

MOBS, MESSIAHS, AND MARKETS

Surviving the Public Spectacle in Finance and Politics

**WILLIAM BONNER
LILA RAJIVA**



John Wiley & Sons, Inc.

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FOREWORD

Mobs, Messiahs, and Markets by Bill Bonner and Lila Rajiva will never earn a Nobel Prize in economics. Why? Because this book is highly readable, makes sense, and does not contain the usual incomprehensible mumbo jumbo one finds in other financial and economic books. *Mobs, Messiahs, and Markets* makes very complex economic, social, and geopolitical issues understandable to normal people like you and me. What Barbara Tuchman did by writing informative and absorbing history books, Bonner and Rajiva do with this highly entertaining book written for the general public to help people understand politics and finance.

But who would have the time to read this close-to 400 page book? These days, most people are happy to gain knowledge and become informed about everything everywhere in the world from 30-second shots on TV news channels! Still, in my opinion they would be making a grave error if they did not find the time to read *Mobs, Messiahs, and Markets*.

Here is why. Books should be read for one or both of two reasons. Since reading is physically and mentally rather demanding, I obviously want to read a book that is informative, increases my knowledge, and is thought provoking. Otherwise, why bother? The other reason I would want to read a book is for pure enjoyment. Either the authors capture my attention through the complex plot of a thriller or a tragic drama or they do it through their superb command of the English language and their ability to make me laugh.

Well, I read the manuscript of this book on flights from Bangkok to Ho Chi Minh City, from Ho Chi Minh City to Singapore, from Singapore to Shanghai, and from Shanghai to Dubai, and I read it on China Beach in Vietnam. On each of those flights, people were staring at me, because I would repeatedly burst out laughing. *Mobs, Messiahs, and Markets* is one of the funniest and most entertaining books I have ever read. But, besides that, Bonner and Rajiva are also accomplished and honest historians who expose the dangerous

conspiracy engineered with lies and deception by American elites, politicians, Wall Street, and the U.S. Federal Reserve, whose effect is to shift wealth from the middle and working classes to the elites and their cronies.

Referring to the eroding purchasing power of the U.S. dollar, Bonner and Rajiva note that even as the Federal Reserve increased the quantity of banknotes, the quality of the notes declined. The problem, they argue, is that while political power is in Washington and financial power lies in New York, the real power is where the two come together in the Federal Reserve system. And while the Fed may have been chartered to protect the currency, its new job is only to get the politicians reelected and keep the money flowing in order to give people the impression that they are economically better off. Not surprisingly, Bonner and Rajiva have a low opinion of central bankers. Modern central banking, like bank robbing, is a nefarious métier, they write. But while Bonnie and Clyde's crimes were obvious and deplorable, a central banker is often confused with an honest man.

In the world of finance, there are thousands of books on how to value stocks and on technical analysis, currencies, commodities, bonds, and macroeconomics; but there are hardly any books that capture the zeitgeist of gigantic financial excesses. Edwin Lefèvre's *Reminiscences of a Stock Operator*, based on the life of the legendary Jesse Livermore, was an enormously popular book that became a classic about the investment mania of the late 1920s. I predict that *Mobs, Messiahs, and Markets* will in time become as much a classic for the student of the current period in history, because it combines so many interesting aspects of psychology, politics, and finance into a captivating narrative. I am confident that the first edition of this book will command a high price among collectors of rare books in the future and that your children will one day shake their heads and wonder how today's generation could have been so badly deceived by blatant lies, would-be reformers, military messiahs, and world improvers.

In fact, *Mobs, Messiahs, and Markets* is such an excellent book that if I had to name just one book investors should read, this is the one I would select.

MARC FABER

ACKNOWLEDGMENTS

Writing a book is hard enough. Writing a book with someone else is even harder. And it ought not to be possible at all when one of the authors is running a multimillion-dollar publishing business from London and Paris and the other is wandering the globe with her laptop.

As it turned out, it was not only possible but a lot of fun. Despite time zones often a day apart, treacherous Net connections, and plenty of friendly tussling over everything from financial flows in India to Latin American politicians, we found enough common ground to write a book that takes on the “public spectacle” in politics and the market today. Ours is the home inspector’s report on the wormy wreck of government policies and prescriptions that experts and ideologues are selling us.

The book is put together from joint and individual writing we did over the past year or two. Some of it has appeared online; some has not. John Mauldin speaks for many fans in calling Bill the best pure writer in the financial business. In some sections—such as the ones on finance—it’s more of Bill; in others—such as the ones on globalization and propaganda—it’s more of Lila. Everywhere else, we are equally culpable.

As with any book, there are people whose help we want to acknowledge. On Bill’s side, there was Claire Lamotte from the Agora office in Paris, who helped with proofing. On Lila’s end, as always, she owes everything to her parents, Adolf and Sylvia Walter, and to her brothers, Noel and David, for their endless support and encouragement.

Finally, both of us want to acknowledge Addison Wiggin, Mike Ward, and Danielle Morino at Agora for the marketing of this book, Jean Hanke for logistical help, our agent Theron Raines for his

advice, and the team at John Wiley & Sons—Debra Englander, Mary Daniello, Greg Friedman, and Stacey Small—for their work putting together the manuscript.

