

Foreword

This book contains four titles that together form a whole. The first book describes the investment strategy that I have used for myself over the last two years. The second book contains a brief introduction to economy as seen from an anarchist viewpoint. The third book goes through the basic philosophy of voluntary social organization, and the fourth book is a short personal account of my own journey towards such a society.

Every one of these titles contain practical points of view that I have used for myself. It is my hope that my readers will find this correspondingly useful in their own way.

Gold Oriented Investing

How to keep and grow wealth

Fredrik Nygaard (2018)

Introduction

No one ever made any money from following investment advice from me, so anyone reading this book should take my advice with a grain of salt. It is not an outline of past successes, but rather a blueprint for my future strategy.

This being said, I believe my strategy to be well researched. Ten years down the road, we will see if it is profitable as well. In the meantime, others looking for a foundation for their own investment strategy may find this book useful as a reference.

What is Wealth

Investing is about the preservation and growth of wealth. Clearly, this cannot be done in a rational manner without a good notion of what wealth is. Let us therefore start by looking into this elusive property.

Wealth is a subjective quantity, so it is hard to define. However, pretty much everyone would agree that wealth is closely related to contentment. The wealthy do not go spend their days worrying about their possessions. They are in control of things. They can do as they please, and they do not need anyone's permission to do so.

Of course, by this standard no-one is truly wealthy. There is always something to worry about. Total control is impossible. No-one knows the future, and we all have to file our taxes and obey the rules made by politicians and bureaucrats.

Wealth is therefore not about total control and freedom, but about sufficient control and freedom to be contented. It is about being as free and in control of our destiny as it is possible to be.

It is also about being comfortable in our material needs. We need a place to live and we need food and clothes. If this is ensured,

then all that remains for us to call ourselves wealthy is an honest appreciation of our good fortune and happy circumstances.

For this to be achieved without self deception, we need to live within our means.

A mistake that many make is to put too much emphasis on the material at the expense of the immaterial. Buying a big house when we cannot truly afford it does not make us richer. It makes us poorer. Too much control is given up in exchange for material comforts.

The more we depend on strangers in our everyday lives the less wealthy we become. Bank loans and dependence on state provided services should therefore be avoided as much as possible. Wealthy people are not deep in debt, nor are they dependent on interest rates or government handouts.

On the other hand, good, reliable friends, and a faithful spouse, makes us richer. Wealthy people are in control of their lives, they live comfortably, and they surround themselves with people they love and trust. From such a base, they build their wealth, adding to their comforts and self determination as they go.

To count ourselves among the wealthy we must build that base for ourselves. Private issues should be dealt with directly and without hesitation. We cannot have energy draining nonsense going on if we are to prosper, and nothing is as draining on a person than a bad relationship, or an over-stretched economy. Number one is therefore to scale things down, find out what we want in life, and live accordingly.

In many cases, this is sufficient to consider ourselves wealthy. However, there is no reason to stop adding to our wealth. Now that we know what it is, we can add to our wealth through proper and balanced allocations to savings and consumption.

By adding to our material wealth through prudent allocations, our ability to control our destiny improves. By extension, we feel more contented in our lives, more certain of our future prosperity, and more relaxed and happy about life in general.

If we get our allocations wrong, the opposite happens. Material

losses lead to less certainty about the future. In catastrophic cases, material comforts and control can be lost completely, with misery and helplessness as the end result.

The fear of this happening has many making the decision to do nothing. However, this is also an investment strategy. By doing nothing, we make a decision to stay in whatever asset classes we are currently in. It is not a terribly bad strategy. However, with a bit of insight into historic trends and patterns, we can do better than just hanging on to whatever we have. We can make it grow too.

Wealth and Value

The wealthy are in control of valuable resources, both material and immaterial. This is how they preserve and grow their wealth, and we need to do the same in order to succeed.

This means that we need to know what is valuable and what is not. We must also be able to rank the value of things relative to each other so that we stay invested in the right resources.

For this purpose we need a definition of value that we can treat objectively. The fact that value, just like wealth, is subjective is not helpful in this respect. Nor is the idea that value is merely what someone is willing to pay for something.

On the other hand, the idea that value is largely independent of price, and a direct function of utility and scarcity, is very helpful. Especially in combination with the historic certainty that prices always end up reflecting underlying value. Prices may stray far and wide from value for prolonged periods of time, but in the end, there will always be a convergence.

With this in mind, we have a way to determine which assets are priced too high, and which are priced too low. This is exactly what we need in order to make successful investment decisions.

To illustrate, let us take a simple, and rather extreme example.

Let us say that the following three products were sold for the exact same price: a bottle of fresh air, a fresh four-leaf clover, and

a gold ring.

Let us further suppose that on average, the price of these products are correct. As a basket of products, their price is correct.

Based on this, we have no trouble recognizing that the gold ring is way under-valued, while the bottle of air and the four-leaf clover are way over-valued.

We buy the gold ring, and leave the two other products for others.

In the short term, the price of bottled air and fresh four-leaf clovers may go up further. However, we can rest assured that we have made the right purchase.

The reason for this is that gold is both scarce and useful, while air is merely useful, and four-leaf clovers are merely scarce.

The fact that we cannot live without air does not make air valuable. Air is available to us for free. A bottle of fresh air is therefore nothing more than a gimmick.

The fact that fresh-four leaf clovers are more scarce than gold is not sufficient for them to be considered valuable either. They have neither the durability nor utility to compete with gold.

The gold ring has objective qualities of both utility and scarcity that makes it easily recognizable as valuable. Everyone from the very rich to the very poor, regardless of class or social standing, recognize a gold ring as a desirable piece of jewellery. Gold is universally appreciated for its durability and shine.

However, this does not mean that we should all run out and buy as much gold as we can possibly afford. Gold too can be over-valued. All we can say from the above example is that there are objective ways to rank the relative value of things. The trick is to apply the right measures to the right assets. If we do so correctly, we should be able to profit from the ups and downs of the market.

Cash, Real-Estate, Shares and Gold

For my personal investment strategy, I have limited myself to four asset classes. They are cash, real-estate, shares and gold. I am

staying away from bonds. I am also staying away from silver.

When it comes to bonds, I do not own them because I do not see them as appropriate for small investors like myself. I also see them as exceptionally risky at the moment, and I have moral issues with debt issued by governments. Bonds are issued by bureaucrats who use their fellow men as collateral. It's a modern form of slave trade. The labour of fellow men is bought and sold by a privileged elite with a self proclaimed right to tax people at will. This is something I have no desire to partake in.

If I was more of a gambling man, silver would be on my list together with gold. In fact, I'm quite sure that silver will outperform gold over the next decade or so. However, I prefer the stability of gold over silver. Gold is also easier to manage. I have no desire to store big crates of silver coins and bars over extended periods of time.

For a balanced investment strategy, all that is required is an understanding of cash, real-estate, shares and gold.

To execute such a strategy, we further need the freedom to move from one position to another, and in this respect it is a great shame that gold has been as marginalized as it has over the last few decades. In many countries, gold is very hard to get at in any reasonable quantity. It may not be right out banned, but it is often taxed so much that it makes little to no sense to own it. The result of this is that people over-extend their investments in other assets, putting themselves at serious risk of losses. This could easily have been avoided, had gold been more readily available to the general public.

However, this sad fact takes nothing away from my suggested strategy. It only means that the execution of it is more difficult in countries with limited freedom than it is in countries with more freedom.

Money is Gold, and Nothing else

This famous quote by J.P. Morgan is a truth that I have taken to heart.

This does not mean that I'm loaded up with gold without any intention of ever cashing out. It merely means that I treat gold as money. When I determine the price of an asset, I compare it to gold. If something is cheap relative to gold, I'll buy it. If not, I'll stay invested in gold.

I see cash as something different from money. Cash is currency. It is a medium of exchange. We use cash in our everyday transactions. However, it is not money. Cash is not a good long term store of value.

At the moment, all cash is fiat. The US dollars, the Euro, the Pound, Yen, Yuan, etc. They are all created by decree. None of them are anchored in gold. Cash can still be used to buy gold, but the amount of gold we get for a certain amount of fiat changes over time. It is not fixed.

Over longer time periods, fiat loses value. Relative to gold, the US dollar is down about 97% since J.P. Morgan declared money to be gold. Other currencies have fared far worse. A loss in purchasing power of as much as 99% and more over 100 years is not uncommon.

For this reason, fiat cannot be used reliably to compare prices today with prices in the past. They can only be used to compare prices in the now.

To know if an asset class has gone up or down in value, we need to measure it relative to some standard, and that standard is gold. It is this property of gold that makes it useful in making investment decisions. This is what makes it money.

By comparing prices relative to gold, we can determine if things are highly priced or not. This is very difficult to do with cash. Fiat currencies mask the real economy, making it difficult to read.

This is especially true if the purchasing power of cash is falling. In such cases, staying invested in stocks and real estate may seem like a great idea, even if these markets have topped out relative to gold. People get blinded by nominal price increases. It looks like things are going up, when they in reality are going down.

By making it impractical for people to move into gold, politicians

and bureaucrats have created an environment in which it is harder to see what is going on, and easier to be fooled by numbers. Since going to cash is a bad long term investment strategy, people stay invested in other asset classes when they otherwise would have exited in favour of gold.

Unlike cash, gold can at times be a good long term investment. This is the big difference between cash and gold, and the reason gold rather than cash should be the measure used when making investment decisions.

As long as prices of stocks and property are high compared to gold, we can stay invested in gold. Only when prices fall below historic averages does it make sense to move out of gold and into other assets.

Keep in mind that only physical gold delivered to us can be considered money. ETFs and gold certificates are not gold. They are claims on gold, more on par with currency than money. Paper claims may not be honoured, in which case they are as worthless as any other broken promise.

When we move to gold, we buy the physical metal, and we store it in a safe location.

Gold as a Measure of Freedom

Wealth is closely related to freedom. Without the freedom to do what we deem right for ourselves, it is hard to feel in control and at ease with our environment. Owning a lot of stuff, does not make us wealthy if we cannot do with it as we please. If we have to constantly ask permission and pay taxes for what we supposedly own, we are not owners, but renters.

Such was the lives of serfs in medieval ages. They could not live as they pleased. They had to pay tribute to the lord, and do as he dictated. They could not even leave the territory they were born in without permission. A document of free passage was required. In return, they would get protection and certain other rights, as the lord saw fit. Many were satisfied with this. However, no one today would say that the serfs were free. Yet most of us happily

declare ourselves free, despite living with comparable restrictions to our freedoms.

The fact that we have democracy and better material lives does not mean that we are much freer under the current political system than the serf were in feudal times. Being allowed to choose our masters does not constitute freedom. Freedom is the ability to do as we please with our labour and possessions. Freedom is the absence of government interference. Democracy is merely a type of public administration. It is not freedom.

In this respect, we can see gold as a good measure of true freedom. It is through the control of money that the state obtains much of its control over us and our lives. The more restrictions they put on money, the more control they reserve for themselves at the expense of their subjects.

Here I'm talking from experience. Having moved a substantial amount of wealth into gold, I feel a lot more wealthy than I did before the move. Having moved my wealth out of a country with strict gold laws and into a country with relatively liberal gold laws, I feel much more in control. This important aspect of my wealth improved substantially by the mere transfer of it.

I happen to believe that gold is a good investment at the moment, so part of my improved well-being lies in the fact that I pulled out of an asset class that I saw as over-valued, in favour of one that I saw as fairly priced. But the fact that I was free to do so, was in itself valuable. No-one stopped me from doing it. I bought several kilograms of bullion, and that was fine with everyone. In my country of origin, this would have been a heavily taxed transaction. In my new country of residence it was not.

My country of origin is hailed as a paradise by international government institutions like the UN, while my new country of residence is considered poor and under-developed in comparison. However, none of that matters to the freedom seeking investor. Wealth is not measured in the size of government handouts, but in the freedom we have to manage our own affairs, and our ability to do so.

The Value of Gold

Many people, especially among the rich, are puzzled by the fact that gold commands the price that it does. It is neither an industrial metal nor an interest earning asset. Why then do people value it as highly as they do?

The answer to this lies in the fact that it is universally understood to be valuable, especially among the poor. There are far more poor people than rich people in the world, so this group has more leverage than many would think. To scoff at gold as mere glitter for the poor is to completely miss the point.

Everyone can appreciate a piece of gold jewellery. The fact that poor people are more easily impressed does not take away its value. If anything, it adds to it.

To illustrate, imagine ourselves in an isolated place with only poor people. We need the help of these people to live. We need to trade with them. How do we motivate such people to part with their labour and assets to feed and house us? They are not likely to be much impressed by paper money. However, gold will no doubt be readily understood and accepted.

Gold is universally understood to hold value. That in itself is valuable. Furthermore, the quantity of above ground gold is steady. This too is valuable. Predictability explains why the price for gold is always quite high despite the relatively large amount that exists above ground. There is more above ground gold than silver, for instance. However, silver is consumed in various industrial applications. It's quantity is too variable for it to function effectively as money. Also, it is cheaper to dig silver out of the ground than it is to get gold out of the ground, so the supply of silver can be ramped up more easily than that of gold.

The sheer investment required to mine gold, and the cost of extracting it, guarantees that there is a predictable and steady increase in it. The quantity of above ground gold increases in line with the global population, and a good deal slower than global industrial output. We can therefore expect gold to appreciate in purchasing power over time.

Since gold is a tangible asset that we can all relate to, it is fairly easy to value. Holding up a gold ring for my five year old boy, I asked him how much time he would be willing to work for me to get it. He answered a week. He did not say a year or an hour. He knew intuitively that the ring had value, and roughly how much it was worth.

Historically, a day of skilled labour has cost about a gram of gold. That is not the case at the moment. In industrialized countries, skilled labour cost much more than this. However, this is more likely to be due to low pricing of gold than any permanent change in the way the world hangs together.

Assuming a return to fair value for gold, we can calculate a fair value of a house. Adding up land, labour and materials, we know how much effort goes into building an apartment or a house. We can convert that to hours spent, and calculate from this the number of grams of gold we should reasonably fork over for a property. Doing this calculation, we find that three kilograms of gold should get us a nice little place.

From this, we see that there is a simple and logical set of steps that can be made in order to determine the fair price of a house. Going from a gold ring to a house was no problem at all.

Historic Ratios

Fortunately for us, we do not have to rely entirely on our intuition in determining whether something is priced high or low. There are historic ratios that can be used, and my personal strategy is to follow this pretty much slavishly. My assumption is based on J.P. Morgan's observation on gold. If he was wrong, and gold is now of no value as money, I will be stuck with a lot of gold that I will never sell. If he is right, I will sell my gold for shares or real-estate when prices fall relative to gold.

My reason for being currently invested in gold is not to stay in gold for ever, but to move into whatever becomes cheap in the future. At present, gold is cheap. That's why I'm holding it. It saves me from being invested in things that are more likely to go down than up over the next few years.

Unfortunately for people who live in countries with severe restrictions on gold ownership, the option of being completely out of both real-estate and stocks is not really there. Cash is such a risky investment and a sure loser over time that people tend to stay in stocks and real-estate, even when prices are demonstrably frothy.

The result of this is that the economy is much more prone to tremendous ups and downs with prices over-shooting both on the up side and down side. Had people had the real option of going into money, and staying in money for a prolonged period of time, the wild swings that we have seen over the last few decades would not have happened. People would have acted on their feelings that things were getting over-priced. They would have gone to money at an early stage in the up cycle and returned to stocks and bonds at an early stage in the down cycle. A smoother and better running economy would have been the result.

This would have benefited the average man in the street and the poor. They would have seen their savings appreciate steadily over time. Instead, they are being exposed to wild swings in the economy, sometimes so extreme that it breaks them completely.

The only ones able to take maximum advantage of the wild swings created by government and central bankers are those who have access to cheap credit at the bottom. Only the rich and well connected have this privilege, and as a result, the gap between the rich and the poor grows evermore pronounced.

However, there is a way to preserve wealth and even prosper through the cycles, also for the less well connected.

By staying out of both cash and debt, stability returns as if by magic. Gold weathers the swings of the markets in ways that cash and debt do not, and herein lies much of the reason why gold is so much more coveted by the poor than the rich. The poor know that they are at a disadvantage. They know that they cannot profit from the system in the same way that the rich do, so they stick to gold which they trust and understand.

How to Prosper Without Debt

When president Nixon took the dollar off the gold standard back in 1971, he set the stage for limitless creation of credit. The result of this has been a ballooning debt the size of which has never been seen before.

No country today has their currency anchored to gold. As a consequence, governments and central banks are free to create as much credit as they please. Interest rates can be suppressed, and prices distorted as the central planners see fit.

However, every now and again, the central planners get a little ahead of themselves. They loose control of the markets and interest rates spike. People who have loaded up on debt get in trouble. They find themselves forced to sell, and prices take a nose dive.

The big losers tend to be the poor and the under-privileged. They are typically the last to get access to credit. They are only allowed to borrow money when prices have already come well up from the bottom, typically right before an impending crash.

The current system is deeply immoral. It repeatedly lures the middle class and the poor into debt traps from which many never recover.

I was myself close to stepping into this trap a year ago when I suddenly realized what was going on with real-estate prices in my country of origin.

