Redstone Advisors

Economic and Market Review

Third Quarter 2011

"We are ready to accept almost any explanation of the current crisis of our civilization except one: that the present state of the world may be the result of genuine error on our part and that the pursuit of some of our most cherished ideals has apparently produced results utterly different from those we expected."

Friedrich Hayek, Economist, 'The Road to Serfdom'

"The Treasury is empty." In his excellent book, 'A World in Debt', writer and political economist Freeman Tilden reminds us "*the economic history of most governments can be written in those four words."* And so it can be said of nearly all governments today. But why should this be so? From his book 'Democracy in America', Alexis de Tocqueville provides a clue by drawing out for us a key insight regarding human nature. Tocqueville noted that people are *"constantly excited by two conflicting passions: they want to be led, and they wish to remain free."* In their efforts to untangle this "Gordian-like" contradiction, they establish an all-powerful central government, but one that is *"elected by the people."* In so doing, we accept subjection so long as we are free to choose our own guardians – we ignore the knot rather than cut it. Unfortunately the tutelary power that we establish to watch over us and secure our gratifications becomes in time, *"absolute, minute and regular."* Tocqueville goes on to describe the unrelenting process by which the citizenry are neutered:

> *"After having thus successively taken each member of the community in its powerful grasp and fashioned him at will, the supreme power then extends its arm over the whole community. It covers the surface of society with a network of small complicated rules, minute and uniform, through which the most original minds and the most energetic characters cannot penetrate, to rise above the crowd. The will of man is not shattered, but softened, bent, and guided; men are seldom forced by it to act, but they are constantly restrained from acting. Such a power does not destroy, but it prevents existence; it does not tyrannize, but it enervates, extinguishes, and stupefies people, till each nation is reduced to nothing better than a flock of timid and industrious animals, of which the government is the shepherd."*

Owing to our near universal dependence upon that "supreme power", we find ourselves on the very brink of what Sir Mervyn King, Governor of the Bank of England recently referred to as "*the most serious financial crisis we've seen, at least since the 1930s, if not ever."* Conditioned by our response to prior "emergencies", today the answer to every problem is to be found in the ideology of interventionism and inflationism. With the uncritical acceptance of the doctrine of the omnipotent government, everyone, everywhere, longs for ***"the plan."*** That ever hoped for, yet ever elusive scheme that will eliminate uncertainty and secure permanent prosperity. Yet as we have asserted on numerous occasions over the past several years, the **solution remains the problem**. The recurring economic and financial crises that we have been experiencing are the inevitable consequences of political attempts at a planned economy and a managed money. Unfortunately the US is not alone in its pursuit of a policy of ***"pretend and extend"*** through the expedient use of the printing press. Instead the US is engaged in a global monetary ***"race to the bottom"***, a race which ironically can only be won by losing. Returning again to 'A World in Debt', Freeman Tilden tells the story of two great rival monarchs, Louis the XIV of France and England's William of Orange, who during the latter part of the seventeenth century, faced each other across the English Channel in another **mercantilistic competition** which would empty their respective treasuries in pursuit of *"national interests."* Finally, when both treasuries were nearly spent, Louis was reported to have remarked; ***"No matter; the last piece of gold will win."*** And win it did. But the *"last piece of gold"* that secured the victory was not, as Louis supposed, **bullion** in the royal treasury. Instead, not unlike today's mercantilistic competition, winning ultimately came down to a question of **whose credit was better**.

As always, the key to understanding today's game of global brinksmanship and deflation avoidance amidst *"the most serious crisis we've' seen,"* lies in the past. On October 6, 1917, a seemingly innocuous bill called the **Trading with the Enemy Act** was passed in order to deal with the **war emergency** stemming from the existence of a state of war between the United States and Germany (WWI). The original purpose of this act was to criminalize economic activity between American citizens and anyone declared an enemy of the US. However, one obscure passage of the Act gave the President the power to regulate and even prohibit *"any transactions in foreign exchange, export or earmarkings of gold or silver coin or bullion or currency … by any person within the United States."* From a monetary perspective, the import of the Act was anything but innocuous as it arrogated to Congress a ***"money power"*** not granted anywhere under the Constitution, and the subsequent delegation of that power to the President. The Act was later amended in 1918 to extend its provisions for two years beyond the cessation of hostilities and to include the *"hoarding of gold"* by any American. On November 11, 1918, WWI ended, and two years later the Act, like the ***"emergency"*** that gave rise to it, was presumed to have ended also, leaving Americans free with regard to their ownership of gold.

