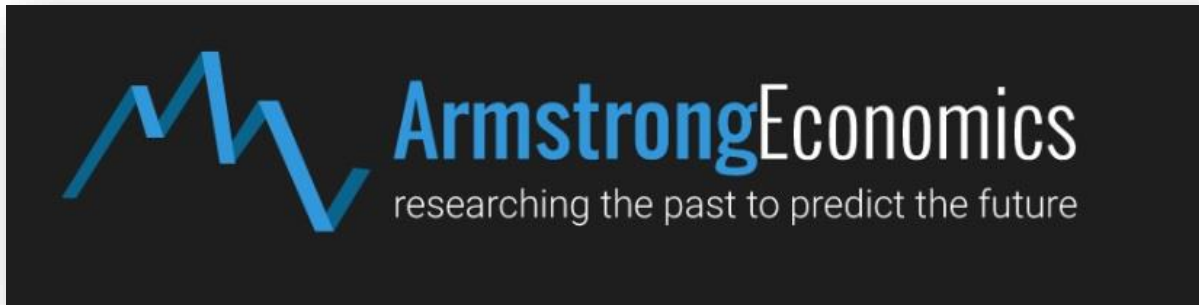


The Future Economy



Bank of England Warns Longest Recession
in 100 years is upon us

*By Martin Armstrong
November 2022*



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The Overview

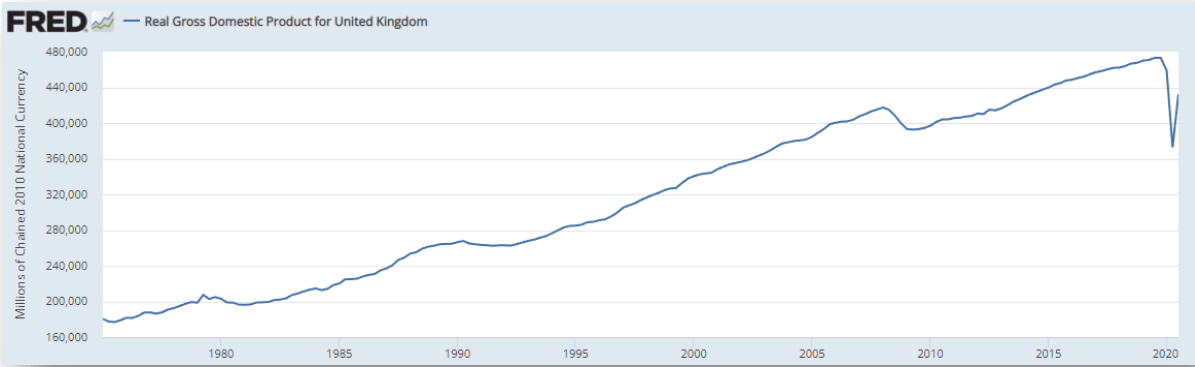


The Bank of England (BoE) has come out and warned that the United Kingdom is most likely going to be plunged into the longest recession in 100 years of history. Still, they raised the cost of borrowing to 3% in the biggest single interest rate rise since 1989.

According to the BoE, the UK economy faces a “very challenging outlook”, with a recession that began this summer now expected to last until the middle of 2024. There is little doubt that the days of economic growth are now history. A number of Brits have written in to comment that the BoE must be reading our forecasts. I’m sure, that most central banks do. At the very least, we have been like the canary in the coal mine just checking to see if we have changed our forecast.



The Overview



The sharp decline in the UK GDP has indeed been the steepest in modern history. This has sparked the commentary from the BoE that this will be the longest recession in 100 years of history.

The UK faces a major general election in 2024 and the Conservatives will not be able to remain in government since whoever is in power is typically blamed and thrown out of office with the bath water. Even the BoE expects unemployment to rise from 3.5% to 6.5%.

While the BoE tried to downplay interest rate hikes for mortgage holders beyond the near-term above 5%, arguing that the prospect of a two-year recession meant it was likely to take a much less aggressive stance in further raising interest rates. Yet, the Governor of the BoE Andrew Bailey said:

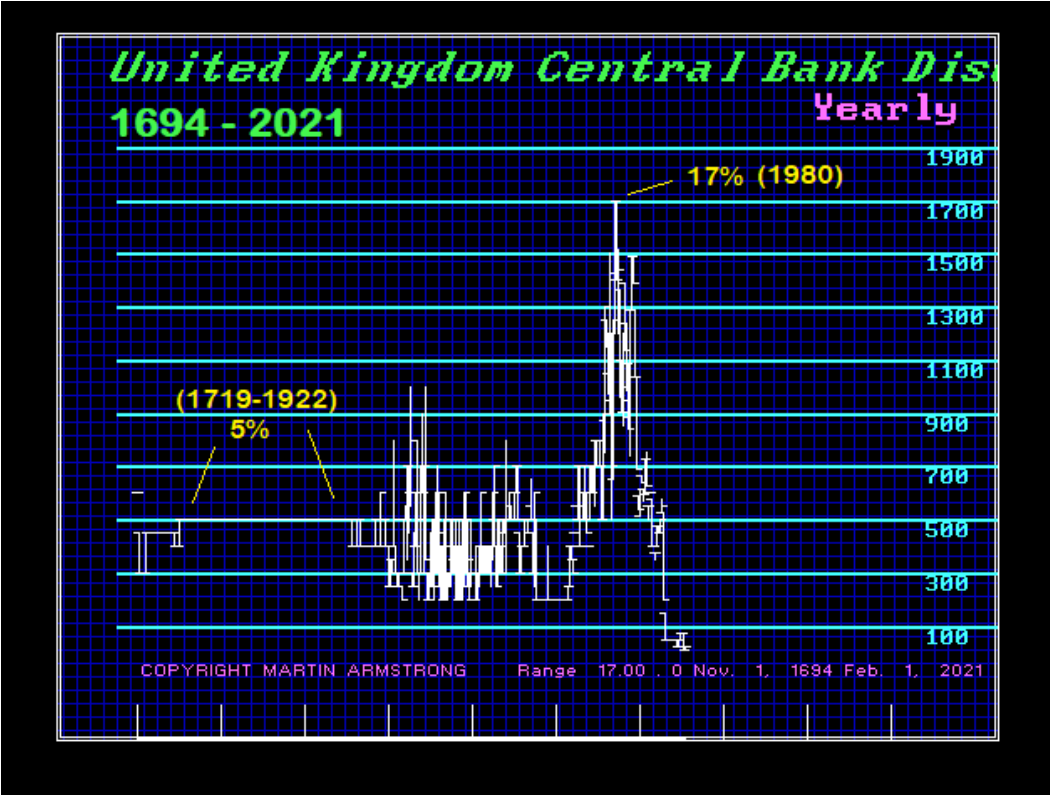
"We can't make promises about future interest rates, but based on where we stand today, we think the bank rate will have to go up by less than currently priced in financial markets."

Bailey implied that interest rates probably won't go much higher acknowledging that higher borrowing costs were already affecting households and property values. However, about 6.3 million UK mortgages (three-quarters of the total) are fixed-rate home loans. These borrowers are insulated from rates hikes. The average mortgage term in the UK is 25 years and there are a few lenders who would offer any longer than that.



Andrew John Bailey
(born 1959)
Governor of the Bank of England since March 16, 2020

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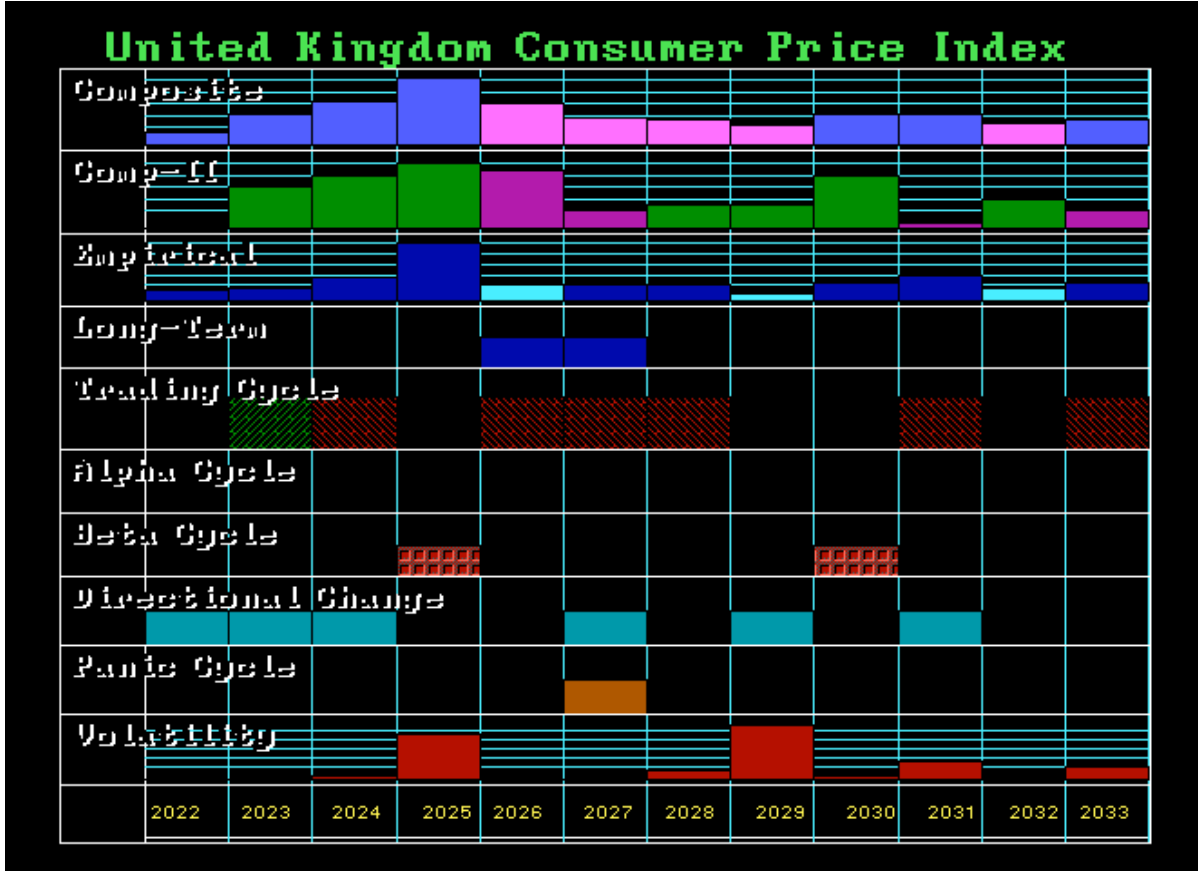