House prices kept going up, so I had for some time ignored the fact that the expenses related to my house were going up too. When subtracting the debt from the price of my house, I was getting richer by the day.

In light of my increased wealth, as calculated on paper, I was wilfully ignoring my mounting debt.

This went on for a long time before I suddenly realized my predicament. I was about to reach a point where I would have to sell in order to cover my debt. With house prices well into bubble territory, a big correction was far more likely than continued price

rises. If I let the situation persist, I could easily find myself forced to sell at a time when a lot of other people were in similar predicament, possibly sparked by a sudden spike in interest rates.

Luckily for me, I got out in time. I managed to sell at the top. As things stand at the moment, house prices have remained stable in local currency. However, the local currency has gone down by some ten percent against gold.

The buyer of my house is probably telling himself that he has lost nothing, and to some extent he is right. The cash he put into the purchase is almost certainly borrowed. With real interest rates in negative territory, the loan has gone down in value.

One would think that the bank would be the looser in this, but that is not the case. The money lent out was simply typed into the borrower's account. It was conjured out of thin air. The interest paid to the bank is therefore pure profit for the bank, even at negative real rates.

The losses suffered in real terms against gold have been neither at the bank nor the borrower. It has been shouldered entirely by the savers and the debt free. Purchasing power has been drained from the average man in the street. That's where the losses have been incurred.

It would from this appear that a small investor like myself would stand to lose, and that debt financed investing is the way to go.

But as already noted, real interest rates have a tendency to spike. A strategy of debt financed growth is extremely risky, and is in the end only profitable for those able to get hold of cheap credit at the very bottom of business cycles.

The purchaser of my house may be doing all right at the moment, but he is in a much more precarious situation than it may seem. Should interest rates spike, his whole debt financed wealth accumulation may unravel. The price of his house will nose dive while his debt burden sky rockets. I hope for his sake that this does not happen, but I would certainly not like to be in his position.

The alternative to go into debt is to go into money, and by money,

I mean gold.

In times passed, when currencies were tied to gold, people could accumulate their saving ahead of making a big purchase. It was not uncommon to have people buy a house with cash. Only business investors and entrepreneurs went into debt.

However, going into debt is now the norm, and it's getting people into trouble.

The problem is that government rules and regulations have cut the link between cash and gold while simultaneously making it hard to get hold of gold.

However, it is not impossible to accumulate gold, and I would very much recommend that people do so, certainly at the current low prices relative to everything else.

In this way, it should be possible to accumulate enough money to buy a flat within ten years, even on a modest income.

With no debt to maintain, a lot of money is saved over the course of a lifetime. Keeping our cash holdings to a reasonable minimum while accumulating assets at cheap rates and selling them when they reach elevated levels, makes it possible to accumulate enough for a comfortable retirement and a small inheritance for the kids, even if the starting point is zero.

For those in debt, their primary concern should be to get out of it. At current elevated prices, assets should be sold to cover obligations. Get out of debt before interest rates spike and everything crashes.

Also, make sure obligations to friends and family are honoured. Especially, make sure to balance your accounts with your spouse. Nothing is more draining on a relationship than a constant deficit. This is not only in terms of money, but in terms of favours too. In relationships, like in business, both parties have to profit. If that is not the case, things will quickly sour, and the resulting mess may end up very costly, both emotionally and financially.

Only when our debts are covered and our house is in order does it make sense to invest. Our first step towards wealth accumulation

is therefore to preserve and secure what we already have.

Not before that is achieved do we progress towards wealth accumulation through prudent bets on long term trends. This is when we look into historic charts to see what assets to buy.

The Dow to Gold Ratio

Prices move in cycles relative to gold, and the most useful historic relationship that we have in this respect is the Dow to gold ratio, which relates the Dow Jones index to the price of one ounce of gold. Graphs of this can be found on the internet.

As I write this, the relationship stands at about 20, meaning that the Dow Jones index is currently twenty times higher than the price of an ounce of gold. That is substantially higher than the historic average of about 7 or 8.

From this metric alone, we can conclude that we are far more likely to do well holding gold than stocks at the moment.

However, 20 is not the highest ratio ever recorded. It reached almost 28 in 1966, before a prolonged and drawn out decline. It reached a dizzying 42 back in 1999. Interestingly, it only reached a little above 18 back in 1929, right before the great stock market crash. We are therefore quite clearly in bubble territory.

As for all time lows, the ratio reached 2 in 1933, and almost 1 in 1980. To get a good picture of the tremendous swings in valuations that we have seen over the last 100 years, it's well worth looking up a Dow to gold ratio chart on the web.

Clearly, a lot of money could be made by exiting close to the top and entering close to the bottom. Equally clear is the fact that money can be made without very much trading. The idea that an investor has to constantly check his portfolio and move money about is nonsense.

Successful investing is about careful positioning and patience. As long as stocks are low, stay in stocks, and add to them if possible. When stocks rise above their historic averages, start moving money out of stocks and into gold. One adjustment per year is

plenty, maybe even a bit much. There is no urgency. Add to whatever makes sense whenever cash is available for investing. For the rest, the best strategy is to do nothing.

There is no way to hit the exact peak of a bubble, except by dumb luck, so we cannot take full advantage of the swings. But the swings are plenty big enough for us to achieve above average returns in the long run. Stay calm and let the portfolio roll through the cycles.

When looking at price ratio charts, keep in mind that they will look overly optimistic on the upside unless a log scale is used. Linear charts will make it look like the bottom of a cycle is flat when in fact there's plenty of ups and downs there too. Usually, there's a final capitulation by investors, with a deep dip before sentiments change, just like there tends to be a sharp spike right at the top.

The S&P 500 PE Ratio

Another chart well worth taking a look at is the S&P 500 price earnings ratio. This measures the total price of 500 American companies relative to their earnings.

A ratio somewhere between 12 and 15 is reasonable. That's when we get a return of about 7% to 8% on our investment from the companies themselves. A large part of this is kept by the companies. However, since owning stocks means that we own the companies, the return is in fact ours, even if it isn't paid out to us as dividend.

Stocks can of course still fall in price, but a good price earning ratio indicates solidity. At low PE values, stocks are more likely to go up than down.

To guide us in our investments we can make a rule for ourselves that we do not get too excited about stocks unless both the Dow to gold ratio and the S&P 500 PE ratio go in our favour.

With PE currently at about 24, and the Dow ratio also about twice its historic average, there is no reason to be in stocks at all. However, once these ratios start going in our favour, I will start

selling my gold to buy into the stock market.

As a rule, I will stay out of individual shares for the simple reason that I'm an extremely bad stock picker. Besides, the whole point of being wealthy is to have time to do things we enjoy. Spending time reading company reports and following the ups and downs of individual stocks is not my idea of time well spent.

Investing in individual stocks is both time consuming and risky. Keeping in mind that we want to be wealthy, this kind of work is counter productive. By riding long term trends rather than short term price movements, we free up time for ourselves while at the same time minimizing risk.

It follows from this that passive index funds will do nicely for our purpose. There is no need for active management when things are likely to go up anyway. Active management of stocks may make sense when things are tough, but in times of plenty, active funds are just as likely to loose relative to the index as they are to gain. The fact that active management require more labour than passive investing, and thus have to pass on their extra costs to their owners, further speaks in favour of passive index funds.

Since I plan to ride the long trends, based on index performance, there is no need to make stock investments in anything other than index funds.

The Real-Estate to Gold Ratio

Gold and index funds can be treated as commodities. It is possible to buy an arbitrarily small or big chunk of gold or fund shares, and the quality is uniform regardless of origin. Rolling into or out of these assets require no further insight than a sense of the general direction of the markets, and knowing where to buy and sell them safely.

Real-estate, on the other hand, is quite a different matter. No two properties are exactly the same, there is no sensible way to buy just a part of a house, and quality varies greatly.

Selling gold for real-estate is in other words a much more definite and final move than to do the same with an index fund. It is also

much less easy to time with the help of historic data.

If an area is turning into a slum, buying property in that area is not likely to generate a good return, even if house prices are set to rise in the country as a whole.

Conversely, local conditions may be such that house prices go up, even if the country as a whole is going into a housing slump.

A general awareness of what the right price is for a house in an area that we feel we know well is therefore our best bet when it comes to timing a real-estate purchase.

Nevertheless, there are historic ratios that can serve as a general guide. From such charts we can see that a fair price for a three bedroom apartment is about three to four kilogram.

We can also see that prices swing wildly. In the depth of depression, prices for a flat can go down below one kilogram. At the height of euphoria, prices can top ten kilogram.

Having recently sold a terraced house in a Norwegian suburb for twelve kilogram, I feel confident that I must have hit a high point in the cycle. This money was used to cover the debt owed on the house I sold as well as the apartment that my wife owns. In addition, the sale gave me enough cash to set aside several years worth of living expenses in a savings account and several kilograms of gold.

From this position, I hope to roll my gold into other assets when they fall in price relative to it. The fact that it is impossible to time when things will go from over-priced to under-priced explains my need for a rather large allocation to cash.

The trick to wealth accumulation is to sustain the dips and sideways price moves that come with being early. Since we cannot time the precise moment of entry, we have to accept that things do not move straight up from the moment we start placing our bets. It can take years, even a decade or more, before the sure thing eventually happens.

During this period, we need to have available cash, or a reliable source of income. Otherwise, we will find ourselves forced to

liquidate our positions, quite possible at the worst time imaginable.

Having for myself enough cash to last a few years, and a reasonable stable and predictable source of income, I aim to hang onto my gold position however long it takes for it to mature into a profitable trade.

Key to this, of course, is to make sure I live within my means.

When the time comes that I roll my gold into other assets, some of the profits will go towards boosting my cash holding, while the rest will go towards further capital growth. The whole point of wealth accumulation is after all to enjoy some of the fruits.

Taking no profit for consumption defies the whole logic of it.

In my case, I have set aside some money for house improvements. We will replace some windows in my wife's apartment to make winters more comfortable.

House prices in my current country of residence look about right relative to gold. Three to four kilograms of gold pay for a comfortable three bedroom flat in a good neighbourhood.

Things are going well for most people. Manufacturers are hiring, and tourism is booming. House prices are therefore more likely to go up from present levels than down. However, there is no urgency on my part. My wife and I are pleased with where we live. There is no need for any change.

That's not to say that we will never trade in our current place for something else. Should house prices go down by a lot, selling the flat to buy something a little larger and better would make sense.

Should house prices move into bubble territory, selling the apartment for either gold or stocks would be the rational thing to do. Time will tell what the move will be. Either way, we will do rather well for ourselves.

Bitcoin as an Example of what not to Buy

I will never put my cash into anything that is neither real-estate, index funds or gold.

The reason for this is that anything else is either merely a specialized version of the above mentioned assets, or has a real risk of going to zero. Silver is a specialized version of gold, individual stocks are specialized versions of index funds, and vintage cars and fine art are specialized versions of real-estate. From an investor's view point, such assets are merely leveraged bets, relative to the more prudent alternatives.

As an example of something that is completely outside the above mentioned categories, and therefore something to stay out of, we have Bitcoin, which I am sure will go to zero in the not too distant future.

Some would say that Bitcoin and other crypto-currencies belong together with gold and silver. However, I would disagree. Crypto-currencies have no physical representation. They are therefore different.

But if I'm wrong. So what? They would in that case be specialized forms of gold, and therefore something I would not care to own. Furthermore, crypto-currencies will never replace gold, for the simple reason that gold has utility that crypto does not have. There is no way to make a fine piece of jewellery from crypto. The crypto billionaire will therefore have to sell his crypto in order to adorn his wife with a piece of jewellery.

The going price for a gold ring will remain between a day and a week of skilled labour, no matter what crypto-currencies end up doing.

That being said, crypto is not likely to go anywhere. It will never function as currency, as advertised, and it will certainly not serve as a store of value.

The reason for this is that it is technology rather than a commodity. Technology changes all the time. The latest and greatest always end up replacing the old, and this process can be extremely quick. Bitcoin is already old technology. There are much better crypto-currencies available.

Yet, even the best of the current crypto-currencies will be replaced by something better. There is no end to this. Only

commodities have the property of price stability, and only gold has the additional property of eternal shine.

Of all the ways to estimate the fair value of crypto, I have only seen two reasonable models.

One model is to see crypto as a type of cash, and to value it by the percentage of world trade being made with it. The total cash on the planet is estimated to be about 8 trillion dollars. If Bitcoin was to be used in one percent of all cash transactions, its value could reasonably be set to about 80 billion dollars. That is far below the current evaluation at several hundred billion dollars.

However, Bitcoin is not used in one percent of transactions. It is used in what amounts to no transactions at all apart from some trading back and forth on exchanges. Furthermore, it is by now an openly admitted fact that Bitcoin will never be widely used in cash transactions. The value of Bitcoin is therefore zero.

The other way to value crypto is to see the tokens as access rights to the underlying network. In order to use the service that a crypto currency provides, people have to own tokens. The tokens are therefore simultaneously currency and shares in a network company. The value of the tokens are whatever the underlying network is worth, minus transaction costs for actually using the tokens.

A fair comparison in this respect is the value of competing transaction networks such as SWIFT. I have no idea what SWIFT may be worth, but I doubt that it runs in the hundreds of billions of dollars. Adding to this that SWIFT is actually used for real transactions, while no crypto-currency is seeing much actual use, we know that cryptos are in a bubble.

The best a crypto currency is ever going to do is to rival SWIFT in value. But with thousands of competing currencies now available, the chances of picking the right winner are minimal. Adding the fact that technology is a fleeting thing, the chances of any of the current crypto-currencies being used regularly in commerce a decade from now is near zero.

My guess is that the future of money will be very much like its

past. Money will remain gold, and nothing else. Crypto will go to zero, and some gold based payment scheme will emerge victorious.

In a not too distant future, people will scratch their heads and wonder what drove so many people to speculate wildly in a doomed technology. Sure, block-chain technology may still be around in the future, but the crypto tokens circulating on them will not. Block-chain will at best be used in certain specialized applications where fully automated ledgers make sense. Registry offices and banks may use the technology in future applications. But they will have no use of the digital tokens. They will implement their own networks. No tokens are required for this, and hence, all crypto tokens will go to zero.

Dealing with Fads and Manias

I first heard of Bitcoin when it was at about 3 dollars per token. At that point, it had already crashed once from a high of 30 dollars. Then it had a fantastic run to about 800 dollars before crashing down to about 200. A few years later it went to 20000 before going down to about 12000 where it is currently trading.

However, I have no regrets regarding this. Yes, I could in theory have made an enormous fortune. Had I invested a modest amount at 3 dollars and cashed out at 20000, I would have been a very rich man today. But I would have cashed out long before that. I would most probably have sold everything at 50.

The reason I did not buy into Bitcoin at 3 dollars was the realization that it would never actually work as a currency. Even back then, the technical limitations of Bitcoin were known.

It is therefore quite remarkable that Bitcoin took off at all. Why would anyone want to buy into something that would never work as advertised? Bitcoin is neither fully anonymous, nor capable of processing large number of transactions. Its supposed limited quantity is also a myth. There are no limits to how many versions of Bitcoin can be made. This fact has even received a name. It is called crypto. All cryptos are versions of Bitcoin technology.

This tells us that the price action that we've seen in Bitcoin and other crypto currencies is completely irrational. It is all pure speculation.

What drives the mind of a speculator is not rational considerations, but the urge to get rich quick. Speculators chase price action. When prices go up, they rush in with their money. When prices go down, they either double down, or rush out. Fundamentals are never seriously considered. The stories that speculators tell themselves and others are nothing but worthless excuses for their own irresponsible behaviour.

I know this, because I kept telling myself all sort of silly stories about a company that I kept buying into despite all the evidence for its imminent demise. As a result, I lost a lot of money. I also wasted a lot of time. Had I put my money in an index fund instead, I would have done very well. I would also have had more time on my hands to do more enjoyable things than following share prices and studying quarterly reports.

Much of what drives the speculator is the urge to feel successful, and the fear of missing out. The pressure to get into the action can be pretty intense at times. Staying invested in gold during the Bitcoin bubble has been difficult. From what I've been able to gather from stories on the internet, many have chosen to trade their gold and silver for crypto as a consequence. Seeing Bitcoin making one new high after the other while gold was going nowhere, was simply too much to bear.

Now that the price of Bitcoin has been cut almost in half, I suspect there must be many out there, either in denial or feeling miserable. As things stand right now, it looks like they folded just at the moment that Bitcoin reached its peak and gold started the second half of its secular bull run.

The lesson to draw from all of this is that feelings can be extremely strong at times, making it hard to resist the temptation to do something rash. Also, price action can go on for much longer than we think. Momentum chasers will chase an asset far higher and far lower than fair price. We can therefore safely sit on the sideline through the fair price stage of a move before starting

to sell or buy.

Whenever tempted to do something rash, or feeling uncomfortable about a price move, we must remind ourselves about the fundamentals. One way of doing this is to listen to people who present clear and well thought out rationales for their positions. The purpose of this is not only to feel good about our position, but to learn. If the talks are pure hype with no substance, we are listening to the wrong people.

Another way to deal with the impulse to act rashly is to write down our rationales for our positions. Prove for ourselves that our positions cannot possibly go to zero. Use historic data to show that we are likely to see gains in the not too distant future. Remind ourselves that we are riding long trends. It may take a few years before our positions prove themselves profitable. However, the reward will be well worth the wait.

