pope second.

I would expect second thoughts and his advisors to counter his emotionalism.

There is a doubly disturbing story in the business section of the OREGONIAN today. (Underlinings mine.)

'The Carter administration will recommend next week that Congress allow banks to provide full banking services across state lines. ... With only minor exceptions, current federal law prohibits banks from conducting full-scale banking busi-

ness outside their home states.

'Under the administration program, interstate banking would be phased in over a period of time.

'The administration also says it is "critically important" that Congress pass a law already before it that would allow domestic banks to acquire financially troubled banks in other states.'

This would allow the BIG BANKS to put branches everywhere—become even more than now financial octopi owning and controlling business and property in every state, in every metropolitan area.

This is Carter's Christmas present to David Rockefeller. In fact, if Congress passes this proposed law, these big monster banks will buy-out and drive out most small banks in this country over a period of years.

And please note that the administration considers it "critically important" to allow big banks to acquire busted smaller banks. The quotes were there in the newspaper story from a government source.

Critical is a terrifying word to use in this area. It says in so many words that the government expects a large number of banks to get into so much financial trouble they will have to be taken over or merged with other banks, and that the usual practice of local, in-state rescue will not be sufficient—out of state banks will also be required.

That need suggests the authorities expect a depression—a great, terrible deflation, mass destruction of debts...

I have the flu today. I had the flu yesterday, and I expect to have it tomorrow. Shit!

In spite of my flu I laughed when I read that finance Minister Yigal Hurvitz of Israel told reporters the ailing economy could not school teachers demands for a wage increase averaging 50%. The salary increases would spark a chain reaction of demands by other workers, he said. "If it's a choice between the party and the economy, when it comes to the crunch I choose the economy," he said.

Very virtuous. Except that the

story does not mention that the Israeli government has been running mountainous deficits for years and the current year-to-year cost of living increase due to inflation (devaluation) is 133.5%.

1-7-81 No sooner had a few die-hard Liberal Senate Democrats announced plans to dig into Alexander Haig's Watergate and Nixon aide past (on the tapes), when the Rockefeller apparatus went into action: Carter refused to turn over any papers and Nixon tapes involving Haig, Nixon threatened to go to court to prevent delving into the White House tapes, and Zbigniew Brzezinski, Carter's National Security Advisor, praised Haig and said it would not be in the national interest to look closely into Haig's role in the White House when Nixon was being gotten rid of.

So Alexander Haig, Jr. will now become Reagan's Secretary of State and part of the Rockefeller committee in the Cabinet who really run the country for the next four years.

The Democrat Senators who mounted the challenge, having run into the steamroller and read the handwriting on the wall, will put on a tough little show in the confirmation hearings and then meekly fold up.

The Reagan campaign promises to do away with the Energy Dept and the Education Dept., to promptly cut taxes effective January 1, and to make deep cuts in the federal budget...these promises are being watered down, fudged and undercut now.

A 10% tax cut may not be effective until July...and the budget cuts will not be as extensive and deep as originally planned.

WATCH and see if Reagan wants to index the tax brackets to compensate for "bracket creep."

Inching millions and millions of taxpayers into higher tax brackets, taking ever larger percentages of their income by means of devaluing their money (10% income gain per year, a 12% tax on the new, higher income...) is the method government has made "inflation" pay off for itself. That's why the federal government never seems able to "solve" inflation: it pays off in tremendous revenue boosts for the stat-

ists who love to spend and spend, who love power.

Even if the Republicans manage to put through a 10% tax cut each year for three years, if "inflation" (devaluation) stays at 10% per year, the taxpayers will still be paying more taxes in 1984 than now!

I told you the markets in 1981 would be volatile. Already the stock market has run up and down like a berserk yoyo, currently dropping 38 points in two days. Yesterday it dropped 23 points on a volume of 95 million shares.

In 1929 the Black Thursday crash was 38 points on 16 million shares.

The stock markets or the other markets are no place for an investor; there will be more blood flowing, most of it from pension funds and insurance companies...and the people whose money they have lost.

I look for the government to give Chrysler another \$400 million soon, but that won't do anything but stave off the inevitable.

Interesting that a federal judge in Louisiana is using his federal power to force three young girls to go to a school of his choosing.

Used to be the federal courts were forcing schools to let black kids go to schools of the kids' choosing.

Now it doesn't matter which school black or white kids want to go to. They go now where the government tells them to go.

It won't be long now before the government will be telling adults where to live and/or work..."in the public interest."

Solidarity, the huge independent union in Poland, is telling its members not to work on Saturdays in defiance of the communist government edicts. And of course the farmers want their own free union....

Neither the Polish government nor Russia can let these groups get away with this kind of freedom; it'll eat the heart out of any Socialist dictatorship—and will spread from one country's workers to another's. In spite of the high costs, Russia and the other E. European communist governments must act soon.