Since the beginning of October 2022, the average 5-year fixed mortgage rate has touched 6.02%, the highest rate since February 2010. The average 2-year fixed rate has also crossed the 6% mark and is now 6.11%. This rate is the highest over the past 14 years. The total worth of secured mortgages in July 2022 was £1.6 trillion. Therefore, the average mortgage amount held per household was £57,797.

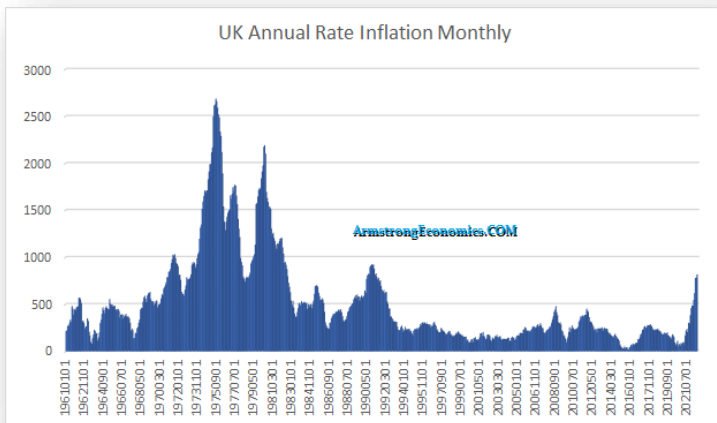
By the end of September 2022, the residential mortgage market saw 935 products withdrawn. This is 31.9% of the 2,931 mortgage deals available on average. House prices rose by an average of 9.9% in the last 12 months from September 2021 to 2022. In August 2022, mortgage approvals for house purchases increased sharply to 74,300. In Q1, 2022, the house-price-to-earnings ratio was highest in London at 9.7 and lowest in the North East with a ratio of 4.6.

This has implied that despite hard times, people were still opting to put assets ahead of cash. As the uncertainty looms on the horizon thanks to this proxy war against Russia, the economic outlook for Europe remains dark and indeed the worst recession in modern history since the Great Depression if not even surpassing that economic devastation.

The Overview



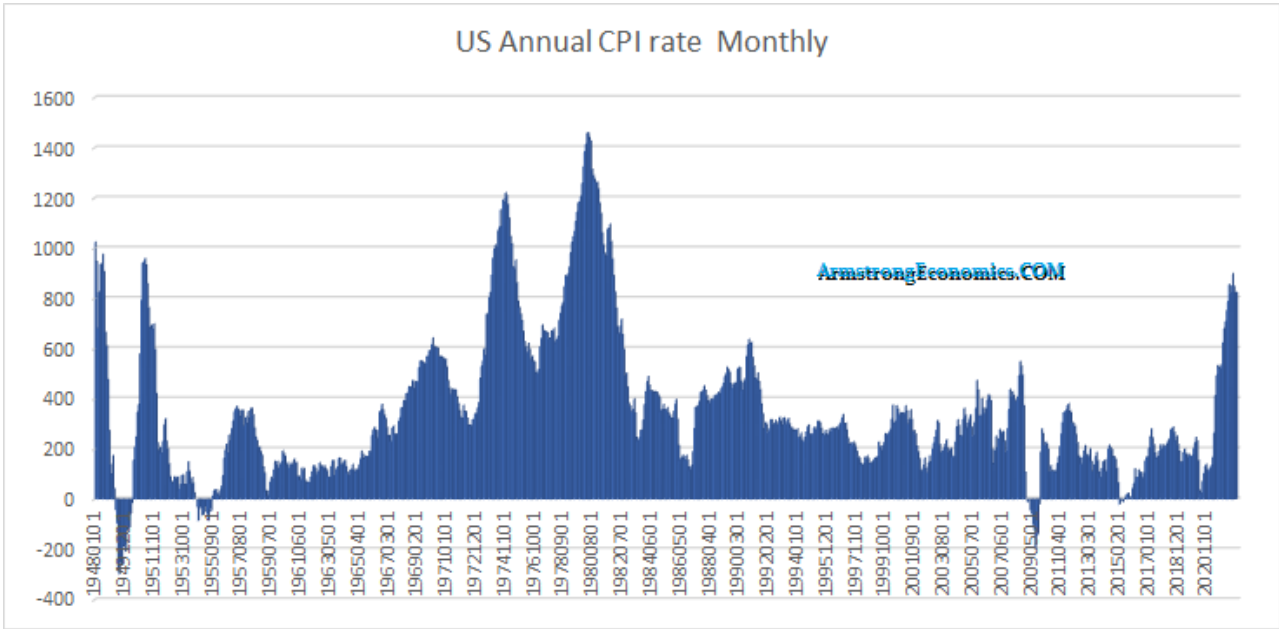
While Bailey said that he expected inflation to fall to zero by 2025, and most bank analysts are forecasting only one more rate rise, to 3.5% with unrealistic expectations for inflation, we can see that the trend has clearly changed. We can easily see that the next major turning point will be 2025.



