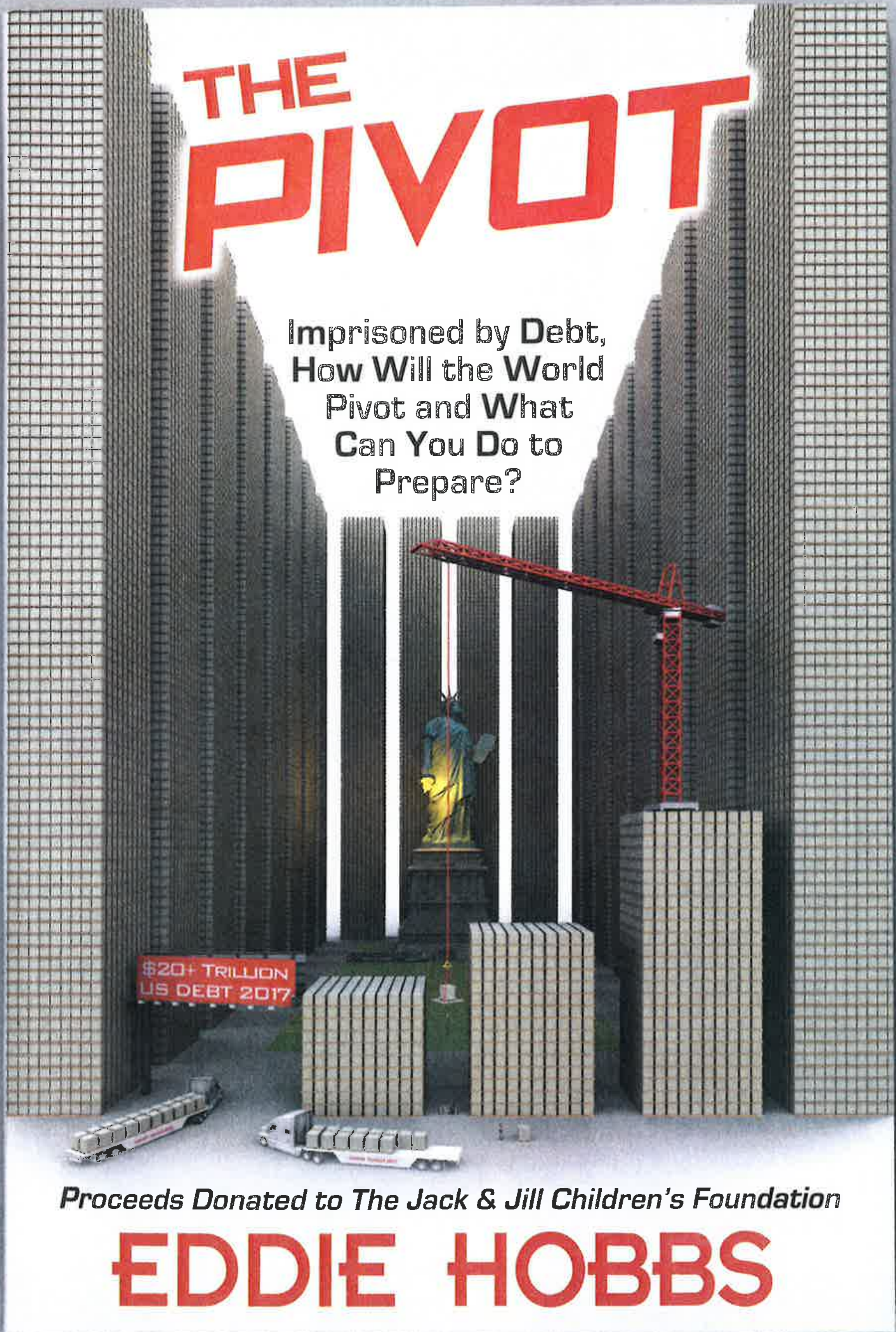
THE PIVOT
Imprisoned by Debt, How Will the World Pivot and What Can You Do to Prepare?
$20+ TRILLION
US DEBT 2017
Proceeds Donated to The Jack & Jill Children's Foundation
EDDIE HOBBS

Remember to set up your RaboDirect account if you haven't already or use AAA-rated **liquidity funds** that spread your cash across 50 or so global banks if you are holding large amounts of cash, to avoid over-concentration on weak bank balance sheets.

Land is a finite resource – they're not making any more of it – and it is well-priced relative to runaway pricing for property in Dublin. Property can work too, but don't gear it, and with punishing rates of tax and running costs, look for high gross rental yields of the order of 8%, or alternatively be ready to buy into REITs and property funds at the next big dip.

