



U.S. & World

Early Warning Report[®]

By Richard Maybury

www.chaostan.com

Sent by First Class Mail, EWR usually arrives by the 15th of the month. Published monthly except July and December. Copyright © 2008 by Henry Madison Research, PO Box 84908, Phoenix, AZ 85071. Phone toll free 800-509-5400; or 602-252-4477. Fax 602-943-2363. In the U.S., \$300.00 per year. Outside the U.S., \$330.00. Back issues, \$15.00 each. Previous 12 issues, \$99.00. Check, money order, Visa and MasterCard accepted. If you have a problem that cannot be solved by our Phoenix office, write Marilyn Williams at the Phoenix address, and mark it "Personal, Confidential."



Dear Reader,

May 2008

You may have noticed that this newsletter is one of the few financial publications in the world that practices anti-statist investing. Nearly everyone else is into statist investing.

Government is the most deceitful institution ever invented, but virtually the whole world was raised in government-controlled schools, where they were taught to trust government. They are statist. Very few have fallen through the cracks to become anti-statist.

Most EWR readers, I believe, are in this small group of dissenters. This is what enables us to see what others don't, and earn profits from it.

In oil, for instance. When a government, say that of Saudi Arabia, reports its oil reserves, analysts who are statist will ask, is there evidence the Saudis are lying? If they see none, they accept the numbers, and invest accordingly.

The analyst who is anti-statist will ask, is there evidence the Saudis are telling the truth? Seeing none, he will be much more skeptical, and invest differently. (It works. See #5 on page 5.)

I don't think anyone has been as right about oil prices as EWR. You will find an explanation of our wonderfully profitable anti-statist system on pages 6 to 8. The promise of EWR is that you will know what others don't, and I think you'll find this issue delivers on that promise, in spades.

Recognizing the extent of political corruption can be a downer, but I have been greatly heartened by the amazing performance of Ron Paul.

I'm in a rather unique position to be able to write about Ron. We became friends more than 20 years ago. When he returned to Congress in 1997, requiring him to shut down his investment newsletter, his subscribers were transferred to EWR, because our thinking was similar (and still is).

Ron is right when he says elections are short-term events, and revolutions are long term. He's been in this fight for liberty since 1976. Ten years ago, libertarian candidates rarely received 1% of the vote. Now, Ron commonly receives 5% to 10%, and his strongest support comes from the campuses. As the Marxists showed during the 20th century, the philosophy that captures the college students soon holds the country.

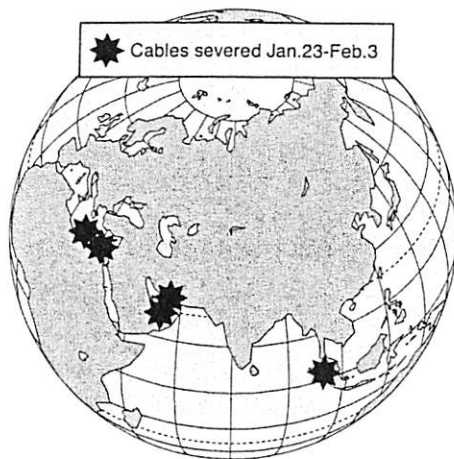
This year, I doubt Ron's portion of the anti-statist revolution will bear much more fruit than

it already has, but I'm optimistic that 2012 will be far better for anti-statists, because the government will be far worse. In 2016, I think America has a reasonable chance of getting its first anti-statist president since Thomas Jefferson.

The single most important thing Ron has done is reawaken the country to the truth in Ronald Reagan's cry, "Government isn't the solution, it's the problem!" Ron has established Liberty PAC, a political action committee, and the Foundation for Rational Economics and Education, to help keep the anti-statist revolution growing.

Until the revolution succeeds, however, we'll just have to be patient, and content with earning more profits from the government's insanity.

Richard Maybury



Practice for the next attack? See pages 2 to 4.