If Bailey is referring to our timing array, it does not suggest that this rally in 2022 is a singleton.

To the contrary, closing for the year at this current level will elect 3 Yearly Bullish Reversals and exceeding the 6% level would imply a rally to 7.5–8% by 2025. Every market and indicator points to 2027 as probably World War III.

The Overview



Bank of England raises interest rates to 3% in largest single move for 30 years, the United States federal Reserve raised its rate to 3.75%. The Federal Reserve also warned that rates will have to go even higher to bring stubbornly high inflation under control. We can see here the sharp rise in inflation that has unfolded thanks to the disruption in the supply chain with COVID lockdowns, then add this proxy war to destroy Russia for Climate Change, and it is no wonder that the Fed is deeply concerned about rising inflation.

The central bank raised its benchmark interest rate by 3/4 of a percentage point. The rate, which was near zero in March, has jumped 3.75 percentage points in the last eight months. That's the most aggressive string of rate hikes in decades, but so far, it's done little to curb inflation. This is the ONLY tool central banks even have. Therein lies the crisis. Government is the biggest borrower today and as such, raising rates to fight inflation no longer works because government is the biggest spender – not the private sector any more.



The Collapse of Keynesian Economics



John Maynard Keynes (1883-1946)

The old saying, the more things change, the more they remain the same no longer applies in economic. John Maynard Key (1883-1946) when he came up with his theory of economics being a mathematician lacking a degree in economics, the world at first rejected him as the economists said the idea would lead to inflation. Nevertheless, the politicians embrace Keynes because he advocated that they held the power to manipulate society with interest rates.

The entire problem with Keynesian economics was not really Keynes' fault. He states that to stimulate the economy during recession/depression, the government could enter deficit spending to compensate for the decline in the demand of the consumer. Yet he also advocated lowering income taxes. They politicians lived the idea of deficit spending, but they rejected the idea of lowering taxes. They took only what benefited themselves.

The other problem was that during the 1930s, the criticism of president Herbert Hoover was maintaining a balanced budget which he assumed would maintain confidence in a world of sovereign defaults. Therefore, Keynes was only advocating a temporary deficit, not perpetual year after year.

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Consequently, in all fairness to Keynes, he never advocated the economic abortion of fiscal management. Today, central banks are incapable of dealing with this economic crisis for the biggest spender and borrower is government. Raising rates to reduce inflation no longer works because politicians will not reduce spending because of higher rates. They are spending more and then point their finger at the central bank and say it's their fault.

Now Modern Monetary Theory (MMT) is rising, which assumes we can just expand the money supply indefinitely without causing inflation because QE proved there will be no inflation even after 10 years of lower interest rates and central banks buying the debt. These proponents are ignoring the clash between fiscal policy carried out by government enforcing taxes (deflationary) and monetary policy in the hands of the central banks who are expanding the money supply (inflationary).

Interest Rates & their Failure as a Monetary Tool



John Maynard Keynes criticized the QTM in *The General Theory of Employment, Interest and Money*. Keynes had originally been a proponent of the QTM, but he presented an alternative in the *General Theory*. Keynes argued that the price level was not strictly determined by the money supply. Changes in the money supply could have effects on real variables like output.

