

Louis Paquette's



# EMERGING GROWTH STOCKS

#102 – 2020 Comox Street,  
Vancouver, B.C. V6G 1R9  
(604) 687-5772  
info@emerginggrowthstocks.ca

Excerpts from the October, 2008 Issue of EGS

## *Devolution Now?*

### *It's the downward spiral of mankind*

Well, September certainly proved up to its reputation as the “*cruellest month*” alright (the title of our last Issue). And October is following suit.

Now, I really want to be an optimist. And it's my natural inclination to be a contrarian, to buy stocks when fear is high and prices are low. And given the massive movement down in the markets in just a few months, we shouldn't be surprised to see a multi-week or multi-month counter rally starting anytime. Longer term though - I believe there is a strong case to be made for something far more seriously negative lying ahead - something between an orderly, Japanese style depression if we're lucky - or the beginning of a new Dark Ages if we're not. There are four undeniable reasons for this:

#### **1. The Credit Bubble implosion**

This was after all, the largest debt bubble in history of mankind and it isn't going to be resolved overnight. The closest historical parallel - the Japanese real estate bubble, has taken more than 18 years to resolve. And given the bailout tactics being employed by the powers that be - there is no reason to believe this one should resolve itself anytime soon either.

#### **2. Peak Oil**

Well before the debt bubble can be resolved - peak oil should kick in. All of our current systems of life rely totally on cheap plentiful oil. That's just about gone now - and there is no combination of wind or solar or nuclear or anything else that will bridge the gap. Peak oil alone, nearly guarantees a serious economic depression, although reduced demand may delay the inevitable for a spell.

#### **3. Demographic Depression 2013-2025**

By the year 2013 if not sooner, we will begin to feel the adverse impact of this tsunami. Untold Trillions of dollars of unfunded pension and health care liabilities are supposed to be picked up

by declining numbers of workers with declining work ethics. There is almost no chance of this happening.

#### **4. Devolution in human character**

The accent of mankind throughout history has not been in a straight line - but been marked by periods of decline, such as the period after the end of the Roman Empire (Dark Ages). The most recent example of this was the period after the “roaring ‘20’s” - the Great Depression which led to WWII. These period do not occur randomly, but follow a pattern of human behavioral evolution and degraded behavior, I refer to as: “Devolution”.

#### **Why Democracies Fail**

This is by no means a new theory. At about the time America’s original 13 states adopted their new Constitution, in the year 1787, **Alexander Tyler\*** (a Scottish history professor at The University of Edinburgh) had this to say about “The Fall of The Athenian Republic” some 2,000 years prior:

*“A democracy is always temporary in nature; it simply cannot exist as a permanent form of government. A democracy will continue to exist up until the time that voters discover that they can vote themselves generous gifts from the public treasury. From that moment on, the majority always votes for the candidates who promise the most benefits from the public treasury, with the result that every democracy will finally collapse due to loose fiscal policy, (which is) always followed by a dictatorship.”*

*“The average age of the world’s greatest civilizations from the beginning of history, has been about 200 years. During those 200 years, these nations always progressed through the following sequence:*

*From bondage to spiritual faith;  
From spiritual faith to great courage;  
From courage to liberty;  
From liberty to abundance;  
From abundance to selfishness  
From selfishness to complacency;  
From complacency to apathy;  
From apathy to dependence;  
From dependence back into bondage”*

\*(There is some uncertainty as to who actually made this quote. But it doesn’t matter who said it, as it presents a great truth about the cyclical nature of human behavior over the ions. And doesn’t it sound all too familiar, especially the part about “loose fiscal policy”?)