On March 4, 1933, a new President, Franklin D. Roosevelt, was inaugurated along with a ***"*****New Emergency."** And with the new emergency, Mr. Roosevelt brought a new way of dealing with it which he fittingly referred to as the **"New Deal"**. Reminiscent of Jimmy Stewart and the Bailey Building and Loan, banks across the US were struggling to keep from closing their doors and [cash] drawers on their depositors as people scrambled to withdraw their money from banks, preferably in gold. It was against this backdrop that on March 6, 1933, just two days after taking office, President Roosevelt issued a landmark **Proclamation** in which, while making a vague reference to a ***"national emergency"*** and the *presumed* long-since-expired **Trading with the Enemy Act**, he took the unprecedented, and constructively speaking, unconstitutional action of closing the nations privately owned banking institutions for a "banking holiday." Subsequent to this action, on March 9, 1933, the **Emergency Banking Act of 1933** was hastily signed into law within a matter of hours of its presentation to Congress with little to no debate. House Minority Leader Bertrand Snell (R-NY), while conceding it was *"entirely out of the ordinary"* to pass legislation that *"is not even in print at the time it is offered"*, nevertheless urged his colleagues to pass the bill with all due speed: *"The house is burning down, and the President of the United States says this is the way to put out the fire."*

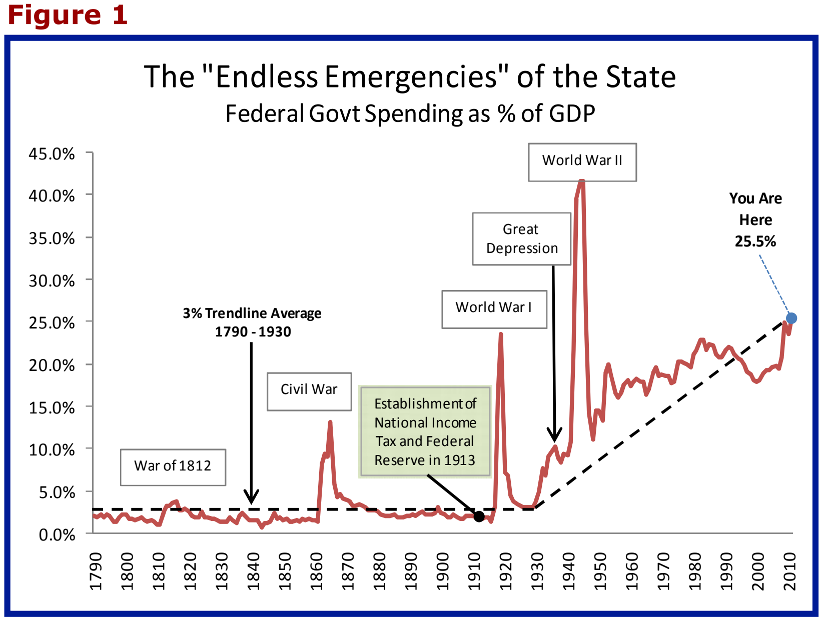
Lit the fire would have been more descriptive. Fundamentally the passage of the Emergency Banking Act accomplished three things. **First** it gave retroactive approval to the President's unconstitutional declaration of a banking holiday during the previous week. **Second** it amended the **Federal Reserve Act of 1913** to give the Secretary of the Treasury the power to **confiscate** all private holdings of gold coin, bullion or gold certificates if, in his judgment, *"such action is necessary to protect the currency system of the United States."* **Finally**, it resurrected the **Trading with the Enemy Act** and broadened its scope to include both *"additional wars"* as well as ***"additional enemies"*** as the basis for the use of the Act. As Thomas Woods wryly points out, *"little did anyone suspect in 1917 that these 'additional enemies' would turn out to be the American people themselves."*

Sure enough, one month later on April 5, 1933, President Roosevelt identified those *new enemies* of the US currency. Grounding his authority in both the Emergency Banking Act of 1933 as well as the amended Trading with the Enemy Act of 1917, he signed **Executive Order 6102**, commonly referred to as the **Gold Act of 1933** under which the government, in direct contravention of the Constitution, required that all privately held gold in the United States be confiscated by the government. As compensation for this unconscionable act of ***"theft"***, the owners were to receive paper money without recourse. The penalty for non-compliance? Ten years in jail and/or up to a $10,000 fine. Speaking nearly 150 years earlier, the great orator of the French Assembly, Mirabeau, correctly anticipated irredeemable paper money as ***"a loan to an armed man."***