It was Keynes who viewed the Great Depression as a contraction in demand. His solution was to manipulate interest rates in order to “stimulate” demand. Again, this has proven false as well since the European Central Bank (ECB) even took interest rates negative back in 2014. People simply bought safes and moved their money out of banks. They will not spend until they believe in the future. You cannot “stimulate” demand even at 0.1% interest rates if the people do not believe they

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will make 0.2%. The inflation that has unfolded is purely due to shortages in goods – not reckless demand.

Supply-Side Economic theory is aimed at increasing the supply of goods and



services available to consumers by keeping corporate taxes down. The theory alleges that this will create jobs and entice businesses to spend on research and development, thereby creating new innovations. Apple's i-series products are an example of creating demand by producing an innovative supply of

new goods and services. Some argue that this presents a greater danger because tax cuts will reduce government revenue by creating higher deficits that will weigh heavily on the future economy. But this is only enhancing because government continually borrows with no intention of paying off the debt they create.

Conversely, Demand-Side Economic theory is all about increasing consumer demand. This has been referred to as Keynesian economics. The idea here is that the quickest way to spur demand is to increase the relative wealth of the people who want to make purchases. This theory is mostly espoused by liberal Democrats who want to redistribute wealth by taking extra income taxes from corporations and the rich in order to redistribute it to the middle class and poor. This mainly becomes socialism under the name of Demand-Side Economics.

The economic view regarding Demand-Side Economic theory maintains that the economy can increase in two primary ways. First, it will create jobs and raise minimum wages. Tax rebates and cuts are another way to increase discretionary funds to drive consumer spending. Of course, government hates cutting taxes. They do regard the danger of producing inflation through too much consumer demand.

What Keynes ignored was the mere fact that at times there can be a shortage, let's say of wheat due to weather, which will result in prices rising irrespective of a change in the supply of money. The 1970s produced stagflation because the costs were forcibly raised by the OPEC oil embargo whereby prices rose but there was no economic growth. Keynes never quite took this potential into consideration, which we can call Cost-Push Inflation rather than pure demand.

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Just about everyone from the CEO of JP Morgan Jamie Dimon to Larry Summers are all calling for a recession ahead based entirely upon interest rates. Dimon said that the economy faces “serious” headwinds where by the middle of next year, we will see a global recession.

Dimon told CNBC in an interview:

“These are very, very serious things which I think are likely to push the US and the world — I mean, Europe is already in recession — and they’re likely to put the US in some kind of recession six to nine months from now,”

There is little doubt that they are all looking at rising interest rates and then assume that there will be a recession all because that is the pattern they have seen before. However, there is a significant difference and this is not even remotely being factored in – war.

The United States has been taken over by elitist cabal who’s motives and goals are so irrational it is hard to even fathom its origin other than hatred and stupidity. They are deliberately pushing for war with Russia driven by false narratives no different than the weapons of mass destruction yet they have used wokeness to divide the people precisely using the same strategy as Adolf Hitler turning one group against another. In addition, Russia is now cast as a right-wing religious fanatic state against abortion and LGBT. That is not acceptable and justifies war to eliminate Russia blocking this Woke agenda.

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These extreme Democrats have been racializing every possible issue and turned critical race theory to be taught that invokes anti-white racism, while rejecting any religious foundation in addition to our divine freedom of speech and movement. They have used abortion to demonize people of faith & spirituality as is taking place with Russia. Then demonize the police demanding they be defunded while protecting violent criminals who loot stores and kill others driving local communities into dangerous enclaves.

The image is a screenshot of a Breitbart news article. At the top, the Breitbart logo is displayed. Below it, a navigation bar lists trending topics: BIDENFLATION, 'MY SON HUNTER' MOVIE, MIDTERMS, RUSSIA NUKE FEARS, WIDE OPEN BORDER, and MASTERS OF THE UNIVERSE. The main headline reads "WASHINGTON, DC, DEMOCRATS APPROVE PLAN ALLOWING ILLEGAL ALIENS TO VOTE". Below the headline are social media sharing buttons for Facebook (3,274), Email, Parler, and Twitter. The main image shows a group of people, some wearing blue shirts, standing next to a white ballot box with an American flag and the word "VOTE" on it. A red box highlights a group of people in the background. To the right of the main image is a "SOCIAL" section with icons for Facebook, Twitter, Instagram, and YouTube, and a link to "BREITBART STORE >>". Below that is a "MOST POPULAR" section with three article teasers: "Ex-CNN Chief Jeff Zucker Defends Ignoring Hunter Biden Story" (3,802 comments), "Joe Biden to Young Girl: 'No Serious Guys Until You're 30'" (3,550 comments), and "VA Parents Could Face Felony Charges for Not 'Affirming' Child's Gender" (3,776 comments). At the bottom of the main image, there is a credit line: "Michael M. Santiago/Nathan Posner/Anadolu Agency via Getty Images".