War Forecast

If you have the EWR Archive, take a look at the September 2001 issue. It was mailed seven days before 9-11. Page 1 explained why war was near.

Page 8 predicted that we'd see "carloads of newly created dollars flowing into real estate, defense stocks and raw materials." If you followed the investment suggestions, you are swimming in profits.

Will the violence (and profits) continue?

I'd be a fool to be certain — about this or anything else in human affairs — but I think so.

One of the many reasons is that the war in Iraq is being won by Iran. This is, I believe, why Bush is building a case for widening the war by attacking Iran.

I'm often asked what I think will happen in Iraq. As I see it, there are only two realistic possibilities: (1) the US pulls out, the war spreads throughout the Persian Gulf, and oil goes to \$300 per barrel, or (2) the US stays in, the war spreads throughout the Persian Gulf, and oil goes to \$300 per barrel.

They'll hit us until we leave permanently

The federal government's meddling in the Persian Gulf began in the 1940s with President Roosevelt's backing of the Saudi dictatorship. In 1953, the meddling spread — Washington began backing the Iranian dictatorship — then the intrusions grew like a cancer from there.

In the October 2001 EWR, and several times since, I have said that (barring a libertarian revolution in the US), I believe a war of decades duration is a near certainty. The only solution is the one described in the 3/02 EWR: give up the empire.

US officials won't do that. But if they try to withdraw without dismantling their empire, the enemy will hit us again, to draw us back in, until we've suffered so much that US politicians will never again

Neither Richard Maybury nor Henry Madison Research receives kickbacks, commissions or fees of any kind for recommending investments, brokers, dealers or publications. Early Warning Report is sold to you only on the condition that it will not be reproduced in whole or in part by any means without written permission from the publisher. Edited by Marilyn N. Williams. Information and analysis in Henry Madison Research publications is compiled from sources believed to be reliable but its accuracy or profitability cannot be guaranteed. Henry Madison Research, its officers, owner and writers may, from time to time, have positions or interests in investments referred to in these publications. Each HMR publication is intended solely for information purposes and it not to be deemed a prospectus or solicitation of orders, nor does it purport to provide legal, tax or individual investment or business advice. It does not purport to be a complete study of the national or international business, economic or investment situation or individual markets therein. Readers should consult with expert legal, tax, business and financial counsel before taking any action. All new ideas, concepts, data, information, procedures and techniques, and all rights thereto, are strictly reserved. Letters to the editor are the property of the publisher and may be published in whole or in part; the names of the writers are kept confidential.

think about meddling in the Mideast.

That was my main point in October 2001, and it still is. The enemy will not let us out of the war until they are certain Washington has been punished so severely it will never return.

In their minds, this conflict has been going on for a thousand years — ever since Christian armies first came out of Europe in the tenth century. Clinton's bombings in the 1990s were just one more chapter, and Washington's enemies are fully prepared for the conflict to go on another thousand years.

Key point: I don't think these people are trying to inflict casualties so much as they are trying to inflict humiliation, similar to the French being run out of Algeria and the Russians out of Afghanistan. They know the best way to make sure an enemy does not return is to destroy his morale. I think the killing and dying will not stop until US politicians allow themselves to be seen with their tails between their legs, as the French and Russians eventually did.

In short, it's about pride.

To Washington's enemies, George Bush has been a godsend. They haven't needed to hit us again to keep us in the war, because he has stayed in it voluntarily. But...

...the next president could be smarter

A new president is coming. Should you stay invested in things that do well in wartime?

I think so. Here's why.

Among the three choices — McCain, the Clintons and Obama — the foreign policy of McCain and the Clintons is well known. They like to bomb. That after all, was the trigger for 9-11. The Clintons bombed Muslims continually throughout their presidency, and — big surprise — the people on the receiving end of the bombs grew a bit tetchy.

