

Business Insider published [a piece](#) on April 1st about plans to build Western Europe's tallest skyscraper...in a small, rural Danish town with just 7,000 residents. After I posted it on Twitter, many of my followers thought it was an April Fool's joke due to how absurd the idea is. Even I had to do a little research to confirm that it wasn't a joke, but it is indeed a true story -

A 1,050-foot skyscraper soaring out of the earth isn't exactly what you'd expect to come across in a corner of rural Denmark, and yet one may soon become a reality.

The fast-fashion giant Bestseller just secured final approval from the council of Brande, Denmark, to build its eponymous tower in the town of just 7,000 citizens.

When built, the Bestseller Tower, designed by the Danish architect Dorte Mandrup, will be the tallest building in Western Europe, beating out the Shard in London by 34 feet.

"We are very pleased that the plans have now been approved by the city council and we are extremely proud and humbled by the amount of support our project has received, especially locally. It is important for us to underline that the city council's approval is merely one of the preliminary steps of a long journey," Anders Krogh, Bestseller's project manager, said in a statement.

Though the fashion company has long outgrown its roots in Brande ? the owner, Anders Holch Povlsen, is Denmark's richest man with a reported net worth of \$7.2 billion ? it's hoping that the new building development will put the Jutland town on the map.

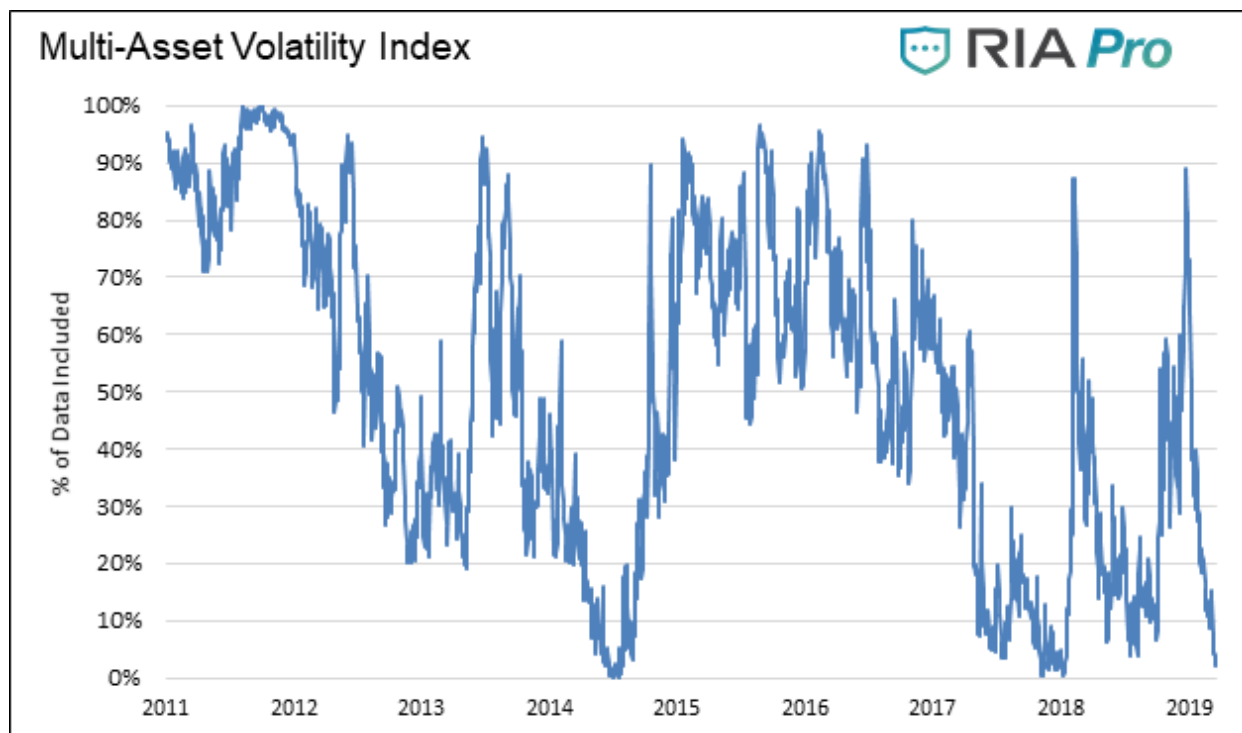
"It will be a landmark," Krogh added in the statement. "But it will also function as an architectural attraction benefiting hotel guests, students and other users of the building."



