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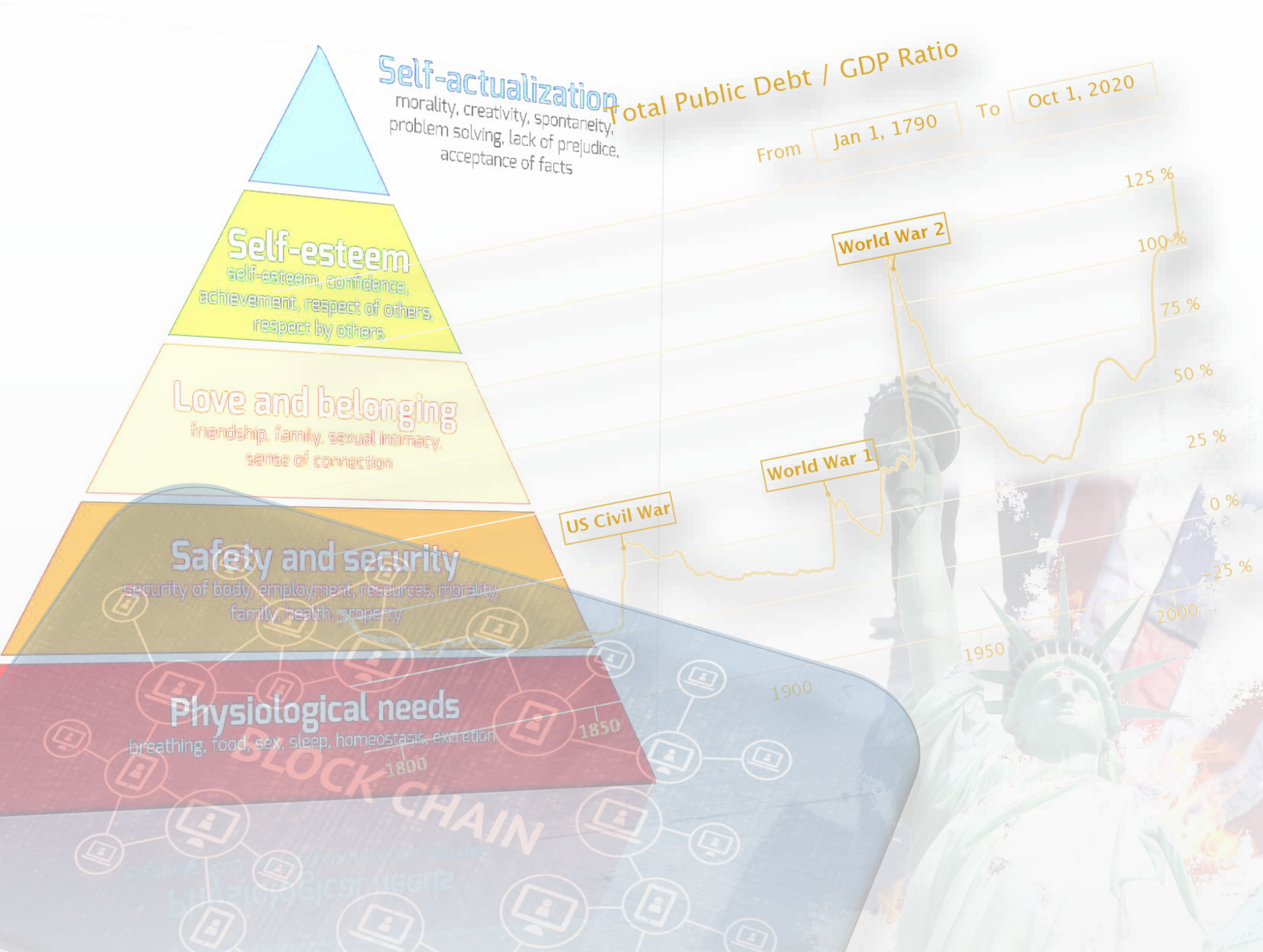
THE GREAT CONFLUENCE AND THE SECOND AMERICAN REVOLUTION

THE RISE OF A NEW GLOBAL HEGEMONY



THE GREAT CONFLUENCE AND THE SECOND AMERICAN REVOLUTION

PART 1

THE GREAT CONFLUENCE

Humanity / Economics / Technology

THE EVOLVING HUMAN CONDITION

The societal shift from the collective to the individual

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THE SECOND AMERICAN REVOLUTION

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Part 1

THE GREAT CONFLUENCE

Our society stands at a significant evolutionary nexus point. We are at a juncture where multiple cycles and long-term trends are converging. Many of these trends have been moving with tectonic slowness in a form of phyletic gradualism (a slow and gradual evolution) across decades and centuries but are now coming together in a manner that will have seismic consequences across the structures of society – here, in our time.

The structures of our society will change and change rapidly, at least by historic standards given the size and scope of the change. Existing societal structures may or may not be broken down, but they will certainly be superseded.

If we were to summarise this time of societal transformation in broad terms it would be the societal shift from the external and the tangible to the internal and the intangible.

Let's evaluate the component parts of this Great Confluence, i.e. the individual streams that are coming together, as we see them. We can break this confluence down to the merging of three broad aspects of society that are simultaneously at a point of punctuated equilibrium (a rapid and dramatic evolutionary change):

- Humans as individuals and as a collective;
- economics; and
- technology

1. THE EVOLVING HUMAN CONDITION

The Great Confluence is primarily about humanity. Humans, individually and collectively, are evolving and this evolution is psychological and psychosocial in nature.

The evolutionary development as it pertains to the human individual, like all meaningful and lasting societal advancement, is broad-based. It does not come from a top-down initiative. Rather, it is bottom-up, organic, and it covers the sphere of the human condition:

- power;
- beliefs;
- expression and actions;
- value;
- relationships; and
- identity

The majority of these evolutionary developments at the human level share a common theme – the societal shift from the collective to the individual. That last phrase may seem oxymoronic but it is, in essence, similar to a shift from considering our universe from the perspective of general relativity (a theory that works well on the scale of very large things) to that of quantum mechanics (the world of very small things). Both legitimate yet seemingly incongruent.