Money, as we have often stated, is a medium of exchange. This is its only function. And the money relation, i.e., the relation between the demand for and the supply of money, uniquely determines the price structure as expressed by the exchange ratio between money and all vendible commodities and services. As such, it is absolutely critical that the money relation remains fixed and removed from political manipulation. Mimicking the North Star's role as a fixed reference point for terrestrial navigation, for thousands of years, almost all exchange has been made with gold as the fixed reference point. During that time, "denarii" or "pounds" or "dollars" or "euros" have simply served as what Marx called, ***"symbols of gold."*** By this he meant it was the responsibility of government to keep the paper symbols of gold in circulation equal to the amount of gold for which they would substitute. As long as this one task was achieved by government, the monetary standard, like the North Star, would remain constant, and accurate monetary calculation could take place. However if one intends to expand money and credit without restraint, then it is critical that there be no **"witnesses"** to the debasement, and gold, if left to the determination of the market, would, like the North Star, bear witness to the overproduction of money and the dangerous new compass heading of monetary policy. For you see a central tenet of the New Deal was a vigorous program to pursue unbridled interventionism by way of money and credit inflation. Since as every inflationist knew, if once the supply of credit could be expanded without limit, then prosperity and stability could be permanently secured and by extension, so could the expansion of the power of the state. Writing in the early part of the nineteenth century, the classical economist Frédéric Bastiat offers some insight into the phenomenal success of interventionism and inflationism; *"Governing is so pleasant a trade that everybody desires to engage in it."*

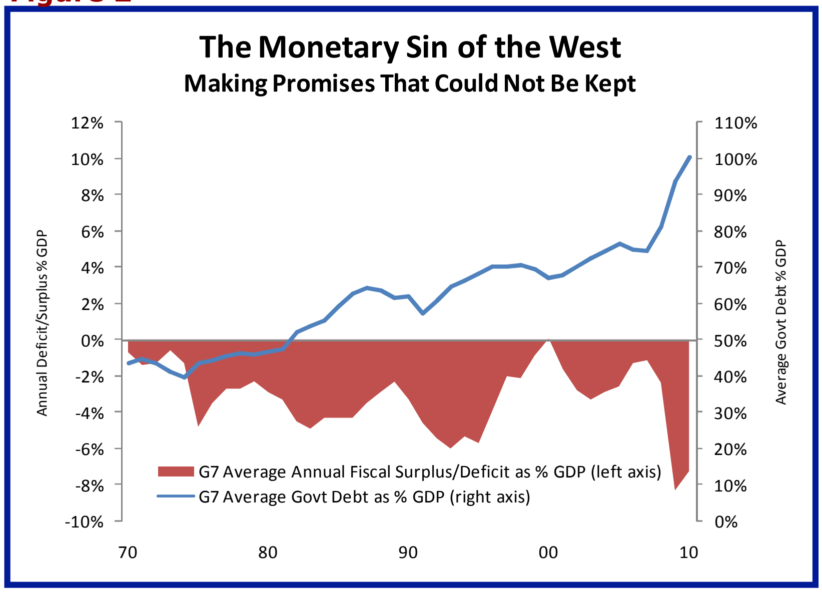
Armed with a new institution called the Federal Reserve, ready and willing to underwrite their efforts, the US was now ready to enter into a **new era** in economic planning and managed money. For the first time in its history, the US government would have the capacity to unilaterally purchase its own bonds in large amounts. Statists of all stripes were simply giddy pondering the possibilities. The guiding principles of the welfare state had been aptly laid down nearly 75 years earlier by Ferdinand Lassalle who had declared ***"the State is God and Santa Claus at the same time."*** Now at last the state had within its grasp that which the Constitution had heretofore expressly denied it – a money power consisting of nearly inexhaustible funds at its ready disposal which could be freely used to make all citizens prosperous and happy. (Of course happy citizens tend to be grateful voters.) In this way government could expand its spending, and its reach into the private sector on an unprecedented new scale without the necessity of troubling the taxpayer or burdening the democratic process. This new approach, forged during a time of "**national emergency"**, was so successful in circumventing constitutional restraint that soon the Keynesian philosophy of interventionism and inflationism was permanently adopted under the guise of combating **"endless emergencies"** by the stabilizers in the name of ***"stability and full employment."*** This is reflected in **Figure 1** where we can see that, excepting only periods of war, prior to the establishment of the Federal Reserve and a National Income Tax in 1913, federal government spending as a percentage of GDP averaged only **3 percent** for the country's first 140 years of existence. However, following the onset of the new era initiated by a **New Deal** and a new managed currency, federal government spending as a percentage of GDP has only increased, rocketing ever higher to its current level of over **25 percent of GDP**. Returning once again to Freeman Tilden, we read that King Louis XIV's Minister of Finances for nearly 20 years, Jean-Baptiste Colbert, was considered the ablest minister on the European continent. Yet while he lived he constantly warned the king against contracting loans. *"If it was impossible to raise the necessary money by taxation,"* he counseled, *"then cut expenses. But to borrow—that was to blind both the king and the people to the dangers of the situation."*