After reading that piece, what immediately came to mind was the fact that the construction of skyscrapers (*especially record-breaking ones*) is a common hallmark of economic bubbles.

During an economic bubble, credit is cheap and readily available, asset prices such as stocks and real estate are rising rapidly, people are in a good mood, and business leaders become increasingly cocky and hubristic. It is at this time that pursuing grandiose undertakings such as building massive, opulent new corporate headquarters or skyscrapers starts to appeal to business leaders. These leaders are often "*bubble drunk*" and forecast prosperity "*as far as the eye can see.*"

This complacent attitude can be seen in many indicators, including in the Multi-Asset Volatility Index that we posted in our RIA PRO subscription service (when volatility is low, investor complacency is high):



(I recommend [signing up](#) for a **30-day free trial** of our in-depth research and portfolio analysis with the code **FREE30**)

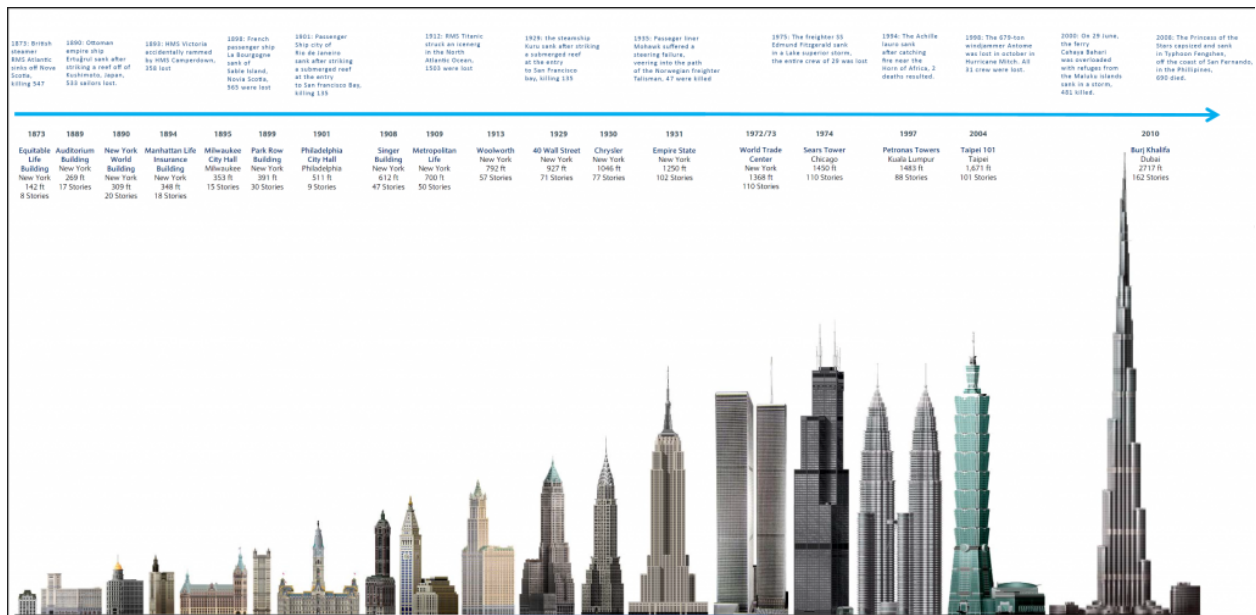
The British historian and author C. Northcote Parkinson [observed](#) that organizations often build grandiose headquarters and other architectural projects at their very peak before they decline:

Parkinson calls in evidence a series of historical examples of architectural grandeur accompanying organizational/institutional decline. In the case of the Vatican, for example, ?the great days of the papacy were over before the perfect setting was even planned. They were almost forgotten by the date of its completion.? By 1933 the League of Nations was seen to have failed, and yet its ?physical embodiment?, the Palace of Nations, was not opened until 1937. He argues that Louis XIV moved to Versailles in 1682, the year his career reached its apex, and thereafter, as the sumptuous Palace was gradually completed, so his power inexorably declined. Parkinson gives a number of British examples, including Blenheim Palace, Buckingham Palace, the Palace of Westminster and the Colonial Office, but identifies New Delhi, started in 1911, several years after the decline of British imperialism began (with the 1906 General Election), as a perfect example of his Law?s applicability.

