

What Does this Look Like 10 Years From Now?

Description

[by Simon Black via Sovereign Research](#)

On March 2, 1629, after years of escalating tensions with his own government, King Charles I of England dissolved parliament and ordered all the politicians to go home.

He was only in the fourth year of his reign, but Charles was already a very unpopular king. One of his worst habits was frequently abusing his power and taking unilateral executive actions— raising taxes or passing new regulations— which would ordinarily require the approval of parliament.

But Charles hated going through parliament, and he routinely found ways to bypass them; often he would creatively interpret obscure passages of ancient laws as justification to do whatever he wanted.

In one instance, Charles decided that a 400+ year old law, which had first been decreed under Henry III in the early 1200s, gave him the authority to demand payment from everyone in the country making more than 40 pounds per year. It did not.

In another example, he claimed that ‘tradition’ entitled him to collect customs and duties on various imports, even though English law clearly required parliamentary approval on all imposts.

Charles also famously demanded money from wealthy merchants and banks, calling them “forced loans”. He even seized literally TONS of silver from the Royal Mint that was being stored on behalf of wealthy individuals and foreign governments.

Parliament made attempts to block Charles; when he asked for money to raise an army and go fight in the Thirty Years War (which had been raging in Europe since 1618), parliament refused. When he wanted funds to bail out a close relative in Denmark, parliament again refused him.

Sometimes their disputes even spilled into the courts, where judges had to determine the legality of the king’s taxes and regulations.

But nothing was ever settled, and no compromises reached. In fact the conflict continued to escalate, until Charles finally dissolved parliament in 1629... effectively shutting down the government.

This is an often-repeated story throughout 5,000+ years of human history; there have been countless examples of dysfunctional governments and terrible leadership that fail to reach a rational compromise over the nation’s finances.

And such examples tend to be a hallmark of a nation in decline.

In the case of Charles, he would go on to be arrested, tried, and executed, and England plunged into a civil war.

Louis XV of France, and his successor Louis XVI, also routinely fought with their parliaments over royal finances. France would soon go bankrupt and dive head-first into revolution.

These are lessons worth noting, given that the United States government is once again at the precipice of default.

The national debt now stands at nearly \$31.5 trillion. This is the current statutory 'debt ceiling', meaning that the Treasury Department no longer has the legal authority to borrow more money.

This means that yet another government shutdown is potentially on the table, as is a default on the national debt.

If this story sounds familiar it's because this has already happened in recent history— in 2011. And 2013. And 2018. And 2019.

Now it's happening again. And unsurprisingly, both sides have dug in and claim they are unwilling to negotiate their demands.

To say this is yet another humiliation for the United States is a massive understatement. The entire world can see that, not only is the US government incapable of managing its finances... but also that its politicians cannot rationally solve problems. It's pitiful.

What I really want to focus on today, however, is the future: what do you think this problem will look like 10 years from now?

Today it's already a terrible embarrassment... and a major problem.

The national debt is so big that, this fiscal year, the Treasury Department will spend close to \$1 TRILLION just to pay INTEREST.

This is happening at a time when:

- 1) Interest rates are rising (which means that the government's annual interest bill will increase)
- 2) The economy is slowing (so tax revenues will decrease)
- 3) Government spending is still outrageous, with a \$1+ trillion deficit expected this fiscal year

This is a pretty disastrous scenario. And if you plot this trend line starting from where we are today, it's easy to imagine what might happen over the next decade.

If deficits are already \$1 trillion per year right now, how high will they be in a decade? If the national debt is \$31.5 trillion today— roughly 120% of US GDP— how high will it be a decade from now?

It's silly to assume that the United States can simply keep growing the national debt forever without consequence. It's silly to assume they can run trillion dollar deficits every year without consequence.

Today those consequences are just embarrassments and minor inconveniences. Ten years from now

they may be major catastrophes.

This is the entire point of having a Plan B. The future is far from certain— and it's possible that voters finally elect competent leadership who act responsibly and arrest the nation's decline.

And that's a nice hope, and it would be great if it happens.

But it's a lot more rational to focus your energy on things that you can control. And that's a Plan B.

If your government is on a clear path to more humiliation and fiscal ruin, it makes sense to ensure you don't have all of your eggs in one basket.