McCain was a supporter of Bill Clinton's bombings of Muslims, and of today's Iraq war. His position on Iran is even more hawkish than that of Bush.¹

Obama, however, is an unknown. Washington's Muslim enemies are certainly much more confident that McCain and the Clintons will continue the war than they are that Obama will.

As we draw near the elections, if Obama appears the likely winner, they may attack inside the US, to

**Nuke or Draft
Countdown**
On a scale of
0 to 10
3

¹ "McCain's Mixed Signals on Foreign Policy," L.A. TIMES web site, 16 Mar 08.



generate a new wave of war fever and throw the election to McCain.

Or, they may wait patiently — patience has always been, for a thousand years, one of their most effective tactics — to see if Obama is elected and if he continues the war. If Obama moves toward withdrawal, then they'll strike.

In any case, I think the evidence remains strong that Washington will stay caught in the trap. The war will continue, because the enemy won't let it end, and investments that do well during wartime will go on being star performers for decades.

All this leads to the question...

...what kind of attack will come next?

Several times, most recently in the 3/07 EWR, I've written about the little-noticed change in naval warfare. US defenses against undersea attack are nearly gone.

One cause of the problem is that the oceans are no longer the vast empty spaces they were in WWII. In many regions, they are crowded with thousands of diesel powered vessels that on sonar sound very similar to diesel-electric submarines such as the Russian Kilo class.

Now, in an ARMED FORCES JOURNAL article titled, "Undersea Warfare: The Hidden Threat,"² retired submarine captain Karl M. Hasslinger discloses a new underwater threat: small, commercially available submarines manufactured for industry and recreation. These vessels are so little and quiet that detecting them in large areas "is nearly impossible," says Captain Hasslinger.

In other words, you can't shoot what you can't find. That's the insurmountable law of guerrilla warfare. The US could not escape it during the Vietnam War, and now Washington's enemies are using it in this war. Hasslinger describes it being extended to oceans, harbors and rivers in...

...underwater guerrilla warfare

Dive depths of these small subs are commonly in the 500 to 1,000 foot range — equal to a World War II submarine — but some go much deeper. At www.seamagine.com you can see a 17-foot, 3-man sub that can dive to 3,000 feet, which is more than four times the design depth of the best WWII subs. Its cruising speed is two knots, and normal underwater endurance is six hours.

Hasslinger reports that subs capable of diving to 1,000 feet with 12 hours endurance can be purchased for \$450,000. In the oil-rich Persian Gulf these days, a fleet of 100 of these undetectable little craft would cost pocket change.

But the enemy wouldn't need to buy them. At www.sub-find.com they can rent them.

Another facet of the undersea warfare problem is, remotely operated vehicles (ROVs). Unmanned ROVs can be tethered or free swimming, and guided by

technicians aboard surface ships. Like the small manned submarines, they can be equipped with a wide variety of robotic arms, tools, and explosives.

Carrying bombs, the free swimming ROVs can be, in the words of Captain Hasslinger, "essentially underwater guided missiles that could be used to attack targets in the ocean, inside harbors and even up rivers."

In short, as you read this, ROVs or manned subs could be planting explosives, or conducting other types of sabotage, on shallow targets such as docks, bridges and oil and natural gas tankers, or on deep ones, such as oil and gas pipelines, phone and internet cables, and offshore oil platforms.

The most likely target

See the map on page 1. In a space of two weeks in January and February, five undersea telecommunications cables were cut, all of them near Islamic areas.

We cannot be sure about the causes. Ships dragging their anchors commonly sever cables accidentally. If someone can find a cable and drag an anchor across it deliberately, there'd be no way to know it was sabotage. An abandoned anchor was found near one of the breaks.

All five cases could have been accidents, or they could have been someone practicing. But the massive disruptions in phone and Internet communications gave a taste of the chaos an attack would cause.