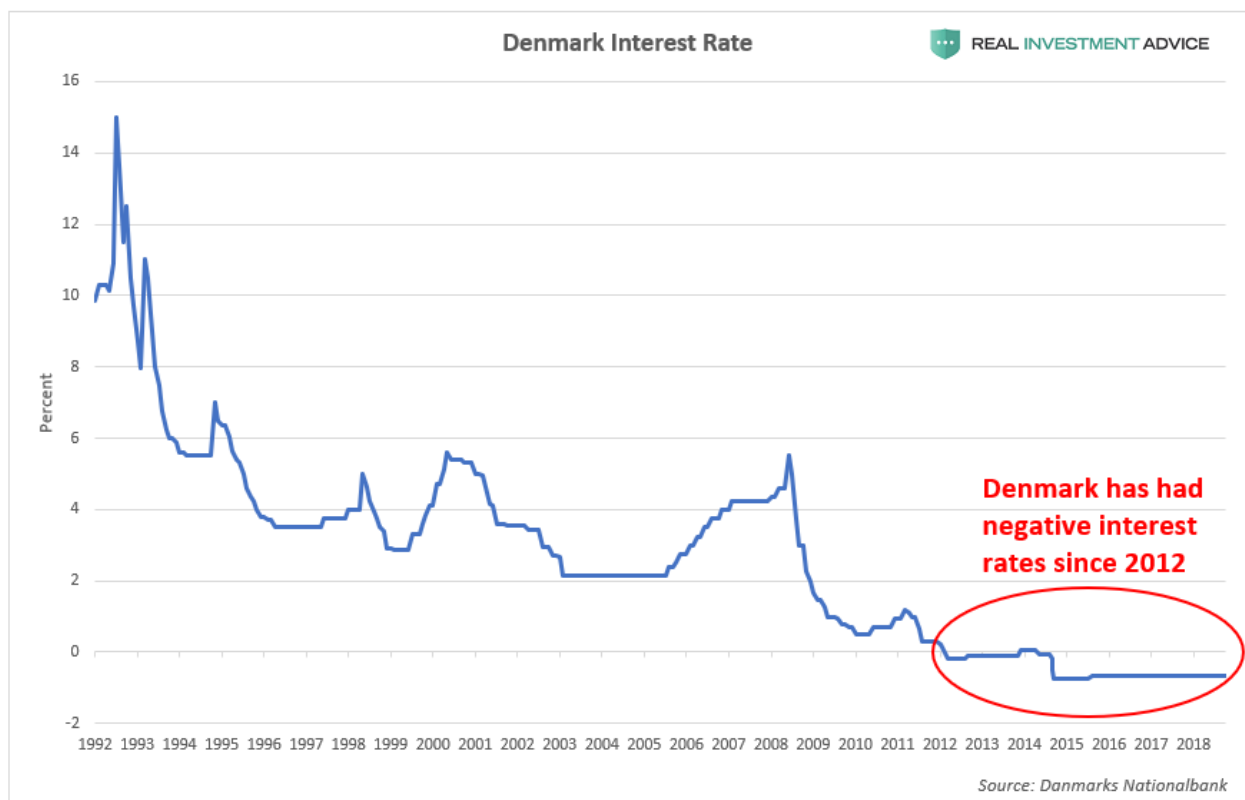
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Many famous record-breaking skyscrapers were planned and built in boom times right before a severe economic bust - this is known as the "[Skyscraper Curse](#)." For example, the Singer Building and the Metropolitan Life Insurance Company Tower in New York were started before the Panic of 1907, the Chrysler Building was started in 1928 before the 1929 stock market crash and Great Depression, the World Trade Center and the Sears Tower were planned and built before the 1973 - 1974 stock market crash, Malaysia's Petronas Twin Towers were completed in 1996 before the 1997 Asian financial crisis, and Dubai's Burj Khalifa was started just a few years