1-18-81 The hostage crisis in Iran seems about to be ended, primarily because the Iranian offensive against the Iraqi invasion forces has failed miserably and the Iran govt. needs money desperately as well as those spare parts it owns and which have been embargoed in this country.

Ronald Regan did his part by calling the Iranians 'barbarians' and by having some of his staff hint at military steps against Iran if the crisis carried over to the Reagan administration.

The Iranians decided to take what they could get from Carter. What they got is most of their frozen dollar and gold assets. The exact details of the moneys and conditions involved won't be known for weeks.

It does seem clear that the Iran funds will be gone from US banks reserves and will force a reduction in their loan capacity. This will in turn help keep interest rates high for a while longer, further increasing the damage these high interest rates are doing to the U.S. economy.

(Unless the Federal Reserve compensates by feeding new reserves to the banks. But my guess is that the Fed won't do that.)

The Inauguration of Ronald Reagan will be more of a coronation of a new king than installing a new President. That's because The Media have warped our society and our values so much in their competition for ratings and in their power to puff up people and events. Politicians know this and both cooperate with The Media and try to use it to their advantage.

Image is All.. Substance is shit. Content is a nuisance.

The Republicans have shown already to have been seduced by the joys of spending money they haven't earned and of using power they haven't earned.

I suspect they'll lose their nerve and waffle on big spending cuts while they do indeed cut taxes enough to give the illusion of having done something for the tax-payer.

Whatever they do, they cannot do a damned thing about the terrifying debt structure which is tottering and cracking. The domino collapse of the

inflated "paper" pyramid is beginning, and will warp and woof the economy of the world for a decade or more. I wonder if there is a corporation in this country which isn't so far in debt it can only borrow more money to pay the interest charges on existing debt. The net worth of American businesses, governments and individuals, less debt, must be near zero or actually in the red.

We have mortgaged almost everything! Hardly anything really and truly is owned free and clear anymore. And when one segment of the economy cannot sustain its share of the debt game, the unraveling begins.

1-21-81 So the hostages finally are free. Fine. But it comes to me, also, that had not Iraq invaded Iran and wiped out Iran's oil exporting capability (and its national income), Iran would not have been forced to make the hostage deal it did. It obviously is desperate for money.

It has been said that Iraq would not have invaded Iran if the U.S. had not embargoed all U.S.-made arms and spare parts needed by Iran.

Thus the "militants" and Khomeini are the authors of their present dismal future.

Revolutionaries, fanatics, and haters seldom consider the consequences of their acts.

As for calling the Iranian govt. barbarians... We have very short memories: it was only a few years ago that we were the barbarians in the eyes of the rest of the world for what we did to unarmed civilians in Vietnam. Napalm is a Christian weapon.

About the complicated financial deal that was the core of the hostage deal: The big U.S. banks yielded the use of all that Iranian money after stipulating that all Iranian debts to them be deducted. There was then a "transfer of reserves" from the banks to the Federal Reserve which then shifted the billions to England, and from there the \$ went to Algeria...and one assumes to Iran from there.

The point is, four or five of the biggest American banks are now collectively 5-6 billion dollars poorer. Unless

the Fed lends them billions to replace those Iranian funds, the ^{lowered} reserves of these banks will force a drastic cut-back in loans in this country and overseas. This in turn will further crimp the national and world economy.

It's significant that the prime rate has been stuck at 20% for two weeks now. Usually when the prime reaches a peak it tails off rapidly afterward.

This time not so. The reason is that corporations are in the ^{money} markets trying to sell bonds, trying to sell IOU's...borrowing to refinance their existing debt, to finance growing inventories...and the federal govt. is in the markets to finance huge past and presently growing deficits.

This forced demand may actually force the prime interest rate higher again. In any case, the longer interest rates hover around 20% the worse will be the on-going contraction in the economy.

Reagan is in a no-win position regarding the economy: cutting govt. spending will in the short run only make the depression worse, since it will reduce the flow of money, put more and more people out of work, reduce their spending which will feed back to lower sales which will feed back to manufacturers who will lay off people...and so on.

But if Reagan allows the current high level of govt. spending (and taxes) to continue or accelerate, "inflation" will surge, debt will surge, and the subsequent debt load and inevitable collapse will be even more horrendous than it will be if he tightens up. He's trapped. No way out.

He will not be re-elected in 1984, if he's still alive and wants to run.

A large percentage of the existing, bloated debt structure in this country (and in the world) must first be wiped out. THEN the long-cycle of healthy production and building and debt accumulation can begin again.

The only policy that might help most would be immediate drastic cuts in govt. spending and drastic cuts in taxes.

Failing that we'll have a brief govt. contraction, a terrible depression, huge numbers of unemployed, and a resort to more govt. spending, controls, and the true beginnings of the Imperial or Dictatorial Presidency.