By staying away from individual stocks and fads, chances of serious losses are limited. Rolling into assets near historically lows and rolling out of them at corresponding highs is our best chance at long term gains. This should be repeated as a mantra until it sticks, because doing this is much harder than it may seem.

Rolling out of winners and into losers runs against our basic instincts. Being constantly out of tune with the latest and greatest has the effect of making us feel both stupid and lonely. The best thing to do in this respect is to never talk about our investments. We don't need the advise of others, especially self proclaimed experts who will tell us that we're doing everything wrong. It is far better to listen and judge in silence than to get into silly arguments.

If pressed, we should be short and to the point. No one needs to know the precise size and nature of our positions. Some may find it amusing to know our general outlook on things. Once we have some past successes, people may even find your opinions enlightening. But we should never give advice on particular positions.

Advice, if taken, will always tie us emotionally to the decision maker's actions. A friend that looses on a suggested position will

never forget this fact. Advice, if given, should therefore only be in general terms, and never on specifics.

Politics

The cyclical nature of financial patterns are due to recurring errors and corrections. Human nature is such that things have a tendency to repeat themselves. Over time, old errors are forgotten and repeated.

The sentiments that drive these errors are reflected in the media, so it makes sense to follow this with a cynical and disinterested attitude. By keeping an eye out for the underlying delusions driving public discourse, it is possible to see where things are likely to go in the not too distant future.

The anarchist world view is in this respect a useful guide to investing. This world view sees politicians as meddling criminals with bloated egos and little capacity for rational decision making.

The more politicians are in charge of things, the worse things get, and it makes no difference what colour shirts they wear. It is the size of government that matters, not the colour of the team in charge.

As things stand at the moment, America is the dominant world power. However, it is most definitely in decline. The US government is bloated and its military is out of control. There is no fiscal restraint, and the consequence will most certainly be a declining dollar, and rising interest rates.

From this it is reasonable to expect gold to go up in price, primarily against the dollar, but also against other currencies. Gold prices tend to move in the direction of expected future interest rates. If sentiment changes from the current expectation of continued low interest rates to an expectation of higher interest rates, gold should break out to the upside of its current trading band.

The more bureaucrats and politicians interfere in the economy, the bigger is the eventual reaction. More than ten years of artificially low interest rates are therefore likely to backfire spectacularly,

with gold as a clear winner.

Political considerations are helpful in that they help in building a rationale for our positions. Historical cycles make all the more sense when backed by evidence of corresponding cycles in politics and society at large. Reading up on history from an economic perspective is therefore helpful.

There are striking similarities between US policies today, and policies enacted in Rome during its decline. There are also similarities between social conditions today and late 18th century France, as well as Weimar Germany right before its hyper-inflationary collapse.

On the positive side, it is interesting to note that the fall of imperial France after the final defeat of Napoleon led to an era of spectacular economic growth. The 19th century saw liberal policies and much progress, centred around sound money.

If we are about to see a repeat of what happened in Europe from late 18th century to early 19th century, we are headed for much turmoil, followed by a prolonged period of growth.

The progressive era that started shortly before the first world war appears to be at an end. Central planners are losing control in much the same way that enlightened kings lost control of Europe at the end of the 18th century.

An Anarchist Guide to the Economy

by Fredrik Nygaard (2018)

Introduction

In the book on Gold Oriented Investing, published last winter, I pointed out the benefits of long term investments in which we can ignore the day to day movements of the markets and focus on that which truly interest us. By reducing our exposure to short term movements through appropriate hedging and positioning we can substantially improve the returns on our investments and the quality of our lives.

In this sequel I will explore in more detail some of the finer points in my first book. In particular, I will discuss the role of the state, and the way it tends to act against us in our endeavour to live full and meaningful lives. I will show how the state and its corporate cronies control and manipulate us through deceptive labelling and falsehoods, and I will suggest ways to navigate around this so that we can live our lives as sovereign beings with purpose and meaning.

To this end, I will lean heavily on the philosophy of liberty as it is laid out by the economic and moral philosopher Murray Rothbard, who in turn draws heavily on the work of people like Ludwig von Mises and Friedrich Hayek. For those interested in a primer to this philosophy, I can recommend Rothbard's book "For a New Liberty". It is a relatively short book that covers every aspect of the capitalist anarchist world view. The philosophy can be summarized as follows:

1. No-one is required to answer to anyone except those that he or she has voluntarily entered into agreements with.
2. Every person has the right to defend their life and properties from damage and theft.
3. The initiation of force against a person or their property is the definition of crime. It is the aggressor that is at fault, never the other way around.

This in turn boils down to the golden rule: Do unto others what

you want others to do unto you. Any violation of this is a breach of natural law, and hence unlawful. This frees us from a lot of bother as it implies that we do not have to know all the laws and regulations of the state in order to know right from wrong. All we need is the golden rule.

In case of doubt as to the specifics related to a supposed crime, we must identify the victim, the aggressor, and the loss. Only if all three can be identified and found to be related has a crime been committed.

Both the victim and the aggressor have to be people of flesh and blood. The loss has to be directly related to the health or property of the victim. It cannot be anything non-physical such as honour or pride. However, it can be threats that restrict freedoms related to said life or property. Any type of coercion is a crime, even if no actual harm is done.

For the purpose of resolution, an arbitrator can be selected. This has to be one that both the culprit and the plaintiff can agree upon. Only voluntary court cases can be made, as any other arrangement would be coercion and therefore contrary to natural law.

If a conflict cannot be resolved, it will remain open. There is nothing that anyone can do to resolve a conflict that the plaintiff and the culprit are unwilling to resolve. Such conflicts will generally solve themselves by sympathy or antipathy in society at large. Criminals that refuse to owe up to their crimes will be shunned and avoided. Isolation of dangerous individuals will be taken care of by those who have to deal with the consequences of future misdeeds.

Ethics

From the above logic, we can conclude that the state is a parasitic entity of criminal individuals who prey on society at large. It engages in theft through taxation, it engages in mass murder through war, it engages in kidnapping through imprisonments, and slavery through conscription and other kinds of abductions. All that the state owns and all that it receives as income originate

from coercion of some kind. As Friedrich Nietzsche pointed out in *Thus Spoke Zarathustra*: Everything the state has it has stolen.

Another truth expressed by Nietzsche in that same book is that the state is not us, but an external parasitic entity: The state is the coldest of all monsters. And this lie creeps from its mouth: "I, the state, am the people."

Far from being the people or society at large, the state is an unlawfully formed organization, using the so called social contract as a pretext to usurp power from its subjects. The fact that the social contract is something that we are supposedly born into, without ever having the opportunity to sign, means that it has the exact form and legal framework as a slave contract. The social contract puts some people above others. It making some people rulers and others their subjects, and the system is perpetuated through inheritance. The fact that we can choose our masters every so often does not change this. As Lysander Spooner pointed out in *No Treason*: A man is no less a slave because he is allowed to choose a new master once in a term of years.

Some will point to the human rights conventions as proof that the state exists to protect us, but the fact that the state is required to provide certain services for their subjects is no different from slavery of old. Slave contracts had provisions for housing, health care, and old age care built into them. If the slave owner failed to treat his human capital properly, he would be dispossessed and punished. This is no different from the human rights we are given as subjects of the state. Just like it was illegal for slave owners to deny their slaves a minimum of basic facilities, it is today illegal for the political elite to do the same. If subjects are not properly taken care of, the political elite may be dispossessed of their territory.

This may sound harsh, especially to those who like their human rights, but it must not be forgotten that slavery was in fact a popular institution among many slaves. History has shown that a large portion of any population will choose provisions handed out to them by an elite over individual freedom. This is at the root of all socialist systems, be it social democracy, communism or fascism. A large portion of the population welcomes the idea of

lifelong servitude in return for certain services. However, the fact that servitude to the state is popular among many of us does not make it moral. It is still an immoral institution, no matter how comfortable and safe it may make us feel.

Since we have not signed the social contract, nor the human rights convention, there is no moral obligation by any of us to comply with the edicts of the state. Those that are drawn to the supposed safety and comforts provided by the state may of course remain within its framework. But there is no morally just way to stop people from opting out. Anarchists are in their full right to resist taxation and conscription. The existence of a majority in the population determined to live as subjects to a political elite cannot change this, because the right to self determination is individual, not collective.

However, we live in a society where the state is much too powerful to meet in direct confrontation. Those of us who want to live free and full lives, unconstrained by the arbitrary edicts of the state, must therefore find pragmatic solutions around the current system.

Pragmatics

The first thing to keep in mind when dealing with the state is the distinction between legality and criminality. The state produces laws, not to stop criminals, but to control its subjects. If criminality was the true concern of the state, it would not require more than the golden rule and the principles laid out at the beginning of this book.

The reason we see such a myriad of laws enacted by the political elite is that the laws of the land are not laws. They are regulations aimed at us for the purpose of controlling and taxing us. There is absolutely nothing ethical about these laws. In fact, most laws that are neither redundant nor nonsensical are blatantly criminal. It is for example perfectly legal to bomb Libya back to the stone age, but completely illegal to refuse to fund this criminal act and its perpetrators by not paying taxes.

Criminality is a central feature of the state, and we should feel no

obligation to fund it or comply to its myriads of regulations. Whenever a nonsensical or criminal regulation can be ignored without any danger of repercussions, we can do so with a clean conscience. Non-compliance with regulations that cannot be easily enforced is a simple way to enhance our freedom. But we must not get too excited. We must be prudent in what we choose to follow and what we choose to ignore. Needlessly provoking the state is folly and a sure path to ruin.

A second thing to keep in mind when it comes to the state is that it requires continuous funding in order to exist. To this end, it seeks to control resources, either directly or indirectly through taxation. While state agents pretend to be concerned with the well being of their subjects, their true concern is their own wealth and power. The political elite cares as much about the health of their subjects as a farmer cares about the health of his cattle. Our health and well being is only of concern to them as far as it helps generate revenues for themselves.

The ultimate purpose of the state is to tax its subjects to enrich itself. This is why most states treat tax evasion as a serious crime on par with murder. We must therefore tread carefully as we seek to gain control over our lives and properties. We must find ways that are either loopholes in the law or plain impossible to trace.

Let us therefore look into the nature of human interaction and how there is one quality that is so powerful that the state constantly seeks to usurp it for itself and destroy it between individuals. This quality, which lies at the heart of any good and meaningful life is trust.

Trust

From the day we are born, we learn that we can trust people to a very large extent. Every now and again we experience that trust can be broken, like when some kid in kindergarten steals our toy, or some other kid tells a blatant lie. However, by and large, we trust in each other.

We also learn the value of trust. When we are with people we trust, we can relax. We do not constantly have to look out for our

belongings. We know that if we make a mistake, we can owe up to it and be forgiven. We can therefore focus our attention on things that interest us, and we grow and learn, free of worries.

If we break someone's trust, we discover that it is hard to regain the confidence that has been lost. If not immediately remedied, rumours spread and we find ourselves shunned by a wider group of people. A lot of effort and goodwill is required in order to regain trust that has been lost.

As we grow older we learn that it is not only in our relationship to our nearest family that trust plays an important role. Trust is present throughout society, and vital to its smooth operation. Without it, commerce and trade becomes increasingly cumbersome and costly. All sorts of checks and balances have to be included in transactions where trust is limited or non-existent. It is no coincidence that societies of trusting people, such as those found in Scandinavia, are far richer than societies such as Pakistan and India where people are more prone to deceptive behaviour and therefore less trusting.

The overall mechanism of trust is a system in which positive and negative outcomes are fed back to trusting individuals. As long as trust results in positive outcomes, individuals will increase their trust. Negative outcomes will cause people to become less trusting. Tended to correctly, trust can be grown into a mighty network of contacts with a robust core and reliable peripherals that extend far into society at large. Tended to incorrectly, trust will be weak, even in the closest circles. It is therefore of great importance that we ourselves act honourably and trustworthy so that we can build a reliable network around us. We must also deal intelligently with people who do not act in an honourable and trustworthy manner. We must make it clear that they risk being ejected from the network, and that such a loss is likely to be costly, both emotionally and financially.

Trust is not about blind obedience, nor is it about being likeable. It is about honourable behaviour. It is about honesty and fairness, and the absence of ill will. We do not have to like the people we trust, nor do we have to agree with them or blindly follow them. We merely need to feel secure that they will not act against us.

They will keep a secret, and they will not purposely put us or anyone else in the network at risk. The network must never be abused for personal gain at the expense of others.

The immediate benefit of a well functioning network of trust is security. Children who are born into a close knit and trusting family, are likely to develop a healthy appetite for life. Teenagers are likely to find trustworthy friends and develop trusting relationships. In adult life, job opportunities often come through the network. At middle age, all sorts of investments and distributions of wealth and inheritance can be made for the benefit of everyone in the family, and in old age, nothing provides a better and more secure retirement than a well knit family.

The benefits of a solid network of trust is both emotional and monetary. Huge savings can be made through a life lived in a trusting environment as compared to the pain and expenses that comes with dysfunctional mistrust and deceit. If the network is large enough and trusting enough, great liberties can be achieved, especially for those at the heart of the network.

The liberating aspect of trust is something that has been known for thousands of years. It is hardly a new insight. However, it is something that is very much under-communicated, most likely because personal liberty is contrary to the interest of the state. Individuals at the heart of trusting networks can make tax saving arrangements, they can bypass regulations, and generally live free of government. The state must therefore make sure that there is a certain amount of distrust among their subjects so that the level of trust doesn't reach a level in which taxation becomes impossible. It must also provide an alternative to the close knit network, something that is perceived as safer, more convenient and in all ways better. To this end, the political elite has constructed the welfare state in which all sorts of convenient alternatives have been conceived and mandated by law.

With basic needs taken care of by the state rather than through voluntary interactions among free individuals, people find themselves less concerned with their network of trust. In some extreme cases, bureaucrats completely usurp the trust of people, to the extent that some gladly report their friends and family for

breaking the laws of the land. History is full of examples in which politics have made family members turn on each other, with societal chaos as a consequence. Civil War USA, Communist China, Nazi Germany and present day Venezuela are but a few of the many examples of this.

But we do not need to turn to extreme examples to see how distrust and conflicts are sowed by the state in order to divide and control the population. Present day politics are full of examples as well. Politicians are always busy stirring up resentments of various kinds. They constantly talk about wealth divides, gender inequality, racism, domestic violence and terrorism. Rarely do they mention the state's role in causing these problems in the first place. It's always somebody else's fault. As Groucho Marx flippantly put it: Politics is the art of looking for trouble, finding it everywhere, diagnosing it incorrectly and applying the wrong remedies.

However, there is nothing flippant or accidental about the constant expansion of state power. It is in the nature of the state to always want to extend its control, and the remedies provided by government are therefore always in the form of more regulations and central record keeping. Less than hundred years after Groucho made his remark we find ourselves in a world where just about every aspect of our lives are regulated and recorded by the state and its corporate cronies. There are registry offices for property ownership, all bank accounts are open to inspection by government officials, all electronic communication is recorded for later inspection and in many cases analysed real time by software robots.

The supposed benefit to us is safety and convenience. However, the real beneficiary is government. If somebody fails to pay taxes, state officials can easily find and confiscate that person's assets. As things stand today, government has successfully usurped a great deal of the trust that used to exist between individuals. It has also successfully corrupted the meaning and purpose of many key institutions. Through a web of lies and half-truths, government officials have created a world in which things are no longer what they seem, and those that fail to recognize this are likely to be

quietly robbed through taxation and inflation. To save ourselves from this fate, we need to understand what government has done. Above all, we need to know what has happened to the key financial institutions of credit, money and property.

Credit

Credit is just another word for trust. However, while the word trust is used about all aspects of life, the word credit is generally reserved for finances. Credit is the trust we have in a future payment.

If we trust someone to pay us back at some future time, we can extend credit to that person. A store owner can for instance extend credit to a return customer. Instead of demanding immediate payment for every purchase, the store owner notes down what the customer owes. Then, at a future date, the customer pays his bills and the credit is cleared, ready to be extended again. This was a fairly common practice in earlier times when grocery stores would allow trusted individuals to buy groceries on credit.

Another type of credit was the so called credit notes. A trusted individual could write I Owe You (IOU) notes of a fixed amount in order to make a purchase. A timber merchant in Drammen, Norway, could write IOU notes when making a purchase of imported goods from Hamburg, Germany. The German merchant would accept this, knowing that he himself, or someone he knew, would go on to buy timber at some future date. Instead of transporting gold and silver coins back and forth between Germany and Norway, the merchants carried IOU notes. An elaborate system of book keeping made up for the need to settle every purchase in cash.

IOU notes circulated in the economy as money. However, no-one believed these notes to be as good as money. There was no guarantee that these notes would be honoured, and there were frequent defaults. The temptation to issue more credit than could be honoured was too much for some to resist. Default could also be due to an accident. If a merchant's store house burned down in a fire, the credit notes issued by him were unlikely to clear.

To be on the safe side, people demanded frequent settlement of IOU notes, and the settlement was always in goods, property, or money in the form of gold or silver coins.