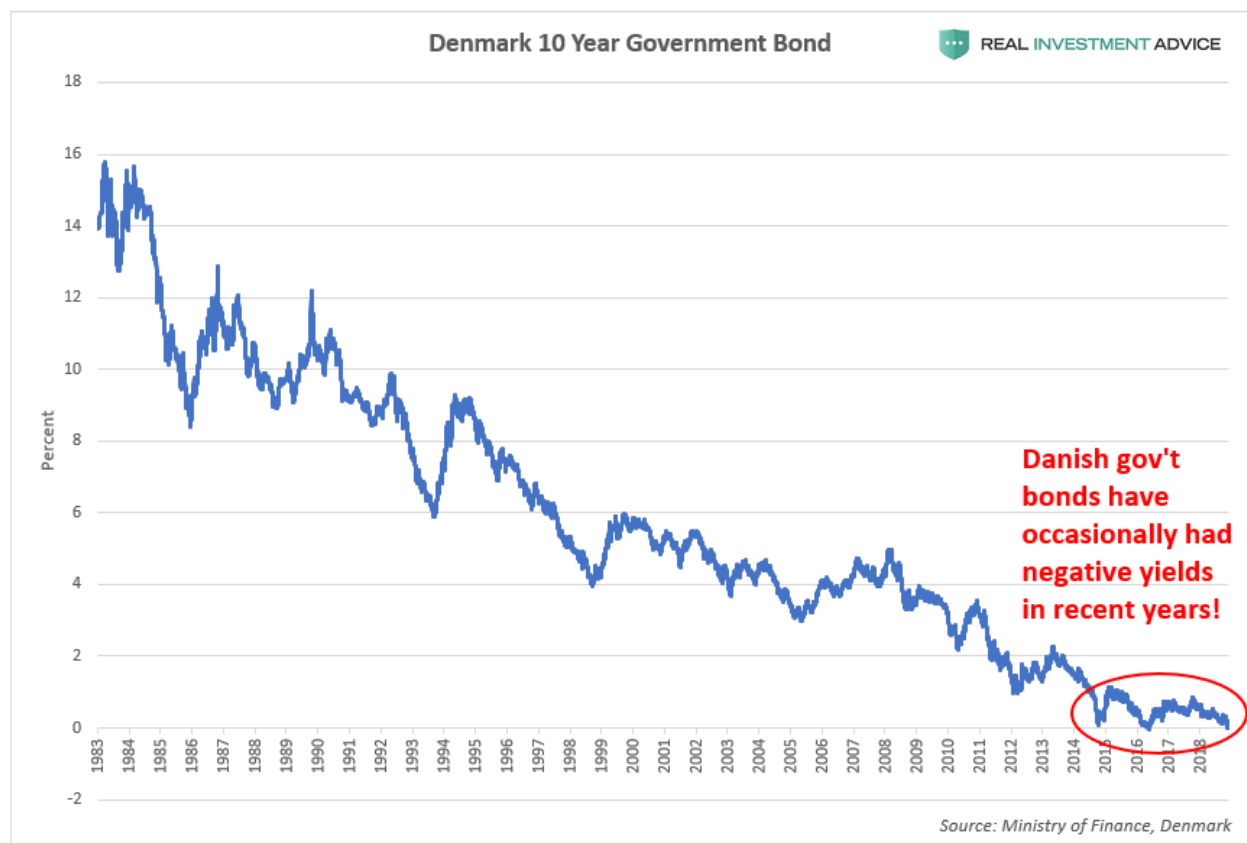
before the country experienced a serious real estate bust in 2008 and 2009.