(Was I alone in noting the throne-like chairs provided for Reagan and Nancy at that Pre-Inauguration Eve Gala presented on ABC? There they sat, like a king and queen, being entertained by a jester (Rich Little).)

The expensive and pretentious pomp and ceremony of the inauguration was depressing, too. Again, the media, mainly TV, hypes these events by excessive coverage...and the actors and managers involved take advantage of all the attention.

1-28-81 Okay...SFR 38 is in the mail and I've had a day to relax by catching up on accumulated mail and odds and ends.

I should amend my comment on column one of this page to the effect that we have mortgaged everything in this country and very little property (and very few salaries) are free and clear of payments. Obviously somebody owns all this land if you trace backward through the liens, mortgages and encumbrances. If I sell this house and the land it is on to a corporation who wants to build a store here, and the corporation sells the mortgage to a bank, and the bank sells it to another investor—an insurance company, say...and the insurance company sells to a corporation who sells shares of the mortgage to small investors... A long chain of insolvencies and forced sales and etc. could lead (unravel) itself back to whoever held (and could afford to hold) the deed.

It is just that so great a percentage of the property and goods of this country is in the process of being paid for....that any reversal for very long of the inflationary process of credit creation (new debt money) will cause a collapse of the paying-for-on-time inverted pyramid.

The collapse of paper values and assets will vastly reduce the worth of houses, land, goods to a new, far lower equilibrium.

It appears that the costs of paying interest on the enormous debt structure are now forcing everyone to slow or stop taking on new debt. The inflationary (debt) cycle cannot stop expanding for long or it reverses, and the bubble bursts.

We are now facing an economic contraction—worldwide—that will quickly terrify authorities.

This time pumping out vast quantities of reserves to banks may not work. In the 30's banks had money to loan at 3% interest—or lower—and nobody was anxious to borrow.

In the Seventies, as long as money could be borrowed at the inflation (devaluation) rate, money was in effect virtually rent-free. It paid to borrow and go into debt to the hilt. You could pay those debts in steadily less valuable currency.

Now—with interest rates at 19-20% and devaluation at a 10-12% rate, there is again a real rent on money. This has broken the debt cycle and if continued will result in a depression as in 1930-1939.

Reagan today decontrolled oil prices on domestic crude. This benefits the oil companies and those super corporations who control the oil companies. It also is an increase in the cost of living: more money must go to pay for oil/gas/etc. and less can be spent on other items. The makers and sellers of the other items will suffer. Or if even less oil/gas/etc., is used because of increased prices, the oil companies and those companies who make petroleum-using machines/products will suffer.

You can look for lower car sales, less travel, less use of plastics, etc.

This summer, during the vacation season, gasoline prices will probably hit \$1.50.

This decontrol of American crude oil prices is expected to yield \$7 billion in windfall profit taxes...which may have been a factor in decontrol now, since the Reagan administration will be making a big thing of cutting income and business taxes in a few weeks. But counting the Social Security tax increase that took effect automatically January 1, and this new tax via the windfall profits device (first you have to make damn sure there will be windfall profits, of course!) and counting the "bracket creep" increase in taxes, in the end there may not be, for most wage earners, a tax cut this year at all!

Now, in Poland, amid a continuing

series of strikes, the students are agitating to not have to take compulsory courses in Marxism!

And the showdown with the farmers has yet to come.

The fact still remains: Poland sits next to Russia and in almost the center of the East European communist satellite states. The workers, the farmers, the students...are not going to be satisfied with small new freedoms; they will try to force the communist government to yield more and ever more until they either are invaded or they topple the communist government and install a true mixed economy and mixed socialist-capitalist government with far more democracy.

Such an economy and government would be intolerable to Russia as an "infection" and as a threat to communist rule in Russia itself! If the Polish people are allowed to get away with this "counter-revolution" the peoples of all the other communist satellites will adopt the same tactics and strive for the same freedom.

This movement in Poland is not going to be defused or contained. It's only a matter of time before Russia and the other satellite armies invade Poland.

The 37-nation Islamic summit meeting agreed emotionally to a new holy war to wrest control of Jerusalem from Israeli control. They agreed to continue and expand their policy of not doing business with corporations who do business with Israel.

They don't like Russia in Afghanistan or the U.S. keeping 50 warships in the Indian Ocean near the Persian Gulf. They are not happy with us seeking naval and air bases in the region.

At the same time the Reagan administration declared it is continuing the Nixon-Ford-Carter pro-Israel policy and the anti-PLO stance of non-recognition.

Thus we antagonize the Arabs and risk another oil cutoff or economic ambush.

And Begin's Israel government has okayed 10 more Jewish settlements in the Arab West Bank lands.

I suspect there is a point beyond which we cannot continue to insult and ignore the Arabs. Our planned military buildup may be aimed more at Iran and Saudi Arabia than at Russia.