Fiber optic undersea cables carry more international traffic than satellites do. The Atlantic alone contains 46 cables totaling over 107,000 miles in length. In addition to voice phone calls, these carry stock trades, currency transfers, contracts, and every other kind of electronic data that are the lifeblood of the world economy.

So, the fiber optic network is unimaginably big, very high value, and difficult to guard against the sophisticated small submarines and ROVs that have recently become commonplace. Cables are likely to

Web Site Password

For the Subscriber Access part of our website, www.chaostan.com
 This month's ID: **Revolution**
 Password: **Revolution**

² ARMED FORCES JOURNAL, March 2008, p.20.



be a prime target in the next attack, and the military isn't protecting them.

But don't get me wrong. In reproaching the military...

...I'm not being a pacifist

I think my country should always be heavily defended. My only criticism of the military is that we have the wrong kind. It's designed to invade and conquer other countries, not defend ours.

When all you have is a hammer, everything looks like a nail.

As Ron Paul points out, on the day the World Trade Center went down, South Korea contained far more US military defenses than New York did, and it still does.

The symbol of the Air Mobility Command shows not America but the whole world. The symbol of the Marine Corps shows the whole world.

The entire planet is divided into US "commands" such as the European Command and Pacific Command. You can see a map at

www.defenselink.mil/specials/unifiedcommand/

The motto of my Air Force squadron³ in the Southern Command was "Cualquier Hora, Cualque Lugar" — Any Time, Any Place.

We were trained and equipped to go anywhere in the world at the drop of a hat. But if you'd asked me how we would protect our own country, I'd have stood there silent, like a cow staring at a new gate. We never thought about it. We were prepared to defend Bavaria, Tuscany, Flanders, and Mindanao, but America wasn't on the menu. This was just five years after the Cuban Missile Crisis, when an attack on the US was considered a strong possibility.

Today little has changed, but don't take my word for it, check it yourself. For instance, the original purpose of the interstate highway system was military defense, but try to find a soldier who even knows this, much less has been trained in the ways of using the system.

Try to find any military officer who has been trained to protect America's strategic locations — those like Germany's Fulda Gap — or even knows what or where they are.

Captain Hasslinger makes the same point in regard to the oceans: "No one is watching the undersea approaches to the U.S., or checking the seabed along the continental shelf."

Again, you can't shoot what you can't find, and the "Defense" department isn't even trying to find the underwater threat.

Summarizing...

...regardless of who is elected, Washington will remain stuck in the Mideast tarpit, because the enemy will not even think about letting the war end until Washington's empire is dissolved.

Also, the US armed forces are, and since World War II have been, trained and equipped to invade and conquer other countries, not protect ours. If US officials try to withdraw from the war, I think this will trigger a new, large attack, probably from underwater, where the US is defenseless.

The upshot is, investments that do well in wartime are likely to be at least as profitable in the next decade as they have been in this one. ♦

➡ If you haven't seen it, please watch the 2006 movie **WHY WE FIGHT**. It unfortunately contains the usual leftist claptrap about economics, claiming war is caused by capitalism (which ought to raise the question, how did 14,000 wars happened in pre-capitalist times?), but the movie's picture of the US empire is a must for every investor who wants to know what's coming.

Also take a look at the film **AMERICA, FREEDOM TO FASCISM**. I'm told its popularity on the campuses is a big reason for Ron Paul's support among the young. www.freedomtofascism.com. ♦

➡ Check out Will Reishman's www.undollars.com. Will is the broker I recommend for Harry Browne's Permanent Portfolio plan, and his site contains many revealing articles about finance and economics. ♦

➡ You might like The World's Smallest Political Quiz at www.theadvocates.org/quiz.html. ♦

➡ My Phoenix seminar speech is on our home page, www.chaostan.com. ♦

They spent your retirement on the war

Watch for two phrases in the mainstream press: "guns or butter," and "Social Security and Medicare." When you see them together a lot, expect a new level of turmoil in the US.