The evolutionary progress of each of the listed spheres of the human condition can be seen when we condense their history.

a. Power

Over the millennia, societal power has been held by the few. Originally, it was held by an individual who sat atop of society, which may have been a monarch or the head of a religious group. Over time, these individuals grew into councils and governments but still with limited representation. Slowly, governments became more representative and democratic, even succumbing eventually and relenting on previously withheld representation for half of the population based purely on gender. However, at the same time that political power was becoming increasingly democratic another power was growing within society that has impacted the democratic process through undue sway in the political process. That growing power was wealth. And so we find ourselves today, that power within our society remains primarily within the hands of relatively few and is exercised at the level of institutions. It is to corporations that government officials look when seeking feedback on policy formation, whilst many corporations are significant contributors to political campaigns. Power in today's society is held within institutional structures such as government and corporations (the larger the corporation the great its power).

Over the last decade there has been increasing disillusionment toward the institutionally dominated structures of our society. In many places this has resulted in civil unrest: the Occupy Wall Street movement; Arab Spring; the Yellow Vest movement; Hong Kong etc. There is a growing shift toward independence from the mismanagement of technocrats at this time whilst governments are simultaneously seeking greater control of their populations. Individuals are also seeking autonomy from corporate dependence as individuals want to manage their own lives on their own terms, as evidenced by the growth of the gig economy. The rapid growth in technological developments over the last decade has been the great enabler of this democratisation of power and self-determination.

b. Beliefs

Human beings have an innate propensity toward belief. Notably, during the last 2,000 years, human society has formed around a handful of predominant structured belief systems or faiths. These faiths became so dominant that, in certain places and at certain times, they have been the primary influence that shaped the structure of society. However, across most of the developed world, these primary belief systems have been in a long, slow decline as society has evolved toward a more individualistic expression of faith, or 'spirituality' as it is referred to these days. For example, in the case of the Christian faith that has dominated much of the developed World, this trend has been noticeably in evidence since the middle of the last century (we'll leave The Reformation aside, but that was a key moment within this same trend) when adherents increasingly referred to having a personal relationship with God or Jesus. This has been a significant shift within a monotheistic religion that originally had a singular High Priest to mediate on behalf of all followers and a central doctrine. That was then replaced by a wider priesthood, which splintered over interpretations of doctrine that, in turn, was replaced by local congregations with a unique interpretation of Christian doctrine. In these times, people are taking to modes of spirituality that emanate from the individual, whether that seeks to tap into whatever force or energy is 'out there' or whether they see the essence of the divine as intrinsic to the human condition. In this latter definition, the highest expression of faith in the divine is to grow into being the truest expression of one's unique self. Each person's interpretation of faith or spirituality is unique. This is in stark contrast to former belief systems where the highest expression of faith was each individual holding to a universal theology or doctrine (i.e. one expression to rule them all).

c. Expression and actions

As alluded to in the previous paragraphs, the expression and actions of individuals within society has traditionally been shaped by the collective. That may have been in obedience to authority and rule of law, or it may have been in conformity to the external dictates of societal expectation or belief-based conduct. Many times these external standards were unwritten or unspoken, they were simply societal pressures to conform - the fear of social ostracism being enough to ensure enforcement. Now, however, we see the rise of individual expression across society, the freedom – the right – to be ourselves. This particular societal shift has evolved so far that any attempt to curtail the individual freedom of personal expression will be swiftly responded to with widespread and vehement condemnation. Ironically, this behaviour itself has become an external societal pressure to conform, but because it flows in the same direction as the other streams within this Great Confluence we will leave that discussion for now - it is the new normal that is only just entering the dawn of its Age.

d. Value

The industrial revolution saw humanity develop in the material sciences and learn to utilise this planet's physical resources for the advancement of society. It also brought about the societal shift toward specialisation of skills. An extension of the developments in resource sciences has been a commensurate societal focus on the accumulation of physical possessions. With the combined effect of wealth being a form of societal power, plus collective expectations and the pressure to conform shaping behaviour, our society has, either consciously or unconsciously, defined success as the accumulation of things. But now, the Industrial Age has ended and we have entered the Information Age. The concept of value is changing. Many people are awaking to the reality that the more stuff they own, the more it costs to maintain. Like the internal combustion engine, their life has become an inefficient machine that requires a significant proportion of the energy that it produces just to maintain its own processes. This realisation awakens people to the fact that they were trying to accumulate things because they have automatically believed that was what they were supposed to do because that is what everyone wants, i.e. "success", isn't it? Society has collectively chased a singular external ideal of value without each individual asking themselves what they want and why they want it.

Whereas societal status was once having a big job, a big house, a big car and to be a person of significance in their local community, people now want self-determination in their work, a global presence online and a sense of personal fulfilment. Here, in the Information Age, there is a reimagining of value. Additionally, the need for ownership is diminishing as technology enables alternatives, such as sharing. The quest for possessions and the accumulation of the tangible is diminishing whilst the pursuit of ideas, concepts and the intangible is in its infancy.

e. Relationships

Relationships too have been evolving over the eons. Personal relationships have shifted from being for the purposes of strategic alliance between powerful families, where the individuals involved had little or no say. During more recent centuries, personal relationships have become a widespread societal expectation with implicit moral obligations and gender-based roles. In today's society, personal relationship choices and decisions are made by the individuals involved. Yet, even here we see a continued evolution. These choices typically stem from chemical urges and physical attraction, but still carry some underlying taint of societal expectation – often inherited and subconscious. The most recent evolution is a shift toward individuals realising that any lasting personal relationship needs each party to be growing similarly, i.e. in the same direction and at a similar pace. This iteration looks for: a shared life path in terms of internal human development (i.e. personal growth); common or complementary values; mutual support in achieving each individual's sense of purpose; emotional connection; and that's on top of the physical attraction. What sets this aspect of the evolving human condition apart from the others is that each individual must master their own basic biological urges in order to evolve. Alternatively, and a more likely scenario that is widely in evidence, individuals will cycle through multiple relational iterations in their personal evolutionary journey as they mature psychologically and psychosocially.

