

quarter and facing an estimated \$11 billion loss in the fourth, Citi paid loan shark rates for the capital injection by selling mandatory convertible securities to Abu Dhabi. These securities pay a fixed coupon of 11 percent, compared to an average yield of 9.4 percent on US junk bonds. (Saudi Prince, Walid bin Talal, who bailed out the bank in the early 1990s, holds another 5 percent stake in Citigroup.)

Trendpost: *The Trend Research Institute and The Trends Journal do not provide financial advice. As trend forecasters, we see the dollar declining much further throughout the course of the decade. And, as the facts have proven, the lower the dollar goes, the higher gold prices climb. Indeed, so far in 2007, gold prices have surged some 30 percent as the dollar fell 12.5 percent against the euro, 10 percent against the yen, and hit a record low against the Swiss franc. Therefore, gold is well poised to continue to break new records – and absent unpredictable wild card events – will likely peak when the dollar crash ends. (See “Economic Down-Trend on Track,” Trends Journal, Spring 2005.)*

Trendpost: *Most Americans have little knowledge that the dollar is diving, what it means to the future of the nation or how it affects their personal lives. According to a 30 November Bloomberg poll, only 12 percent ranked the declining dollar as a major concern. However, on the higher socioeconomic scale, the smart money is shifting out of falling dollars and into currencies from countries with sounder economies. In the “Global Age,” playing the best currency moves will become as common an investment strategy as was playing the stock market in the 20th century.*

Publisher’s Note: From the ashes of a failing and falling system, tremendous opportunity exists to create positive change and a prosperous future. More so than any other nation in modern history that has faced similar circumstances, the United States is also in a unique position to reverse many of the negative trends it now confronts. To do so will require a recapturing of its lost attributes of entrepreneurial spirit, free-thinking, professed morality,

civic courage and the “can-do” pioneering zeal that once defined the nation’s spirit.

TAX REVOLTS

It was a reason given for starting the first American Revolution and as the trends add up, it will also be a reason for starting the second. Fed up, and not willing – or able – to take it anymore, overtaxed Americans will begin the battle against politicians and bureaucrats in the fight to lower and/or repeal taxes... while demanding higher tax rates for those seen as paying too little.

With the price of nearly everything going up double digits over the past decade (while inflation adjusted median household income fell nearly 4 percent during the same period), cash crunched and debt heavy Americans will wage tax cutting wars with hopes of reversing their economic downward creep. Already unable to make ends meet and having no savings to fall back on, the bigger the bite from the taxman, the more intensive the citizen protests.

Joining the ranks of the elderly, “locals,” and those on the economic skids who’ve been forced to flee – or lost their homes for unpaid taxes – with economic hard times now spreading across party lines and income levels, “The Coalitions of the Cash Strapped,” will lead a mainstream American tax battle.

Protesting against high property tax rates and demanding that evaluations drop along with the slumping real estate market, the first tax battle salvo will be fired by homeowners.

Having seen public services (i.e. sanitation and mass transportation) steadily decrease while tax loads rapidly increased ... taxpayers will also resist demands to erect and repair municipal buildings, pay high water bills, create new government jobs, beef up police forces and increase government workers’ salaries.

In response, strikes and protests from public workers ... who’ll want more pay, promises of job security, benefit maintenance and retirement guarantees ... will challenge the call for cutbacks. However, the strikes will be short-lived and mostly ineffective. Unlike Europe where unions and inter-

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nally was the extent of the corruption and the slim odds of anyone bucking the system ... and winning.

This was coming from the horse's mouth; a man that had been at the top of government and deep inside the corridors of power. This was not Sunday morning Beltway babble coming from *Face the Nation* or *Meet the Press*. This was a one-on-one straight scoop coming from a man in the position to know, talking outside the public forum. I recognized it as a singular and privileged moment. I was given insight into the real gravity of just how bad things were. It was the culmination of a long process.

Out of graduate school, I began my career as the #2 man, Campaign Coordinator, for the Republican/Conservative mayoral candidate in Yonkers, New York. From there I went to Albany as assistant to the Secretary of the New York State Senate.

Recognizing that I was seeing politics-in-action from a different vantage point than those caught up in the process, I designed and taught at St. John's University, what I believe to have been one of the first courses in "American Politics and Campaign Technology." I spent the next several years as a Government Affairs Specialist working between Chicago and Washington, D.C.

Beginning as a believer in the American democratic system, I bought into it up to my early 30s. By the time I met Connally, I had long since lost my naiveté and harbored deep doubts about government, and disdain for politicians. It was not what Connally said that came as a complete surprise, but rather the authority and gravity of how he said it and who it was that said it.

We all went up to his suite and had a couple of drinks, a few snacks and small talk. Hooker was trying to sign on Connally to the board of directors for a chain of steak houses he was trying to open. Caddell, a Washington insider, and Connally traded tales of political days gone. Rama cooed about her engagement to Larry King.

I said nothing, half listened, really mulling over Connally's statement: "If the American people knew what was going on in this country, there'd be a revolution."

