

Dear Mustafa,

16th June, 2014

Given the news around the world, in Iraq, in Ukraine, in the East China sea, it reminds of the piece we wrote at exactly this time last year - 'The Unwilling to the Unable'. We commented on the historic roles that were played in the 1930's by the 'unwilling' United States and the 'unable' British Empire. Today these roles are instead played by the 'unwilling' China and the 'unable' United States.

The simplest way to measure the waning of a country's 'super-power status' is to calculate when the interest payments on its debt surpasses its military spending. This was the case for the British Empire and Sterling in the 1920's and looks like will be the case for the American Empire and the US\$ today. Hence Obama's comments on the United States not being the world policeman and the overall US hesitation for global involvement.

**Mustafa Zaidi**  
**Clarmond Wealth**  
**1 Holbein Place**  
**London, SW1W 8NS**



I have scribbled down some rough figures assuming US government debt at \$21 trillion (Fed balance sheet included) and military spending staying the same as today:

<u>Rate</u>	<u>Interest</u>	<u>Military</u>
@ 2%	\$420bn	\$650bn
@ 3%	\$630bn	\$650bn
@ 4%	\$840bn	\$650bn

Long term interest rates have run at about 4% - Oh dear!

This changing of the guard may be slow or swift, but it is clear to see the USA becomes more unable with any rise in rates, emboldening bad actors around the world.

See you soon - Chris