On top off all of this, they embrace George Soros's open borders and then want illegal aliens to vote against taxpaying citizens. They have even transformed the country into a banana republic that weaponizes the law to imprison political opponents. They have distorted national security into courting World War III to destroy Russia all for Climate Change because 50% of its GDP is energy production.

The United States will not fall by the hand of an external enemy. It will fall as did Rome – from internal corruption. The United States government is no longer by, and for the people. It has been conquered from within and from the long-term perspective, the United States will never survive beyond 2032.

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In our primeval state, many fled here for religious freedom. In Philadelphia, there were Protestant, Catholic, and Jewish places of worship all in the same city, which was rare in those days. We were delineated freedom in all its incarnations. We established our temple of freedom, dignity, and honor, crowned with the light that shined bright as hope for the world. The temple is overthrown, the light has gone out, and the treasury has been pillaged. The wheel of Fortune has accomplished her revolution, and the sacred principles no longer exist.

The hill of the Capitol, has been stolen and most do not even know how or where this enemy has arisen from. The greatness of the United States, which was formerly the savior of the world through two wars, is no longer the citadel of freedom on this earth. Our nuclear power was once the terror of nations, yet today it is flaunted obliterating the dreams of so many triumphs. The tributes of so many nations now look upon America as a dangerous irrational power courting war.

This spectacle of liberty that once shined so bright for the entire world, has now fallen! Its dreams have changed and its ideals no longer provide comfort to the world. The invasion of Iraq even changed the respect for the United States among the ant-government Russians as they saw America as also compromised. The path of liberty has been obliterated by restrictions, digital IDs, and demands for health passports to restore our freedom of travel.



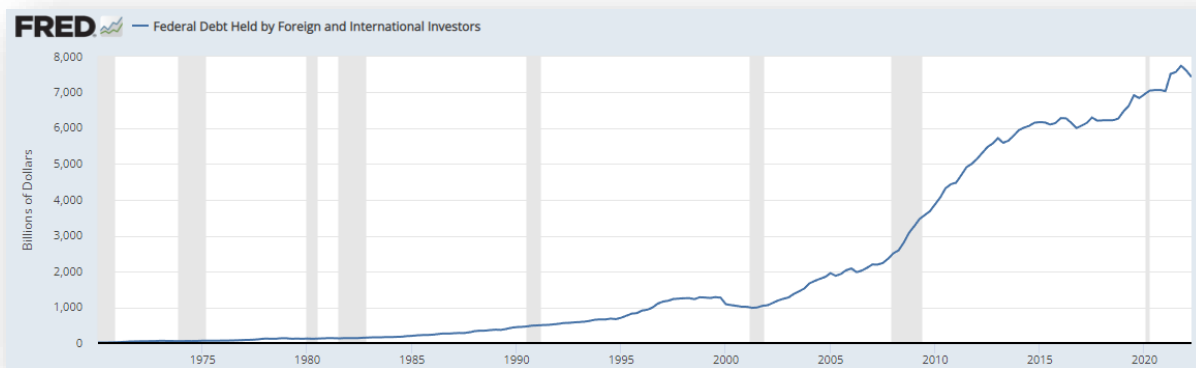
The seats of the senators and representatives are concealed by discord divided by party politics and while you may think you vote for a candidate who promises something, when they get to Washington, they are instructed to vote only party line. It no longer matters what any candidate promises. They are merely pawns of the party.

Our fate is no different from that of the forum of the Roman people. They once assembled to enact their laws and elect their politicians. The Roman Forum now lies in ruin. The grand public edifices constructed of enduring marble they assumed would last and eternity, now lie broken upon the ground the symbol of no political

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state has ever endured the ravages of time and circumstance. All that remains today are the stupendous relics of the past that serve to remind us of the wheel of fortune. Yet today, once again, we assume what we too have established will last an eternity. We will not survive the injuries of time and fortune any more than all the civilization that have gone before us.

While the US economy is doing well at the moment, we have risen to the pinnacle of empires only as the old world committed economic suicide. Today, the \$23.7 trillion US Treasuries market is in retreat. Once upon a time, Japanese pensions and life insurers to foreign governments and US commercial banks, were clamoring to jump the line to buy US government debt.



Now China has been selling off US debt because of the rising geopolitical tension. With war on the horizon, China will continue to sell off US debt and nor for the first time they are now holding under \$1 trillion — the lowest level in 12 years. Foreign holdings of US debt have peaked for the first time thanks to the rhetoric of the Biden Administration.

We the Federal Reserve also selling off its holdings of US debt, the idea that someone else will step up to but all the debt coming to the market is wishful thinking. Rates must rise not just because of the Fed raising rates and inflation, but there has been a reduction in demand of government debt. That is the critical factor.