1-30-81 I went outside today and surveyed my backyard kingdom with some satisfaction. I transplanted a few rose bushes to better act as a deterrent along the fence line, repositioned an iris or two, buried our organic garbage in the food-growing areas, and pruned a few roses and such.

This year the climbing rose vine should be going along the top of the fence nicely, trained to make any would-be invaders think twice about thorns and cut hands and torn clothes.

The grapes and berries should bear nicely this year, and I intend to put in 50 new strawberry everbearing plants. Also plan on a lot of potatoes to store for next winter and spring.

I intend to make a lot of thick soups and stews. And salads. I have very good luck with leaf lettuce and cherry tomatoes and cucumbers. Will try harder to master green peppers.

Hoping for a better apricot yield and pear yield. The apple tree is bigger and should produce nicely. Have hopes for the young peach tree (Hale).

This will be my most ambitious growing year yet—much larger garden areas, more berries, trees—and with good reason: every forecast is for an ever-increasing cost-of-living (more money for essentials, less for fun and games) as store-bought food prices go UP.

At the same time the Reagan administration is talking tough about cutting food stamp benefits and Social Security increases—due-to-inflation. A lot of horror stories about old ladies and children starving will limit savings in those areas.

The places to save gov't. money are the housing subsidies and in price supports for sacred cows like milk and tobacco. Whole gov't. departments should be demolished—Energy, Education, most of Agriculture, Labor, most of HEW. All the grants-in-aid to cities and states should be cut out. Frankly, I think we should look at the gov't. of 1952 and cut back to that level of bureaus and cabinets and per-capita spending (in real dollars).

But we won't easily do that. In fact, I think Reagan will be a one-term president and the voters will turn to the democrats again to save them from reality.

1-31-81 One aspect of the current economic crisis that isn't talked about is the difference between inflation (excessive increases in debt by government and industry and individuals which exceeds production and services and which results in devaluation of the currency) and the increases in the real costs of some goods and services, according to supply and demand and costs of production.

The Consumer Price Index measures prices at retail, and is popularly considered a measure of inflation. But the inflation rate and the real costs rate are never recognized as separate elements.

The increased costs of oil, gas and fertilizer are mostly real costs because they won't respond to supply/demand forces. They make food more expensive to grow for commercial farmers.

Debt dollars dilute the value of production and services and are, I think, 80% of the "inflation" rate.

Seduced by this enormous creation of debt for twenty years, we (and the rest of the world) believed we had real surpluses, real wealth, and spent our new money as if it was real—on vast new services to the poor, etc., on a building binge, on more loans.

Now the cost of this mountain of debt is too high to bear, and to make matters worse, the Fed. Reserve is cutting way back on the creation of new, fake money. AND the new administration is going to cut back the rate of increase of federal spending.

But we have reached the point of being debt junkies with a habit that requires ever-larger increases per year of debt...just as maintenance dosages.

For three months last year interest rates and credit controls cut down the debt hit, and the economy was thrust into a near cold-turkey situation...and immediately went into a convulsive deflationary crisis.

In a panic, terrified at what was happening, the authorities poured debt into the system and averted a disaster, only to face renewed inflationary crisis and a different set of economic disasters if the debt injections were continued.

Now, on the kill or cure kick again, the government is determined to cure in-

flation by encouraging more wealth production by lowering taxes and regulation and by a far lower rate of increase in government spending.

But the socio/economic pain, reflected in Congress, may prevent this policy from taking effect. The jobless rate will skyrocket, the debt structure will begin to collapse again, and I'm sure the terror will return to impell the authorities to resort to another giant "hit" of debt money to keep the economy from total collapse.

Trouble is the entire world is vulnerable to this collapse and something may go wrong with the rescue injection.

I suspect the debt-inflation/liquidity-deflation cycle is too strong to forestall. I suspect the corner has been turned and gigantic deflationary forces are at work, not to be denied.

It will take years. One segment after another of the economy will be undermined and will sink. Corporate losses will be horrifying. The standard of living will decline drastically.

2-2-81 General Motors announced it lost $\frac{1}{2}$ of a billion dollars last year. Soon Chrysler and Ford will show losses of a billion and more.

February, March and April will be very bad months. The dollar's value overseas will fall as interest rates fall. Foreign money invested here because of high yields will leave the country seeking better yields, and that loss of money will make our situation worse.

I mowed the lawn today! The very mild winter has convinced plants Spring is here. All the storms have been curving up into Canada, looping down into the Middle West and East. The Oregon-Washington-Idaho watershed is low on snow, and it is thought that unless a lot of snow falls this month we will be having low runoff and low reservoirs next fall with resulting hydro-electric deficits.

Of course the aluminum plants will be shutting down by then, and they use tremendous amounts of current, so the average household may not be inconvenienced.