Guns or butter refers to the fact that the government does not have unlimited wealth. It can fund war, or welfare programs, but a dollar spent on one cannot be spent on the other.

The day is coming when the public will intuitively hook the war and their economic problems together. The boomers, who are now thinking about retire-

³ 605th Air Commando Squadron, later the 605th Special Operations Squadron.



ment, will realize that to pay for the war, the government squandered any chance it ever had of fixing Social Security and Medicare.

It was a choice between war and welfare, and the boomers got war.

When I see the two phrases “guns and butter” and “Social Security and Medicare” together a lot, I will expect the generation that rioted in the 1960s and ‘70s to soon be back in the streets, old and gray, but still able to throw rocks and bottles.

If you live in the center of a big city, you might consider a home in the country. With prices down in many areas, this might be a good time to buy.♦

Investment update

I have nothing to add to last month’s analysis and suggestions, and may not until I’m confident the velocity of the dollar has turned upward decisively.

As explained in the April EWR, the mess created by the federal government’s insane fiscal and monetary policies has spread around the globe, and now the whole world is jumping back and forth between inflationary and deflationary panics; velocity swings like a windshield wiper. I’m afraid to stick my head above the rim of the foxhole.

Outside the US, I think the velocity of the dollar, and perhaps all currencies, is in a generally rising trend, and inside the US, its generally falling. But there are numerous exceptions in time and location. Chaos.

This might be a good environment for short-term “technicians” — people who watch charts, and jump in and out, but I’m not good at that and I don’t plan to hone my skills practicing with your money.

People who are a lot better at it than I am are Sue Rutsen’s team at RMB Group in Chicago; 800-345-7026. I’ve been an advisor to them for more than ten years, and been very impressed by their performance. You might ask for their report **POURING GASOLINE ON THE FIRE** about going long on inflation.♦

➡ What does America need to do to have an economic recovery? The answer is that an absolute, unavoidable prerequisite for genuine, lasting prosperity is peace — because war is the most expensive thing humans do. The US cannot have peace and prosperity as long as Washington meddles in other countries, supports foreign dictators, and keeps its troops and bases in foreign lands. These things provoke war.

In short, if you want the kind of country America is supposed to be, Washington must leave other people alone, which it hasn’t done since the Spanish-American War.♦

Chaostan updates

Five recent developments:

1. The Iraqi civil war grows worse. The Shiite central government backed by the US is trying to neutralize the Shiite Sadr army backed by Iran.
2. On March 26th, in a major address on foreign policy, John McCain said the US cannot leave Iraq because this would consign Iraq to “horrendous violence, ethnic cleansing and possibly genocide.” He warned that a US withdrawal would “destabilize the entire region as neighboring powers come to the aid of their favored factions” in Iraq.⁴

You will find this “can’t leave” debacle explained in the May 2003 EWR, when oil was \$30.

3. In March, the US began bombing Pakistan openly,⁵ so the war is now clearly in three countries, Iraq, Afghanistan and Pakistan. You might want to review the March 2008 EWR article about that.
4. Will the Tibetan rebellion spread throughout China? Possibly. On April 3rd, the WALL STREET JOURNAL reported uprisings by China’s Muslims. If this rebellion grows enough to wreck China’s economy, the Chinese will be forced to sell their greenbacks, to put food on the table. This could trigger the great global stampede out of dollars. For more, see the 9/07 EWR.
5. For investors, perhaps the most important recent event was in the March 26th WALL STREET JOURNAL article “Saudi Desert’s Gas Mirage?” The article revealed that private drilling companies hired a few years ago to tap the reported ocean of natural gas in the south of Saudi Arabia have come up dry, or nearly so, and the French company Total is pulling out. This means, among other things, that the new Saudi infrastructure that was intended to be heated and powered by gas will now need to use oil, which will leave less oil for export.

