

## Quotable

### THE SECOND COMING

Turning and turning in the widening gyre  
The falcon cannot hear the falconer;  
Things fall apart; the centre cannot hold;  
Mere anarchy is loosed upon the world,  
The blood-dimmed tide is loosed, and everywhere  
The ceremony of innocence is drowned;  
The best lack all conviction, while the worst  
Are full of passionate intensity.

Surely some revelation is at hand;  
Surely the Second Coming is at hand.  
The Second Coming! Hardly are those words out  
When a vast image out of Spiritus Mundi  
Troubles my sight: a waste of desert sand;  
A shape with lion body and the head of a man,  
A gaze blank and pitiless as the sun,  
Is moving its slow thighs, while all about it  
Wind shadows of the indignant desert birds.

The darkness drops again but now I know  
That twenty centuries of stony sleep  
Were vexed to nightmare by a rocking cradle,  
And what rough beast, its hour come round at last,  
Slouches towards Bethlehem to be born?

William Butler Yeats

## Commentary & Analysis

### Hodgepodge

#### Trickle Down Collectivism: Sowell Explodes the Myths of the Class Warriors on Taxes

Maybe Al Gore-lioni, former US Veep, scientist (at least he plays one during paid appearances), and green energy private equity boondoggle specialist may have been on to something after all with his “show me the money” rallying cry of “global warming.” [Which I think is now passé, having morphed into the more easily marketable “climate change” terminology. Heck, climate does change. They must be right. But for purposes of this rant, “global warming” works better.]

### Are you *truly* a Global Investor?

Get our monthly global macro investment research and become exactly that.

- ✓ In-depth coverage of economies and markets around the world plus simple, straightforward investment ideas.

[For a FREE preview of the September publication click here.](#)

And [sign up today](#) for only \$99 per year!

[Read more ...](#)

Europe must forgive its uncouth philistine neighbors in the US for being skeptical. We keep thinking poly-science when we think of “global warming”. But skeptics no more; we get it now. The hot air flowing fast and furious from both sides of the American political spectrum has turned us into true believers—“global warming” deniers be damned.

I wish to first express my sincere apology for doubting dubious science. Then I’d like to draw your attention to a topic generating more than its usual amount of hot air—taxes.

Collectivists, leftist economists, those who know better, and those who don’t, continue to be confused (or feign confusion) about the notion of lowering tax rates; believing lower tax rates result in lower tax revenues to the government. Thus, less money will be available to redistribute to those in real need, collectivists, an assorted array of lobbyists, and moochers. Of course it is the old “tax the rich” tired and worn out class warfare mantra. Gosh, those awful rich who invest in productive assets to create real jobs in America, how awful. They should be ashamed of themselves. Funny thing is, it’s only recently the left has latched on to this idea that lower tax rates were “unfair” even though their hero—President John Kennedy—and their sworn enemy—President Ronald Reagan—proved lower tax rates indeed produce more tax revenue for government.

It’s been understood by both right and left politicians since the early 20<sup>th</sup> century that lower tax rates produce more government revenue.

If you care to clear up any misconceptions you may have on this topic, I strongly urge you to read the latest missive from Professor Thomas Sowell titled, “[Tickle Down Theory and Tax Cuts for the Rich.](#)”

The opening two paragraphs from Mr. Sowell’s brilliant essay:

At various times and places, particular individuals have argued that existing tax rates are so high that the government could collect more tax revenues if it lowered those tax rates, because the changed incentives would lead to more economic activity, resulting in more tax revenues out of rising incomes, even though the tax rate was lowered. This is clearly a testable hypothesis that people might argue for or against, on either empirical or analytical grounds. But that is seldom what happens.

Even when the particular tax cut proposal is to cut tax rates in all income brackets, including reducing tax rates by a higher percentage in the lower income brackets than in the upper income brackets, such proposals have nevertheless often been characterized by their opponents as “tax cuts for the rich” because the total amount of money saved by someone in the upper income brackets is often larger than the total amount of money saved by someone in the lower brackets. Moreover, the reasons for proposing such tax cuts are often verbally transformed from those of the advocates— namely, changing economic behavior in ways that generate more output, income and resulting higher tax revenues—to a very different theory attributed to the advocates by the opponents, namely “the trickle-down theory.”

Those of you who don’t care to let facts get in the way of a good story may choose not to read Sowell’s somber, factual, historical summary of this topic, exploding most of the