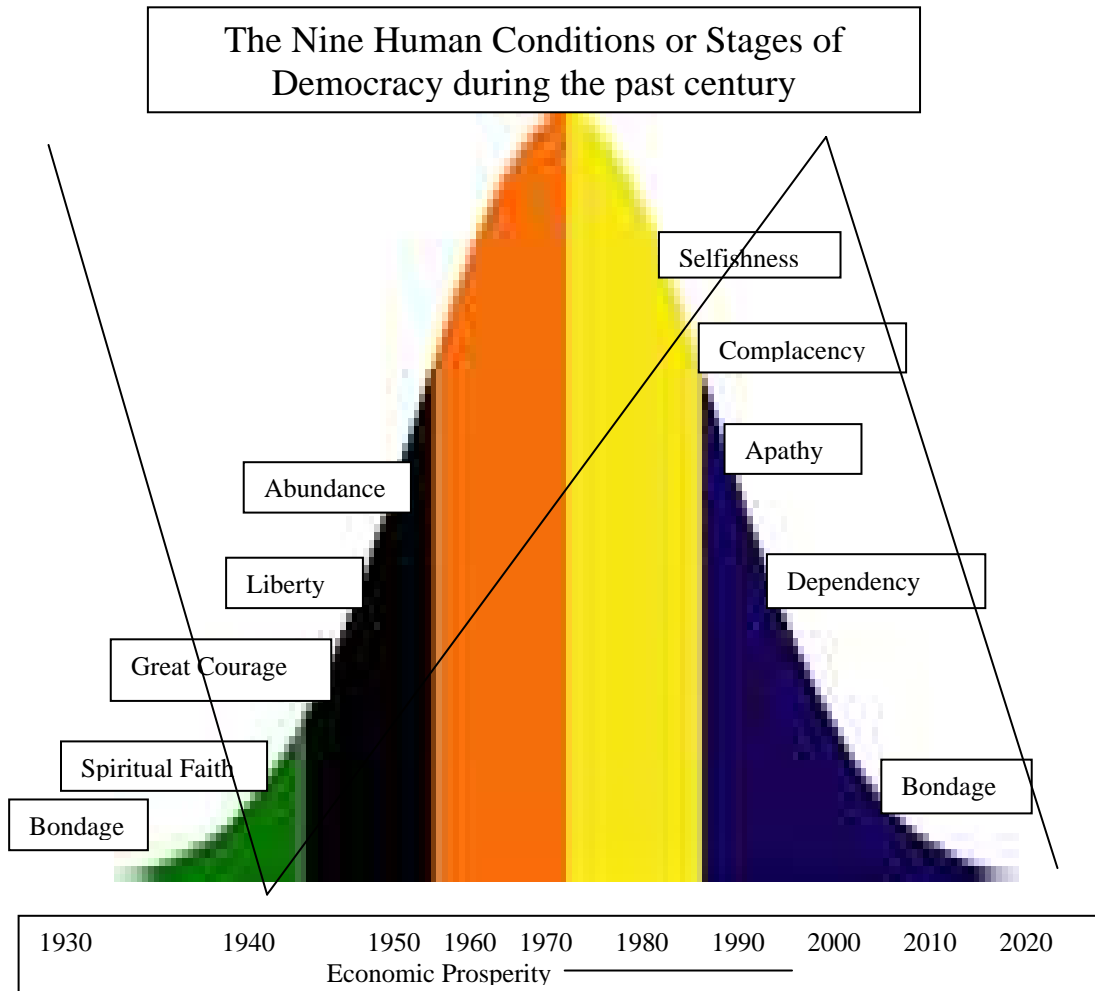
There's no mystery as to why this cycle works. Poor economies force humans to adopt positive behaviors. And good economic times results in negative behaviors, to the point where it eventually brings the whole system down upon itself. And the final tragic end result every time: Bondage.

The turning point takes place is between the fifth and sixth human conditions - sometime after Abundance begins - society becomes lazy and Selfish. From that point on, it's all downhill from there.

***“When the people find they can vote themselves money,  
that will herald the end of the republic.”*** - Benjamin Franklin

And at what point in the cycle does society find itself today? Why, the last stage of course - the one prior to returning to Bondage; *Dependence*. Look around you today. Don't hordes of folks have their hands out, expecting their neighbours to full fill their needs? Has society not adopted a attitude of entitlement? Right up to the highest ranks of our corporations and governments who are lining up at the public trough demanding Bailouts by the hundreds of Billions of taxpayer dollars.

