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“Welcome to the Land of Oz (or, in this case, spelled ‘Aus’). We are not talking about the Judy Garland classic where the primrose path eventually leads to a man behind a curtain – although this is a splendid metaphor for the Favored Investment Banks/Fed/Treasury gang. We mean Australia; the land down under. Home of Koalas, Tasmanian devils, and the Sydney Opera House. Economically, Australia is a great microcosm of America. It has a large land mass with a hollowed-out middle, households that live paycheck to paycheck, a bursting property bubble, states in deficit or worse, and a scarecrow policy toward China. The ***Australian Online*** says that for the first time in Australia’s history, ‘its largest trading partner is neither a strategic ally, nor a rule of law state.’ Sound familiar?

As Australia has a variant of football and rugby they call *Aussie Rules*, the international viewer can only relate to the Outback Steakhouse’s slogan when watching it – ‘no rules, just right.’ Not coincidentally, Aussie Rules amply demonstrates the organized chaos of the US and its current political and economic landscape. And while Aussie Rules is great to watch, the two uniquely American socioeconomic sports we will describe are nowhere near as entertaining but together comprise what we consider *American Rules*. One we will refer to as *Inside Out* (also known as *NIMBY* - not in my backyard). The other we will refer to as *Print, Push, Tax and Spend* (PPTS).

Taking the points made above one at a time, our first observation is that unlike Australia, we did not always have a desolate core. This is the game of Inside Out. As their inner aboriginal inland is desert in nature, ours is becoming deserted. Over the past 40 years, our conscious political, economic, trade, labor, dollar, and environmental policies have served to undermine our once great manufacturing base. With the bankruptcy of General Motors as an example, we are more likely to see bulldozers paving over Flint, Michigan, than we are to ever see a new automobile manufacturing plant there. Since the shift of America to a knowledge-based, service-oriented economy, our ‘growth’ has been led solely by new manners or means at creating paper boom and bust cycles, with winners (overseas trading partners) compounding gains and losers (average Midwesterner families) treading water at best. Simply put, the paper never was pushed to flyover country (the land that is flown over on flights from coast to coast). By itself, a prolonged game of Inside Out would not likely cause an insurmountable body blow to the American Empire. However, the death from a thousand cuts in the Midwest has been mere water torture compared to the poisonous dislocations caused by the popping of the leveraged finance and speculation bubbles experienced on the shores. The housing bubble and subsequent credit contraction have led to rapidly declining consumption and increased household deleveraging, already in progress. As they say in Aussieland, the populace is skint (meaning flat broke).

Taken together, the demise of the Midwest through Inside Out and the average US household (or both) could possibly be overcome by incredible amounts of monetary stimulus except for the inconvenient fact that governments of all shapes and sizes are insolvent and illiquid themselves. This is the offshoot of a different, but related, game than that which was played in the Midwest – Print, Push, Tax and Spend (PPTS). PPTS juxtaposes individuals and businesses, especially relatively less-skint ones, for a potentially dangerous donnybrook with governments. This game is ever-evolving, but all its variations have common themes. At the risk of oversimplifying, think of PPTS as akin to the pool game ‘marco polo’ wherein the one blindfolded person (‘it’) is charged with trying to tag the other participants only from the sound of their voices in response to cries of ‘marco.’

Now imagine that the government can run around an ever-increasing pool, never has to respond to your marcos, and has named you 'it' in perpetuity. While you may hate this game, the government loves it – they have played PPTS with the objective of never ceasing the cycle of converting private capital to public funds.

If you do not know what the score of this part of American Rules is, let us recap the lowlights. Whether it be the Obama administration at the federal level, the State of California and its budget crisis, or the city of Oakland and its meter maids, 'they' are coming for 'you.' (Ironically, the same crowd that resented the previous administration's tactics for sneaking things by the American populous is busy attempting to push through massive and costly legislation just under the wire during the dog-days of summer). The Midwest game of 'not in my backyard' may be in the bottom of the ninth, but the oceanic enigma of PPTS has jurisdictions hanging by a cliff. Washington is expanding without bound while you dizzily circle the pool. If you are a statist, this is the best possible outcome, however if you are 'it', this conclusion cannot be less desirable.

For example, the Obamas want you to foot the bill for health care. This means everyone with incomes over \$350k/year. Well, campaign promises, champagne promises. You either get in the system or pay to get out - just like the model used in.... Australia! (G'day, mate.) Simultaneously, those in the know are already figuring out how to game the new system and play as far outside it as possible personally. If only it ended there.

Unfortunately the Obamas also want you to fund the ruse which is cap-and-trade legislation. The cover is environmental protection but the new variant of PPTS goes something like this – 'player one' (the corporation) pollutes, 'player two' (the government) taxes. As a corollary, 'player two' also allocates the amount of pollution 'player one' can emit. 'Player three' (Wall Street) will trade these credits, so 'player one' can buy less with more every year for the next fifty, while players two and three take their cuts on every transaction. Then, when you (player four) say 'marco', the government whispers 'polo' after the electric companies, coal companies, oil refineries, and all the other sources of cheap energy pass their tax 'savings' on to you in the form of higher utilities expenses. The good news is that this scheme may re-liquify the banks without player three having to go directly to congress (player five) for the funds thereby ostensibly avoiding TALP, TALF, and TOTHFT (remember taxpayer on the hook for trillions mentioned last time?). Confused? Good. That's the idea.

While the feds may be trying to patent the methodology, the states have yet to reverse engineer it. Florida and Pennsylvania will be floating their own version of California's Arnold Bucks (IOUs) within a week. As many as 35 other states are running deficits in hopes that a miracle will allow them to escape nasty political decisions regarding spending – at the risk of state sovereignty, let's be blunt.

Unfortunately for you however, when states become desperate for cash, the local arm of the law will likely employ the mother of invention. What this inevitably means is that you better be even more of the law-abiding citizen than you already are. Don't speed, don't park your car the wrong way, and – of course - don't neglect to pick up after your dog... or there could be higher fines to pay.

If all of these games, rules, quirks, modifications and variations escape your view of the land of the free, fret not. China shares this viewpoint with you, especially as it pertains to using its state wealth funds to their best alternative uses. Even though we deplore the human rights violations, centralized autocracy

and other approaches China employs, we should point out that current events demonstrate their desire to play in sandboxes where there are the fewest rules. Witness China's most recent investments - a Canadian Coal and base metals company that has infrastructure linked to a Pacific port and two oil companies with operations in Syria, Iraq and offshore Africa. Does this sound like Inside Out or PPTS? While America tinkers with its tax code and cheap internal conventional energy sources to prolong the already calamitous Inside Out and PPTS variants of American Rules, China is securing their energy independence, pollution be damned. While we write more rules, they make them and break them - except the Golden rule (he who has the gold makes the rules), which remains intact."

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