All of this may sound strange and exotic today. However, the system is still very much in operation. In fact, it has been expanded far beyond the wildest imaginations of merchants of old. Our entire financial system now runs on credit. There is hardly any money involved at all.

The reason we do not readily recognize the extent to which credit has taken over the financial system is that we do not generally issue IOU notes ourselves. Such notes are issued by banks, and are generally and falsely referred to as money. Dollars, Pounds, Euro and Yen are not money but credit notes issued by banks on behalf of their clients.

When an individual goes to a bank to get a loan, only 10% of the borrowed “money” comes from bank deposits made by other individuals. The remaining 90% is issued based on the credit that the bank has in the borrower. Instead of the borrower issuing his own credit in the form of IOU notes, the bank issues credit for him, for which the bank takes a fee in the form of interest.

The borrower does not only pay interest on the 10% that he borrowed from other individuals through the bank, but also on the 90% that was issued with himself as collateral. This system is called fractional reserve banking, and is in effect the usurping of credit from individuals. It gives banks the privilege of using its clients as collateral when issuing credit on their behalf.

The reason individuals accept this system, apart from ignorance as to what's going on, is that a bank is in a position to issue more credit on behalf of its clients than these clients would have been able to do on their own. There is also a great deal of convenience built into the system. There's no messing around with IOU notes. There's no need for elaborate book keeping. Everything is taken care of by the banks.

With the credit issued by a bank, an individual can go out and buy a house or something else of value. The credit issued by the bank is transferred from the buyer to the seller. The buyer gets

possession of the offered good, and the seller gets the credit. The seller's bank account swells, due to the credit created by the bank on behalf of the buyer.

The bank can now extend credit based on the added amount in the seller's bank account. A bank can in this way start out with a few dollars, and from this extend ever-more credit. As long as there are credit worthy individuals willing to give themselves up as collateral for the benefits that come with bank issued credit, banks can keep issuing credit into the economy.

This process of issuing credit, and using this credit to issue even more credit, is called credit expansion. It is an inflationary process in which prices are pushed up by evermore credit. The process is also unstable due to a moral hazard built into it. Banks that extend more credit than individuals are capable of paying back are helped out by central banks that have the right to issue unlimited credit, and the state which can use its tax base to guarantee for this credit. The rational way to act in such an environment is for banks to extend as much credit as possible. The upside for them lies in the extra interest that can be earned, while the down side is taken care of by the central bank and its affiliation with the state.

All of this leads to credit bubbles that burst every ten years or so. At some point during the expansion an increasing number of individuals start finding themselves trapped by the credit that the bank extended on their behalf. Unable to service the interest on their debt, they are forced to sell. But since many find themselves equally trapped, the buyers that used to exist are suddenly gone. What ensues is a price collapse and a wave of default on credit that cannot be honoured.

Desperate to keep the bubble inflated, banks and states find themselves tempted to extend even more credit. But that will only work if there is sufficient remaining trust in the system as a whole. If that trust disappears, the credit notes themselves become worthless.

Baffled by the sudden disappearance of credit in the system, people wonder where the money went. How could the money

suddenly disappear or become worthless? The answer to this is that none of this was money in the first place. It was credit, and credit can be withdrawn or lost. Either way, it disappears.

Money

What distinguishes money from credit is that money settles debt. It is in this respect the antithesis of credit. Where there is no credit, or credit is impractical, money is used in order to complete a transaction.

Buying an orange at the local grocery store with a copper coin settles the transaction. We get an orange. The green grocer gets a piece of copper. No trust is required beyond the transaction itself. No credit is issued.

This is very similar to buying an orange electronically through a bank transaction. We get an orange, and the green grocer gets currency added to his bank account. However, there is an important distinction. The green grocer does not get money, but credit. The currency used is based on credit issued by banks on behalf of its clients, and it is only worth as much as the credit we have in the system as a whole. Should this faith for some reason evaporate, the green grocer is left with nothing.

Another problem with credit is that it can become very scarce. It must be constantly managed in order for the system to remain stable. Credit notes are issued by banks on behalf of their clients, and are taken out of circulation when debt is paid back by these same clients. When a debtor pays down on his loan to his bank, the credit notes are written off against the loan. Just like credit notes come into existence through debt, they disappear when debt is paid back. This does not happen with money. A copper coin does not disappear just because people suddenly change their behaviour. The coin's value may vary, but its existence remains regardless.

The total number of credit notes in existence are dependent on people's willingness to go into debt. If everyone were to pay back their debt, there would be no more credit notes in circulation. The medium of exchange would evaporate. Yet there would be interest

outstanding. However, this is not the big problem that some make it out to be. The outstanding interest would simply be paid in some other form. Some tangible asset or promise of service would have to be given in order to make up the interest shortfall. People would be forced to pay with real money in order to cover their outstanding interest. Copper, silver and gold coins would serve this purpose. Real-estate and other assets could also be used. Alternatively, personal IOU notes could be written.

The real problem with the current system is that it will collapse if a large number of people suddenly start paying back their debt. The sudden disappearance of credit notes would put other debtors in a very precarious position. In their scramble to cover their debt, they would have to sell assets, causing prices to collapse. The state which is itself a debtor and very much dependent on elevated asset prices in order to extract taxes from its subjects, has for this reason implemented a number of laws.

There are legal tender laws which force people to accept credit notes and pay their taxes with credit notes. Based on this, the state can regulate the economy through tax collection and the adjustment of its own debt level. If individuals start paying back their debt, the state can make up for the shortfall by increasing taxes and going deeper into debt, thereby preventing bank issued credit notes from going out of existence.

The value of the credit notes issued by banks is based on the faith people have in the debtors to pay in the form of labour, products and services. When people default on their debt, the implication is that the promised payment does not materialize. For every default, the system takes a hit, reducing the value of the credit notes in circulation. The gradual evaporation of purchasing power that we have come to know as price inflation, is due to this steady erosion through default and a general swelling of the overall indebtedness of the population. This benefits the debtors on behalf of the creditors, and is for this reason something that states encourage.

What should be noted is that the creditors, who are the losers in this system, are not the banks. Only 10% of the credit issued is based on bank deposits. The remaining 90% is issued to the

populace at large through credit expansion. It is the people holding credit notes that are the creditors. They are the ones who are quietly being robbed through inflation. Should faith evaporate completely due to out of control borrowing, people will suddenly find their credit notes worthless.

The current system has therefore two possible outcomes when credit starts turning sour. Credit notes may become extremely scarce as everyone rushes to the bank to cover their debt, or credit notes may become worthless as the state goes deeper and deeper into debt. The collapse of a credit based currency system often start with a sudden scarcity of credit notes resulting in falling prices, followed by a sudden spike in prices when the state tries to rectify matters by going deeper into debt.

The prudent saver should therefore make sure that any holding of credit notes in their bank account is hedged with real money. With a balanced allocation to gold and cash, the saver will be able to ride the devastating whiplash of a currency collapse. Should credit notes become scarce, the saver benefits from lower prices. Should credit notes suddenly loose purchasing power, an adequate gold holding will make up for the loss.

Property

Just like there is a common misunderstanding that money and credit are the same thing when in fact they are very different and in some respects opposites, there is a common misunderstanding related to ownership and control. The idea is that those who own something are the ones controlling it. However, as subjects of the state we are not allowed total control of anything, not even our own bodies and labour. We are not allowed to take salaried work without a permit, and there are all sorts of services we are prohibited by law to extend to others. Almost any undertaking requires a license that we have to pay for, often on an annual basis. There are also long lists of substances that we are prohibited by law to ingest.

This state of affairs is not limited to our bodies and labour, but extends to all sorts of properties, be it land, capital equipment, or

real-estate. There are annual fees to be paid, and there are regulations governing how we may or may not use what we own. It is not we who have ultimate control of our properties, it is the state. The more totalitarian the state, the less free we are to do as we please with what we own.

An extreme example of this was the way things worked in the Soviet Union under communism. All properties were owned by the people. However, only the political elite were able to use these properties freely. The state's subjects had the dubious honour of ownership, while the political elite had control. Lavish country retreats were used privately by those in control, while any repair and maintenance had to be done by the owners. The people had to pay for the upkeep of their properties, but had no right to use them as this right was reserved for the elite.

While this state of affairs may sound strange, it is increasingly true for our own society today. I recently sold a property in Norway, and in the process I was informed of the laws and regulations that applied to it. It was an impressive list from which it was clear that hardly any changes could be done to it. Silently, and without my knowledge, a whole range of regulations had been added during my period of ownership, all while property taxes, renovation fees, insurance premiums and electricity fees had gone up. What had once been a fun thing to own had become an expensive liability. Considering that I only used this property a few weeks every year, it was clear that I had been over-paying for the pleasure of ownership. For the money I save by not owning the property anymore, I can rent a place by the sea for two weeks every year, with no legal commitments whatsoever.

What all of this illustrates is that ownership can be just as much a liability as it is an asset. The control gained by owning something is often less than what is gained through rent. By failing to see this, people find themselves over-paying for properties riddled with taxes, fees and regulations. Many become trapped. By taking on debt in order to gain ownership of a property, people find themselves forced to work extra hours for what they ultimately have little control over. Failing any of the multiple obligations that come with debt and ownership, people risk losing

everything.

To avoid such a fate, we have to focus on control. We have to recognize the liabilities that come with ownership, and we have to find ways to mitigate these. What we are after is control. If that means that we have to rent rather than buy, so be it. It is better to be in control than on the hook for all sorts of liabilities.

Pensions

Old age is an inevitable part of a long life, and most of us are aware that we are unlikely to have the energy or the will to do much work by the time we reach this stage of our lives. We are therefore prepared to put aside some of our income as savings for the future. However, the way this is normally done is unlikely to produce the desired results. Pension funds, public and private alike, are hopelessly underfunded and prone to corruption of various kinds.

Those who manage pension funds are constantly tempted to make deals that benefit the managers rather than their clients. Political meddling often result in sub-optimal allocation of capital. All sorts of rules and regulations exist, usually to the benefit of the state at the expense of future pensioners.

Heavily invested in stocks, bonds and real-estate, most pension funds are completely dependent on permanently inflated asset prices. But the nature of pension funds is such that they will eventually have to sell some of their assets. With an ageing population, pension funds will go from being net purchasers of financial assets to become net sellers. When this happens, asset prices will come under pressure and people will realize that there simply isn't enough of value owned by these funds for everyone to get a full payout. Pensions paid out in the future are likely to be substantially less generous than those paid out today.

In my book on Gold Oriented Investing, I recommend a balanced portfolio of cash, gold, shares and real-estate as the way to save for future consumption. There is no need for pension schemes to do this. A correctly balanced portfolio is relatively easy to put in place and maintain. It requires very little time in terms of

management. A rebalancing every year or so is more than enough. All that is required is the discipline to put aside money at a regular basis.

Taking direct control of our savings has two major advantages relative to a pension. It gives us more control, and it comes with the benefit of multi-generational wealth accumulation. Whatever extra we set aside can be handed over to the younger generation, making it easier for them to reach the same level of prosperity that we were able to gain for ourselves. Money saved in a pension fund does not have this multi-generational side to it. Once we're dead, any remaining assets are returned to the fund, not to our descendants.

It should be noted that we do not need to have children ourselves in order to take pride in saving for our old age and future generations. My English aunt and her husband had no children. Yet they amassed a substantial fortune between them. They did this despite both coming from modest backgrounds and leading ordinary professional lives. Their savings ensured their well being and piece of mind as they grew older, and there is no doubt that they took pride in the knowledge that whatever was left after them would go on to help their nieces and nephews achieve similar comforts for themselves.

This psychological aspect of retirement savings should not be underestimated. As we grow older, we desire more control over our lives. We do not like to be pushed around. We want to be, as it were, king and queen of our own domain. Having reached middle age myself, I have no doubt that rampant depressions among men in my age group are mainly due to a mismatch between our psychological and intuitive view of the world and the situation many of us find ourselves in.

Men are especially prone to depression in middle age due to the fact that we are biologically programmed to be fully in charge of our lives by the time we reach our 50s and 60s. Women are somewhat less programmed towards this end. They are therefore somewhat less prone to depression in this stage of their lives. Women tend to focus more on grandchildren and family, while men are programmed to have a controlling position when it comes

to the family estate.

What makes me all the more certain that this is how things are is the fact that old folk lore mentions this kind of changes. Some stories are very specific as to what sort of changes we go through and how to act in order to make the most of our lives. A particularly well written story in this respect is Iron John, but there are many other texts that present a similar story. The advice put forward is always the same and very much in tune with the anarchist world view.

Iron John

The story of Iron John is about a boy that grows into a king. It contains advice on many aspects of life, including how to impress women, how to build a career, how to amass wealth and how to win in battle. The monstrous figure, Iron John, is the embodiment of the testosterone that the young man has to learn to master and use for the benefit of himself and others. Once this is understood, anyone can read and understand the story. It is about three pages long, and packed with interesting insights.

Of particular interest to us is the way wealth is amassed and controlled. The young man spends a lot of time tending the king's garden. Wealth is amassed slowly over time through diligence and mastership.

But the world is not without dangers. There are evil forces lurking, always ready to take away in an instance what has taken years to build up, and it is the young man's duty to stand up and fight. The king may direct the battle from a distance, but it is the aspiring prince and his forces that do the fighting.

Another point to note is that the king delegates ownership of his properties to those who are worthy of his trust. When the aspiring prince finally wins the heart of the king's daughter, he gets ownership of a large part of the king's land. Capital is handed over to the younger generation as soon as possible. The king does not cling stubbornly to his wealth. He delegates it to those he can trust.

However, the king is no less a king for having handed ownership over to the younger generation. The king remains in control. He is at the centre of a tightly knit network of trust that he has carefully built up over time. Giving away ownership to members of his network does not reduce the king's standing. It enhances it. It places him more firmly at the centre of his web.

From this we can read a very clear message of advice. We must make sure we are surrounded by people we can trust. From the day a child is born, it must be taught the value of trust and that it must not be broken. We must also make sure that ownership of capital and other assets are transferred to the younger generation as soon as they can be trusted to take proper care of them. By the time a man reaches his late 60s, he should own a bare minimum of things. Just about everything should be handed over to the younger generation.

Such an arrangement will make the king feel happier and more in control. Seeing his arrangements related to his estate work as they should is confirmation of the successful completion of his biological task. He has not only brought up a healthy new generation, he has also successfully transferred ownership of the family estate.

By arranging our affairs correctly, we find ourselves without any property registered in our name. We are also without any registered income of note. This has the great advantage of minimizing our exposure to the state. Apart from a minimal pension, there is nothing for the state to tax. We do not have to constantly defend our estate from the grasping hands of state officials. This task has been delegated to the younger generation.

An additional advantage of such an arrangement is that the inheritance is made up well before our dying day. There is no uncertainty regarding the estate because it is already divided. Apart from a few personal belongings, there is nothing to pass onto the younger generation after our death. The will becomes a simple matter of enumeration, or not needed at all if nothing of value is left undivided before our passing.

This is an advantage for both the younger and the older

generation as it minimizes the risk of strife between siblings. If the estate is anything but negligible, the younger generation also gets the advantage of an extra income that they would otherwise have to wait for until after our passing. Whatever is left after some predefined portion of capital income is passed onto us is retained by the younger generation.

Since most tax systems operate with progressive rates, we get the additional benefit of spreading the wealth among a larger number of people. Assuming that there are more than one inheritor involved, the wealth and capital income is divided more thinly. Where a high tax rate may have applied to a single owner, a lower tax rate applies to the younger generation as a whole.

The general advise laid out in Iron John is ancient, yet it is still relevant and applicable to the world we live in, because the struggles laid out are eternal. Nothing of significance ever changes. To quote Ecclesiastes 1:9 from the bible: There is nothing new under the sun.

This applies to everything, including the modern social order of the corporate state, which is far more ancient than is generally believed.

Corporations

A corporation is a legal structure that protects owners of an enterprise from liabilities. If the enterprise makes an error, the owners cannot be held responsible. The worst that can happen is that the enterprise goes bankrupt. The corporation is an entity that takes on the responsibilities normally put on individuals. In times of trouble, it acts like a scape goat, diverting blame from people and onto a fictional entity.

The advantage of such a system for the owners is that they can take on risks that they would otherwise not dare. Profits are paid out to the owners as long as things go well. Should something go wrong, those profits are safely out of reach from anyone claiming restitution. Only capital held by the corporation can be paid out to victims.

The advantage to the state, which writes and upholds corporate laws, is that corporations greatly simplify the task of tax collection. Corporate laws encourage the formation of large enterprises that act as tax collectors on behalf of the state. Instead of having to tax every individual separately, the state can go to a handful of corporations. Each corporation keeps detailed records on the earnings of their employees. This makes it simple to calculate income tax.

The state makes special laws to encourage the formation of corporations, and certain lines of business are declared illegal outside of the corporate structure. Banks and registry offices are always corporate structures, often directly owned and controlled by the state. This is because these organizations hold information regarding ownership of assets, something the state is particularly interested in controlling.

Corporations are like vassal kingdoms. They are privileged entities that act as tax collectors for the state. Seen from the perspective of the state, the ideal situation is one in which there is only a handful of corporations, all dependent on the state for their existence. Rules and regulations are therefore made to discourage smaller enterprises from forming, while simultaneously making sure that big ones do not grow so large that they can challenge the supremacy of the state. An elaborate system of taxation and subsidies is put in place by the state to ensure the right balance.