Figure 1



And blind it has. As a result of the expedient employment of what Colbert called ***"anesthetic money"***, the West in general and the US in particular have today, amassed a mountain of public debt driven by perpetual and ever expanding fiscal deficits to fund promises that ultimately cannot be kept. We have referred to this in the past as the **Monetary Sin of the West**, a description first coined by economist Jacques Rueff. This "national sin" is reflected in **Figure 2** where we can see that with the exception of two brief periods between 1995 and 2008, the annual fiscal deficits of the combined G7 nations have been in **structural decline** for over forty years. (The temporary improvement in the annual deficits during these two periods was due entirely to an increase in capital gains taxes from the monetary-induced stock bubbles, not a reduction in spending) By structural decline we mean that the deficits are the result of governments consistently spending more than they take in from taxes and as such, the deficit remains regardless of the economy's proximity to the business cycle. The flaw in perpetually paying for promises that cannot be kept by borrowing against posterity is the fact the politician's predecessors have done the same thing, the end result being a **massive stockpiling of debt**. This is amply borne out in **Figure 2** by the ever increasing ratio of government debt to GDP where we can see the current ratio for the G7 has risen markedly from **75 percent** in 2007 to over **100 percent** at the end of 2010. And bear in mind that the calculation of this ratio excludes the debt of Government Sponsored Entities and state and local municipalities. During the late 1980's, Mikhail Gorbachev was asked how – in one word – he would sum up the Soviet economy. *"Good"* he said. He was then asked how – in *two* words – he would sum up the Soviet economy. *"Not good"* came the reply this time. ***"Not good"*** is precisely the way we would choose to describe the current conflagration of global imbalances. And although the West is currently engaged in an all out effort to *"kick the can down the road"* through a colossal and coordinated expansion of credit, we are nevertheless reminded of the words of the Scottish poet Robert Louis Stevenson who once observed; ***"Sooner or later, everyone sets down to a banquet of consequences."***

