

quarter and facing an estimated \$11 billion loss in the fourth, Citi paid loan shark rates for the capital injection by selling mandatory convertible securities to Abu Dhabi. These securities pay a fixed coupon of 11 percent, compared to an average yield of 9.4 percent on US junk bonds. (Saudi Prince, Walid bin Talal, who bailed out the bank in the early 1990s, holds another 5 percent stake in Citigroup.)

Trendpost: *The Trend Research Institute and The Trends Journal do not provide financial advice. As trend forecasters, we see the dollar declining much further throughout the course of the decade. And, as the facts have proven, the lower the dollar goes, the higher gold prices climb. Indeed, so far in 2007, gold prices have surged some 30 percent as the dollar fell 12.5 percent against the euro, 10 percent against the yen, and hit a record low against the Swiss franc. Therefore, gold is well poised to continue to break new records – and absent unpredictable wild card events – will likely peak when the dollar crash ends. (See “Economic Down-Trend on Track,” Trends Journal, Spring 2005.)*

Trendpost: *Most Americans have little knowledge that the dollar is diving, what it means to the future of the nation or how it affects their personal lives. According to a 30 November Bloomberg poll, only 12 percent ranked the declining dollar as a major concern. However, on the higher socioeconomic scale, the smart money is shifting out of falling dollars and into currencies from countries with sounder economies. In the “Global Age,” playing the best currency moves will become as common an investment strategy as was playing the stock market in the 20th century.*

Publisher’s Note: From the ashes of a failing and falling system, tremendous opportunity exists to create positive change and a prosperous future. More so than any other nation in modern history that has faced similar circumstances, the United States is also in a unique position to reverse many of the negative trends it now confronts. To do so will require a recapturing of its lost attributes of entrepreneurial spirit, free-thinking, professed morality,

civic courage and the “can-do” pioneering zeal that once defined the nation’s spirit.

TAX REVOLTS

It was a reason given for starting the first American Revolution and as the trends add up, it will also be a reason for starting the second. Fed up, and not willing – or able – to take it anymore, overtaxed Americans will begin the battle against politicians and bureaucrats in the fight to lower and/or repeal taxes... while demanding higher tax rates for those seen as paying too little.

With the price of nearly everything going up double digits over the past decade (while inflation adjusted median household income fell nearly 4 percent during the same period), cash crunched and debt heavy Americans will wage tax cutting wars with hopes of reversing their economic downward creep. Already unable to make ends meet and having no savings to fall back on, the bigger the bite from the taxman, the more intensive the citizen protests.

Joining the ranks of the elderly, “locals,” and those on the economic skids who’ve been forced to flee – or lost their homes for unpaid taxes – with economic hard times now spreading across party lines and income levels, “The Coalitions of the Cash Strapped,” will lead a mainstream American tax battle.

Protesting against high property tax rates and demanding that evaluations drop along with the slumping real estate market, the first tax battle salvo will be fired by homeowners.

Having seen public services (i.e. sanitation and mass transportation) steadily decrease while tax loads rapidly increased ... taxpayers will also resist demands to erect and repair municipal buildings, pay high water bills, create new government jobs, beef up police forces and increase government workers’ salaries.

In response, strikes and protests from public workers ... who’ll want more pay, promises of job security, benefit maintenance and retirement guarantees ... will challenge the call for cutbacks. However, the strikes will be short-lived and mostly ineffective. Unlike Europe where unions and inter-

union cooperation is stronger, and disruptions far reaching ... in the US, striking workers will lack outside support and disruptive clout.

Of all the coming tax battles, we forecast that the most highly pitched ... which will bring the swiftest results ... will be waged at the local level between an aging population of empty nesters and households with no children vs. families with children in public schools. Pitting neighbor against neighbor and focusing on a belief they should not have to fully pay to educate other people's children, the balance of taxpayer power will be determined by each community's demographic composition ... which in most cases favors the aging and childless.

Further fueling the school tax rebellion will be the highly flammable immigration issue and the general public's resistance toward educating non-citizens who are most likely not paying property and school taxes, and viewed as overtaxing an already overburdened and failing educational systems.

“OFF WITH THEIR HEADS”

On the national level, tax protests will be as vocal, heated and potentially more violent. With the disparity between rich and poor trending wider (1 percent took in 22.2 percent of all income in 2005, while the bottom 50 percent salvaged 12.8 percent), once the most egalitarian among its economic peers, the United States now ranks the most unequal.

According to the most recent available data, total reported income in the US increased some 9 percent in 2005, while the top 1 percent of households (about 3 million people) received nearly half of the total income gains and the top 10 percent took in two thirds.

Coupled with media coverage of CEO's earning princely paychecks for moderate performance, and disgraced ones lavished with platinum parachutes for executing mega-failures, an angry proletariat will demand action against the ultra-rich, hedge fund profiteers and other infamous taxbreak beneficiaries as their primary tax cheat targets.

More than just sour grapes and gripes from working class plebs, the “tax the rich” movement has gained the support of one of the world's wealthiest. Lashing out against America's “aristocratic

dynasty of wealth,” Warren Buffett said, “I believe in keeping equality of opportunity as much as you can in this country.” Illustrating the inequality of the 30 percent taxable income rate his receptionist pays compared to his 17.7 percent rate, Buffett said, “Equality of opportunity has been on the decline,” and that “A progressive and meaningful estate tax is needed to curb the movement of a democracy toward plutocracy.” (See “America: Plutocracy not Democracy, *Trends Journal*, Summer 2007.)

Trendpost: *As America's economy declines, new political parties will emerge calling for the elimination of “offshore” tax schemes; closing loopholes for large corporations, shutting tax shelters for the wealthy; and ending “corporate welfare” benefit packages used to entice big businesses and sports ventures. Other anti-tax party planks will include calls for a dramatic revision of the federal tax codes, elimination of various sales taxes, and locking out offshore tax-evading corporations.*

Trendpost: *As tax revenues fall and government budgets shrink, federal and state agencies will step up tax collection activities against small businesses to get a larger share of sales taxes and will target the easy prey ... mid and lower wage earners ... for a greater share of their income.*

Editor's Note: As tax-resistance momentum grows, so too will calls to vastly downsize the \$9 trillion in debt federal government whose size and power keeps expanding. Consequently, the newly flourishing state secessionist movements fighting for home rule and against federal intrusion will be playing the “taxation without representation card”... and in doing so, will gain more converts who want to break loose from Uncle Sam's big government grip.

CONSERVATION ENGINEERS

As time marches on, the world will be stepping back. Following the footsteps of admired ancestors and the ancients who were mindful of what they had and careful not to waste a scrap, “conservation” – a lost art during the age of excess – will enjoy a Renaissance in the Global Age.