The cost to society as a whole is that of burdensome regulations and intrusive tax rules. Corporate laws introduce hurdles in the economy. The entrepreneur must at some point go big or forever remain small. This in turn defines the general structure of the economy. In Norway, almost any undertaking has to go big from the start. In Portugal, smaller businesses are more readily allowed to exist in parallel to corporations as long as they remain small.

All of this is important to realize as we seek work and prosperity for ourselves. We must realize that life inside a corporation is like life in a vassal court. We are so close to the state that we cannot act outside of its rules and regulations. We must also realize that it is not the CEO at the top of the structure that is the head of the

organization. Even if the CEO is the owner of the enterprise, he is a vassal. Ultimate control of the corporation is in the hands of the state.

What should also be realized is that the corporate structure is geared towards young men in particular. Taking a job inside a corporation is like taking on service to a king. All sorts of capital is put at our disposal, and we learn a lot. However, as we grow older, most of us will tire of corporate life. We want more control of our lives. As we go from being the prince in Iron John to being the king, we increasingly desire our own little kingdom, and a failure to set aside resources to this end is at the heart of much misery.

As a young professional inside a large corporation, I was amazed by my older colleagues who so clearly desired to leave. I could not figure out what they were complaining about, and I certainly didn't expect myself to become equally disillusioned in the future. Many of my older colleagues were obsessively interested in the stock market. They were constantly one bet away from being able to quit their jobs. But, of course, the payout never materialized. More often than not, they lost more than they made by making these bets. Instead of getting closer to their desired goal, they found themselves farther away from it. Little did I know at the time that I myself would fall victim to this same behaviour.

Foundations and Trusts

A mechanism frequently used by rich people to keep control of assets while simultaneously severing the burdensome link of ownership, is the formation of foundations and trusts. Just like corporations, such structures act as legal persons. However, their purpose is not to separate responsibility from ownership, as is the case for corporations. Foundations and trusts separate ownership from control. Individuals can transfer ownership to them in return for some annual benefit.

The benefit to the original owners is to reduce their official income and wealth. Their tax burden becomes less. Since foundations and trusts always have the benefit of low tax rates,

the overall tax burden for a family can be reduced by a substantial amount.

The benefit to the state is twofold. Foundation and trusts often take on some high profile public function which lavishes praise upon the political establishment. This gives credibility to their claim to represent the people. It's good PR. We only have to think of the Nobel Peace Prize to realize how valuable this is for the establishment.

Secondly, the political elite is itself populated and closely allied with rich individuals. It is therefore in their interest to ensure that there are ways for the rich to avoid the full burden of taxation that comes with direct ownership.

By allowing the most wealthy among us to control assets without direct ownership, the state provides a mechanism in which the rich and influential can live secluded lives, out of the public eye. From this position of relative advantage, they control vast fortunes through elaborate networks of corporations, foundations and trusts.

Rights and Privileges

We live in a society that has much more in common with feudalism than most of us are willing to admit. Our current system is most definitely not free market capitalism. Almost all aspects of our lives are regulated in some way, and no commerce is allowed to happen outside government control.

What we have is a system in which the state cooperates closely with corporations in order to secure control and power. This is corporate capitalism, also known as fascism or feudalism, a type of socialism in which private ownership is allowed as an executive branch of government.

The myth of free market capitalism is peddled by politicians for various reasons. One being that any failure of the current system can be blamed on too much freedom. Whenever we are hit by an economic recession, politicians can argue for more political control as the best remedy. Another reason to keep the myth alive

is that people who find themselves duped into risky investments that blow up have no-one but themselves to blame. Those believing in the free market myth are unable to identify the imbalances and privileges that exist, because they do not believe that anything sinister is going on. Finally, there is the general popularity of freedom. We like to believe that we are free, and so it serves the establishment to keep this myth alive.

The idea that people become rich primarily through innovation and hard work is wrong. Very rarely, if ever, have great fortunes been built without the benefit of state sanctioned privilege. The traditional way to amass a fortune has always been to first secure some privilege on top of which further wealth can be accumulated. Exclusive rights, subsidies and state pensions are the normal base from which wealth is accumulated. Without any such privilege, an entrepreneur will quickly find himself at the wrong side of a very uneven playing field.

As an example of how this works in practice, I have seen first hand how a very specific segment of the book market in Norway was losing money year in and year out. This segment was dominated by two companies. One was large and heavily subsidized, and the other was an upstart. After many years of losses, the upstart threw in the towel. The larger company picked up the pieces, and the very next year, the loss making segment was turned into a big money earner. The explanation for this miraculous turn around was said to be the benefit of “consolidation”. It was all due to free market capitalism. However, what was really happening was that the larger company was using state subsidies to force out competition. Once the competition was out of the way, prices could be raised to the benefit of the privileged company and its owners.

What should be noted is that government is not in the business of protecting people's rights. Rather, it is in the business of dishing out privileges. While rights are neutral in that they do not require anyone to do anything except leaving others in peace to do their business, privileges always come at somebody else's expense. Taxes, regulations and subsidies are burdens laid upon some to the benefit of others. They form the basis of a system of privilege,

rather than rights, which is in essence the definition of feudalism, and most of us find ourselves at the wrong side of this social order. To escape this, gambling becomes a tempting option. Hoping to somehow leap across the divide that separates us from the wealthy, we give in to all sorts of gambling and risk taking.

Gambling

Playing the lottery is a tax on poor people, plain and simple. This was the somewhat unsurprising finding of a recent study.

However, there is much more to gambling than just playing the lottery, and playing the lottery is far from the worst activity we can indulge in. Great fortunes have been lost playing the casino that we call the stock market. Leveraged bets on short term moves of individual stocks are rarely anything but pure gambling. Living beyond our means is another way to gamble, as it requires some lucky event in the near future to materialize in order to lead to anything but ruin. Any kind of wishful thinking related to our portfolio is also a form of gambling. Bad timing and prolonged imbalances in our saving strategy are sure fired ways to losses.

This is not to say that we must stay away from all forms of risk. Any activity, including the act of remaining passive, has an element of risk. We cannot avoid risk taking in our lives.

However, we can make sure that the odds are in our favour. By properly hedging our savings we can reduce risk. By timing our investments based on historic data, as laid out in Gold Oriented Investing, we can greatly move the risk/reward ratio in our favour.

But most important of all, we must build and maintain our network of trust, because the kingdom we are building for ourselves is not primarily material. When we reach middle age, we want to be surrounded by people we can trust. We want control of our lives. Only in such an environment do we feel relaxed and content.

We must also keep in mind that our goal is not to build the biggest kingdom, but the most secure one. To win big in a lottery does not necessarily get us any closer to our goal. Sudden riches are often squandered. Wealth that is accumulated steadily over time is

much more robust. We must build a solid, well balanced investment portfolio.

A common argument for not setting aside money for the future is that pension funds are doing this for us. However, as pointed out above, this is a risky assumption because most pension funds are underfunded and invested in assets that are unlikely to do well in the coming years. We must therefore make sure we put aside some money on the side. We must have some gold or silver to hedge against the shortfalls of pension funds.

To get control of our lives, we must take control of our savings. We belong to a species that is totally dependent on capital for our survival and well being, so we must treat capital as an extension of ourselves. We cannot allow ourselves to squander it. Nor can we let others take freely from it.

If we are not prepared to fight internal and external enemies, we are unlikely to ever achieve the position of king. The man that gives in to gambling or other kinds of obsessive behaviour will never be king. The man that lets the tax-man take away all his savings is similarly going to loose. However, the man that successfully protects himself against these dangers will end up contented, well taken care of, and protected in his own domain. The size of his domain may not be all that big, but as my English uncle and aunt showed, even a modest income is sufficient to secure a comfortable retirement and an estate that can be passed on to future generations.

Riding Bravely into Battle

The story of Iron John dedicates several passages to battle and the importance of mustering the will and energy to fight. Most important of all is our mental health. We must not be too eager to pick a fight. Nor must we be too willing to give up. We must keep our cool in the face of danger. We must resist the temptation to give in to gambling and similar excesses. They are not alternatives to taking charge of our lives. Such vice only serves to weaken us.

The way to build a healthy mental state is to tend our garden. By

focusing on our assets and our projects, we gain satisfaction from seeing them grow. The garden can be interpreted as a metaphor, but it may also be a real garden. What it shows us is that small seeds can grow into large plants if tended correctly, and that some seeds come to nothing regardless of effort. Our efforts are of great value, but mother nature has a lot to say as well. Things do not always work out. Life is a combination of diligent work and good fortune.

Included in the garden metaphor is our network of trust. When things get rough, we have to be able to trust people so that we can safeguard our assets from harm. In times of hardship, our network is the bulwark of our castle. Well before we go into any direct confrontation with an enemy, we must make sure we have our belongings safely placed within this defensive structure.

Secrecy and trust is our best defence against powerful enemies like state agents. We must as far as possible under-report our earnings and assets. Registered properties must be spread out in the network. Things that cannot be traced must not be registered. The passage of time, combined with sloppy official record keeping, works to our advantage. The longer it is since some gold was acquired, the easier it is to hide. Time is a powerful ally and friend. Used correctly it allows us to live full and meaningful lives while frustrating our enemies to the point that they give up in their ambition to control and rob us.

Keep in mind that bureaucrats are more fearful of breaking their own rules than losing a battle. While we only have to keep in mind the golden rule, bureaucrats have all sorts of paragraphs they have to adhere to. They must often announce their next move ahead of time. We, on the other hand, have the advantage of stealth, deception and secrecy. This in itself is often enough to secure our estate against excessive taxation. By constantly asking bureaucrats to clarify and explain, we can incur great expenses on them while saving ourselves both time and money. Never answer a straight question without a caveat or a request for clarification. Efficiency is only of value when the bureaucratic procedure is in our interest. Only under such circumstances does it make sense to be helpful and forthcoming. As Napoleon Bonaparte once said:

Never interrupt your enemy while he is making a mistake.

Compared to the cost and risk associated with a direct confrontation, stealth and deception, ensuring a minimum tax burden, is often our best option. However, there are situations where the tax-man is over-extending himself, laying claims to savings that he cannot easily confiscate. In such cases, the best option may well be a direct confrontation. When the cost of taxation exceeds the cost of non-compliance, tax evasion is the only rational and honourable thing to do. As Frederic Bastiat pointed out in *The Law: Legal plunder*, i.e. taxation, will continue as long as it is profitable.

Tax collectors are in the business of making money. They are not interested in wasting time on difficult cases from which little or no profit can be made. We must therefore aim to make taxation as difficult and unprofitable as possible. Slowing things down by taking advantage of the bureaucratic mindset is one way to do this. Point out errors and refuse to reply unless rectified. Let things hang for as long as possible. If no action is required, let things run. Never speed up anything by giving a straight answer. If pressed, always ask for a formal letter laying out alternative outcomes.

Finally, we must not forget our true goal in all of this, which is to make life as good and prosperous as possible for ourselves and our descendants. If we focus too much on money, we lose this perspective. We have to make rational choices where benefits and costs are weighed against each other. Some monetary losses may be required in order to achieve a greater good. We must not be so greedy or fearful that we prevent ourselves from living our lives in an honourable and meaningful way. This is the wisdom we can derive from 1 Timothy 6:10 in the bible: For the love of money is a root of all kinds of evil. Some people, eager for money, have wandered from the faith and pierced themselves with many griefs.

Greed and fear are our two biggest enemies in our endeavour to live life to its fullest.

Conclusions

We live in a world full of people who seek to control us and tax us for their own ends. This is not some new state of affairs. It is an age old story, and the remedy is the same as it ever was. We have to understand the chains of deception that bind us, and from this we must develop a strategy to protect ourselves as best we can.

By making sure we adhere to the golden rule we build for ourselves a network of trust where we can relax and be secure in the knowledge that everyone will pull together to make the most of what we got. Wealth can be accumulated and passed on to future generations. This gives meaning to our lives as we add to our wealth so that the future will be at least as good to our descendants as the present is to us.

Failure to live our lives honourably is at the root of much suffering, especially among middle aged men. We are programmed to become kings of our own domains. We must therefore stand up to evils and resist the urge to gamble as an alternative to a straight fight. Property must be treated as an extension of ourselves. We must not needlessly risk it, and we must not neglect it to the point of loss. When under threat of confiscation, we must muster the will to fight.

The 5th Empire

A voluntary society

By Fredrik Nygaard (2019)

Introduction

The state is such a permanent feature in modern society that most of us take it for granted. Without it society will crumble into chaos. So we are told.

However, the state plays almost no role in our daily lives. We make all sorts of decisions without thinking about laws and regulations. We buy groceries. We send our children to school. We interact with friends, family and colleagues, all without bringing the state into it. Far from being a central element of society the state appears to be a fringe entity, imposing hierarchy while adding little of practical value.

This is not a new observation. Many have speculated that the hierarchies imposed by the state can be replaced by networks of individuals working together in voluntary cooperation. The Kingdom of God, as described in the Bible, alludes to this. So does Nietzsche with his superman, a race of people who will neither rule nor be ruled. But most fitting may be the Portuguese prophesy of a 5th and final empire that will be ruled, not by government, but by a spirit of good will and love.

In this book, the 5th Empire as a synonym for a voluntary society. I use the term freely, unconstrained by what others have said about it. This is not a book about the myth, but about a practical, real world alternative to state run society, an alternative that exists here and now. Anyone can take part in it. There is nothing stopping us from entering the 5th Empire.

Citizens

The 5th Empire is a network of liberty minded people. It's not a landmass. It's not a nation. It cannot be accurately identified on a map. However, it's not entirely spiritual either. It is a real place

with physical entities, including property and land.

Citizens of the 5th Empire have a strong desire to neither rule nor be ruled. They do not enter someone's realm without an invitation to do so. 5th Empire citizens make no distinction between rich and poor in this respect. Every interaction has to be voluntary. This includes charity which cannot be imposed on people against their will. The initiation of force is unacceptable, no matter how good or pure our intentions.

When we are in the company of people adhering to this mindset, we are inside the empire. It makes no difference if the people involved are aware of this or not. As long as they resist the desire to rule and other people's desire to rule over us, their realm can be considered an enclave of the 5th Empire.

Being liberal minded myself, I used to take it for granted that most people had a similar perspective. However, the desire to neither rule nor be ruled is rare. No more than 7% of the population has this inclination, and even fewer are truly committed to it.

This is based on personal observations as well as various studies related to politics and personality. Carl Jung came up with a method to judge a person's personality based on 16 types. When correlated with political preferences, it turns out that only 7% lean towards liberty. The remaining 93% prefer a system of rulers and subjects. It is therefore impossible for liberty to thrive in a pure democracy.

This can easily be verified by asking colleagues and friends a simple question. Are we the owners of our own bodies? The first time I put this question to a group of friends I was surprised to discover that no-one believed the answer to be a simple yes. The preferred view was that our bodies are not our own but belonging to a community which in turn is ruled by an elite.

This explains the myriads of laws related to drugs, prostitution and labour. By extension, it explains taxation and conscription. We are not the owners of our own bodies, nor are we the owners of our labour and property. It is owned by the community.

This view is constantly promoted by popular media which in their news casts focus on politics. The big topics always revolve around questions related to the state. Fair taxation, just wars and common sense rules are top talking points.

The average person can argue endlessly over politics without ever seeing the fundamental immorality in what they are saying. They see nothing wrong in the systematic use of coercion by the state.

The problem for 5th Empire citizens is that the majority do not content themselves with being ruled themselves. They want everyone else to be ruled as well. They tell us that we must contribute to the state through taxation. We must adhere to its rules. To do otherwise is evil.

With the population being overwhelmingly that of willing subjects to the state, it is easy to think that no alternative exists, that we must either rule or be ruled. While this is fine with most people, it is not fine with the liberty minded minority. They feel trapped and forced to live contrary to their character. This can lead to a feeling of despair, especially in highly conformist societies.

A way out of this mess is to declare ourselves citizens of the 5th Empire. The mere act of stating this privately to ourselves is liberating. It places us at the heart of an alternative society, and it opens all sorts of possibilities for growth and prosperity. It places the overwhelming majority of people at the sidelines. Rulers and their subjects are no longer legitimate arbitrators of right and wrong. They are foreigners, residing outside the empire. The laws of the land are no longer laws but regulations that we deal with in a pragmatic manner. With this new and refreshing view of the world, we can start the task of building something better and more in tune with who we are.

The lone citizen has no choice but to be pragmatic. There is no way to avoid the state, and there is little point in doing so. To isolate ourselves from the system would be like setting up a trading post in a foreign land with no intention to interact with the local population. It is pointless and counter-productive. Nor is there any point in making our declaration widely known. We do

not want the population at large to know that we do not respect their authority. That would merely serve to anger them, making it all the more difficult to engage in productive cooperation and trade.

Declaring ourselves citizens of the 5th Empire serves a single purpose. It clarifies in our mind where we stand relative to the rest of the population. We want neither to rule nor to be ruled. We want voluntary interaction for ourselves and others alike.