2-5-81 Sigh. Reagan appears to be reneging on his campaign promises already. It now seems he will be keeping the Energy Department, and keeping the Dept. of Education, and keeping the grain embargo. Chances are, for all the big talk, he won't get congress to go along with much in the way of budget cuts.

From the pattern of Presidential appointments to second-level jobs in critical departments, it's clear that the Rockefeller/Morgan agents involved will engineer a continuation of policies favoring/helping those financial behemoths. In the State Department, for instance, top Rockefeller agent Alexander Haig has just appointed two other, lower-level Rockefeller men: Myer Rashish to be Under Secretary for Economic Affairs, and Robert Hormas as Assistant Secretary for Economic Affairs. Both men are members of Rockefeller's Council on Foreign Relations. Alexander Haig, of course, is also a member of the CFR.

Here we have a government which is asking for congress' okay to go \$50 billion more into debt in this 1981 fiscal year which ends in October. The total deficit for the year will likely run in excess of 60 billion dollars.

Congress is forced to vote the increase in the debt limit, of course, else the treasury will legally be unable to pay govt bills. (Including the pay of Representatives and Senators!)

We also have a government which taxed its individual citizens at a 14.3% rate in 1980 higher than in 1979. The tax take in 1979 was in turn around 12% higher than in 1978.

Since the "inflation" rate as measured by the Consumer Price Index was 12.7% for 1980, taxes have gone up faster than inflation.

Government has also put in place a huge increase in Social Security taxes for 1981 even though SS taxes increased 13.9% in 1980!

All this and still SS is going broke, and still the government is running 60 billion dollar deficits.

So the people get poorer and the govt spends like a drunken sailor. And, adding insult to injury, many

in government think Reagan's proposed 10% tax cut plan is "irresponsible".

But a 10% cut is really only a reduction in the yearly tax increase!

2-6-81 I find it curious and alarming that everybody (including our President last night in his vaunted nation-wide media speech, and his economic spokesmen previously and continually) pretend that only government deficits cause rising prices and distortions in the economy.

Deficits are deficits, no matter who runs them. And corporate and personal deficits are probably exceeding federal government debt each year.

True, over the decades the federal government has encouraged ever-mounting personal and corporate debt, but it didn't force that accumulation.

Paul Volcker, head of the Federal Reserve, said yesterday the Fed will restrain money growth firmly this year, even if the consequences are a recession and continued very high interest rates.

I tend to think he means it.

But the corporations and individuals with heavy debt loads cannot just print new money if things get really scary; they must suffer terrible losses, lower standards of living, even mass bankruptcy. For if they haven't already reached their borrowing limit, the banks will, increasingly, deny loans to such corporations and people, during a time of tighter and tighter money.

The gov't. is pretending this huge private debt doesn't exist, and that simply by cutting the rate of increase of govt spending and by cutting the rate of increase of taxes, everything will work out after a year or so.

WRONG!

The private debt structure has to have a 10 to 15% increase of its borrowing to keep it from collapse. An 80-100 billion dollar federal deficit is necessary, too, to keep the private economy from collapse.

Reagan's plans, any program, cannot avoid a gradual, then accelerating collapse...or face explosive inflation and then collapse.

An example of "inflation" from cost increases is the fare increases forced on the airlines by the steady increase in fuel costs...as domestic oil rises to world price levels. The fare increases—

30% in 1980, and an estimated 18-27% more in 1981—are resulting in a reduction in air travel, as more and more people alter plans or carriers. The cross-country bus companies should do better, now.

The dramatic increases in home heating costs—about a 200% increase in home heating oil prices since 1973—in combination with annual tax increases in excess of income increases, has resulted in desperate searches for satisfactory alternate heating methods like wood stoves/furnaces, coal, and kerosene heaters. But for most people the oil price increases mean a drastic reduction in their disposable, surplus money, and this is reflected in declines in restaurant, movie, vacation, and luxury item sales, as well as new car, furniture and home improvements sales...as those items are, increasingly, delayed.

2-8-81 We've had a surge of stories on TV and in the papers and some magazines about "granny beating"—the physical and emotional abuse of old parents by their children.

The reasons for this abuse by a percentage of children or other close relative(s) are obvious: deep-seated anger and resentment of the parent because of abuse or mistreatment when a child (A lot of kids never forget or forgive and "get even" fifty years later.). But most abuse of the elderly by younger relatives is inspired by rage and resentment at senile behavior, inconvenience, or money costs. Also, many people simply cannot cope with life failure, disappointments, emotional and sexual problems—and take out their frustrations on anyone in their power who can't fight back. Thus we get abuse and killing of pets, children, wives, older, frail parents, and even the beating and killing of gays, "communists", prostitutes....

The do-gooders, the Liberals, the eager statisticians want to pass laws against parent abuse...as they have passed laws against child abuse and pet abuse.