A similar evolutionary trend is also occurring in relationships between individuals and institutions. Individuals are increasingly assessing the values and practices of institutions before committing to becoming employees or purchasing an institutions goods or services. As with personal relationships, there is a natural shift away from any relationship where one party holds too much power, exercising their dominance, over the other.

f. Identity

At the crux of the Great Confluence, as it pertains to the human condition, is the issue of identity. All the other factors expressed above that are converging at this time hinge on the notion of identity. Up to this point in the evolution of human and societal identity has been based around external ideals held by the collective and defined by association. Identity has been aspirational in nature. That is to say, an external standard or creed has been raised by the collective (or by the few and adopted by the collective) and every member of society has sought to conform and to attain the pinnacle of that standard. Today's standard is different. Today's identity is one of individual authenticity. It is not aspirational, it is incarnational. Be true to who you are and become the highest expression of that person.

The new evolutionary manifestation is one of the collective needing each person to live in accordance to their authentic selves and in this way be of benefit to the whole. The cry within the individual today is, "I can be no one else!", as each person seeks to break free from the crushing expectation of societal conformity and the ways of our forebears.

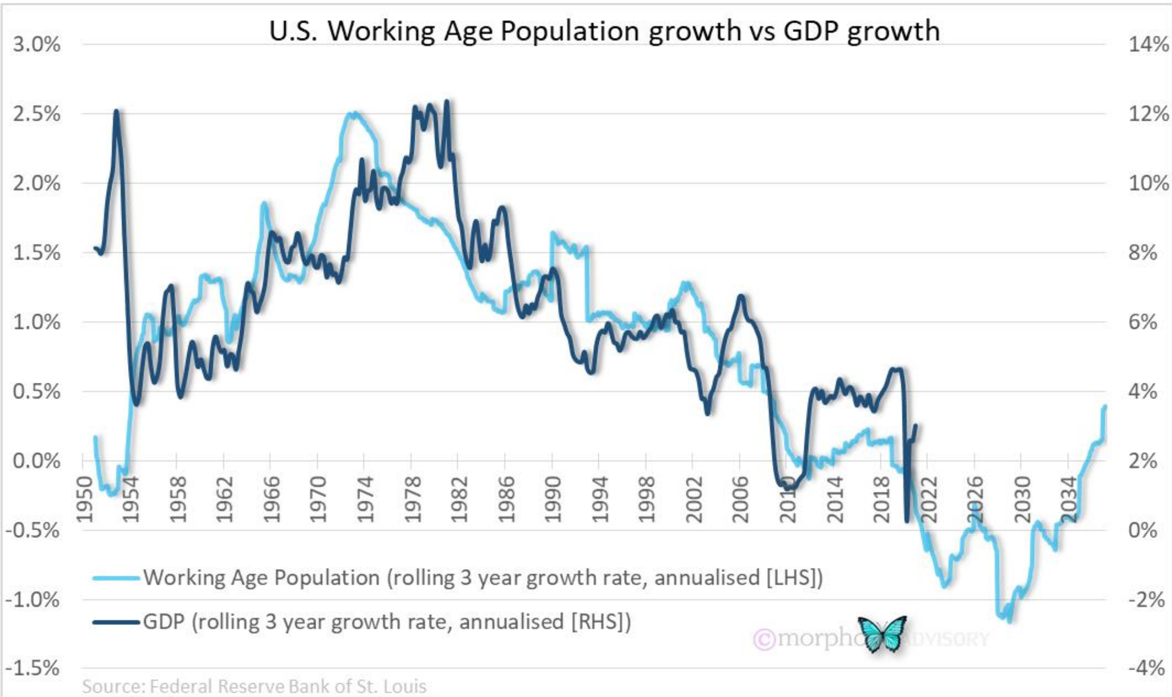
2. ECONOMIC FRAGILITY

The economic stream of the Great Confluence is a structural catalyst that will push the evolutionary transition of humanity forward.

If Economists Thought About Sex More We Wouldn't Be In This Mess

Since 1776 when Adam Smith published An Inquiry into the Nature and Causes of the Wealth of Nations (commonly referred to as "The Wealth of Nations"), Gross Domestic Product ("GDP") has become the measure of economic wealth. This was in contrast to the former method of measuring a nation's wealth, which was the store of precious metals, i.e. gold and silver.

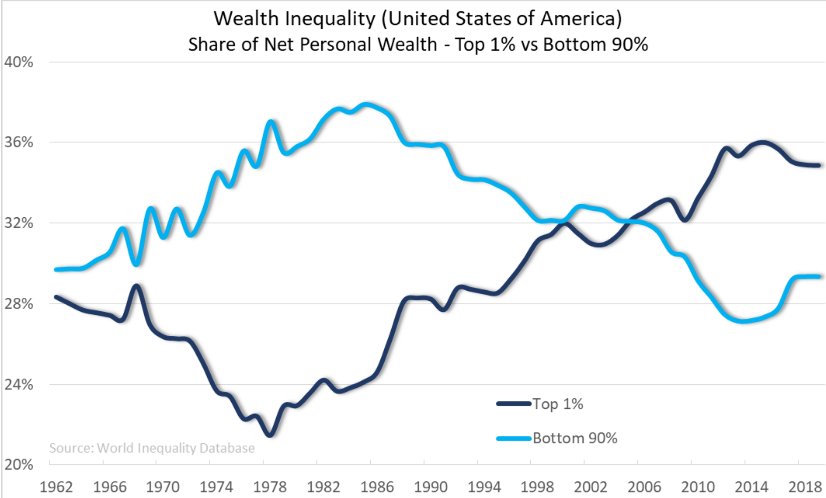
GDP is the measure of a nation's production and commerce. It is not a difficult concept. It is simply adding up the value of every good produced and the value of every commercial exchange or transaction. A big task, but not a hard one. That simple definition is enough to make obvious the primary means by which GDP can be increased - an increase in the number of agents in the economic system (i.e. population). Classical economics suggests that productivity is also a contributor to growing GDP.