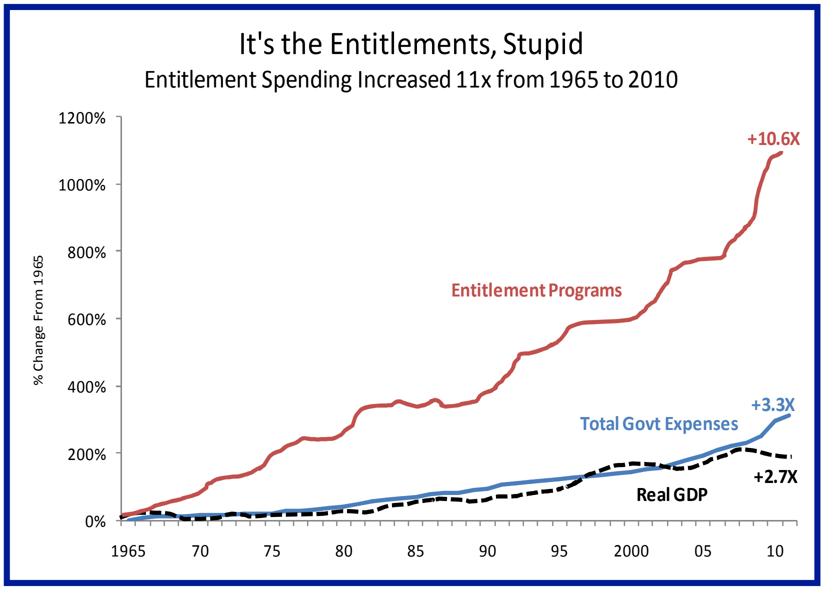
Figure 2



One of the potential consequences emanating from the accumulation of a massive public debt is the establishment of conditions favorable to the violent extinguishment of that debt. As we have repeatedly pointed out, the primary culprit when it comes to these structural deficits are the **"promises to pay"** called **entitlements**. We said in a previous Market Review, that since the New Deal, *"the US has consistently added new 'business lines', and despite the fact that recessions come and go, the claims stemming from these new entitlements have continue to increase. However, apart from Social Security and unemployment insurance which have **dedicated funding sources**, Congress, which has been quick to secure voter enthusiasm with government programs, has been criminally negligent in its responsibility to raise the requisite revenue to fund them."* Referring to **Figure 3** we can see that since 1965, total spending on entitlement programs in the US has increased nearly **11-fold** while total government expenses and real GDP have increased **3.3-fold** and **2.7-fold** respectively. For FY 2010, entitlement spending totaled just under **$2 trillion**, representing nearly **60 percent** of the $3.5 trillion in total government spending making entitlement spending the **"elephant in the living room".** Adding up the future value of these **"promises to pay"**, we arrive at a present value of these unfunded liabilities that has been conservatively estimated to be around **$45 trillion**. When added to the current level of outstanding US government debt, the total is nearly **$60 trillion**, a level equal to **4 times the value of GDP**.

According to American Professor E.R.A. Seligman, public debts are nothing but anticipated taxes. We would suggest instead that government borrowing is an anticipation, not of taxes, but of a levy on capital or better still, of a grand larceny, To the extent wealth is being mortgaged faster than it is being produced, public debt must, in time, result in a lower standard of living, either directly through increased taxation, or indirectly through inflation and currency devaluation. However governments should be aware of the moment when, in the words of Freeman Tilden, *"the bucket is once raised empty from the well"* as over the past year, we have begun to witness protests all over the world as governments have started to renege on their once sacred *promises to pay*. From the bloody revolutions of the Arab Spring, to rock throwing in Athens, from the burning of tires in France and the burning of BMWs in Berlin, to Occupy Wall Street, there is a growing sense that the worn out Keynesian prescription of ***pretend and extend*** via ever more credit expansion is insufficient for this emergency, revealing an *emperor without clothes*. Historian Simon Schama has poignantly described this tension: ***"You can't smell the sulfur in the air right now and not think we might be on the threshold of an age of rage. We are living in a tinderbox moment."***