With the fastest rising inflation in decades due to shortages, the ability of officials to loosen policy in the near term has diminished. The Fed and China represent the largest loss of demand. The central bank more than doubled its debt portfolio in the two years through early 2022, to in excess of \$8 trillion. The sum, which includes

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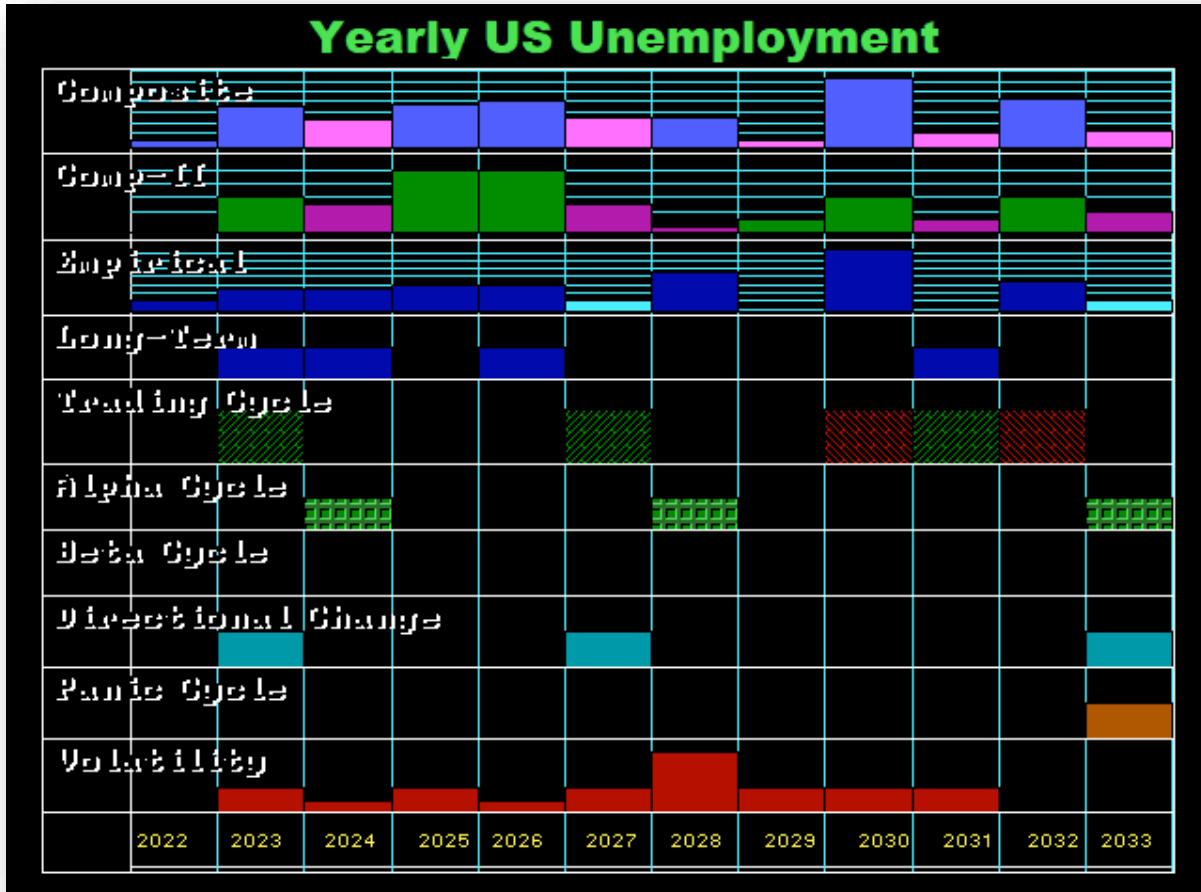
mortgage-backed securities. This is falling rapidly and should be well below \$6 trillion by 2024 based on Fed estimates show.

While most would agree that lessening the central bank's market-distorting influence is healthy in the long run, it nonetheless is a stark reversal for investors who have grown accustomed to the Fed's outsized presence.

Since the year 2000, there has always been a big central bank on the margin buying a lot of Treasuries. The idea that the private sector will step in instead of the public sector, is just not likely. Add to this the Biden Administration's push for war and endless pouring of money into a bottomless pit named Ukraine, and the future does not look very bright.