With an increase in population there is a natural increase in the demand for goods and services, because we all need food, shelter etc. Additionally, increased population leads to a nation's wealth being more widespread. By contrast, an increase in productivity means that the cost of producing or distributing goods and services is reduced. This results in better profit for the producer and savings that can be spent elsewhere by the consumer. However, improved productivity doesn't increase overall spending, it merely shifts the value between alternative goods, services and producers. For example, if I only have one dollar to spend, saving on one item means I can buy something else also, but I still only have one dollar in total to spend (unless I borrow – but that is just taking from tomorrow to use today). Contrary to more widespread wealth that comes from population growth, wealth generated through productivity growth becomes more concentrated in the hands of the most efficient producer of goods and services. This is not a bad thing because those who take risk in entering commercial enterprise and then invest their capital to improve their business should reap the rewards. The problem with the concentration of wealth stems from the regulatory response because we operate within structures run by technocrats who are so enamoured with intricacies of their science that they have lost all context with respect to the implementation of their policies, i.e. they can no longer see the wood for the trees.

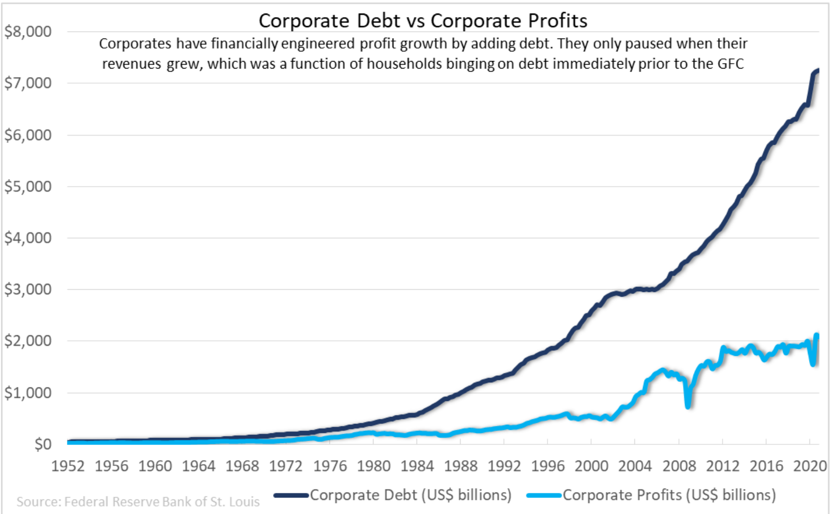
The Trickle Down Generation

The beliefs that have underpinned economic policy of the last 40 years have been based on the concept of 'trickle down'. Trickle Down economics is the belief that if you reduce tax rates for the wealthy and for corporations then they will take the money they saved by paying less tax and reinvest it in their business, thus producing more jobs and growing the economy etc etc etc. There are numerous flaws with this belief. Corporations and the wealthy managed to become wealthy despite higher tax rates. If they had any ideas that were viable investments that would create more jobs they would already be implementing them irrespective of tax rates, but they don't. As such, any tax incentives provided simply enable them to growth their current wealth.



Over recent decades corporations and the wealthy have invested, but not by means of directly injecting capital into their existing or new businesses. Rather, they have invested on the secondary market (i.e. they bought company shares on the stock exchange). To do this, they buy these shares off other investors. No money makes its way into the company whose shares they are buying. To reinforce the point that corporations do not have need of trickle down tax incentives because they have no new investment ideas, let's look at the quantifiable evidence of their behaviour over recent times.

Corporate revenues have been flat for over a decade, yet their profitability has grown. How have they achieved this? They persist in borrowing increasing amounts at ever lower costs as interest rates have continued their 40 year fall. They have used this borrowed money to buy back their own company shares. In this way, companies have created profit growth despite little revenue growth. When companies generate similar revenue but they now measure it as a return on a smaller amount of equity it appears as healthy profit growth. It's all just financial engineering. What people don't see is that it has come at the expense of a healthy balance sheet, which is the financial buffer that protects against difficult economic times. Corporations have engineered wealth by increasing risk and economic fragility.



Governments have also participated in this accumulation of unproductive debt as they attempt to borrow (on behalf of the people they represent) the economy's way back to unrealistic and unsustainable historic levels of economic growth. What they fail to realise is that they are, by their policies and their actions, trying to use debt to offset the primary driver of economic growth which is going against them - a falling population growth rate.