I believe that Anders Holch Povlsen and his company Bestseller's bizarre decision to build a skyscraper in a tiny town with just 7,000 residents (and Bestseller only has 1,500 employees in this town) is a byproduct of Denmark's negative interest rates and the frothy environment that they are creating. [Since 2012](#), Denmark has had negative interest rates and is the only country to have had such unusual monetary conditions for so long:



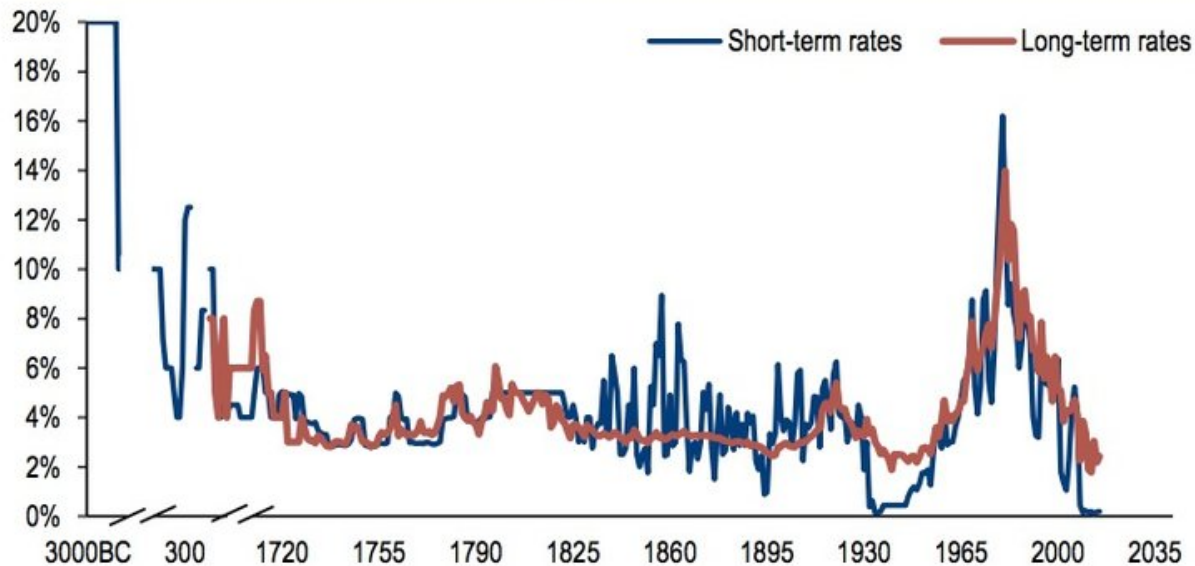
Because Denmark is one of the few remaining countries with a perfect AAA credit rating from Standard & Poor's, investors have even pushed the country's government bond yields into negative territory a few times in recent years. Denmark's 10-year government bond currently yields just 0.017%, while the U.S. 10-year Treasury bond yields 2.48% - a dramatic difference.



When central banks like Denmark's *Nationalbank* cut interest rates to ultra-low or negative levels, they create tremendous distortions, imbalances, misallocations, and [malinvestments](#) in the economy and financial markets. For example, ultra-low interest rates discourage saving (what's the point when you actually lose money by keeping it in the bank?!), encourage borrowing, and encourage speculation in rising asset prices (Danish housing prices are [up 50%](#) since 2012, for example). Ultra-low and negative interest rates also encourage the construction of extremely speculative, grandiose projects like skyscrapers. **In a world where there are few conventional investment opportunities left, speculation becomes much more appealing.**

While Denmark has been the only country that has experienced negative interest rates for so long, global interest rates have been at 5,000 year lows for much of the past decade:

Chart 1: The lowest interest rates in 5000 years



Sources: Bank of England, Global Financial Data, Homer and Sylla "A History of Interest Rates"

Notes: the intervals on the x-axis change through time up to 1700 - see page 3 for methodology.

As a result of record low interest rates, the tremendous distortions, imbalances, misallocations, and malinvestments discussed earlier in reference to Denmark are occurring across the globe. This unprecedented monetary environment explains why stocks [are soaring](#), corporations are [borrowing heavily](#), scores of billion dollar startups are [popping up](#) out of nowhere, and the global billionaire population [has doubled](#) in the past five years alone. While it appears to be a boom on the surface, it is an extremely unhealthy and artificial situation that will end in the mother of all economic crises. So, even if you don't live in, invest in, or have anything to do with Denmark, I am using this new skyscraper as an example of the kind of foolishness that is occurring globally. Thanks to globalization, we're all tied into the same system - your investments, your job, and your way of life are all exposed to this global bubble.

Are you prepared to prosper in the coming economic crisis? Click here to learn how.