Events of the past century show how well the model works. In the 1930's and early '40's - society was indeed experiencing **bondage** - slaves to fear, to economic depression, to tyranny. Which resulted in **Spiritual Faith**. Which inspired **Great Courage** that was required to defeat tyranny. Which resulted in **Liberty** in the late 1940's - which in turn, created **Abundance** in the 1950's and beyond. Which worked out fine, until something went wrong and **Selfishness** started setting in during the 1960's (the *“me generation”*). Which more recently led to **Complacency** (how many times have you heard: *“they'll figure out something when all the oil is gone”*), then **Apathy** (the Canadian federal election just days ago - had the lowest voter turnout ever). Then **Dependency** sets in - where we find ourselves today. How tragic and sad it is that society fails to evolve past this miserable cycle of failure!



While the economy can continue to grow for some time after that - this is the point at which the human condition begins to degrade or “devolve”.

### **Child rearing and The Law of Reverse Civilization**

*“So long as the young generation is, and continues to be, well brought up, our ship of state will have a fair voyage; otherwise the consequences are better left unspoken.”*

—Plato, Laws

*“When a civilization declines it has stopped getting stronger and cleverer, but has started to become sillier and weaker; it has gone into reverse. This waning is the result of a reversal in the nature of authority; instead of authority ruling its charges, its charges rule authority. A change which must be marked by a rebellion where power is forcibly wrested from the traditional rulers*

*and placed in the hands of the agents of ‘the occasional will of the people’—Democracy. An act which Toynbee noted in his work ‘A Study Of History’ as a class war and the inevitable signal of the start of the decline of a civilization.” Decline is inevitable because the reversal of authority has an immediate and crucial impact on the process by which a community constantly renews itself—the way it rears its children.*

*A community waxes (grows): when parents demand respect from their children. A community wanes: when parents seek the approval of their children.*

(The entire section above is from: [www.ourcivilisation.com/reverse.htm](http://www.ourcivilisation.com/reverse.htm)).

And isn't it true how much has changed from the way children used to be raised, back when they were to be seen and not heard.

Compare this with today. For instance, I am constantly being reminded how I must not say “no” to children (advice which I damn well ignore when appropriate). And I can see firsthand, the results of this new age parentage each time I pick up my five year old from school. So many of her peers are spoiled, aggressive, violent little unruly brats, who more often than not, respond to commands with raging tantrums. Just wait until this next generation gets older - they will be too selfish to raise children themselves. And they will hardly be interested in caring for their elders.

## **Conclusions/Suggestions**

### *- Lifestyle*

I could devote an Issue to this subject. But it's pretty obvious stuff. Frugality, rather than conspicuous consumption, will become the order of the day. I'd suggest - saving for a rainy day and structuring one's life to living *below* one's means, as opposed to “*keeping up with the Jones*”. Eliminate optional activities and re-examine all of your fixed costs. Do you or a spouse commute vast distances to work? You may want to consider moving closer to work. Boosting non-investment earnings as best one can while they are around should be another priority. Prepare for a life where everything gets down-sized and down scaled. Reduce your dependency on the government, which will undoubtedly renege on many of their promises. And prepare for a more violent, more chaotic society, which will have a most difficult time adjusting from a state of dependence to bondage.

### *- Investing*

*For this section, including a list of Six new picks which are currently paying out Depression-level Yields (18% to 34% as of October 16<sup>th</sup>) you can purchase the complete October Issue for a single-issue price at [www.emerginggrowthstocks.ca](http://www.emerginggrowthstocks.ca).*

Louis Paquette

Publisher

EMERGING GROWTH STOCKS

[www.EmergingGrowthStocks.ca](http://www.EmergingGrowthStocks.ca)

[www.EmergingGrowthStocks.blogspot.com](http://www.EmergingGrowthStocks.blogspot.com)