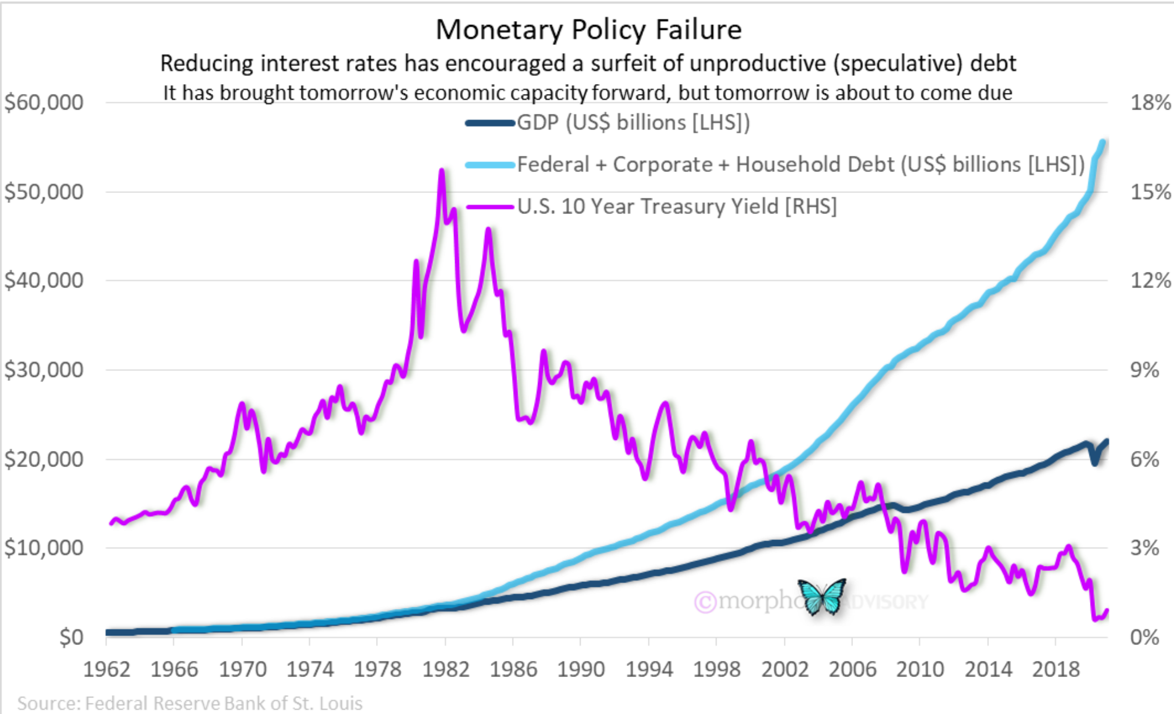
In short, financial fragility is increasing. Households, corporations and governments have all taken on too much debt. The debt that has been taken on has been for the purposes of bringing forward tomorrow's earnings so that they can spend it today. It has not been for the purposes of investing to generate an economic return – that would be good debt. What has supported this rise in debt has been the rise in asset valuations (e.g. house prices), which themselves have been a function of population growth and have benefited from the leverage that has been applied to them. This is not productive growth. It is speculative growth and by its very nature, cyclical – what demographics gives, demographics will take away.

Monetary Policy Failure

The excessive amount of debt taken on across the economy is due to a combination of the inflation targeting monetary policy experiment and human behaviour.

Inflation was rising through the 1960's, 1970's and into the 1980's so interest rates were raised to curtail economic growth and inflation. It appeared to work, so inflation targeting monetary policy was implemented as the global central bank policy standard. However, the uptrend in inflation was already over because the population growth rate had peaked. Now, the adopted central bank policy was required to stimulate additional GDP growth rather than reduce it. Governments and central banks had succumbed to recency bias. They believed that the strong economic growth of recent decades was sustainable, not realising that it was a one-off historic anomaly due to due a baby boom.

Central banks were charged with encouraging economic activity using the only tool available to them. They began lowering interest rates so that money saved from debt-servicing costs could be spent elsewhere in the economy. But humans are not always rational. As debt-servicing costs fell, people began borrowing more – maintaining their debt-servicing level of expenditure. This enabled them to bring tomorrow's earnings forward so they could consume more now (i.e. steal from the future). This behaviour continued for 40 years, until the Global Financial Crisis (GFC) showed households what could happen if you didn't live within your means, pay down debt and stop relying on capital gains. The GFC was the wake-up call for our global economy that those charged with regulatory oversight of have chosen to ignore.



Interest rates around the globe are now anchored around zero. Monetary policy no longer has any efficacy. All the inflation targeting monetary policy experiment has done is to burden the economy with debt because it refused to acknowledge that population growth is the primary driver of economic growth. What central banks have, in effect, been trying to do for the last 40 years is to use interest rates in the present time to offset the reproductive activities (i.e. unprotected sex – or the lack thereof) of the population from some 16 years earlier. Still, central banks persist in their delusion. Their mind-set is fixed: "We'll do more of what hasn't worked in the past and we'll do it harder. Whatever it takes! It's bound to work this time." They are now extending their academic experiment by playing with negative interest rates and quantitative easing (QE).

Quantitative easing is simply government agencies buying bonds, which injects cash into the financial system that needs to find a home. Just as for the wealthy and corporations (as mentioned above), cash needs good ideas to be invested in a manner that benefits the economy otherwise it will just be invested in the secondary market, e.g. the stock market. This has been the case over the last decade since QE was first implemented. Central bank QE shows a direct correlation to stock market activity. QE cash injections do not enter the real economy. As ever, central bank technocrats hope that this secondary market wealth creation (i.e. the perception of being wealthy from investing gains) will trickle down. In the meantime, it is but another policy that increases wealth inequality and financial system fragility. Society pays the cost.

Negative interest rates send a message: "We don't want your money, we have no use for it." An interesting message.

Thank You For Your Service, But We'll Take It From Here

Even without an understanding of economics the general populace can see that governments and supposed financial experts haven't done a very good job. Everything that those charged with the oversight of the current system have done has increased wealth inequality. Additionally, they have simultaneously incentivised an increased fragility of the financial system by way of burdening the economy with a surfeit of unproductive debt.

People are wanting to escape, out from under the economic mismanagement of misguided technocrats. And if technocrats are sending the message, especially via negative interest rates, that they don't want our money, which is actually their state-issued legal tender, then people are beginning to think: "We don't think we want their money either."

Enter Bitcoin.

3. TECHNOLOGICAL ASCENSION

The final stream of the Great Confluence is the enabler of the phase change we are about to undergo as a society. It is technology that will be the vehicle that enables humanity to make this evolutionary transition.

Decentralised

We live in the Information Age. Technology has developed rapidly and the rate of change shows no sign of slowing. Increasingly, people are living online whether it be their social interactions or their commercial activities.