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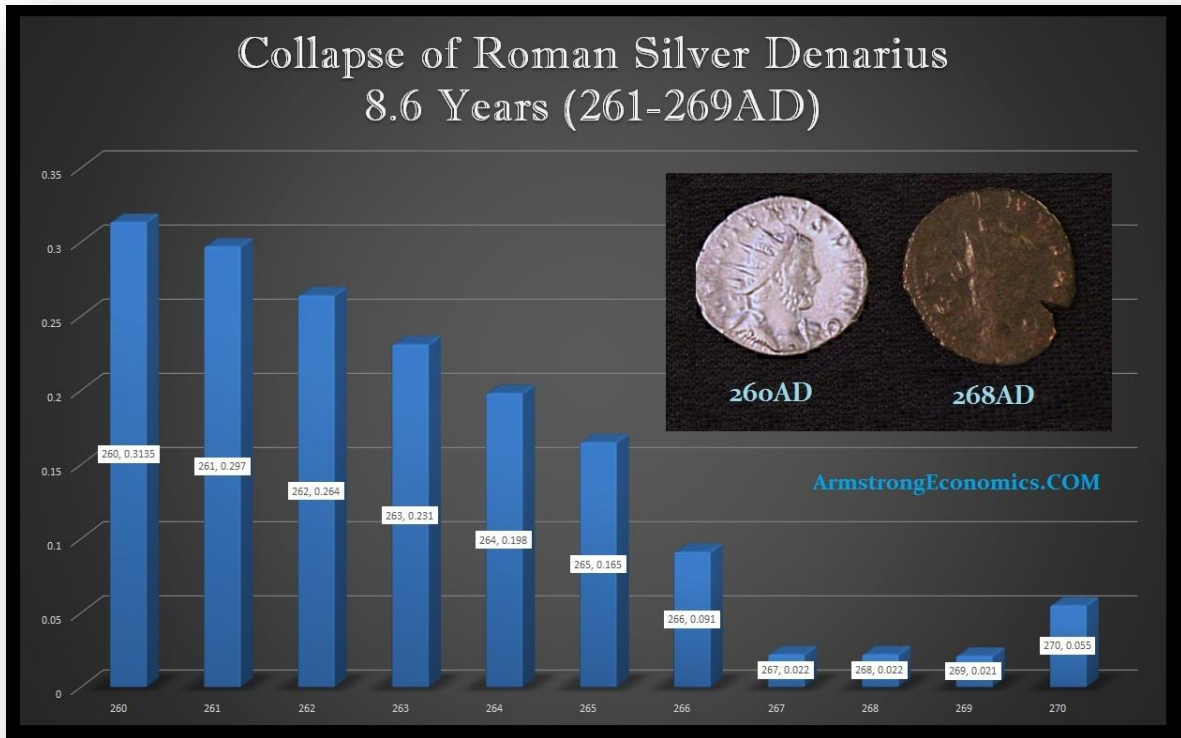
Unemployment



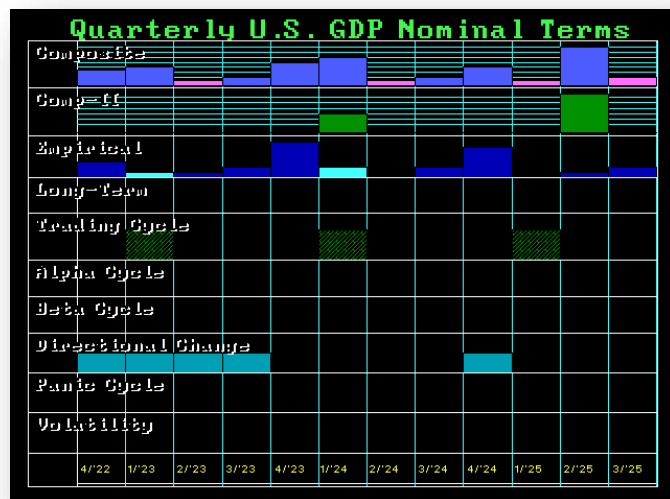
While there has been a shortage of labor post-COVID, that appears to be shifting in 2023. The chaos we see in civil unrest with rising inflation and interest rates, the idea that the economy will continue to expand is unlikely. The midterms were chaotic and the Democrats will take their hold on power as an endorsement of their extreme policies. There is even talk that anyone who criticizes Wokeness should be charged with hate speech. Germany is already doing that with people who dare to criticize COVID vaccines.

The timing on the collapse of the US economy will indeed follow the 8.6-year frequency. That will be 2028 where we have a lot of Panic Cycles and here in unemployment you can see 2028 is the peak.

Unemployment



Indeed, it took just 8.6 years for the Roman Monetary System to collapse once Valerian I (253–260AD) was captured by the Persians. We are looking at the same cycle impacting the United States and we should expect the capitulation by 2028. We expect Unemployment to be a critical statistic in 2023. You can see there is a string of Directional Changes into the 3rd quarter of 2023.



Conclusion



Unfortunately, all good things come to an end. We are looking at the Decline and Fall of the United States that it appears we are going to see a major political crisis by 2028. The US will not be extinguished at that point in time. There will appear separatist movements that will probably last into 2030. There will be most likely an attempt to restore what once was between 20230 into 2032.

We are most likely facing an attempt to restore order about 2046. The final division of the United States will probably take place 2065–2067. For now, this recession will expand for we are looking at the collapse in public confidence, the collapse in sovereign debt, the decline and fall of world monetary system. This may unfold by 2028.