Figure 3

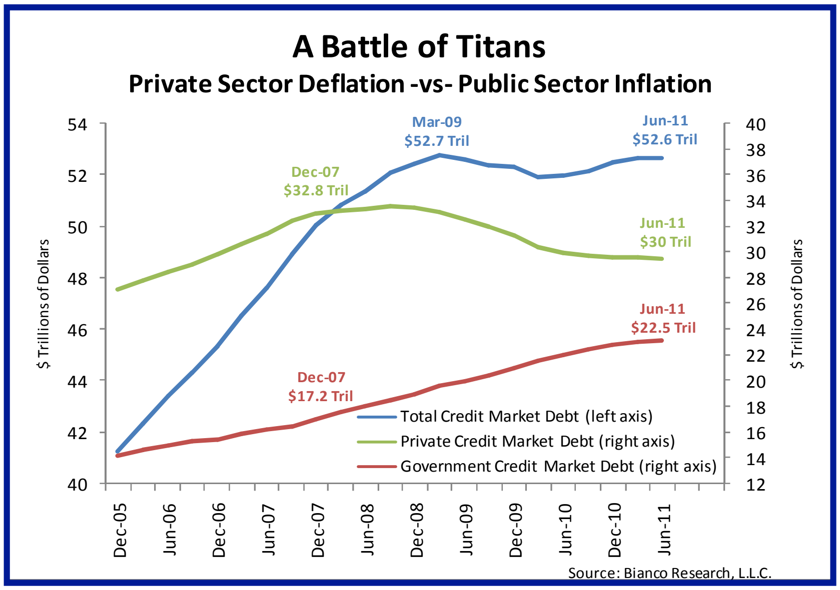


Practically all governments consider the two foremost goals of monetary policy to be first, to inflate their nation's money supply in order to be able to spend more than the amounts collected by taxation or borrowed from the public; and secondly, to bring about credit expansion in order to lower the rates of interest below the height they would attain on a free money market. However by perpetually borrowing against the future, a state is gambling there will be uninterrupted growth in the wealth that will make debt service possible. In the absence of such "uninterrupted growth", the state faces the prospect of a debilitating debt deflation and must therefore turn to other **non-conventional methods** including extended periods of **"zero interest rates"** and the devaluation of the currency and by extension, the servicing of the debt, through **"quantitative easing"** operations. James Grant remarked once that *"quantitative easing is a PHd approved euphemism that does not convey the essential meaning of the term. They say QE as if they do not mean to devalue the very currency over which they alone have monopolistic control. Money printing would be a step in the direction of intellectual hygiene."* It is precisely because the US has labored for the past 40-plus years to put in place such a massive overhang of debt that it remains firmly committed to a policy of postponement through inflationary money printing. And for those who wonder why Mr. Bernanke, a self-proclaimed expert in deflationary depressions, is operating from the Japanese playbook that has resulted in their lost decades, we humbly submit it is intentional and preferred to financial apocalypse. For as economist David Rosenberg adroitly pointed out several years ago, "***deflation is the fact, inflation is the fear."***

Deflation, as we have often stated, is the **'Achilles Heel'** of paper monetary systems. Since all debt is borrowed money, in order to write off a debt, it is necessary to destroy part of the money supply, thereby potentially triggering the downward deflationary death spiral that is currently gripping Japan and was so ably described by economist Irving Fisher during the 1930s. Whether the debt is structured as a bond issue or a bank loan doesn't matter. Because the bondholders exchanged money balances for those bonds when they acquired them, if the bond is extinguished, that money, and the wealth it has a claim upon, is lost. Actual and impending losses increase the demand for additional liquidity in this financial system. Here, only money will do.

What we have at present is a titanic battle between the central banks of the West and a deflationary collapse of the monetary system. Referring to **Figure 4**, we can see that private credit market debt in the US (green line) has been in a deflationary trend, declining by roughly $3 trillion to a current level of $30 trillion after peaking at $32.7 trillion in December of 2007. To counteract the deflationary impact of this decline in private sector credit in the economy, governments have pursued a massive **reflation campaign**. This is reflected by the **$5.3 trillion** increase in US government debt (Treasury, Agency and Municipal) between December of 2007 and June of 2011 (red line). As a result, total credit market debt (blue line) in the economy has not been permitted to decline and remains close to its peak level reached in December of 2007. As we have oft times repeated, the stabilizers are between the devil and the deep blue sea. They simply cannot control the economy if we fall into a deflation just as the Japanese have not been able to. This is the reason that we continue to insist that all efforts, whether *"fair or foul"*, will be pursued to avoid the deflationary abyss. This current predicament of the stabilizers puts us in mind of another event from history when retreat was also not an option. In August of 1942, as the German armies approached Stalingrad, the newly appointed commander of the Russian 62nd Army, Lt. General Vasily Chuikov, was ordered by his superiors to hold at Stalingrad and take ***"not one step back."*** With his back to the Volga River, General Chuikov issued the now famous proclamation to his soldiers: ***"For us, there is no land beyond the Volga."***

Figure 4



Today the battle line has been drawn. Deflation is not an option. Reflation is the policy. There will be *not one step back*. However fissures are beginning to show in the sovereign equivalent of a "Maginot Line." Markets are suggesting that governments have overextended themselves through their preferred policy of releveraging. This vote of no confidence is showing up in the form of a US government debt downgrade, a sovereign debt crisis in Europe and in the form of violent protests against forced austerity in locations where the printing press is running out of ink. However in their efforts to continue to forestall a deflationary accident, governments have come to increasingly rely upon central banks over private investors to purchase their sovereign debt. This practice has been exacerbated in the past four years by the emergency quantitative easing operations of central banks around the world. As a result of the massive level of purchases of sovereign debt by central banks, today foreign central banks (FCBs) own more than $5 trillion in US Treasury debt, or nearly one-half of the $10 trillion of marketable debt outstanding. Former Reagan administration OMB Director David Stockman refers to this system as a ***"chain of monetary roach motels – the bonds go in: but they never come out."*** For this reason the impact of the massive debt issuance of the past four years has not been fully reflected in the real economy. As a result, the market for government securities has become, by and large, artificial. The price risks normally borne by participants in the market have been effectively eliminated and market signals regarding excess indebtedness are short circuited. As a result there has been no real political pressure to address entitlements and reign in spending. The sanguine attitude engendered by the regular attendance of FCB's at our Treasury auctions has mitigated the urgency to act. Returning once more to Tilden, we read of Colbert's warning to his predecessor regarding this anaesthetic-like effect of perpetual borrowing on national resolve. *"You are triumphant!"* sneered Colbert, speaking to Louvois. *"You think you have done nobly! Don't you suppose I knew as well as you that the king could get money by borrowing? I advised him against it. Well, you have started the credit game! Wait and see. The king will increase his extravagance. You will have to raise taxes to pay the interest. If the loans have no limit, neither will the taxes."*