The emergence of Bitcoin and blockchain technology that underpins it was developed because of concerns surrounding the economic mismanagement by the banking system, central banks and finance ministries. This mismanagement was the systematic process of risk accretion that has increased financial system fragility as we outlined above, i.e. rapid credit expansion in a highly-leveraged and speculative financial system that is dependent upon there being an ever increasing demand for financial assets (i.e. more and more people that will continue to buy, thus keeping asset values up).

Blockchain technology seeks to democratise the financial system away from central policy making institutions, and to remove intermediaries such as the banking system. Up until now, the primary focus has been on cryptocurrencies – their creation, mining, acquisition and trading.

The accumulation (or "hodling") of cryptocurrencies has been the biggest aspect of recent times as the consensus view is that, given (i) cryptocurrencies like Bitcoin have a fixed quantity of supply; and (ii) everyone who wants to enter this New World of blockchain and digital wallets will need to acquire some cryptocurrency to transact, the price of the better known cryptocurrencies especially, can only go in one direction. This has proven true thus far, albeit with some significant shake-outs. The problem with this hoarding behaviour by crypto aficionados is that it is applying Old World thinking to New World technology.

We have long been in the camp that regulators will eventually clamp down on cryptocurrencies by making them illegal, as the U.S. Federal Reserve did to the private ownership of gold during the Great Depression. Using anti-money laundering legislation or by bringing digital exchanges under their compliance regimes seemed the most likely. However, we now see a new risk to cryptocurrencies that we believe will render them obsolete before they ever become mainstream. Having said that, we do believe that Central Banks Digital Currencies (CBDC) are coming and will be here to stay, replacing existing currency stock. But cryptocurrencies like Bitcoin et al. may well diminish in the minds of people.

What is the new threat to cryptocurrencies? Non-fungible tokens (NFT). NFTs will flip the economy on its head.

Emigrating to the New World

The acceleration in societal adoption of technology together with the advent of of blockchain and tokenisation has created a new landscape. This digital New World provides the necessary platform to deliver the societal shift to individual empowerment and also escape from the current mismanaged economic system enforced by a rent-seeking bureaucracy.

As society continues its shift toward the individual, people will increasingly see themselves as citizens of this New World and identify less with physical borders and national jurisdictions. The technological landscape enables individuals to create multiple identities easily. People will be able to compartmentalise their economic affairs through multiple digital keys. As long as they disguise their IP address they will be able to maintain an 'official' digital identity (i.e. the one linked to their tax number) whilst also having another (or more) that will be the economic channel of their emerging authentic selves. It may be an online service, a side-line gig or a hobby that they hope to grow into their primary income as they develop their more authentic sense of self and autonomous economic existence.

We point out the potential to break from nation-based economic compliance not to encourage such actions, but to point out, based on our earlier observations, that society is already moving in this direction. Because, in the minds of the people, government is no longer 'government for the people, by the people', but it is 'government for the government, by the government.' Besides, nations already whore[1] themselves out to act as tax havens for global companies.

Non-Fungible Tokens and the Universal Measure

The emergence of cryptocurrencies have demonstrated that a world of multiple currencies can exist without requiring the backing of a nation and its ability to gather tax revenues. NFTs not only take that potential a step further, but flip the game on its head and enable each individual to tokenise their talent, time, labour, energy, goods or services. By doing so, each person is creating their own individual currency and in so doing, they are removing the need for the adoption of a singular universal third-party currency (e.g. Bitcoin). In the Old World system, goods and services are exchanged for currency. In the New World system, goods and services are the currency.

Money is a social construct. It has no value other than the collective acceptance that it has the value attributed to it. In the blockchain, the value stored in each digital wallet of the other party with whom you transact is observable. No faith is needed. It is trustless.

Bitcoin was created as a response to the fiat money system that is debased by government money printing activities. However, the problem with Bitcoin has been the hoarding mentality by speculators given the limited supply. Cryptocurrencies, as currently envisioned (i.e. using Old World thinking), are too subject to speculative manipulation.

NFTs are the new currency, i.e. people's talents and skills, their goods and services. Those that produce goods and services produce the currency. Essentially, under this scenario, money supply will equate to GDP. The concept of value exchange no longer needs a physical coinage or even a third-party digital currency, it merely requires a standard unit of reference, or measure. As such, why not make it the financial equivalent of other units of measurement such as centimetres, inches, degrees Celsius or Fahrenheit etc. Nobody owns these universal units of measure and no one can create new units of them or hoard them.

The universal unit of value could be anything as a starting point, but the value of every other good produced or service will set in reference to this unit. Humans are very good at assessing value, both in absolute terms but especially in relative terms. It is the price of the goods and services (i.e. each NFT) that may vary based on supply and demand. The impact on each party's digital wallet of every transaction is merely a ledger entry so there is no need to include another currency, which will only add volatility and transaction costs. Having said that, Central Bank Digital Currencies (CBDC) will arrive and remain because this will be one way for each nation to ensure their tax base remains and to enable nations to implement their own monetary policy etc. Governments will require all nationally registered entities (individuals or corporates) to continue to transact in that nation's CBDC.

A non-fungible token based economy essentially brings Adam Smith's concept of GDP being the true measure of economic wealth full circle. It bypasses the weaknesses of bureaucratic control and puts control of currency and money supply in the hands of the producers of goods and services – those who offer their talent, time, labour, energy, resources, processes, systems etc. Ownership of these things is ownership of wealth.

We don't envisage that this New World economy will become dominant immediately, but we think that over time it will become the largest component of centrally managed nation-based economies. Eventually, we see the decentralised economy - one that is not constrained by nation-based regulatory frameworks - becoming the new global hegemony.

[1] We mean no disrespect to the legitimate profession of sex workers. We use this as a derogatory comment on governments that demand obedience to their tax laws by disempowered populations but then act in a contrary manner to their neighbour.

Evolution is a Work In Progress

Non-fungible tokens are very much in their infancy and are currently cumbersome to use for those not familiar with them. Apps to simplify the process of creating, issuing and purchasing them will need creating before widespread adoption can occur.

