

The Death of Wealth

by Clem Chambers

SAMPLE:

PROLOGUE TO THE DEATH OF WEALTH

Throughout 2012 I published articles about the state of the financial markets and the world's economies. Now the year has ended and we venture through 2013, we can look back at the tumultuous events and draw a conclusion about what the future holds.

The book is called The Death of Wealth. An alarmist title, you may think. An exaggeration? After all, America's fall off Fiscal Cliff has been averted (for now) so surely things can only get better.

However, the articles in this book point to a problem that still hasn't been addressed: Western governments continue to spend far more than they receive in taxes, which as the Dickens character Mr Micawber points out in David Copperfield is not a sensible strategy: "Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."

If only the sums and ratios were so modest.

2012 started with the US economy showing signs of recovery, and European markets recovering some of the ground lost during the euro crisis. It ended with Obama's re-election and the deal that delayed the plunge off the fiscal cliffs by a few months.

In between, the euro's problems continued, but none of the affected countries actually left the eurozone; quantitative easing tried to turn things around with the consequences of these "unorthodox" actions yet unknown; and the equity markets after the mid-year correction became strongly bullish.

This messy, and seemingly disparate, series of events did much to hide a greater truth that was emerging from them. Collectively the events are just milestones on a road towards a widespread death of wealth.

Now is the time to get to be prepared for this new reality.

In the conclusion to this book I state that the way developed nations will climb out of the financial hole they have dug themselves is to embrace inflation. I'm not advocating it, just highlighting the most likely path. I also predict a fundamental rebalancing, where the nations of the West get significantly poorer and the BRIC countries get richer.

The economic platform of Wealth as we know is crumbling, but this process will provide opportunities for those willing to take risks. As 2012 progressed the evidence for this became clearer and clearer; it is now a question of how we respond, as without adapting, we as individuals risk being dragged into the downwards spiral we can see spinning around us.

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