Do we have any prescription at the end of it all? No—if that means suggesting what we ought to do. Yes—if it means suggesting what we ought *not* to do. And what we ought *not* to do—as the Good Book tells us—is clear: We ought not to put our faith in princes and powers; we ought not to be taken in by the “public spectacle.”

WILLIAM BONNER
LILA RAJIVA

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Part One

A Critique of Impure Reason

CHAPTER 1

DO-GOODERS GONE BAD

All reformers are bachelors.

—George Moore

It is a shame that the world improvers don't set off some signal before they go bad, like a fire alarm that is running out of juice. Maybe some adjustment could be made. Instead, the most successful of them—such as Benito Mussolini and Adolf Hitler—actually gain market share as they get worse. Their delusions are self-reinforcing, like the delusions of a stock market bubble; the higher prices go, the more people come to believe they make sense.

The do-gooders who never catch on, of course, are hopeless from the get-go. Take poor Armin Meiwes. The man thought he had a solution to the problems of poverty and overpopulation. He was, no doubt, discussing his program with Bernard Brandes just before the two cut off Brandes' most private part and ate it. Then, wouldn't you know it, Brandes died, either as a result of blood loss from the butchering or as a consequence of Meiwes slitting his throat. And then the press made a big stink about it, branding Meiwes the "Cannibal of Rotenburg." But Meiwes was not merely a pervert; he was an activist.

"We could solve the problem of overpopulation and famine at a stroke," said he, according to testimony in the *Times of London*. "The third world is really ripe for eating." But wait, a fellow omnivore thought he saw a flaw in Meiwes' utopia: "If we make cannibalism into the norm, then everyone will start eating each other and there

will be nobody left.” “That’s why I’m not keen on eating women,” replied Meiwes.¹

It seems never to have occurred to either of them that just *perhaps* not everyone would want to be eaten. Or that maybe people would find being eaten even less desirable than having to stand in line or drive around looking for a parking space or the other symptoms of what they took to be planetary overcrowding. Still, anthropophagy might have solved the problems of overpopulation and undernourishment in a single slice. And if his recipe for planetary improvement had not been interrupted by the *polizei*, who knows what might have happened?

But now the poor fellow is in the hoosegow making do with hamburger. The same thing happened to another of the world’s do-gooders gone bad, Saddam Hussein. We don’t know much about the Butcher of Baghdad, but his defense was little different from that of all ex-dictators—he thought he was building a better world. Iraq is, after all, a wild and wacky place, with different tribes and religious groups ready to cut each other’s throats. At least that was Saddam’s story. Without his firm leadership, he claimed, the country would have been a mess. We think of another great world improver, Il Duce, a clown who thrashed around in typical do-gooder claptrap, looking for a theme that would bring him to power. When he finally got into office, he found a new program better suited to his ambitions: Put on silly uniforms. Strut around telling the masses that you’re recreating the glory of ancient Rome. Spend a lot of money. So many people came to admire the man that he began to think himself admirable and to believe that his program might actually work as advertised. Then, he invaded Abyssinia . . . and the bull market in Benito Mussolini was over.

BLUE BLOODS IN BLACK SHIRTS

But while Mussolini’s star was on the rise, it claimed some strange followers. One of the strangest was carried away, with thousands of

other old people, in the unusually long, hot summer of 2003—Diana Mitford. She was the woman who married Oswald Mosley, and at their wedding in 1936 were some of the most important people of the age, notably Adolf Hitler and Joseph Goebbels.²

Of all the stupidities into which a man can fall, the stupidity that Oswald Mosley launched headlong into was one that was especially vile. With money supplied by Mussolini, he organized Britain's "Blackshirts," an organization much like the Nazis in Germany. National Socialism was supposed to be the wave of the future, but Mosley's group couldn't seem to come up with anything more original than going into London's East End and beating up Jews. Most Englishmen were appalled. When World War II broke out, the Mosleys were interned as security risks. Though they were set free after the war was over, they were told to get out of town. They then joined their best friends, the Duke and Duchess of Edinburgh, in France, where they lived out their remaining days. Diana herself lasted into her 90s.

Diana was not only smart; she was among the world's great beauties. She was said to be the prettiest of the Mitford sisters, which was tough competition, and even in her 90s, she posed for *Vogue* magazine and she still looked good. She was "the most divine adolescent I have ever beheld: a goddess, more immaculate, more perfect, more celestial than Botticelli's sea-borne Venus," wrote a friend.³

Really, it is almost too bad she wasn't dumb. She might have glided through life and been a joy to all who saw her. Instead, she married badly . . . which is to say, she fell in love with Mosley, who was an idiot, and threw her lot in with him. Later, British counterespionage agents came to see her as the greater threat. "The real public danger is her," said a report. "She is much more intelligent and more dangerous than her husband."⁴

Of course, she was not the only one of the Mitford sisters to go bad. They were almost all too smart for their own good. Their synapses fired right, left, and overtime . . . and took them in strange directions. Sister Unity, like Diana, took up with the Nazis. Sister Jessica took an equally radical course, but in a different direction; she became a Marxist. It seems as though a smart person will go