Digital wallets will become more like how we think of investment portfolios rather than a bank account. Our digital wallet will contain tokens of all varieties (e.g. artwork; next week's dental appointment time slot; CBDCs etc) that can be on-sold and will have a current market value. You will be able to select the default valuation unit for your digital wallet and its contents, whether that be a CBDC (e.g. U.S. Dollars or other universal measure of valuation).

Individuals may have multiple digital keys as a form of risk management – i.e. so they don't lose everything if 1 key is lost. It also gives them the benefit that they can choose which key they link to their tax number because, whilst people are responsible citizens of a physical jurisdiction (i.e. a nation), they are also a citizen of the New World where they manage their own affairs and not in the service of rent-seeking elitist government with a propensity to mismanage economic activities by adopting short-sighted policies that try to solve yesterday's problems at the end of an economic cycle that ultimately result in bigger problems in the economy of tomorrow.

At present, the blockchain is powered by a significant amount of fossil fuel and non-renewable energy, which is not good. However, the current global shift to renewable energy may be incentivised and accelerated by the growth of the digital economy as the increased electricity demand justifies the expenditure. Digital key owners may well pay a premium to certify that they have secured clean or renewable energy from their electricity supplier, making them a preferred counterparty.

EPILOGUE (PART 1)

The Great Confluence

- Human society has evolved to a point where each individual is beginning to stand alone as a self-governing being, authentic in their individuality and from that place, be a positive contributor to the collective. A true democracy.
- Economic mismanagement by centralised institutions over multiple decades has brought developed nations to a point of crisis. An epidemic of financial fragility exists while the primary driver of economic growth is simultaneously eroding at the foundations of our economic structures.
- Technology has advanced to where it now empowers individuals to take control of their own earning potential, without the old barriers to entry.

Non-fungible tokens are the new currency - goods and services, labour, skills and talents offered as tokens. In this manner money supply only expands at the rate of the expansion of goods and services. Financial value no longer requires legal tender in a trustless blockchain system.

The New World is digital. This New World may not recognise traditional jurisdictions.

Vive la Revolution!

Part 2

THE SECOND AMERICAN REVOLUTION

In Part 1 we showed how significant long-term trends are coming together at the same time. This time, here and now. In Part 2 we will try to justify our rather ostentatious title. This revolution is something that the entire developed world will experience, but the U.S. with its global hegemony will lead the way because, when it comes to financial matters, unless it happens in the U.S. the rest of the world won't follow.

Our claim that we are about to witness a Second American Revolution is more than just click bait. With the setup of the Great Confluence that we have outlined in Part 1, it is our belief that there are too many similarities to the first American Revolution to ignore and the outcome of the first may also be a guide to the outcome of the second.

We would emphasise that, however you interpret what we have written, we are neither anti-government nor are we anti-American. The nuance that we are pointing out is that the existing establishment within the United States (as is the case for many developed nations) is far removed from its origins.

So let's start with a provocative statement: The United States of America's institution of government has become the very entity that it waged war against to gain independence. That's another way of repeating Orwell's observation on societal and political drift: What started as "*All animals are equal*" has become "*All animals are equal, but some are more equal than others*." It makes no difference what the underlying political ideology, the outcome differs only by a matter of degrees.

1. THE APPLE DOESN'T FALL FAR FROM THE TREE

OMG! We've Become Our Parents

Some history is required if we are compare one revolution with the next. Here's a quick and dirty summary:

During America's formation, people moved from Britain to the colonies (America) because of hard economic conditions in their existing environment with limited opportunity for improvement and in the hope of a better life.

There was freedom and a self-determining autonomy in America, including previously unattainable land ownership.

As American autonomy grew, Britain wanted to ensure it maintained control of the colonies. British parliament required taxes from the American colonies to assist in paying for British costs. People in America increasingly felt that Britain didn't represent them, but rather wanted to control them and resented having new taxes placed on them as a reminder.

Essentially, it was arguments over "who pays?" that led to the American War of Independence.

British parliament was made up of rent-seeking elitists with a sense of entitlement that was not representative of the people whom they governed, let alone the far removed lives of the people that populated the American colonies.

It's not too difficult to see the similarities with today's society: people wanting to escape established societal structures; individuals seeking freedom, autonomy and self-determination; expanding government regulation and control; elitist government removed from the experience of ordinary people; and who pays for it all?

2. OUR COSTS DEMAND YOUR TAXES

Who Pays?

Demographic change will mean the nation's tax burden will be put onto fewer people to cover costs. As we showed in Part 1, the working age population (the economically productive population) is shrinking and will continue do so until the mid-2030's[2]. To compensate, government will need to either: shrink its expenditure; borrow more (and keep interest rates down); or raise taxes. At the same time, the costs associated with an aging population will increase, e.g. pension costs.

We predict that there will be a rise in the number of people moving to the New World (the digital economy) seeking greater autonomy from established authorities, including their taxation and systematic process of financial repression.

We foresee the government trying to legislate new taxes to compensate for their reducing tax base and higher costs.

We also foresee the government legislating against the use of New World money, as they did in the 1751 and 1764 and again with the criminalisation of public ownership of gold in the 1932. Governments want to retain control of the monetary system.

One of the most obvious solutions is for governments to realise that they need to shrink and relinquish some of their historical power. They won't. Governments never do. Those in power believe their office justifies their actions (i.e. might is right), and that is where problems arise.

This will be a war. It will not be the local militia against a nation's armed forces (that is the Industrial Age expression of war). For the most part, it will be guerrilla warfare in a technological landscape (the Information Age expression of war). Government will try to constrain, or maintain control of, the shift to the New World and residents of these digital colonies will develop new evasive measures of identificaton. The level of governmental financial repression placed upon ordinary citizens in order to gain sufficient tax revenues may tip over into some violent conflict. Events of recent years

[2] Around that same time is when we can expect the Baby Boomer population to begin shuffling off this mortal coil en masse, which may have interesting consequences for asset prices (e.g. housing).

show that there is already an underlying ferment among the American populace, as there is elsewhere around the globe also.