That line reinforced my political atheism. I refused to believe in political dogma, genuflect before any po-

litical preacher or vow obedience to any political god.

It strengthened my resolve to base forecasts on verifiable data and to select those facts that illuminated the actual situation rather than those supporting a particular political/economic/philosophical agenda.

"If the American people knew what was going on" I wondered if revolution would happen and when.

COME THE REVOLUTION

Over the intervening years, having watched the evidence develop and unfold, it is now not a matter of "if" revolution will happen. It's only a matter of when. The time is fast approaching for people to take to the streets, actively seeking redress for getting their pockets picked and/or revenge against those they believe responsible for their misery.

We do not forecast a 1776-style revolution to spontaneously erupt. It will happen in stages, it will spread among the classes and be waged in many forms ... over the Internet, in town halls, on the ballot as well as at the barricades.

What will be the spark that ignites it? A final straw bailout? Another tax hike? Disappearing entitlements?

Or will it be the ultimate "let them eat cake" policy that pushes people past the breaking point?

Who will break first?

- The former middle class that lost their jobs, 401ks, IRAs, pensions ... and even their homes?
- Jobless, blue-collar, and paycheck-to-paycheck workers, their credit maxed out and heading toward homelessness?
- The young and restless with dead-end jobs or no jobs, who believe their future has been stolen and want revenge?
- The artists and intellectuals on one hand, the hardcore conservatives and impassioned patriots on the other, united in outrage at Big Brotherhood's control of the entire socioeconomic and political system?

One of the above? Some of the above? All of the above? Who will fire the shot heard around the world?

As the New Year begins, revolution is not part of the public discourse. Why should it be? "The Collapse of '09" and the "Greatest Depression," the steps leading up to revolution are denied, ignored or go unseen,

and are thus also absent from public discourse.

Are there any foreseeable mitigating factors? Can anyone or anything reverse these trends? Many people believe there is someone.

OBAMARAMA

The exhilarating election of Barack Obama as President is being widely marketed as ushering in a political New Age.

The Election night euphoria was a global media phenomenon. From Obama's acceptance speech to teary-eyed, cheering throngs in Chicago's Grant Park, to dancing in African streets, the eyes of the world were focused on this one political event.

Obama's victory was seen as an affirmation of the American Dream. It was compared in importance to the Emancipation Proclamation, and his election ranked alongside Abraham Lincoln and Franklin Roosevelt.

One of the American media's most frequently consulted historians, Doris Kearns Goodwin said of Obama's win, "I think it is going to be larger than we think in its impact."

In the following weeks, in editorial pages and in the media, hope turned increasingly bipartisan. While there was no shortage of criticism from the hardcore opposition, in the central arena anyone, including ourselves, daring to question the president-elect's motives or capacities was attacked for "not giving him a chance."

It was not a question of giving him a chance. Elected in part for his lofty campaign promises, Obama said he would "heal the nation and repair the world," fix the economy, defeat terrorism, withdraw from Iraq, and bring "change to Washington."

Since he announced his candidacy, we have documented Obama's frequent policy flip-flops on substantive issues (Iraq War, government eavesdropping, the Patriot Act, campaign financing, etc.).

Regarding his ability to reverse the negative economic trends and restore prosperity, we cite his admitted inability to improve economic conditions even on his hometown Chicago South Side turf. (See *Trends Journal*, Summer and Autumn issues, 2008.) With only failure in his economic track record, it is intel-

lectually credulous to imagine him capable of fixing an infinitely greater problem.

However, that Obama's promises should still be taken at face value by the general public is as understandable as it is sad.

It is understandable that people should grasp at straws when losing jobs, investments, IRAs, 401ks, having their homes foreclosed, facing foreclosure and drowning in debt.

It's sad that people would pin hopes on the Democratic party that shares responsibility with the Republicans for the economic calamity and so many of the nation's ills. And it's sad that people are so gullible as to believe Obama is a politician "in the party but not of the party."

Barack Obama's political mastery is undeniable and he is justifiably described as a "brilliant politician." But political success depends more upon sleight-of-hand and deception than integrity and a determination to honor declared principles.

Obama's post-election actions betray his words and prove the hollowness of his slogans, "Change We Can Believe In" and "Change We Need." Just days after elected, he began assembling an inner circle of advisors and cabinet members each with impeccable "No Change" credentials.

With few exceptions, they are Clinton-era refugees and DC insiders – old boy/old girl party members – the very same Washington cronies Obama promised to run out of town!

Demonstrating political mastery in action, his appointments were greeted with rare bipartisan applause and high praise across the broad media spectrum. Commenting on Obama's appointment of Hillary Clinton as Secretary of State and head of his national security team, conservative talk show host Rush Limbaugh called it "a brilliant stroke."

Current Secretary of State Condeleeza Rice said, "I think that she will bring enormous energy and intellect and skill to the position."

Obama retained Bush-appointed Robert Gates as Secretary of Defense and brought in "cold warrior" James L. Jones, former Marine General and NATO commander as his National Security Advisor. "The triumvirate of Gates, Clinton and Jones to lead Obama's national security team instills great confidence at