This means that there are professions that we must avoid. We must not work for agencies that initiate coercion. We do not collect taxes. We do not enforce arbitrary rules. We do not lock people up for their own good.

We should also avoid political discussions centred around the presumed necessity of the state. Having declared ourselves citizens of the 5th Empire, we have no business discussing the right tax level, the just war, or the correct level of coercion against prostitutes and drug addicts. Party politics is for subjects, not for sovereign citizens. We may find some politicians more sympathetic than others. However, they are all rulers and aspiring rulers. They do not represent us. They represent the ruling class.

However, there is no sense in avoiding all aspects of the state. Certainly not in a society where many valuable tasks have been taken over by it. The typical welfare state is in charge of schools, hospitals, old people care and charity. It would be strange not to engage in any of this just because it is funded through taxation.

Citizens should refrain from being tax collectors, police men and regulators, because these functions initiate coercion directly. However, teachers, nurses and doctors do not use coercion in their daily work. There is no reason to avoid these professions simply because they are provided by the state.

It should also be noted that private corporations can be just as bad as state run operations. Banks create currency through credit expansion. Media corporations promote state propaganda, and social networks spy on us. Immorality is everywhere. To fight this head on is pointless. The best we can do is to remind ourselves and others that society requires no coercion.

Security

Declaring ourselves citizens of the 5th Empire has no practical implications. No steps are required. The only change is spiritual. We no longer accept the state as our master. We are no longer prepared to be ruled, nor do we desire to rule. We want to be left alone to take care of our own affairs through voluntary interactions.

This means that our personal security will be unchanged. To the extent that we rely on the state for our protection, nothing changes. The state is still there, even if we no longer see ourselves as its subjects.

However, most of us do not in fact rely on the state for safety. We overwhelmingly rely on the good will and love of our neighbours. To foster this, we behave politely towards people we meet. In certain cultures, it is customary to greet people with a friendly god morning, even if we do not know them. Walking down the streets of my neighbourhood in Portugal, I greet people this way, especially those living in my area. The result is a sense of community. We look out for each other. If something unusual happens, people take action. Hostility is met with resistance.

Protection of our house and personal belongings is also ensured through simple measures. We lock the doors to our homes. We put valuables out of view. We keep a modest profile among strangers. For those with an impressive property, private security is available. An alarm can be installed. In an emergency, a guard will appear. This guard may be prevented by law from carrying a weapon, and must for this reason call the police to deal with armed intruders. However, as the 5th Empire expands, such laws will be revoked. As a society moves towards the 5th Empire, private security becomes more dominant until it completely replaces the police.

War

Citizens of the 5th Empire do not bear allegiances to rulers. Our loyalty is to our family and friends, not the ruling class. It follows

from this that we stay away from the armed forces. We do not seek employment with them, and we resist conscription.

If a war breaks out, we act rationally to protect ourselves and our possessions. In doing this, it is important to judge the different possible outcomes. If a war is against a relatively benign power, no action needs to be taken. It may even be to our advantage if the perceived enemy wins. This was the case for Hong Kong which became one of the world's freest places under foreign occupation. The British ruling class gave more freedom to the people of Hong Kong than they did to their own subjects.

However, when Lithuania was taken over by Soviet communists at the end of World War 2, people with property were rounded up and transported to Siberia or shot on the spot. Sensing this outcome from the start, rational citizens would have taken early precautions. Joining a local militia, taking a boat to Sweden, laying low, or some combination of this would be the sensible thing to do.

Citizens of the 5th Empire need to resist the temptation to become emotionally attached to a nation. We must be prepared to leave our homelands when pragmatics demand this. We must also be as discrete as possible when it comes to our wealth. People who seek to rule do so for the ultimate goal of gaining direct control of our lives and properties. We should not make ourselves easy targets for such people. They have many followers who will gladly act as their executioners in times of upheaval and crisis.

However, as a society drifts more towards the 5th Empire, the threat of violence recedes. The police and armed forces unwind. Conscription is abandoned. Arbitrary laws are revoked. Taxation is reduced and property becomes better protected.

Citizens of the 5th Empire are protected by private security companies. They also have easy access to weapons. This means that an occupying force will find it difficult to extract taxes from them.

With no central authority, there is no parliament to take hold of. There is no police force, and no tax office. All of this will have to be re-established. For this reason, privately organized societies

are hard to conquer. Armies find themselves bogged down, with citizens taking pot shots at soldiers whenever the chance arises.

With such a huge cost, and little prospect of immediate revenues, tyrants think twice before invading a territory with little to no central government. During World War 2, Switzerland was in this position, and was therefore spared both the war and the occupation that other nations endured.

On the other hand, weak armies, coupled with strong centralized governments, make nations prime targets for war. Holland had a strong central government, but hardly any army at the outbreak of World War 2. Occupation happened virtually without resistance. The strong internal organization of the Dutch state made it an effective tool in the hands of the Nazis. People were rounded up and sent to concentration camps. Others found themselves trapped, without access to food. Many suffered starvation and death as a consequence.

When it comes to war, the most exposed territories are those with strong central governments and weak armies. Territories with strong armies are less exposed. However, the least exposed are those with little to no central government, coupled with well armed citizens and private security.

What makes an area safe for civilians is not the size of its standing army but its internal organization.

Emergency

Rulers up through the ages have recognized the value of emergencies to cement support for themselves. War has been the emergency of choice. However, ever since World War 1, which resulted in conscripts being massacred in the millions, there has been a growing preference for other types of emergencies. It is therefore convenient for the ruling class that climate change is currently perceived as an existential threat.

From superficial analysis, it appears that the threat of global warming can only be countered through the introduction of draconian laws dictating every detail of our lives. However, this

ignores the fact that the biggest hurdles to reduced waste and pollution are governments themselves. The entities with the largest global CO2 footprints are the armed forces, yet not a single ruler has suggested that we should dismantle the military to save the planet. Instead, rulers want to regulate the number of flights we can take, the size of engines in our cars, and all sorts of other aspects of private life.

In contrast, we have concerned 5th Empire citizens who will do anything possible to reduce their negative impact on the environment. Even the not-so-concerned citizen will gladly save on expenses by reducing fuel consumption and waste. We are all interested in reduced waste. There is no need for big governments to make this happen.

On the other hand, big governments are often the very reason for rampant pollution. The interests of small communities are often ignored by bureaucrats. They let favoured parties mess around as they please. Was it up to local communities, big polluters would have to pay up or clean up. No free license to mess around will ever come from a community of 5th Empire citizens.

Insurance

The 5th Empire has no higher authority than its citizens. No-one is in a position to force a citizen to buy anything, including insurance. However, this does not mean that the empire is full of uninsured individuals. 5th Empire citizens are just as concerned about unfortunate eventualities as everybody else. In fact, insurance companies play a more important role in the empire than in state run society.

Insurance companies in the 5th Empire cannot rely on the state to take care of patrolling and criminal investigations. If a citizen with a life insurance is killed, it is up to insurance companies to investigate and find out if something criminal has taken place. If a neighbourhood finds itself plagued by robberies and break ins, affected insurance companies will pay for security guards to patrol the area so that losses can be reduced.

The typical 5th Empire citizen carry insurance against theft, fraud,

violent attacks, loss of life and property. It is therefore in the interest of insurance companies to keep citizens safe. This means that insurance companies, in cooperation with security companies, take on the task of arresting and locking away criminal individuals.

However, locking up criminals is an expense that insurance companies would rather be without. They will gladly release criminals as soon as possible. If anyone can pay for damages and guarantee against future losses, insurance companies will let criminals go.

The only individuals permanently locked up will be those who are so dangerous that no-one wants to bail them out, and no insurance company will take the risk of letting them out. In all other cases, individuals will be released, either on bail or after a minimal time of imprisonment. The prison population of the 5th Empire will typically be smaller than in state run society.

While locking up truly dangerous individuals will be good PR for insurance companies, the same cannot be said about cases where individuals get locked up for minor offences, or wrongfully imprisoned all together. People will take note of this and buy insurance with companies they feel do a better job. Companies that mess up will loose customers.

However, no company will be perfect. There will be mistrials and wrongful imprisonments. There will also be disputes and conflicts. It is not always clear what actually happened. There may also be disagreements as to what does and does not constitute a crime. To work out such cases, we require laws and arbitration.

Law

From an early age, we are introduced to rules and regulations. At home, we learn to behave. At school, there are all sorts of rules. Public spaces have their rules too. If we misbehave, we get reprimanded. We get kicked out or isolated. Resisting will generally make things worse.

Interestingly, these rules are rarely written down. They are based almost entirely on a general sense of what constitutes acceptable behaviour.

This is in stark contrast to the laws of the land which are so numerous and complicated that not even experts know them all. However, there is no reason to have more than a single overarching principle. Everything else can be dealt with through arbitration based on custom and culture. House rules are an example of this.

House rules are by far the most commonly encountered laws. They are based on property. Whoever controls a property sets the rules. For instance, a bus driver is free to kick out an unruly passenger. The driver may not own the bus. However, he controls it and is therefore the one setting the rules. If he deems a passenger distracting or in other ways undesirable, he is free to kick that passenger out.

The same goes for public spaces like malls, theatres and restaurants. It also applies to private spaces. We are free to expel guests from our home for whatever reason we please. If we dislike what they are doing or saying, we can show them the door. However, we are not free to do so in any arbitrary manner. We cannot break someone's arm or otherwise hurt people unless they put up a fight. We have to be reasonable in our actions.

This is where arbitration comes in. It is not always clear what constitutes reasonable behaviour. A bus passenger may find himself unfairly treated by an overly bossy driver. The first place to go for grievances in this case is the bus company. The owners may agree with the passenger. The driver was unreasonable. Compensation will then be made to the wrongly treated passenger, and the driver may be reprimanded or fired. Otherwise, rumours will spread, hurting the bus company's reputation and business.

Other places to go with grievances are insurance companies. This is where we go when we find ourselves part in a car accident. It may not be clear who was at fault. Insurance companies will then investigate and arbitrate. If insurance companies are unable to

settle a case, they elect a third party arbitrator. They argue their cases and settle on whatever the arbitrator finds reasonable.

Nowhere in any of this are state laws necessary. However, they are frequently used as bargaining chips. There is always the threat of state interference. But nothing would be lost if the state was completely removed from this. The 5th Empire is no more a place of lawlessness than any other place. The state is not required for law and order.

This holds for criminal law as well. It is very much in the interest of insurance companies that law and order is upheld. They are therefore willing to pay security companies to keep criminals at bay.

Security companies will arrest and incarcerate suspected criminals. However, the incarceration of suspects is a cost to these companies so it is in their interest to have criminal proceedings as soon as possible. Arbitrators are called upon to figure out what happened and suggest reasonable fines or punishments.

There is also the issue of reputation. A security company that acts in a needlessly heavy handed manner, or keeps people locked up for no good reason, will soon find itself up against all sorts of criticism. Insurance companies and private individuals will refrain from using such companies. Being reasonable in their actions is therefore of utmost importance.

The same goes for arbitration. Good arbitration produces rulings that are perceived as just by the majority of a population. This in turn is determined by culture, customs and tradition.

An arbitrator that goes against social norms will not stay in business for long. Arbitrators must be perceived as just by both parties. Insurance companies that disagree on a case have to agree on what arbitrator to use. An arbitrator that is known to have unconventional views will not be chosen. The same goes for arbitrators taking bribes to favour one side over another. Corrupt arbitrators will find themselves shunned and out of a job.

No-one can drag anyone to court without clear evidence of a crime. However, this does not mean that a plaintiff can get no

ruling without the consent of the culprit. Arbitrators can look at a case presented by an individual and give their opinion. A security company can then be contacted for the purpose of executing the suggested line of actions.

This means that individuals who refuse to cooperate with arbitrators may nevertheless find themselves faced with security agents knocking at their door, or even breaking into their house in order to retrieve stolen goods or save a mistreated child.

The 5th Empire does not have laws and regulations in the thousands. It is ruled by private arbitration based on cultural norms. Most arbitrators will keep a record of prior cases. They may also condense cases into laws that people can read and study. But there is no obligation for anyone to follow any of these laws. It is entirely up to us to choose which rules to follow and which ones to ignore. However, this does not mean that we can do whatever we please. If we misbehave, others will seek retribution. If we act in a dangerous and unhinged manner, we'll be lock up. With no sympathy anywhere, we won't be able to get out before we change our ways.

Welfare

A society can be judged by the way it treats its poor and weak. In this respect, state run society has a horrible track record. Millions of vulnerable people have been swept aside over the past century. Even supposedly moderate and civilized states have engaged in terrible acts. Norway implemented and upheld eugenic laws from the 1930s to the 1970s. Thousands of people were forcefully sterilized. Lobotomies were performed. Separation of children from parents also happened, all in the name of eugenics. The victims were almost exclusively poor people with minority backgrounds. Eccentrics of various kinds were common targets.

Separation of children from parents is still happening, overwhelmingly targeting people at the fringes of society. Another targeted group are drug addicts. People are put in jail for no other reason than the possession of substances deemed inappropriate by the ruling class.

Once trapped in the web of welfare agents it is hard to escape. They should therefore be avoided as much as possible. We must consider help from friends, family and private charities before seeking help from the state. Legitimate concerns should be expressed directly with those in question. It is only when all other options have been exhausted, that state agents may be called upon. Reflexively calling such agents at the mere suspicion of something not being quite right is not only wrong, but highly immoral as it spreads fear among people, especially those that the state has a history of harassing.

This does not mean that 5th Empire citizens should be completely paranoid about the state. Many of us have no choice but to send our children to state run schools. The same holds true for state run health care. Nor is there any reason to decline a welfare check if handed out to us. Citizens of the empire deal with the state in a rational and pragmatic manner. What precise actions we take depend on circumstances. However, we must not rely too much on the state. Those of us who are dependent on state handouts must know where to go should the handouts suddenly stop.

Staying on good terms with family and friends is paramount. Making sure we are the best we can be in the way we interact with others is of great importance. Should things turn sour, the best behaved and most reasonable of us will be at an advantage. People care about how others treat them, and they will hand out rewards or punishments accordingly should there be a day of reckoning.

But the demise of the state does not necessarily lead to chaos. The transition from state control to private welfare can be smooth and orderly. Those who have little to no interaction with the state may hardly notice a difference. However, the state may cause problems by throwing legal hurdles into the transition. They may ban private hospitals and schools. They may force people to hold onto imploding currencies.

Present day Venezuela is an example of what happens when a state clings to power even after the collapse of its institutions. Venezuela is bogged down in violent crimes, corruption and immorality of all kinds. But things need not end this way.

Communities that escape the grip of the state will fare relatively well. Where the state relinquishes power to the 5th Empire, things will stabilize. This will primarily happen in areas where the culture is already in tune with the empire. A sensible precaution is therefore to seek such communities. At a very minimum, we should know where they are.

Typical for such communities is self sufficiency. Inhabitants do not rely on state pensions or welfare to get by. There is a wide variety of stores and industries. There is also a wide variety of people with different skills and different social backgrounds. Above all, there is an air of civility. People respect each other's privacy and property. There is a high tolerance for eccentrics and loners. No-one is attacked or expelled merely for being different.

Such communities can be found wherever there is a general culture of self sufficiency and tolerance. Most towns have this type of neighbourhoods. Villages are often organized in this way. We do not have to become self sufficient farmers in order to fare well during times of upheaval.

Charity

Private charity has always been a cornerstone of civilized society. It is private charity that takes care of the truly downtrodden. The state is too bureaucratic to take care of such people. The destitute do not fill in forms. They do not go to social security offices. They do not seek help. By and large, they distrust the state. Their experience with it is mostly bad. Police officers raiding their childhood homes. Social services separating them from their parents. Orphanages leaving them unattended. None of this has foster an atmosphere of trust.

The demise of the state will be of no great concern to the destitute. The little help they are getting is provided by private charity which will only grow in importance. Private charities already provide soup kitchens and shelter. With the fall of the state, they will provide basic education and health care as well. There will be legal services and emergency insurance too. People caught up in extremely unfortunate situations will be able to seek

help at the local charity.

We know this from relatively recent history. People were not left to die in the streets of America back in the days before the state started meddling in the health insurance business. Doctors treated the poor for free or at greatly reduced rates. They saw it as part of their duty to the community. There was no lack of soup kitchens and shelters either. People were more caring and engaged in community work back then than they are now. State interference has not improved anything.

Rather than helping the downtrodden, the state has a tendency to turn against them. Case in point being eugenics which enjoyed widespread support in its time. It was introduced with a wide margin of approval.

This may lead some to conclude that the 5th Empire will be no better at protecting minorities than the state. If the general public found it reasonable and even desirable that children were separated from their parents for no other reason than their eccentricity, then what is to stop an evil charity from doing the same? Why wouldn't such a charity gain the popular support that the state was able to procure?

The key difference here lies in the way the state suppresses details of individual cases and the total cost of their programs. Evil charities cannot hide the horrors of their programs in the same way, nor the cost of their implementations.

There will always be opposition to such programs, especially among targeted minorities. There will be lawsuits and bad press. To hide this requires centralized propaganda which is harder to produce in a decentralized society than in a centralized one. Furthermore, the costs associated with such programs will be carried entirely by charity donors. The costs are not hidden inside taxes but directly exposed. The combination of bad press and high costs will force evil charities to moderate their programs or go out of business all together.