But there are already laws against assault and battery of anyone by anyone. All these special laws accomplish is to create new local and state jobs for out-of-work college grads who will gather statistics, seek case-history info, and

acquire special powers to snoop and intrude and "help". They cannot protect or prevent such abuse because there always will be a certain small percentage of marginally psychopathic people, low-frustration level people, and just plain selfish, insensitive, crude bastards and bitches. Immaturity and lack of self-control is a common condition.

What the do-gooders want is (they admit, but in different, "nice" words) is a widespread network of spies and informers who will snoop into the lives of their neighbors. The state, this philosophy implies, has the right to know everything you do at all times in private. They would like to plant cameras in every room and employ an army of monitors in order to prevent and detect all kinds of "deviant" and criminal and non-social behavior.

Ultimately, they want to take infants from parents and have the state raise all children...to prevent abuse and mal-formed personality development. (And also to direct the child into "socially appropriate" employment and pastimes.

These Liberals, these statisticians, mask their true power-lust and economic motives behind altruistic concerns for others. Actually the alarmed and outraged neighbor and the visiting relative are the ones who almost always alert police of child-pet-oldster abuse. The do-gooder wants to create an unneeded law, a new social-worker dept. and more paper-shuffling jobs to "handle" the problem. This overlay of state workers doesn't cut the amount of abuse at all, its function is to publicize the cases brought to it and do a lot of busy work to give the impression it is doing needed, beneficial work.

As with those small armies of social workers and employees who service the unemployed and the poor, these would-be state employees need the abused and the abusers in order to keep their jobs. The last thing they want to do is end abuse, end unemployment, and end welfare.

The scheduled American military exercises in Oman on the southern rim of the Arabian peninsula, and in the Arabian Sea, slated to begin at the end of this month, will involve servicemen from various military

branches that are part of the so-called Rapid Deployment Forces. Defence Dept. officials termed the operation a "communications exercise" and said it would 'not necessarily' involve combat forces.

Uh-huh. 'Not necessarily' is a cute phrase that seems to deny something—but doesn't.

Reagan is quoted as saying congress' votes to up the debt ceiling 50 billion to 985.1 billions (just under one trillion) is a 'victory'.

Bullshit. There was no choice. It was up the debt ceiling or face national and international fiscal chaos.

I'll predict here and now the debt ceiling will have to be raised again this year—before the October end of the fiscal year—because of an over-80 billion dollar deficit.

The current water shortage in New Jersey—and the time bomb shortage building in Phoenix and environs—points up and underlines the ugly truth of a forced limits to growth in industry and population in certain parts of this country.

In New Jersey they are planning on drastic cuts in consumption, letting fires burn without trying to put them out, and trucking in water from wells in southern New Jersey.

More and more areas in the USA are living beyond their means in water consumption; they are unable or unwilling to limit their consumption to rainfall accumulation and steady-state ground water use. They are sucking up more water from the ground than is put back in...and with water tables sinking 12 feet per year, with wells having to be drilled ever-deeper, they are in serious trouble if a drought comes along. There is a law of diminishing returns—and the water table can only be lowered so far. At some point the costs of drilling and maintaining wells or pipelines for water will become so great that a self-limiting decline in water use will set in, with declining industries of certain kinds, construction of new, fire-proof houses and buildings...new toilets...new ways of living.

More likely, though a simple depression and decline in the standard of living will do the trick of conserving water and letting the underground water

table rise.

Lack of water may be more influential in our economy in coming years than lack of energy.

Another instance of extended vulnerability is the dependance of southern California on imported water—from the Colorado River and from northern California. There is now a plan in place to divert Sacramento River water 45 miles to the California Aqueduct which feeds into the San Joaquin Valley and Los Angeles.

There have also been greedy SoCal eyes cast upon Columbia River water.

There are problems and defects in bringing water to a metropolis from greater and greater distances: the water becomes ever more expensive and vulnerable. I suspect that an entire growing season of the rich (with water) San Joaquin Valley—which supplies vegetables to the entire country—and a social and economic crisis in Los Angeles and environs could be created by a small group of terrorists who attacked and destroyed Aqueduct pumping stations... at the right time of year.

But even without sabotage, there is an inherent limit to the supply of water and a cost/benefit limit to water use. Sooner or later population growth must stop, and industrial growth must stop—because water (if for no other reason) has become too expensive to bring up from ever-deeper wells, and across land by aqueducts and pipelines.

We are in fact running up tremendous water deficits. And de-salting seawater is still too expensive. Cleaning and reusing water is the best hope, but even that will require expensive mechanical reclaiming and pipelines installations.

There is no way of avoiding—in the long run—a lower standard of living, a compelled steady-state birthrate, or a catastrophe when war or revolution or natural disaster disrupts the vulnerable water supply for entire regions.