Get an allocation to global inflation-linked Government bonds, whether through a fund or stockbroker. This makes a lot of sense, not just during times of great uncertainty, but especially if national Governments and Central Banks are successful in creating inflation, but unsuccessful in controlling it.

Be open to using resilient funds that are chock full of cash, gold and inflation-linked Government bonds, and solid long-tested companies that will survive the next pivot and are leaders in their sectors – food, drink, infrastructure, health and education, all of which are vital to economies. This will take the hard work away at a cost.

If you really want to get to grips with equity investment, do a belt and braces course that gives you the practice tools and ongoing support services.

Whatever you do, the most important principle is to protect the downside underneath your balance sheet, even if it comes at the expense of diminishing the upside. This is the most important mindset to adopt, but be ready and prepared to act when everybody else is heading for the exits to increase your allocation to risk assets, equities, property and commodities. The most important decision that dictates the shape of your balance sheet in times to come will be the asset allocation decision, which assets to hold and when, and at what point in economic cycles. That decision is up to you.

Summing up * 2019 $250 Trillion

What do we know? The response to the GFC was to turn the Keynesian taps fully on. Global debt has risen over the past decade by half as much again, to $215 trillion. Most of the world's economy rests on a bed of zero or negative interest rates. Relative to the scale of both Government stimuli and Central Bank

* 2016-2017

money expansion and quantitative easing, economic growth is anaemic, in which one can be mapped on to the other, no value is being created and the squeezed middle is marooned, while these policies act as a transmission vehicle to the balance sheets of the wealthy.

Subnormal economic growth is simply not enough to bring the debt load back down to safety levels – that would take many years of budgetary surpluses. Asset prices, shares, property and bonds have been bid up, swollen as capital has been chasing shrinking returns at higher prices. Off-balance sheet liabilities, unfunded by States, are growing as populations age, both pensions and health costs. Taken together, these debts are unsustainable and rising interest rates required to stave off the inevitable inflation to come from loose monetary policies will cause fractures. There is too much debt. This time is no different.

The modern financial theories that underpin Central Bank calculations and determine the riskiness of banks are flawed, failing to account for the frequency of extreme events and making the $1.5 quadrillion of derivatives, over twenty times global GDP, look like a roaming asteroid. We are living in an interdependent and active financial tectonic zone because of the huge and little understood transmission channels underneath the globalised economy and its feedback loops. Anything in this wobbly system could trigger the next crisis. All is not well and much of the growth may be a mirage.

Policy makers – monetarists for the most part, and wedded to a Keynesian economic doctrine about money elasticity – are experimenting. They know little more than you or me about whether their tactics will work or merely delay the next GFC.

On the positive side, the seed corn of the next economic age, transformative technologies, is growing at pace and, despite the huge challenges we face from climate change to population growth and migration, the world is positively interconnected and interdependent like never before – no longer captive to vertical information channels, but talking to and learning from one another.

The question is really what kind of economic setback will follow our destiny with excessive debt and who will get hurt before the next cycle begins afresh. I'm not equipped to answer that and I don't know who is, but I'm certain that very shortly the world will come to understand that the most destructive doctrine of the 20th century was formed by an economist, John Maynard Keynes.

The Global Financial Crisis was not an isolated event, but the third in a mounting pattern of near misses. It is not over. Debt has not decreased, it has jumped 50% in the past decade to $215 trillion globally.

The rescue is not working. It is a trap. Eddie Hobbs argues that the economic interventions relied upon by Central Banks to test the very edges of the elasticity of paper money, may come to be recognised as the most damaging doctrine carried forward from the 20th century.

The West is going broke and with it the Welfare State. There is a simple law of physics that bubbles cannot expand forever, not without collapsing under their own weight. There is too much debt, not enough economic growth to keep it suspended and a dangerous groupthink that, we got this, that it is different this time. It isn't. We need a Plan B.

In *The Pivot*, Eddie Hobbs tackles some of the toughest questions of our time; Is the global recovery fake? Are asset values, including property, artificially inflated? What is likely to happen as the destiny with excess debt plays out? How did the modern State develop and how will it be forced to reinvent itself to deliver on key social promises like old age pensions, which are already being hollowed out?

Eddie Hobbs has done what he did in the *Rip Off Republic* TV series, he has joined the dots in an accessible and pacey book that maps out what you can do to prepare your Plan B, what to sell, what to buy and why.

Whether, you're paying off debt or keeping money in banks, property, pensions, superannuation schemes, the post office or buried under the carpet, you need to read this book.

All book proceeds donated to
The Jack & Jill Children's Foundation.

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