The May 2004 EWR contained a two-page article about my belief that the Persian Gulf oil dictatorships have been lying about the size of their proven oil and gas reserves, and there is a lot less cheap energy in the world than we’ve been led to believe. That was published when oil was \$ 38 and natural gas \$6.29. Now oil has been over \$115, gas over \$10.00, and I think that within ten years, and perhaps as little as two or three years, we will see oil over \$300, and natural gas over \$20. If I’m right, then long-term

⁴ “McCain Asserts Iraq Withdrawal...,” ABC NEWS website, 26 Mar 08.

⁵ “New Pakistani Leaders...,” NY TIMES, 26 Mar 08, p.7.



holders of high quality energy stocks, such as those listed in the March and April EWRs, will earn even more spectacular profits.

If you have energy investments, you really, really need to review that May 2004 article, called "The Coming Oil Shock." It's one of the best and most important I've ever written, and you won't find the analysis anywhere else; so far, it's forecasts are perfectly on track.

Notice that EWR produced its oil and gas profits not by being an expert in oil and gas, but by being an expert in the nature and behavior of government. This brings us to the next article.♦

The road to wisdom and profits

Last month you saw the list of our "core" investments and the results they have generated since the war began six and a half years ago. I haven't examined every investment publication in the world, so I can't say EWR's track record is the best, but it must be near the top.

The WALL STREET JOURNAL recently ran a scoreboard of 75 industry groups ranked by five-year performance. Seven of the top 20 were industries recommended by EWR.⁶

Our advantage is due mostly to something called praxeology (prack-see-ology), which underlies the economics of Nobel laureate Friedrich Hayek and his mentor Ludwig von Mises.

Very few people in the investment industry know about praxeology, and even fewer use it.

Why? I don't know, I can't read minds. It could have something to do with the fact that praxeology reveals a lot about political power that few have the courage to face. Here's the story.

Investment analysis is not...

...the study of charts, graphs and equations, it's the study of people. The economy is not a machine, it's an ecology; it's not physics, it's biology.

Investments are not things, they are forms of human action. To study changes in interest rates, stocks, bonds, gold, oil and so on is to study the decisions of individuals, millions of them.

Even something as simple as my bank CD is, at bottom, nothing more than a promise by certain individuals that they will fulfill their contractual obligations and give me back my money at the stated time.

Will they? How do I know?

I don't. We are talking about human behavior, and it's a mighty fuzzy subject. There are no guarantees. Humans change their minds.

Why EWR is different

If you've played much chess, you know why game aficionados say there are two types of games: chess, and everything else.

The comment we hear most often about EWR is that no one else does what we do; there's EWR, and everything else.

In my opinion, the reason is our approach to the social sciences. We think Mises was right about praxeology.

The word is from the Latin praxis, meaning action or practice. According to my Merriam-Webster dictionary, praxeology is the "study of human action."

Ludwig von Mises (Mee-zis, 1881-1973) was the leading light of the "Austrian" philosophy of economics — "Austrian" because most of the early leaders were from Austria. His protégé, Friedrich Hayek, won the 1974 Nobel Prize in economics.

For our purposes here, the most important point about praxeology is that it sees a human and his or her behavior as a unified, organic whole, not a collection of parts.

This flies in the face of all other social sciences. In mainstream thinking, human behavior is divided into all sorts of categories, such as economics, sociology, psychology, history, ethics, art, cultural anthropology, law, military affairs, politics, and religion. These are further divided into sub-categories such as labor economics, sociology of work and leisure, and history of western civilization.

I call this the slice-and-dice model of human behavior. Millions of experts specialize in each category and sub-category. This is due to the custom in colleges, of dividing the world into subjects, which are taught by departments — the economics department, history department, etc.

There is no evidence that the human mind is divided into these departments, but the colleges are, so we are all raised to see human behavior as a thing divided into these categories.

In the physical sciences, divisions make sense. But humans are more than collections of molecules. No two are identical, nor is any human the same from one moment to the next.