Schools

The 5th Empire has no central government. Hence, there are no laws related to education and learning. It is entirely up to parents to choose what kind of education they want to give their children. Home schooling, internet learning and no schooling at all are all allowed. This means that schools have to provide attractive learning programs that parents want their children to attend.

There is no single curriculum that children have to learn. Each school is free to draft their own. This is typically done by the teachers themselves, in cooperation with the school's owners and with input from parents. The aim for every school is to attract students, and the only way this can be done is through the development of good learning programs. Schools that provide good quality education at reasonable prices will win, forcing other schools to improve their programs.

There will be very little bullying, because bullying will lead to a loss of students and therefore a loss of revenues. If a school fails to deal with inappropriate behaviour from students, it will lose against alternatives.

Without a central government to dictate a single curriculum for all schools, every school will be different from every other school. There will be schools offering practical hands on programs, and other schools focusing on theoretical work. Some schools may offer nothing but specialized learning.

Parents can pick and choose. They may choose different schools for different children. They may change schools as they go along. They may choose to give one or more of their children extra lessons to deal with special needs. The process will be fluid and flexible.

Everything in the 5th Empire will be of this fluid, flexible nature. Without a central government to set up a single set of rules, everyone has the opportunity to pick and choose what's right for them. Schooling, health care, pensions, old people care. Everything can be chosen freely.

Poor people will not be restricted to a single centralized welfare

office. They will have a host of charities to choose from. There will be basic education, health care, and old people care provided privately through charity. No-one will starve or become illiterate due to lack of resources.

Roads

Private roads are rare, but where they are found they are generally well maintained. This illustrates that infrastructure is not dependent on the state for proper operation. An unwind of the state will not lead to roads and infrastructure falling into disrepair. Abandoned infrastructure will be picked up and put back in order by private actors. Unless the state actively tries to prevent this, the transition from state management to private operation will be smooth.

This happened with great success to the European telecom industry. What had been mired in bureaucratic mismanagement for decades was transformed into dynamic, profitable and innovative enterprises almost over night. A similar transformation will happen to other state run infrastructure, such as roads, sewage, fresh water, postal services, railroads, metros, etc. There is no reason to believe that the 5th Empire will deliver inferior services to those currently provided by the state.

Certification

Business owners care about reputation. It is in their interest that customers are well taken care of. However, business owners do sometimes elect to take on more risk than they should. Accidents due to irresponsible risk taking do happen, sometimes with catastrophic consequences. This is a problem that the 5th Empire deals with through certification.

Most business owners carry insurance against liability. Restaurant owners, for example, insure their establishments against accidents. They also like to inform customers that their services are of the highest standard. They will gladly let a reputable certification company inspect their premises if this leads to cheaper insurance and a certificate they can put on display.

Restaurant owners will want as high a ranking as possible. The certification company on the other hand must be careful not to certify businesses incorrectly. If they are too generous with their ratings, no insurance company will take them seriously. Their certificates are only worth as much as their reputation. If they get sloppy, or too generous, they lose business.

Wherever insurance companies are involved, certification businesses can provide a service. Where no insurance is required certification becomes redundant. It is hard to imagine hairdressers in the 5th Empire having to certify their businesses. People do not run any risk going to a hairdresser. Only businesses that can seriously hurt their clients will require certification in order to get insurance. The same goes for people operating dangerous equipment. They will not obtain insurance without a certificate.

Case in point are cars and their owners. Insurance companies will not insure car salesmen who sell cars to uninsured individuals, and no-one will get insurance for driving a car without a certificate. The 5th Empire will not be full of uninsured drivers who do not know their traffic rules. Enforcement of this will be carried out by security companies working for road companies. Uninsured drivers pose a risk to road companies which may be sued for allowing such people onto their roads. They will therefore be interested in keeping such people off their roads.

The 5th Empire will be no less safe than state run society. The differences between the two types of societies lie in how things are organized, not in the actual problems being dealt with. In the sphere of personal safety, the 5th Empire uses insurance and certification where state run society uses mandate and licensing.

Wildlife

We are in the middle of a wildlife extinction event, and humans are almost certainly to blame. Large animals are hunted to extinction and smaller animals are disappearing due to a lack of bio-diversity. Chemical spraying may also play an important role.

Many conclude from this that government must act to save the planet. However, this ignores the fact that government is largely

to blame for these problems, and that private solutions have proven effective in stopping and even reversing much of this.

The most effective way to stop large animals from being hunted to extinction is to make the ownership and management of them profitable. If large animals are seen as worthless nuisance, local farmers and hunters will take pot shots at them whenever the opportunity arises. However, if the animals are seen as valuable property and a source of revenues, people will make sure the animals are properly taken care of.

Privately run wildlife reserves attract business by offering safaris and limited hunting rights. The owners, seeking to maximize their profits, will make sure the animals are safe and that the number of specimens shot is within a sustainable quota. As long as the owners feel confident that they will continue to own the land and animals for the foreseeable future, they will refrain from excessive hunting.

This type of arrangements have been successful wherever they has been tried. The stronger the property rights, the better they work. Owners do not want to run down their capital to make a quick profit if it means no profits in the future.

The 5th Empire has strong property rights, and is therefore likely to take good care of large animals. There will be all sorts of wildlife reserves. Some run privately for profit and others run by charities. There will be interactions between charities, private businesses and the local communities. There will be hotels and privately organized safaris, all designed and operated in ways that maximize return and sustainability.

The 5th Empire will also have greater bio-diversity than what we see in state run society. This is because the corporate structure applied to modern farming is a creation of the state. Large corporations are easier to tax and regulate than smaller ones. State run society is therefore full of large scale businesses. All sorts of taxes and regulations exist for the sole purpose of keeping smaller businesses down. This results in large farms with endless fields of single crops, and hardly a wild flower or fruit tree in sight. Needless to say, this is not good for bio-diversity.

Money

Without the state to dictate what constitutes money, people will be free to choose whatever money they prefer. The 5th Empire have no rules for this. It is up to its citizens to choose. Gold has been used as money for millennia, and is therefore the most likely candidate. For small purchases, there will be privately issued coins and bank notes. There will also be electronic transactions. Everything will be as it is today. The only difference will be that currency will be redeemable in specie from currency providers.

This is the system we had during the classical gold standard, and it still exists as a private alternative to the current system. There are companies offering gold backed currencies, complete with electronic transfer protocols.

In addition to gold, there are crypto-currencies. There is nothing to stop a 5th Empire citizens from using crypto. However, crypto is technology, and as such a bad store of value. Technology rarely survive more than a few decades before being replaced.

Furthermore, crypto derives much of its appeal from its supposed ability to circumvent government regulations. We can therefore expect crypto to loose value should government power decline.

Gold on the other hand is a luxury metal used for jewellery. This has been its function since the dawn of civilization. It is so widely recognized as valuable that the words gold and golden are synonymous with wealth and prosperity. Gold is hardly likely to suddenly loose all its value.

The gold standard of the 5th Empire is most likely going to be based on metric weights. Ten milligrams of gold will typically buy us a cup of coffee. A gram of gold gets us a pair of trousers. Two kilogram of gold buys us a flat. A tonne of gold buys us a large share of a major company.

Banks

Modern banking derives most of its power from government. Banks are privileged institutions, allowed to extend credit through fractional reserve banking. They are also protected from

insolvency by central banks.

None of this is possible without government. Fractional reserve banking, unless advertised to the depositors, will be treated as fraud in the 5th Empire.

There will be a separation between merchant banking that use deposits to invest in business ventures, and deposit banking that restrict themselves to safer investments. Depositors will be told up front what sort of risk they are taking. There will be no bank guarantees, but also no shady risk taking. Bankers that abuse the trust people put in them will be prosecuted. There will be no government intervention or bail outs to protect them.

Banking in the 5th Empire will be a small but respectable industry involved in investments and the facilitation of loans. There will be very little credit expansion. The economy will not be artificially stimulated. Economic growth will therefore be steady, with fewer and less severe booms and busts. Putting money in a savings account will again be seen as a sensible investment strategy.

However, as long as state run society is dominant, and banks are aggressively expanding credit, people are best advised to stay away from banks. Extra money should be saved in physical gold and silver, stocks and real estate. Cash holdings should be kept low relative to other savings.

Equality

A popular myth among rulers and their subjects is that taxation is necessary for equality. Without taxation, some people will end up owning everything while others will be slaves to these masters. We must therefore have rulers who tax us so that equality is ensured. However, this ignores the fact that it is the corporate structure of state run society that is behind the most glaring inequalities. The state favours large corporations over small entrepreneurs. It also favours capital over labour. The poor and the middle class are put at a disadvantage relative to established industry owners.

Subsidies, which are financed by taxation, is funnelled more readily to established companies than to up and coming ones. This makes taxation a bigger burden on the less well connected than it is on the politically well connected. When taxes are increased, subsidies tend to increase too, thus cancelling out the effect on the rich. This makes taxing the rich a hollow slogan. The added tax burden never hits the politically connected elite. They are protected by subsidies and corporate law.

Central banking, also a creation of the state, erodes the purchasing power of state sanctioned currencies. This hits the lower classes the hardest because it erodes the value of their labour and bank savings while simultaneously inflating the value of capital and financial assets.

Credit expansion through fractional reserve banking benefits the rich in that they get cheaper loans than others. The more credit issued, the better off the rich are relative to the poor.

Yet, rarely do we hear politicians suggest that we should abolish central banks, fractional reserve banking, subsidies and corporate law.

In contrast, the 5th Empire have no corporate laws, no subsidies, very little credit expansion and virtually no inflation. The four biggest engines for inequality are not present.

Revolution

It is hard to imagine a system of rulers and subjects in which the subjects benefit at the expense of the ruling class. At best, the system is neutral with rulers refraining from taking advantage of their powers. However, no state has ever existed where the ruling class has not been corrupted by their powers over others. No state has ever remained limited in size.

Revolts and revolutions have been required in order to reign in the state. This has sometimes been relatively peaceful, like the many smaller revolts we have seen in England. Other times, revolts have been violent, like the French revolution.

The logic of these revolts have always been that the state has

become corrupted by bad rulers, and that it must therefore be furnished with new and less corrupt rulers. Never are these revolts targeted against the state itself. The revolutionaries see themselves as the good guys. They have solutions that will end corruption. Their rulers will benefit the subjects at the expense of the ruling class.

However, 5th Empire citizens know that it is the state itself that is the problem, and that a big state is worse than a small state. It has nothing to do with the rulers. Citizens are largely unimpressed by revolutions. While they may applaud some of the actions taken by revolutionaries to limit the size of government, they do not believe that revolution is a lasting solution.

Furthermore, revolutions are high risk ventures. There is no way of knowing their outcomes. Communists won a revolution in Russia, but lost in Finland. A very large number of Finnish communists were executed at the end of their failed revolution.

There is also no way of knowing what a revolution may bring. It may just as well bring tyranny as liberty. The French revolution ended in a blood bath. The Russian revolution ended in tears, with millions starving to death.

Revolutions require centralized leaderships. Their organizational form are those of government. Add to this that most people believe that a ruling class must exist in order for people to be safe, and it is clear why revolutions end in a replacement rather than an abolishment of government.

The 5th Empire will not become dominant through revolution. Rather, it will grow organically. The 5th Empire thrives and grows where the state has no say. There are enclaves everywhere. When the state fails to deliver on its promises, the 5th Empire expands to fill the vacuum. Wherever people do what they find expedient without consulting state laws, the 5th Empire is in operation.

Conclusion

Society is endlessly complex. It can neither be fully described nor fully controlled. Any book on the topic is therefore incomplete,

and any attempt at total control by a ruling class is futile. There will always be elements of society residing in the 5th Empire. Enclaves have always existed and will continue to exist in the future.

There are no practical reasons why the 5th Empire can't be the dominant form of social organization. There is nothing inherently impossible about voluntary society. But as long as people prefer to be ruled, the empire will remain a marginal and largely mythical place.

However, this does not mean that we must wait patiently for things to change. While lone individuals have no choice but to act within the framework of the state, even small communities can implement large swaths of the alternative. There is nothing to stop us from doing this wherever the state holds little or no sway.

We are all free to join the empire if we so wish. All it takes is a vow of allegiance to the principles of liberty. This requires no registration, no announcement and no ritual. It is a completely private act. No-one needs to know that we are citizens of the empire. The 5th Empire is not a movement or a revolution. It is an awakening.

The 5th Empire

Awakening

By Fredrik Nygaard

Introduction

Having written three short books on investing, economy and social organization, I thought it a good idea to show how I've personally followed my own advice, and in this way illustrate that my writings are not mere theoretical ramblings, but practical manuals. They outline a strategy that anyone can adapt and shape for themselves.

What follows are a number of blog posts written in one fell swoop over eight days.

A Letter from the Tax-man

September 5, 2019

I got a letter from the tax-man today. It was a registered letter, so I had to give my passport number and sign for it before I got to open it.

I half expected a big claim. I never paid any taxes on the sale of my house in Norway, and their outstanding claim on that sale is in the tens of thousands of Euros. However, the letter only mentioned a minor claim on something that happened after I sold my house. It's only a few hundred Euros, but I see no reason to pay it. A payment might open for the bigger claim farther down in the tax-man's pile of claims. Far better then to have them preoccupied with the smaller claim, which is so small that I doubt they will pursue it any further.

But in the event that they do decide to go after this claim, they now have my whereabouts confirmed. They can send someone over to get me and send me to Norway to stand trial.

This does not scare me the least. Norway is not a very oppressive nation. It does not send tax evaders to prison to rot for all eternity.

The court will give me the choice between paying my dues or go to jail for a few months. Considering that Norwegian jails are quite comfy, especially for non-violent people like me, I will probably opt for the jail term. Far better to have them pay my expenses than me paying theirs.

With not a single property registered in my name, and with no income, there is nothing that the tax-man can get their hands on. For this reason, I find it very unlikely that anyone will come knocking at my door. But if they do, I'm fully prepared. I've been conscripted before. That time was for a full year in the Norwegian navy. I came out all right from that experience, so I don't think I'll suffer much from a similar experience. Especially since this time will be shorter and more comfortable.

Lying to the Tax-man

September 6, 2019

It all started with me realizing that the tax-man doesn't really know anything about anybody. Small errors and omissions in my favour would therefore go undetected. If by chance, such errors would be detected, I could always claim ignorance, which is a reasonable defence for a layman like me. Adding up the pros and cons, it seemed reasonable to me to follow this strategy.

Not reporting changes in my private life was part of this strategy. The last thing I ever informed the tax-man about was my move from Norway to Portugal back in 2006. I did not report my marriage in 2011, nor the birth of my youngest son later that same year. But I did up the lying by quite a bit. I constructed an elaborate story in which all sorts of expenses and loans ate up all my income and net worth. With zero net worth and zero income, I was no longer paying taxes.

However, the tax-man kept increasing the rates. By 2015, I was forced to up my lying once again, and this turned out to be the drop that made the cup overflow. I got my first stern warning from the tax-man in 2016, asking me to document my loans and expenses or pay my full due of taxes. I sent a reply, but it did not convince the tax-man. They wanted more documentation.

At this point, I would have had to go all in on my story, which would have been both risky and tedious. I had no appetite for this, so I made a drastic change of plans. Instead of replying, I would no longer respond to anything. I would pay whatever they demanded as long as I had properties that they could lay their hands on. I would not protest. Instead, I would transfer all of my belongings to others. My shares would go to my three adult children in Norway. I would sell my house. The cash from the sale would go to Portugal where it would be used to pay off all debt on my wife's apartment. The rest would be kept as cash and gold, all registered and held in the name of my wife and our young boy.

The process was exhausting and brutal. I was hit by a deep depression and angst. But I managed to carry the plan through. The house was sold early 2017. The money came in during the spring. Everything got transferred and registered as planned.

Then, early 2018, I got the first letter demanding money for the sale of my house. The claim amounted to the entire inflation adjusted profit made on the house. I was only to keep the principal. The profit was for the tax-man. However, with nothing any longer registered in my name, I could safely ignore the claim. They could at most arrest me and put me in jail. But to do this, they would have to send someone over to my address in Portugal. They would have to send me to Norway. They would have to put me on trial. Then, they would have to pay for my stay in jail. It would cost them a lot of money, and there would be nothing for them in the end. Ignoring them seemed like a reasonable risk to take, considering that compliance would cost me a whopping 1500 grams of gold.

After an initial barrage of threatening letters from the tax-man, all went quiet. Nothing happened. It was almost as if they had forgotten me. This lasted until yesterday when I got a registered letter in the mail, containing another stern warning that I intend to ignore.

Recovering from Depression

September 7, 2019

Once the tax evasion scheme I had built up over years started crumbling, it was evident that things were much more precarious than I had lulled myself into believing. Even without direct taxation on my wealth and income, my house in Norway cost me a lot every year in the form of indirect taxation. All sorts of fees had to be paid. The mortgage, although small relative to the value of the house, was also a considerable drain. Now that direct taxation was added, with the very real threat of confiscation if not paid, I realized that I was trapped. The window of opportunity was closing. Without radical changes, everything would be lost.

I was hit by a terrible mix of angst and depression. I even became suicidal, something completely foreign to my character. But I managed nevertheless to orchestrate a refurbishing of my house, and a successful sale.