2-12-81 I find it amusing to watch the hypocritical posturings of the Moral Majority and the other conservatives who decry government policies and laws that promote abortion, homosexuality, welfare, crime...and rules and regulations that interfere with business—

yet who now (when they think they have power) are willing to use government laws, rules and regulations to impose their different views and priorities on the people of this country.

They want more porno laws, want to make sodomy a felony again even between consenting adults. And remember, "sodomy" in law includes sucking and licking of the partner's prime genitals. These are not do-gooders—they are do-righters, and they decide what is right...even unto creationism, censorship of movies, TV and of course, abortion. They want to use the state as much as the Liberals. Freedom for the individual and freedom of choice is at base anathema to them. They want control and power...to do God's will.

There is agitation among the police powers—that be to loosen the restrictions on electronic recording of people. Currently only drug, Mafia and perhaps kidnapping cases allow law enforcement agencies to outfit an officer or investigator with electronic recording and/or radio transmission equipment for the recording of face-to-face conversations with suspects or agents of suspects.

It seems that criminals are now very aware that their phone may be (or certainly is) tapped, and they are rarely stupid enough to make incriminating statements over a phone.

Frustrated, the police, etc. want to go to face-to-face recording.

Ah, but technology works both ways. A sophisticated, wary, big-money criminal will buy, or have constructed, a device which will warn him if a low-power very near radio transmitter is operating. And this criminal might carry on his person at all times a wide-spectrum radio transmission jammer. There may even be possible a device that could scramble a pocket tape recorder.

If the laws and regulations governing face-to-face recording & transmission are eased to allow use against almost anyone, then the people of this country will be living in a quasi police state...and must be aware that in certain circumstances, with certain strangers, they are probably being recorded.

The only restraint and limit on

police spying and the seductive entrapment schemes and scenarios they love soon will be only budget limitations. Some group(s) sooner or later will develop and execute cunning and sophisticated tactics for tying up police and other enforcement agency personnel in time-wasting and useless activity—or non-activity—which will eat up the law enforcement budgets.

2-14-81 Ordinarily central banks and governing politicians do not want their country's money to become very strong in the international currency markets, since it makes it harder to sell goods overseas and makes it easier to buy the "cheaper" overseas goods.

At the moment—with interest rates near 20% and the dollar very strong worldwide, we face a double-whammy: exporting less and buying more as great globs of foreign money comes in, attracted by the very high interest rates.

Thus as a nation we are now sending more money out-of-country to pay for imports than we are taking in from selling goods overseas, and we are attracting billions and billions of "hot" short-term dollars from overseas investors and speculators.

Why is that bad?

It keeps the economy going the way an injection of speed keeps a body going, and wipes out the effects of the Federal Reserve to limit and decrease the money (speed) supply.

This foreign money feeds the needs of debtors to borrow more money to keep going. But there is a limit to how much and how long they can keep up this desperate borrowing in the face of real-dollar cost increases and an ever-lower amount of money the consumer has to spend.

As the demand for high-cost loans fails, interest rates will fall. As they fall, more and more of this foreign money will leave, seeking better yields in other places, and the supply of new money will stop. The tide will reverse. The dollar will lose value.

At that time—when the international hot money leaves—it will make very severe the decline in the money supply in this country because the Federal Reserve will have squeezed even tighter

in order to overcome the hot-money inflows.

Interest rates will have been kept too high far too long, and the accumulating damage to the economy will be so much greater, because the debt loads will be higher.

The collapse will come very quickly as failed businesses by the thousands stop paying their bills. Their suppliers will be forced to delay paying their suppliers or go out of business. A lot will try to borrow even more money to stay alive.

But this avalanche of unpaid debts will force layoffs and shut-downs backwards along the consumer-retail-warehouse-manufacturer-raw-material chain.

At the same time the government will be cutting back on spending (buying and employing) and this will worsen the cycle of debt-destruction, unemployment and diminishing sales.

The only question is this: at what point will the government resume spending at ever-higher levels, and at what point will the debt collapse stop.

In 1980 the collapse started, but Carter's administration panicked & the Fed injected a huge dose of "speed".

The economy now is on the edge of another downhill slide. The Reagan administration is delaying reductions in tax increases while price increases continue at 12-13% yearly rates, squeezing the consumer more and more.

The Fed is keeping interest rates at near-record highs.

If the Reagan administration has the guts to allow the debt collapse to continue this time to the bitter end, and gets Congress to change the tax structure to reward production, saving, and hard work, the economy will then boom.

If it loses its nerve and quickly reinflates, we will soon have harshly lower standards of living, vastly more controls and government, more social and economic chaos, and eventually a president ruling by "executive order", Congress a powerless, squabbling farce, and dozens of revolutionary forces gathering strength.

Then will come the army.

Either a debt collapse or a resort to inflation again will doom chances for a second term for Reagan—or Bush.