What part of a person's behavior is economic, and what part is historic, sociological, or legal?

Praxeology assumes there is no economics, sociology, etc., there is just human behavior, period.

To look only at one part of human behavior is like training a medical doctor by teaching about the heart, and never looking at the lungs or kidneys.

⁶ "How Industry Groups Fared," WALL ST. JRNAL., 25 Feb 08, p.R2.



Like the body, the mind is an organic whole, with all parts connected and *interdependent*. We are not economic creatures one minute, historic the next, then military, then legal. We are just people, all the time.

The parts of the elephant

My wife and I met when she was 17 and I was 18. We've been married 40 years, and often joke at how we have become a single personality, wired together through the ether.

We often feel that we can read each other's minds, and we think so much alike that it's impossible to know where her opinions end and mine begin. Every day we go to lunch at nearby restaurants, and have long, fascinating conversations about every imaginable topic. (The fruits of these conversations are no small part of this newsletter's content. As John Deere says, everything we've learned goes into everything we do.)

One reason for this closeness is that right at the beginning of our marriage, we were ridiculously young and naïve about geopolitics. No one had ever gone to the trouble of teaching us anything about the true results of the government's foreign policies.

We were middle class sun-and-fun California beach babies, Frankie Avalon and Annette Funicello, who strolled hand in hand into two shooting revolutions in Central America, plus other life-and-death close calls.

We grew up fast. Ever since, the primary rule of our marriage has been, any day we are together is a success, regardless of what else happens.

My point is, if my wife and I are so close that it's impossible to separate her thinking from mine, then how can anyone separate my economic decisions from my sociological ones, or my financial decisions from those that are political or historic?

Yet, as far as I know, no college teaches the science of human action — praxeology. They all use the slice-and-dice approach, with departments of economics, sociology, law, history, art, etc., granting degrees in these specialties.

The news media follow their lead, so the whole world is in the position of the blindfolded men touching parts of the elephant. One touches the tail, and thinks it's a snake, another the leg and thinks it's a tree. Only the praxeologist sees the whole animal.

That's why, as far as I have been able to tell, the only Americans who were not caught by surprise when the World Trade Center went down were the readers of this newsletter. For months afterwards, the great refrain was, no one saw it coming, not even the FBI or CIA.

They were all touching different parts of the elephant. That's what they were taught to do in school.

Look at any analysis...

... in the mainstream press, including investment analysis, and you will find the slice-and-dice approach. A report about human behavior is a report about finance, economics, law, history or some other subject, but never a combination of them all. It's always a fragmented view, never integrated, never cohesive.

I cannot study all the facets of human behavior in the same depth that the specialists do, but I can do with the facets what they don't; I connect them.

Galileo didn't discover the rings of Saturn by having super human eyesight, he did it by having a new tool, the telescope. If you have the EWR Archive, you've probably read my articles all the way back to the fall of the Soviet Empire, and been amazed. It's not because I'm super human, it's because I'm using a better tool, praxeology.

One thing that's a great mystery to me is...

... that the slice-and-dice model is not used in the study of animal behavior. There are no chimpanzee economists, or dog historians, or horse attorneys. There are just behaviorists. None of them would dream of trying to separate a wolf's psychology from its sociology, or its politics from its economics. But we do that routinely with the behavior of humans, then wonder why we are continually blindsided by nasty surprises.

It's as if every social science is a stencil. An economist sees through the openings of the economics stencil, the attorney sees through the openings in the legal stencil, and so on.

Rarely does an economist look through a legal stencil, or an attorney look through an economic stencil, so they don't know what they are missing.

The more stencils you have to look through, the more you see.

Prior to 9-11, I often warned...

... that in the Mideast, religion is politics. The greater truth is that religion is politics everywhere, and always has been. It's also economics, art, psychology, etc. because all these are the same subject, human behavior. They aren't separable.