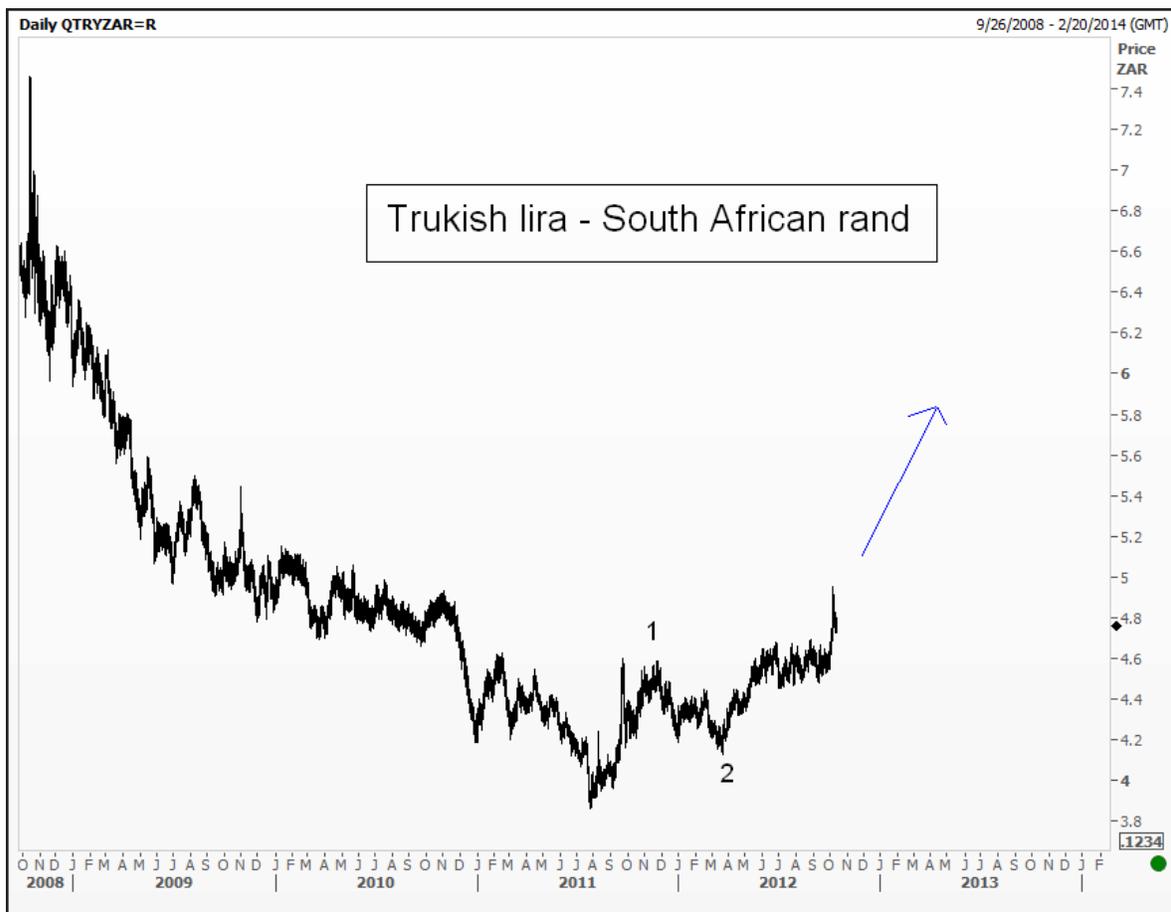
fantasies of the class-warfare crowd regarding taxes. But if you want to learn why lower tax rates work, you will find Sowell's summary excellent and also a great way to arm yourself against class-warfare ignorance that rises up in its hind legs in America every four years or so.

### Interesting Long-term Exotic Currency Idea

Looking for an interesting currency idea among the developing nations (exotics as they are sometimes referred to)? Strategically, these two nations seem to be on completely different glide paths. The nation on the upward glide path is Turkey; the one on the downward glide path (potential crash landing) path is South Africa. (A good general [summary on South Africa you can find in \*The Wall Street Journal\* this morning.](#))

Playing the lira against the rand is not a cross-rate available in the spot market for retail investors, but you can create this by creating your own cross. Buy USD/ZAR (South African Rand) and sell USD/TRY (Turkish Lira); with the magic of math, the USD cancels out and you have created a [synthetic cross](#).

Take a look at the chart below showing the **Turkish lira-South African rand cross daily**: Looks like the bottom is in, and may be tracing out an impulse pattern higher...



Black Swan Capital's Currency Currents is strictly an informational publication and does not provide personalized or individualized investment or trading advice. Commodity futures and forex trading involves substantial risk of loss and may not be suitable for you. The money you allocate to futures or forex trading should be money that you can afford to lose. Please carefully read Black Swan's full disclaimer, which is available at <http://www.blackswantrading.com/disclaimer>

## If the Bank of Japan stays out of the way; this trade looks good...

This is a trade I have been sharing as a potential big winner—**short GBP/JPY**. The underlying assumption is the Bank of Japan doesn't intervene to mess us this idea.

Effectively is it a “risk off” trade.

- 1) The British pound has been highly positively correlated with the S&P 500 index
- 2) Despite the horrendous underlying fundamentals facing Japan, the yen is still acting well on risk aversion i.e. “risk off” as the financial favs have framed it.

### GBP/JPY Daily:



### Farcical Friday: Peace breaks out in Europe

[This falls into the “sorry I couldn't help myself” file...]

From my copy of the Oxford Compact Thesaurus; synonyms for the word *farcical*:

...ridiculous, preposterous, ludicrous, absurd, laughable, risible, nonsensical; senseless, pointless, useless; silly, foolish, idiotic, stupid, harebrained; crazy; barmy, daft...

Black Swan Capital's Currency Currents is strictly an informational publication and does not provide personalized or individualized investment or trading advice. Commodity futures and forex trading involves substantial risk of loss and may not be suitable for you. The money you allocate to futures or forex trading should be money that you can afford to lose. Please carefully read Black Swan's full disclaimer, which is available at <http://www.blackswantrading.com/disclaimer>

Fill in the blank if you know which event to which I refer.

\_\_\_\_\_?

If you wrote, “The Nobel Prize for Peace being awarded to the European Union,” then you are right. Congratulations. Your prize, a free subscription to *Currency Currents*...second place prize, which I am sorry, nobody won, was a free trip to Athens and Catalonia to listen to the birds singing and watching the white doves freed to flutter off into the hillside at sunset (harps playing softly in the background....)

Have a great weekend. And thanks for being a reader of *Currency Currents*, dripping sarcasm and all.

Regards,

Jack Crooks

Black Swan

[www.blackswantrading.com](http://www.blackswantrading.com)