In all of this, it dawned on me that I was doing this just as much for my children as for myself. I was not really all that worried about my life or liberty. I was worried first and foremost about my wealth. I did not want to see it lost, confiscated by bureaucrats. Fully realizing this, I transferred all my registered wealth into the hands of the younger generation. I made clear that I would still claim some of the capital income. I would still be in charge. However, I made a point of not making this legally binding in the conventional sense. I did not sketch out any contract. Nobody signed anything. The scheme is based solely on trust.

My children are free to scheme against me if they so wish. They can keep all capital income to themselves, and I will have no legal recourse. However, I'm confident that I have brought my children up sufficiently well for this not to happen. As long as I remain reasonable in my claims, they will pay. They know that the scheme is benefiting themselves just as much as me. They also know that the person risking a jail term is me, and I'm doing this to save us all a heavy tax that would ultimately impoverish us all. There is also the issue of pride. I have three children in Norway. If

one of them refuses to pay, there will be pressure, not only from me, but from the two other children as well. All in all, no legally binding contract is needed. Pride and trust is more than enough when dealing with well mannered family members.

Once the scheme was fully implemented, I experienced a great sense of relief. The state could still put me in jail, but they could no longer take away my wealth. All was now in the hands of others. All sorts of benefits related to this scheme was also becoming apparent. There were no more fixed expenses related to the house. The overall taxation related to my shares was lower now that they were divided among my children. With my estate fully divided, there was no longer the need for a will. In the event of my death, everyone would simply take full control of their part. The moment I'm gone, there are no more claims from me. Everyone will be 100 % free from my meddling. This in turn, greatly reduces the chances of any quarrels between siblings. The division has been made. There is nothing more to fight over.

Once completely free from the state, I felt liberated and invigorated. Having seen with my own eyes how things can be organized around truly anarchist principles, I wrote down my findings. I started with a practical guide to investing. It outlines my thinking related to the proceeds from the sale of my house, and how to get a good and secure return on these savings. I wrote it in general terms so that anyone can read it and use it for themselves. I titled it "Gold Oriented Investing".

Then I wrote a short outline of the economy, with emphasis on the sort of arrangement that I've made for myself and my family. I titled it "An Anarchist's Guide to the Economy". As a follow up to this I wrote a general summary of anarchist philosophy, titled "The 5th Empire - A voluntary society".

With my mind fully open to alternative ways of seeing things, I came across some interesting thoughts related to a physics problem that had intrigued me for several years. It was suddenly clear to me that a slightly different perspective on what's going on at the subatomic level can open up for a solution to some of the most baffling facts encountered in natural sciences. This resulted in me writing "Universe of Particles", and setting up a website

with that same name.

As it turned out, my investment strategy has given above average returns, and my theory of physics is getting positive attention. I have reaped a good harvest from my adventures. I feel very much in control of my life and my wealth. Long gone are the days of my angst and depression.

Universe of Particles

September 8, 2019

It was some time around 2011 that I was made aware of the fact that Earth appears to be expanding. A Facebook-friend mentioned it as a curious aside in one of his posts on a political group I was following. His point was that we do not know half as much as we tend to believe. There are a lot of unanswered questions out there, so it is delusional to think we can construct a perfect society based on our current knowledge. There must be room for alternative views and experimentation.

A quick search on YouTube came up with some very convincing animations, illustrating that Earth does in fact appear to be expanding. The visual evidence was undeniable. But how could this be? The idea of an expanding Earth violates a whole host of established ideas related to gravity and geology.

The only somewhat reasonable explanation I could find was by a certain Peter Woodehad, who suggested that Earth is hollow, and therefore able to expand without any added matter. But this again, violated laws related to gravity. An expanding Earth would have gravity at surface level decrease, yet evidence in the fossil records indicate that the opposite has happened. Gravity has increased by quite a lot. Dinosaurs were as big as they were in their time because gravity was less.

Trying to figure out how Earth could be expanding, with gravity at the same time increasing, became something of an obsession with me. I wrote all sorts of essays on the topic, which in the end culminated in my book, "Universe of Particles".

The final break through came in the months after I sold by house

in early 2017. Measurements made by NASA's space probe Juno suggest that Jupiter is hollow. I was also made aware of a theory by a renowned astronomer, Halton Arp, suggesting that cosmic radiation makes matter more massive over time. This in turn fit well with a simple model of the atom, presented by Morton Spears back in the 1990s.

Putting all these elements together, I ended up with a complete physical model capable of explaining all sorts of phenomena, including how and why our planet expands. Being only slightly different from conventional quantum physics, the model comes across as relatively conservative. There are nothing truly new or different. There is only a difference in interpretation, with conclusions therefore deviating somewhat from more orthodox models.

What is interesting to note in all of this is that it would never have occurred to me to look into this had it not been for Facebook. Most of the leads in this story came from Facebook, with the rest coming from YouTube and Google. Far from being sinister and dangerous, these online resources have been of immense help. These service providers may be up to all sorts of unsavoury snooping and manipulation, but when all is said and done, the net effect has been for the better.

Similarly, when it comes to my political views, Facebook has been a great resource. The 5th empire, as sketched out in my book on the voluntary society, is little more than a summary of unorthodox political ideas picked up from the Mises Institute and other libertarian sites.

Social media has been the driving mechanism behind the spread of unorthodox ideas, and I suspect they will continue to function this way. They may want to direct and censor ideas, but they will not be able to put the genie back into its bottle. There's just too much going on to centrally manage it all.

However, as explained in "The 5th Empire - A voluntary society", most people are coming to a radically different conclusion than what I have reached. They want increased government powers. Totalitarian ideas are growing more popular and widespread by

the day, and no amount of arguing will change this.

Having long since given up on the idea that people will see the light and turn libertarian in their attitudes, I have taken practical steps to protect myself and my family. If things get nasty, with wars and social unrest, I have the resources to get myself and my family out of dodge. I also have a pretty fair idea of where the best places to hide might be.

This does not mean that I'm completely silent in my opposition to totalitarian ideas. I share my thoughts freely with those who care to listen. But it is a waste of time to try to convince those who are set on totalitarianism that their ideas will lead to war, strife, misery and death. They may not even realize their mistake once reality catches up with them. They are lost, and cannot be saved.

However, I will pursue my interests undeterred. I will keep my physics blog up to date. I will keep an eye on the public space. I will take care of myself and my nearest. Whenever appropriate, I will highlight something baffling that goes contrary to "settled science". I will plant the seeds of doubt in the minds of the totalitarian crowd. Very few will get it. But those who do may still find a way to escape the ever-growing leviathan state.

The underlying message in much of my writing is that if current thinking related to such phenomena as the dinosaurs and the size of Earth turns out to be wrong, imagine how many other ideas may be wrong as well. In this respect, "Universe of Particles" is a highly subversive book. It suggests that things are not what most people believe them to be. The high priests of science do not know nearly as much as they pretend to know.

As things stand, "Universe of Particles" is seeing a steadily increasing interest. I may even become semi-famous one day. This will in turn add to my sense of success. Making this all the more enjoyable is the fact that such a success is wealth of a non-material kind. It is impossible to tax and therefore completely out of reach for the tax-man.

Local Elections

September 9, 2019

I was surprised to learn that I am eligible to vote in today's local elections in Norway. Having left Norway more than ten years ago, with no intention of going back, I can still take part in a decision process that will influence the lives of people in Norway. This makes no logical sense. I have no business making such decisions over others while risking absolute nothing for myself. I have therefore decided not to vote. Besides, I could not be bothered to go down to the consulate here in Porto, stand in line, identify myself, and then go through the ritual of selecting a party candidate.

Being only one vote in many thousands, my influence would be microscopic anyway. This is of course true for all voters. It is not of any importance what we ourselves vote for. What matters is what everybody else vote for, and herein lies the secret to successful navigation of a democratic society.

Elections reflect the general mood of the voting population. Elections tell us what we can expect, allowing us time to place our bets accordingly. Putting a ballot in the ballot box is of very little consequence relative to what we can achieve by reading correctly the mood of everybody else. When anti-capitalist sentiments gain strength, we should reduce our exposure to real-estate and shares. We should also be wary of cash. Wealth needs to be hidden away, out of reach from the public. Gold is a good investment during such times.

When the public becomes tired of oppression and micro-management, they will demand freedom. Deregulation can then be expected, with gains for both real-estate and shares. This is the time to increase exposure to these asset classes.

By fully realizing the true significance of elections, it is possible to make money under any regime. Even Marxism allows for this. However, only to those who get physically out of dodge. It may also take a generation or two for such experiments to fully run their course. This means that we have to be prepared to leave our

homeland for the foreseeable future in the event that our fellow nationals become totalitarians.

Understanding the Enemy

September 10, 2019

The election results are in, and we can once again establish that everything is as it always has been. There are some superficial changes. However, the political landscape in Norway is unchanged. There is a large progressive block commanding a little over one third of all votes, there is a conservative block commanding almost exactly one third of the votes, and then there is a reactionary block commanding a little under one third. The progressive and conservative voters are located in and around the cities, while the reactionary ones are situated out in the provinces.

This division has been present from the very start of modern Norwegian democracy. It reflects the heart and sole of Norwegian culture, with its eternal conflicts between cities and provinces, and between conservative and progressive values. Nowhere in all of this is there much room for liberty. To expect liberty to come to us through the ballot box is simply delusional. Those seeking liberty will have to go out and get it for themselves, and to do this successfully, we need to understand the culture of the land.

Norwegians are in general very conform and loyal to whatever system is in place. People do what they are told, and very little actual coercion is employed to achieve this. This in turn has resulted in a culture in which everyone can afford to be nice to everybody else. Norwegian bureaucrats are polite and helpful, and very reluctant to engage in any real conflict. They rely heavily on the conformist mindset of their subjects, which explains why I keep getting letters from the tax-man, but no real threat to me as a person.

Even if they do apprehend me one day, they will continue to be polite. There is a pretty cushy jail cell waiting for me, and the jail term will be relatively short. The Norwegian culture is all about being nice and reasonable, and I am very happy that this is the nature of the Norwegian beast. Bureaucrats in other countries are

not nearly as easy to deal with.

The US has a violent and abrasive culture, with terrible prisons and a truly nasty bureaucracy. Germany has a strict rule based culture, with very little flexibility. Portugal has a somewhat chaotic and petty minded culture in which small fry get the heavy end of the stick while the big fishes swim free.

With each culture having its own characteristics, everyone has to find out for themselves what their best strategy might be. Mindlessly copying someone else's strategy is unlikely to work. The liberty minded among us must all do our own research, weigh up the pros and cons, and embark on our own unique journey into the 5th empire.

The Allotment

September 11, 2019

My wife started renting an allotment back in the spring of 2018. It is a six meter by five meter piece of land. One of about 120 such allotments, laid out in a large square arrangement at the back of a hospital for the mentally ill. To get to the allotment, I enter through the main gate of the hospital. I pass a large parking lot, next to the two main buildings. A wide avenue leads down to the allotments at the back. It is lined with tall trees. There are also a number of smaller buildings and sheds, all quite picturesque in their somewhat shabby and worn down condition.

Being regularly at the allotment, I've come to know a few of the patients who idle away their time on park benches along the avenue. Curious about the foreigner, they sometimes strike up little conversations. They ask where I'm from and what I think of Portugal. Many of them have a long career as beggars. Unable to kick their professional habit, they ask for a coin, but that would be against the rules of the hospital. Giving money to the patients is not permitted. It's a house rule that I have no intention to break.

The allotment has turned out to be an excellent distraction. Being quite far from where I live, it takes me about 40 minutes to get there by foot. Once there, I spend up to two hours before

returning home. A typical round trip takes me about three hours. This gives me plenty of time to relax, run through thoughts and idea, and find my Zen. Things fall into place. Any impulse to do something rash is subdued. Decision making becomes easier, creativity improves, and a general sense of well being and harmony ensues.

Having this place where I can easily find my Zen has been immensely valuable, especially during the spring of 2018, when the tax-man and their associated collection agencies were constantly calling me, sending me threatening letters, and generally behaving like the thugs that they are. To deal with this, I developed the habit of leaving my phone at home. I never picked up the phone unless I knew the caller. If the number was unknown to me, I looked it up, but never did it happen that I returned the call. None of the unknown numbers turned out to be relevant.

After the initial barrage of calls, things calmed down considerably. However, I've kept my habit of hardly ever carrying my phone with me. It is quite liberating to be offline. Missed calls can always be made later.

Having an allotment and being offline for at least a few hours a day is a great way to deal with stressful situations. The Zen achieved helps putting things into perspective. Decision making becomes easier, less impulse driven. Combined with my investment strategy that focuses on mega-cycles, rather than daily movements, it is possible to relax completely. I can focus all my energy on meaningful activities so that I can live my life to its fullest.

Family Arrangements

September 12, 2019

Once I realized that I had to take some drastic measures back in 2016, it was also clear that I would have to trust my immediate network. The alternative would be to pay the state an exorbitant tax on the sale of my house.

I took my chances, and proved myself right in the process. My

children can be trusted to do as instructed. Having given them all my income-generating capital with no official strings attached, they could have conspired against me, but this did not happen. They followed my instruction to send half their capital income to my wife who acts as my proxy here in Portugal. Nowhere am I officially involved in any of this. It is based solely on trust and informal instructions passed around in e-mails.

Key to this success is the fact that everybody benefits. I am not abusing my authority, nor am I the only one reaping an early harvest from all of this. My children in Norway get to do whatever they please with their share of the income. There is also a psychological benefit to this in that they have to act responsibly in order to ensure that they keep their side of the deal. They do not have a rich father that they can go to for help. They have a poor father that they have to take care of. It is they who are rich, at least on paper.

This is the sort of arrangement that promotes responsible and mature behaviour in the younger generation, and is for this reason alone something that I think more people should do. Everyone benefits from this, not least the children who become more mature than they otherwise would have been. This gives them an edge in society. They are more likely to land a good job, and find a reliable spouse.

While I have always known that trust is an important part of any successful arrangement, it wasn't before my divorce from my first wife back in 2003 that the true scope of this became fully apparent.

I made a point of not involving any lawyers into the divorce procedures. I knew intuitively that the introduction of lawyers would do nothing good. It would cost a small fortune, and the result would be a nasty mess. Instead, I sketched out an agreement on paper that we both signed. It was so generous towards my ex that it was self evident that a lawyer could not have come up with a better deal.

The benefit to me in this was that I saved myself a lot of up front expenses. I also proved that I was far more reasonable than my ex

had made me out to be. In a broader perspective, it was also clear that whatever I was over-paying to my ex would to a large extent benefit my three children. My ex was not going to spend everything selfishly on herself. The over-paying was in a way an early inheritance.

Having seen that trust could be found, even in my ex, it was not hard to trust my children to behave loyally towards me some 13 years later. The fact that I never used a lawyer against my ex may similarly have given my children reasons to trust me. The positive consequence of my actions in the past are in this way blessing me in the present. As I think back, I'm glad I did nothing to squander trust within the family, because it is without doubt my biggest asset.

Avansa AS

September 13, 2019

Avansa AS is a registered IT company, owned and operated by a friend of mine, a fellow Norwegian whom I met in May of this year. He is a friend of a friend of a friend of my wife, and I must thank Facebook for having met him. Without it, I would never have met him, and Avansa AS would never have come about, which proves once again that social networks like Facebook are a force for good much more than they are a threat to humanity.

It soon became clear to me and my friend that the we would make a great team. I have sufficient experience with IT to act as a sales engineer, and he knows his way around rules and regulations. I have indirect access to software engineers here in Porto, and my friend has business contacts who could use these engineers. The plan is to act as facilitators, and make some money from the price difference in wages between Portugal and Norway.

Avansa AS has yet to make any money, but the business model is easy to understand, and a great way to start conversations a little more substantial than the weather and the kids when out socializing. People open up to the possibilities inherent in the business model. One thing leads to another, and pretty soon, all sorts of things are discussed.

Being a tax evader makes it impossible for me to accept a regular job in a corporate setting, and I had for this reason come to the conclusion that my working career was over. However, it now looks like I'm about to embark on a new and substantially more enjoyable career path than the one I've abandoned. I'm now a sales engineer for a small IT company. That's way more fun than a programmer inside a large corporate structure.

My friend and I are not drawing any salaries from the company. We will instead split any profit that may come between ourselves. That will in practice mean that it will be my wife that finally sends an invoice to Avansa AS. I will never be credited directly. Everything will go via my wife.

This again shows that I've made no real sacrifice in severing my ties to the state. I was fed up with my professional life in the corporate sphere, so being unable to return to corporate employment is not much of a loss. What I gained by not paying taxes has way outweighed the minor inconvenience that followed. Adding to this that I can now pursue a more interesting career outside the corporate world, precisely because I have put aside money saved by not paying taxes, it is clear that I really did make the right decision. Life is far better now than it would have been had I remained in corporate employment.

Conclusion

It's been a strange and wonderful journey so far. Gradually waking up to the reality of things, and noting it down for myself and others to read, has been an enjoyable experience. With a better insight into how the world hangs together, I've been able to make better decisions, both financially and practically. Hopefully, my readers will have a similar experience on their own personal journey through life.