

DARK YEARS & THE FOURTH TURNING

written by Egon von Greyerz | September 23, 2020

In an ephemeral world, few things survive. I am not talking about species or human beings whose existence on earth is also transitory. Instead I am referring to social and financial systems which are now coming to an end.

In July 2009 I wrote an article called **The Dark Years Are Here**. It was reprinted again in September 2018.

Here is an extract from my original article:

"The Dark Years will be extremely severe for most countries both financially and socially. In many countries in the Western world there will be a severe depression and it will be the end of the welfare state. Most private and state pension schemes are also likely to collapse. It will be a worldwide depression but some countries may only have a deep recession. There will be famine, homelessness and misery resulting in social as well as political unrest. Different type of government leaders and regimes are likely to result from this.

How long will the Dark Years last? There is a book called "The Fourth Turning" written by Neil Howe. He has identified a pattern that repeats itself every 80 years. The pattern has been extremely accurate in the Anglophile world. We have recently entered the Fourth Turning which is the final 20 years of the cycle. According to Howe we are in the early stages of a 20 year period of economic and institutional upheaval. This is a period of Crisis when the fabric of society will change dramatically. Previous Fourth Turnings have been the American Revolution, Great Depression and World War II. According to Howe the Crisis will be substantially worse before it is over and it will last for another circa 20 years.

All of this is not good news and we hope that we and Howe are wrong regarding the severity and length of this crisis. But we fear that we are both right. We must stress again that never previously has the whole world entered a downturn simultaneously in such a fragile state both financially and economically which is why the Dark Years are likely to be so devastating and long lasting."

THE INEVITABLE FALL OF SOCIETY

Neil Howe's book **The Fourth Turning** had just been published when I wrote the article and it has since attained great fame. We are now in the final 8 years of his 20 year cycle and the most dramatic part of the cycle has just started which is the Fourth Turning.

In my 2009 article, I thought that the downturn was more imminent. But although I was slightly out on the timing, it doesn't change **the inevitable fall of the whole fabric of society** in the next few years, be it commercial, financial or social.

Since 2009, global debt has doubled to \$280 trillion and risk has increased

exponentially. The final stage of the collapse started in August of 2019 with the central banks panicking and embarking on a massive money printing spree due to major problems in the financial system.

CORONAVIRUS – A CATALYST

As I have stated previously, Coronavirus which started in early 2020, is not the reason for the current downturn in the world economy. It was just a catalyst. For some reason, when cycles are about to accelerate hard down, the trigger seems to be the worst possible. Although I have often talked about disease as one potential catalyst, I did not expect it to come now and cause a total lockdown of parts of the economy and society in so many countries.

When you are approaching the end of a financial era or cycle, it is very difficult to predict exactly how it will all end. Very few people understand that we are now living on borrowed time. But there is absolutely no doubt that we are now at the end of the end and of a major cycle, whether that takes 8 years as Howe predicts or it all happens much faster, is totally irrelevant.

THE UNPREPARED COULD LOSE EVERYTHING

The risk is here now and if you don't prepare for this, **you are not just likely to lose whatever wealth you have but also your job, pension or social security** depending on your circumstances. And if you live in a city, you are also likely to be affected by social unrest and crime plus a breakdown of services like medical care, schooling, law and order etc.

Many people are today trying to get out of the cities as a result of Coronavirus and the shut down of offices and shops as well as increased crime rates. For the wealthy minority, this is not a big problem but for normal people, it is not self-evident to just move out. But it is very clear that home working will become much more prevalent and many cities will become ghost towns. Tax revenue will decline dramatically and the authorities will not be able to keep up even simple services such as water, sanitation or cleaning. Also, many retail outlets and restaurants as well as offices in cities will close due to lack of customers, crime and out of town or online shopping. This trend has of course already started in many cities. In the City in London (Financial District), there are now very few people working. Only some shops or restaurants are open and the ones that are, are haemorrhaging financially.

THE DELUGE COULD COME SOONER

Coming back to Howe's 8 remaining years of the Fourth Turning, it is of course an approximate number and not absolute. The way I see it is that it will take up to 8 years and maybe less for the artificial edifice that the world has created to collapse. But it could also happen a lot quicker.

What I mean by artificial edifice is firstly all the fake assets that have been created due to central banks deliberate profligacy. Since the creation of the Fed in 1913, the bankers have taken total control of the money system.

From 1971 when Nixon closed the gold window, it became a total free for all for the (central) bankers. They could create unlimited amounts of money for their own benefit. Standing nearest the printing press is a major advantage when you print money. President Mugabe in Zimbabwe discovered this. By using the money from the printing press first, he could spend it quickly or buy dollars before the value of the printed money collapsed.

PRINTED MONEY DOESN'T REACH ORDINARY PEOPLE

In the US, the Fed has since the latest crisis started in August 2019, printed \$3.3 trillion, and most of it since March 2020. Very little of this money has reached ordinary people. If it had, it would have meant a contribution of \$25,000 to every one of the 130 million households in the US. Although the printed is basically worthless, it might have had some short term beneficial effect on the broad economy.

But no, money printing is not for ordinary people. It is for the bankers and the wealthy and add more fuel or liquidity to already massively overvalued asset markets rather than reaching the people who really need it. This has caused the Nasdaq to go up by 62% since late March and the Dow by 52%.