Our susceptibility to this delusion is due in part, to its longevity. As Freeman Tilden observed; *"Government debt creates, then, exactly that sort of shadowy corridor where there is neither solvency nor bankruptcy; where the enmeshing of the taxpayer proceeds so slowly that he does not realize it; where the approaching woes of the creditor are hidden from him by operations of apparent safety; and where capital is slowly whittled away on the pretense that the money will return from the labors of a certain prosperity."* Nevertheless, notwithstanding the recent braying by former Fed Chairman Greenspan that *"there is zero probability of default"* because *"the United States can pay any debt it has because we can always print money,"* sooner or later, all public debt must appear in the form of a call against capital. And if the stock of capital be found wanting, the debt will be repudiated, either directly through insolvency, or indirectly by way of devaluation. (This is the reason the stabilizers are committed to preventing stock prices from falling) It is at that point that we as a nation must make a decision as to where we will stand in this emergency. With respect to a **point of no return** for the level of US sovereign debt, as we have stated previously, this will not be predominantly quantitative issue. Societal attitudes are at least as important as some theoretical quantitative ***"tipping point"***, such as that presumed by the Congressional Budget Office data presented in **Figure 5**. However, with respect to society's attitude toward ever-increasing debt levels and more importantly, the **promises to pay** that they represent, it may more properly be asked whether or not we have already passed a ***"political"* point of no return** where there is no longer any political will to make the difficult choices required. Specifically the voluntary acceptance of short-term hardships coupled with a recalibration of living standards in an effort to secure a better future through the preservation of some semblance of liberty and self-determination. While this question also defies mathematical quantification, surely the picture conveyed by **Figure 6** provides some insight as to just how difficult it will be for us as a nation to unravel Tocquevilli's **"Gordian Knot"** and set aside the contradictory ideal to be both safe and free at the same time. Returning again to Tilden, we are reminded that there is nothing that the public likes better than to see money spent freely by its government, because everyone hopes to get a share of the disbursement. *"When I saw everybody holding out hands,"* said a prince in France in the time of Louis XVI, *"I held out my hat."*

Figure 5

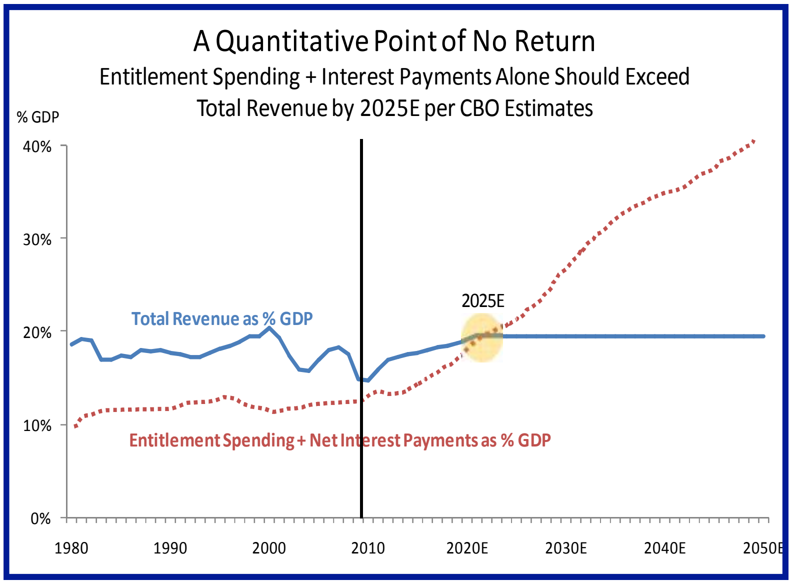
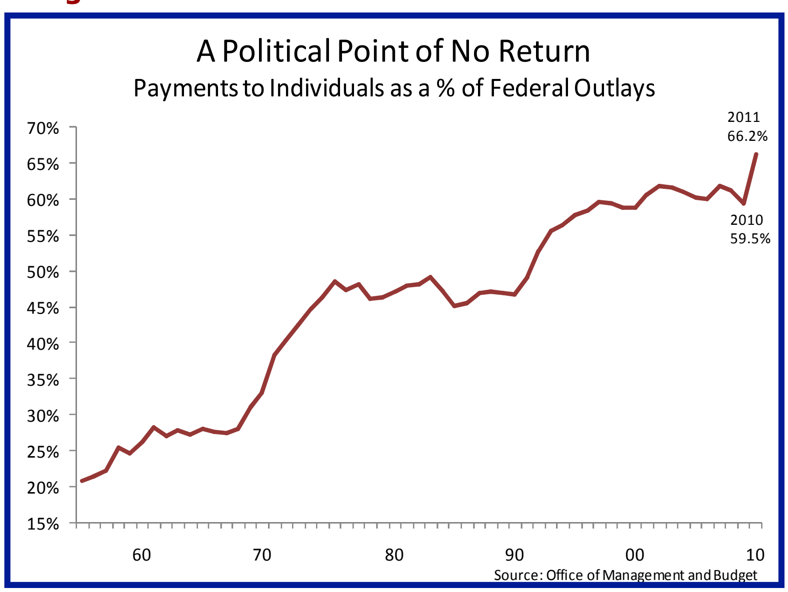