Ultimately, as we point to in Part 1, the New World - the digital economy - is evolutionary. This is where society is going like it or not. The Old World will diminish by comparison, though it may take some years, even decades. Existing power structures must reduce to a level of sustainability. Just like the societal shift toward environmental sustainability, everything must find its own point of equilibrium and that includes government. Society has allowed government to possess too much power and has passively looked to government to solve their problems because government assured the people that they are the ones to be looked to and whose policies would solve all their problems. This has enabled the formation of an elitist establishment that grows ever richer on the ignorance of the people through increasingly rent-seeking behaviours. Across the U.S. political spectrum, like every political system, self-important individuals that glory in the station to which they have attained hold office, much like the British parliament that sought to tax the 13 Colonies some 250 years ago.

Government plays an important part in the formation of a healthy society. An outworking of the Second American Revolution will be putting government back in its proper place so that it can focus on the best structures to shape the society that the people want. The existing close relationship between corporations and government that shapes today's political policy and economic environment will be diminished by shift to the New World economy.

If this view of the Second American Revolution disappoints your blood lust and hope that there will be sensationalist events, including outright warfare, we apologise. But make no mistake, it will involve all the elements of warfare. Government will increase their own powers, which will extend to their surveillance of every aspect of the online activities of the population – more than they already do. The infrastructure established to counter the threat of terrorism that is already used against the civilian population will be further applied to identify those who are colonists of the digital New World. The costs of doing this will be placed on the same population. Financial repression and perceived loss of freedoms and liberty will increase leading to further discontent and rebellion. The tactics may get dirty on both sides.

Fundamentally, this war will be based upon a clash of belief systems. The view of the government is, "We own you", whilst the view of the individual will be, "I have dual residency. I render unto Caesar that which relates to my U.S. residency, but my digital residency is my sovereign domain."

EPILOGUE (PART 2)

The Second American Revolution

- The first war of independence reflected the Industrial Age, e.g. involving physical confrontation, manufactured armaments, guns etc. The second will reflect the Information Age and will be fought in the digital space.
- An increasing tax burden and the question of "who pays?" will intensify financial repression of the population.
- Individuals want greater autonomy and self-determination. People will become dual citizens: of the U.S.A. and the digital New World. They will move aspects of their economic affairs to where there is more opportunity and greater liberty, where they are their own sovereign entity, their own nation state.
- Government will deny its part in economic mismanagement and policy failures that have precipitated these events. They will seek to escalate their control. Like all governments before them, they believe by their very existence they are justified in their actions.

The United States of America's institution of government has become the very entity that it waged war against to gain independence. One ruled by an elitist establishment that has used the institution of government to implement policies that have become destructive to quality of Life, Liberty and the pursuit of Happiness rather than acting as those who derive their just powers from the consent of the governed. This institutional mind-set has slipped into believing that all people should act in the best interests of the government, i.e. the people should serve the government rather than government should serve the people.

Once financial repression increases, people's attention will finally be turned from their current petty argument between whether red is better than blue or vice-versa, as though constituents were supporting their local sports team. When people's money is interfered with they tend to become focused very quickly.

We the People...

We Need to Talk About Our Future

Final Thoughts

The whole premise of Adam Smith's concept of GDP was to get away from the idea that hoarding gold and silver was what defined a nation's wealth. Those who HODL cryptocurrencies have forgotten this in their speculative frenzy. They are applying an Old World mind-set to the New World technology. We believe that at this time, with the current setup, that the global economy has come full-circle on Smith's notion. Technology now enables GDP – "The Wealth of Nations" - to become the currency, with each contributor supplying their own unit, no longer being dependent upon third-party intermediaries, currencies and state-defined legal tender. As such, this reimaging of the "wealth" component of Smith's work validates GDP maintaining its place as the definition of wealth. However, in this brave New World, we may well need to reconsider, 'What constitutes a nation?'

The long-term societal shift toward the individual will find its outworking in every person becoming their own sovereign nation state in this new digital landscape with the power to issue their own currency, to shape their own creed and cultural expression.

It's 1776 all over again! The year that Smith published "The Wealth of Nations" and a new nation - the United States of America - declared its independence.

Who Wrote This Shit?

MORPHO ADVISORY LIMITED

Morpho Advisory was founded by Brett Tulloch, who has over 30 years of financial and capital markets experience across an uncommonly diverse range of applications. His background includes:

- Creating unique liquid alternative investment strategies with superior long-term absolute return, total return and risk-adjusted returns than traditional investments and diversified investment portfolios;
- Portfolio management of major global fixed income portfolios for billion dollar asset management firms;
- Managing billion dollar corporate balance sheets, issuing debt securities across the world's capital markets; and
- Corporate finance, structured finance and infrastructure-related project finance transactions.

As the founder, Morpho Advisory reflects Brett's inimitable style. Creativity and unorthodox approaches to the challenges that financial and capital markets pose are encouraged. These are amalgamated with a strategic outlook that doesn't only encompass economic and market data, but also the very structure of the economic and financial market environment. We believe that the medium is very often the message, to quote Marshall McLuhan. That is to say, that environment shapes behaviour. This sets Morpho Advisory apart. While the finance and asset management industry clings to, and celebrates, its orthodoxy, we at Morpho Advisory can no longer maintain orthodoxy's delusion. The Emperor has no clothes! The orthodox approach to finance and asset management has reached its 'use by' date. The world is at an inflection point where everything must change. The current economic system faces a period of extended crisis. Whether the current system crumbles (or a substantial part thereof) or whether it experiences a significant regime change remains in the balance. Morpho Advisory has chosen to go rogue and turn onto the road less travelled. We simply got to the point where we could no longer accept the unthinking ways of orthodoxy and so donned the punk ethos that resonates with our soul and thought, "Fuck the establishment!"

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