

Welcome to Turbulent Times

by Robert Kiyosaki

The Sunday, Sept. 30, edition of The New York Times featured two articles that should be cause for alarm.

What Makes a Monk Mad was about civil unrest in Myanmar, formerly Burma, led by Buddhist monks. This past summer, the monks led huge demonstrations in part because the government tried to suppress protests against high gas prices.

The second article on the same page, was titled Costly Fuel Is Never Far from a Match and featured a photograph of a gas station in Tehran that was burned this summer by rioters. Again, the issue was high gas prices.

The Center of Our Lives

Both articles emphasized that oil and gasoline prices are causing unrest all over the world, even in oil-rich countries. Governments have had to choose between allowing prices to rise, as they did in Myanmar, or subsidize fuel costs to keep prices low, as in Iran.

It costs governments money to keep fuel prices low. Oil-rich Yemen, for instance, devotes 9 percent of its GDP to making sure its people don't riot when oil prices rise. But the problem with cheap, subsidized fuel is that it creates more demand, and thus costs the governments more money. Countries like Iran, Yemen, Colombia, and Nigeria could go broke if they keep providing cheap gas to keep people happy.

Fuel prices are at the center of our lives. They affect our ability to travel, stay warm, and feed ourselves. That's why governments the world over have done their best to dampen the effects of oil prices that have tripled over the past four years. As David Goldwyn, an assistant secretary of energy in the Clinton administration, said in one of the Times stories, "Some countries are hiding the realities of high fuel prices to keep political peace." If oil prices continue to rise, as I expect they will, there will be more events like the protesting monks in Myanmar and the match-throwers in Iran. It seems that world peace depends on cheap oil.

Life Isn't Fair

Meanwhile, the effects are also felt closer to home. I recently had a conversation with Gilbert, a loyal employee of my gym for more than 15 years. He's always well-groomed, punctual, and cheerful, even at five in the morning. After my workout, Gilbert came up to me and said, "Can I ask you a question?"

"Sure," I said. "What's on your mind?"

"How's the economy?" he asked cautiously. "You know a lot about money. What do you think is going to happen?"

"What do you think?" I replied. "How does the economy look to you?"

"I think it looks bad. The gym froze my wages a year ago. Two days ago, they asked us all to take a ten percent cut in pay. They say they have to cut our pay because the expenses to run this gym are going up. They say if they raise prices, members like you will go to another gym."

"And do you believe them?" I asked.

"Yes, I do," said Gilbert. "My wages are going down and I can see prices for gasoline and food going up. I think the economy is in bad shape. I'm using my savings to live. I'm very worried."

"I'm very worried, too," I said softly.

"So is everyone in financial trouble?" asked Gilbert.

"No," I replied. "The rich will get richer, even in a bad economy."

"How can that be?" Gilbert said. "We all live in the same country. How can the rich get richer while my family becomes poorer? Are you getting richer?"

I slowly nodded my head.

"That isn't fair," Gilbert said.

"I agree," I said. "It isn't fair."

All of us know people like Gilbert. He's in trouble, and so are the rest of us, regardless of how much money we have.

More Expensive to Live

That's depressing news, but are we headed for a depression?

I believe the world economy will continue to inflate, which means prices will keep going up. Whether we enter a depression or -- more likely -- a recession, there will probably be hyperinflation and life will become very difficult for the Gilberts of the world.

Not only will fuel costs continue to go up, so will food costs. As our dollar drops in value, countries like India and China import more food from the United States. This is bad news for Gilbert, although I've done very well investing in companies that produce and export food to the developing world.

The Turbulence Is Here

To make matters worse, the Iraq war is costing the United States \$500,000 a minute. At the same time, President Bush vetoes health insurance coverage for the children of people like Gilbert. Something's very wrong with a nation that would rather spend money on war than take care of its children.

But life is about to become very expensive for all of us. Former Federal Reserve Bank chairman Alan Greenspan recently warned that an "age of turbulence" will begin around 2010 or 2011, when baby boomers begin to retire.

To me, if even the normally peaceful monks of the world are mad, the age of turbulence has already arrived.

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