-C-

2-18-81 On the East coast, I understand, sooner than I thought, gasoline has reached \$1.50 per gallon, and OPEC is already making noises about further price rises, with predictions by U.S. oilmen that a gallon of gas will hit \$1.80 to \$2.00 by the end of this year.

Locally, on the energy cost front, the Bonneville Power Administration plans to increase electricity costs by 50% in this area, by July 1. BPA is the controlling bureaucracy of all of the federal power dams in the Northwest.

Personal income in the USA increased .9% in January, it is reported, which is a little short of keeping up with price and cost increases. But that .9% is gross income increase; after taxes it is reduced to a "take-home" of about .7%, which means a further loss of ground to prices, a further pinch on living standards.

However, in order to "keep up" the consumer last month increased his borrowing via credit cards, personal loans, etc., and drew down his savings a further 11%!

At some point the consumer will run out of savings and borrowing power.

Various statistics indicate that point is very close. I had thought the downturn would begin in January. But the surge of credit pumped into the economy by the Federal Reserve and by foreign lenders attracted by high interest rates, last fall, and now, has delayed the inevitable till March-April.

You can't blame people for spending their savings: devaluation of the currency and price rises are, combined, far higher than the interest rates most people can command.

(I find it the height of cynicism and fiscal rape for the British government to offer Britons a special govt. bond which promises to index the principal of the bond to the inflation rate—so that the purchasing power of the money used to buy the bond would not lose value. Ah, but there is no interest paid on the bond! The govt. wants to borrow from its citizens and pay nothing! It acts as if it is doing its citizens a favor by guaranteeing that the money will not lose value.)

From people's buying and spending

I'm switching to the IBI here. The Olympia developed some kind of "d" return spring problem. After 13 years of faithful service it deserves a breakdown. I just hate typewriter doctor bills, though.

patterns in January, it's clear they don't expect the rate of price increases to slow. The news tells of higher-than-ever increases in meat, gasoline, heating oil, electricity. Interest and mortgage rates will stay high... The people expect their savings to continue to lose value. They have correctly decided to spend their decaying money on things and services---and the devil take the consequences.

Reagan has begun renegeing on solemn campaign promises. He promised to dismantle the Energy and Educational Departments. He now recants.

He promised to end the grain embargo. He now will keep it.

He promised to ask for tax cuts effective January 1 this year. He will ask tonight for an implementation date of July 1, making it a 5% 1981 tax cut. He promised 10%. He promised to index taxes to prevent bracket creep due to inflation. That critical move will be postponed, probably forever, or until the American people get so pissed off they dump Congressmen by the hundreds.

Reagan did decontrol oil and gasoline prices, but only, I suspect strongly, to allow the oil companies to jack up prices to the point where their "excess" profits will yield additional "badly needed" revenues from the Windfall Profits Tax. The government has a huge vested interest in maintaining tremendous oil company gross profits.

In short, Reagan has just greatly increased your taxes via the back door of the Windfall Profits Tax. 75% of all these new gas and oil price increases goes to the government.

As for Congress... Those turkeys will take their time and waffle and wiggle and cut a bit and spend a bit more...and jigger the tax cuts to relieve the low income people of most of the recent tax increases. The middle class and the "rich" will get a continuing shaft...thus wiping out the intent of the tax plan---to allow more savings by those who can save, and relieve pressure on the credit markets, lower interest rates,

and encourage investment.

So net tax revenues will increase in 1981-2-3-4, and taxes (naked and disguised) will increase. Federal deficits will explode, and the average standard of living will continue to decline. The budget will continue "out of control" and everyone will feel helpless and terrified.

And through it all Congress and the administration will throw up a smokescreen of bafflegab, lies and excuses to cover their failures and lack of guts.

Crime will get worse, social pressures will heighten, and the people will become more and more cynical, discouraged and bitter.

Want a long-range prediction of the 1984 Presidential candidates? Ted Kennedy vs. Alexander Haig.

As Arthur Hlavaty so perceptively wrote in his new THE DIAGONAL RELATIONSHIP #16:

'In a society based on "from each according to his abilities; to each according to his needs," the best thing to have is needs, and the worst thing to have is abilities.'

The welfare state now cannot be killed; it will die, however, by suicide: it will eat its host to death.

Yeah, I watched Reagan address the joint assembly of Congress a few minutes ago, and heard him slip in the admission that if his tax and budget cut plans are approved by Congress both the budget and taxes will increase---but not as much as under the Carter schedules.

He postponed indexing tax rate schedules and proposals to make saving money profitable (after taxes).

In short, he and Congress are running a con game, a fraud.

Inflation will continue in double-digits, interest rates will stay high and volatile, and a new---continued!---recession will set in.

There is a theory that the price of gold will not sink much below \$500 per oz. because the European central banks have decided to peg it at that level by buying at below \$500 swings. And that is confirmed by reports in the business press.

Eventually a gold standard for international currencies will be forced, and gold will skyrocket. See you in #23.