We all know human behavior is a unified, cohesive whole. No parent ever tries to understand the child by viewing the child's behavior according to the slice-and-dice model. It never even occurs to us to see a child's economic decisions as a thing separate from his or her history, ethics, religion, or sociology.



We also know from watching current events that human behavior is a unified, cohesive whole. Anyone who thinks economics and investments are separate from politics and history must have been born yesterday.

But, how often have you seen a financial plan that began with a political analysis?

The way I got into seeing things via the praxeological view was...

... by accident

I returned to college in the early 1970s, after my stint in the Air Force. The early '70s turned out to be some of the most revealing years in all of world history for studying business and economics.

Each day we would read a chapter in the textbook or hear a lecture telling us, for instance, that the US would never depart from the gold standard, or wage and price controls were too destructive to be used in anything but a national survival emergency, or it's impossible to have inflation and recession both at the same time.

I'd take the tests, give the "right" answers, then a few days later read headlines saying the impossible had happened. One day it would be something like "US departs from gold standard," another day, "wage and price controls enacted," and then "inflation accompanies recession."

On top of that, all my professors had been trained in Keynesian economics, and were doing their best to convince us that Keynesianism was the latest and greatest "New Economics." But many of the students in those days were veterans, some just back from Vietnam without all their body parts. Keynesian prescriptions required us to trust the government. Our reaction was, are you nuts, we nearly got killed for a pack of lies, and here you are telling us the *government can be trusted?*!

I remember one red-faced prof backed up against the chalkboard sputtering "but, but, but..." He kept glancing at the door, as if he wanted to run from the room to avoid being lynched.

We realized that we weren't being taught economics at all, we were being taught politics — the politics of the professors, statism. That's what the profs had been taught when they were our age.

College is where I began to understand that government-controlled schools are an even greater threat to liberty than a government-controlled press. The press is read mostly by adults, who have some real world experience. Schools do their work on people who don't know anything. By age 16, most kids are good little statisticians, incapable of thinking outside the box. They trust the authorities and believe political power is wonderful stuff.

I went on memorizing the Keynesian drivel, and got my degree in it, but fully realized these people didn't know what they were talking about. They had traded breadth for depth.

Depth is good, it brings knowledge. Breadth brings wisdom. You can see this throughout the writings of Hayek and Mises.

My search for something more realistic led me to Austrian economics and praxeology.⁷

Perhaps the most valuable aspect of the praxeological view is that each category of study is a check on the others. For instance, in writing articles for EWR, I often say to myself, this analysis makes sense from a financial standpoint, but does it also agree with what we know about history, economics, sociology, religion, etc.?

After I was deeply into praxeology, I decided that if it really was superior to the slice-and-dice method of studying human behavior, then it ought to be a better way to earn money.

And so far, it has been. ♦

➡ To learn more about praxeology, and its insights about liberty and free markets, Google it, and read anything related to it by Mises, Hayek or Murray Rothbard, or published by the Mises Institute. Most important is Mises' 1949 masterpiece **HUMAN ACTION**. ♦

➡ Again, the reason we so often hear that no one else does what we do — that there's EWR, and everything else — is not that we're super human, it's that we use a praxeological view.

In my opinion, all of praxeology can be boiled down to a single maxim: try to see things from the other person's point of view.

Is it an idea whose time has come? The amazing response to Ron Paul leads me to think it is.

Why has Ron become so popular? I think it's ideology. The war and the Federal Reserve's bungling have convinced college students that a new direction is needed. The political left's socialism has been shown to be a train wreck, and the right never settled on an ideology, it's mostly just anti-left. This leaves only the libertarianism, or anti-statism, of Jefferson and the other American founders.

If you find this amazing new interest in original American principles as encouraging as I do, I hope you will spread the word and help the movement grow. ♦

⁷ I use an unusually broad definition of praxeology, including in it subjects such as psychology and art, that others might not. To me, the more the merrier; if it is at all connected to human action, it belongs in praxeology.