Figure 6



Notwithstanding the recent downgrade by Standard & Poor's, when it comes to the question of whose sovereign credit is preferred, the IOU's of the US Treasury continue to be hands down, the people's choice the world over. However, that the debt of the US Treasury remains the **safest port in a storm** despite four years of unprecedented financial crisis and a correspondingly unparalleled monetary intervention which has saddled America's public balance sheet with massive debt burdens and sharply higher funding requirements, is, in our opinion, an acknowledgement of the fact that the US is simply ***the best looking horse at the glue factory***. That which separates the credit quality of US Treasury debt from all other sovereign debt is ultimately our privileged status as the purveyor of the global reserve currency. This unique ability of the US government to borrow from foreign central banks rather than from its own citizens is without precedent and its presumed continuation *ad infinitum* solidly underscores the legend of the unsinkable **Molly Brown-like U.S. dollar**. To be sure, foreign central banks do not hold our debt because they are over fond of us, they hold our debt because heretofore, it has been the safest and most liquid asset in the world. Likewise when questioned about the reliability of his stated plan of succession, King Henry II was reported to have said ***"There is no sense in asking if the air is fit to breathe when that is all there is."***

By contrast, emerging-market countries have only a precarious hold on wealth, and are weaklings globally. They suffer from what Professor Barry Eichegreen refers to as **"original sin"**, or the inability to borrow abroad in one's own domestic currency. When they get into trouble, they quite literally run out of money. As such when emergencies arise, they are forced to make difficult decisions, without which they could not hope to survive. The US however, being the world's most powerful nation, and blessed with the exorbitant privilege of paying its foreign debts in its own currency, which it can print, can stumble along for an *extended period of time*, just as Japan has done for decades, without ever having to summon the courage to do what needs to be done.

America has been diminished, but it has not yet been dethroned. As victory was secured by King Louis, so may it also be for us – by **keeping our credit as good as gold**, and by so doing, eluding that fateful pronouncement, ***"the Treasury is empty."*** Not a victory over other nations, but a victory over what Hayek referred to in our opening quote as ***wrong ideals***, ideals, which having been outlined *ad nauseum* in this review, are leading us to pursue actions which are producing results contrary to those required. As we have stated on many occasions, any victory will depend more upon the **political process** than upon **policy choices**. Unfortunately as we have suggested in this review, those wrong ideals have a long history and are deeply ingrained into our political process. In a very real sense, all politicians may be said to buy the votes that elect them to office. They do so by making promises and by appealing to the self-interests of the voter. With virtually unlimited money in hand, the politician can secure his position by benefiting dependents, by steering contracts, and by pretending to stimulate employment. To interrupt this "virtuous cycle" will require restraint by both the **givers** and the **takers**. Our greatest risk lies in our high degree of **complacency**, and its corollary, our satisfaction with the status quo, due in part, to our well-earned position of privilege. That way lies only the slow, inexorable decline into mediocrity that has attended all nations and empires that have pursued the chimera of state guaranteed stability and security. The actions of recent months around the world remind us that time may be running short. In fact the exigency of the situation was recently summed up by the cynical comments of a young 27-year old Spanish protester in Madrid who was quoted as saying; ***"The biggest crisis is a crisis of legitimacy. We don't think they* [government] *are doing anything for us. We're the first generation to say that voting is worthless."*** We close as we began, with an excerpt from Freeman Tilden's book 'A World in Debt'. *"When the astrologers of France were every year foretelling the death of Henry IV, that monarch drily remarked: "These fellows will sooner or later be right about it." As to the date when any given posterity will decide to abolish any given obligations no one can ever say. But we may safely take out stand with King Henry."*