DOW 50,000 – GOLD \$50,000?

In a recent article I discussed that we could see a liquidity fuelled meltup in stocks making the Dow double to say 50,000. Since I expect the Dow/Gold ratio to reach 1 to 1 or below (like in 1980 Dow 850 Gold \$850), gold could at the same time reach \$50,000 as inflation rises. As I consider stocks overbought and overvalued today, there is no fundamental or even technical reason for this to happen. Since markets today have nothing to do with fundamentals or sound valuation principles but are only liquidity driven, this kind of move is not impossible.

But investors must understand that I think it would be very high risk to stay fully invested in stocks currently. This is like buying the Nasdaq in 1999 to take part in the final rise but then to ride it all the way down to an 80% loss.

Much better instead to own gold, which fundamentally and technically is still early in a long term uptrend, kindly fuelled daily by central bank money printing. **If the 50,000 forecast for the Dow and Gold would materialise, the Dow would double and Gold would go up 25x which is clearly a much better risk.**

THE US IS BANKRUPT

Let's face it, the US is bankrupt. **No country, company or individual could lose money every year for 90 years and still be standing. (see my article).** Normally the currency of such a country should have faded into oblivion. **Well the dollar almost has since it is down 98% in real terms or gold since 1971 and down 85% since 2000.** The only reason the dollar hasn't disappeared totally yet is due to the Petrodollar. A major part of dollar assets are kept outside of the US due to the dollar liquidity created by the petrodollar.

The Petrodollar was created in the early 1970s by Nixon and the then Secretary of State Henry Kissinger. They feared after the closing of the gold window that the dollar's reserve currency role would diminish significantly. To save the dollar, Saudi Arabia was offered total military protection by the US on the condition that all oil trading would only be in dollars. Saudi Arabia would also buy substantial military equipment from the US.

THE IMMINENT DEMISE OF THE DOLLAR

This was a very clever arrangement and is the sole reason why the dollar is still standing. But **the combination of a rapidly deteriorating US financial position and countries like China, Russia and Iran gradually trading in their own currencies, will soon precipitate the dollar's demise.**

Comparing currencies to each other is really a futile exercise since they are all going to ZERO. **There is no prize for getting to the bottom first.** Still in this exercise of relativity, it looks like the dollar will reach the bottom before the others. Having already lost 98% of its value in the last 50 years, the final 2% will not take that long. But remember that this 2% fall means a 100% loss of the dollar's value from here.

Many people are very negative about the Euro due to the major problems in the EU. It is totally correct that the Euro is also a very weak and artificial currency. The Euro is virtually worth the same in dollars as on its launch on January 1st 1999. But right now, the Euro, in spite of its problems, technically looks stronger than the dollar.

So a crashing dollar over the next few years is virtually guaranteed and will act as a detonator which will blow up the US economy.

Also in the next 2-3 years we will see collapsing debt markets in the US and globally. Most debt in the world consists of printed money with no underlying real assets backing. Massively overvalued assets is backed by debt which will become totally worthless since it is only based on manufactured money issued by a printing press or a computer. When \$10s of trillions are created with no labour, goods or service having been produced, that money clearly has ZERO value.

INTEREST RATES TO RISE STRONGLY

We will not have permanent zero rates as the FED and Ray Dalio say. There are two virtual certainties coming before the imminent mega crisis is over. The first will be the collapse of the currency system as I discussed above. The second certainty is the collapse of credit markets including bonds. The manipulation of rates will totally fail. Central banks will try to keep short rates low but will lose control of the long rates. As insolvent governments and corporates start to default, investors, including sovereign, will dump bonds.

Bond prices will collapse and rates go to at least the levels in the 1970s to early 1980s of 15-20%. The combination of hyperinflation and defaulting borrowers will see many bonds going to zero and rates to infinity. As long

rates rise, they will pull the short rates up regardless of central banks attempts to hold them down. This will lead to the demise of the bond market. Obviously, **central banks will frenetically print trillions or even quadrillions as derivatives disappear into a black hole. But to no avail except for panic and hyperinflation.**

NOT THE TIME FOR OMPHALOSKEPSIS

So now is not the time for omphaloskepsis (navel gazing) or for investors to gloat about their stock market gains. Because the world is now entering a phase not seen for hundreds or maybe 2,000 years. Yes, stocks could meltup one final time before the total collapse but if they do, that will most likely be accompanied by a very weak dollar.

DON'T MEASURE YOUR WEALTH IN WORTHLESS FIAT CURRENCIES

To measure your assets in a fiat currency, be it dollars, euros or pounds, is absolute madness. Why do you measure your wealth in something that in real terms has declined by 98% since 1971 and 85% since 2000. It might feel good for a moment but when you realise that these gains are just paper profits that are not only meaningless but will evaporate totally in the next few years as stocks and paper money implode together.

And don't for a second believe that the assets you own whether they are stocks, bonds or property are really worth the thousands or millions that they are valued at in fake money.

The imminent wealth destruction will soon reveal to investors that their assets are only worth a fraction of the imaginary value they have today.

Central banks will not save the world, they can't. Because how can you solve a debt problem with more worthless debt or how can you create wealth by issuing more debt. That Ponzi scheme is now finished for a very long time.

Physical gold (and silver) will in the next few years reveal the total delusion that the financial system has rested on. Investors who are not protected should take heed.