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Economic and Political Crisis Deepens

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A few years ago, I was a participant in an economic summit at a major university. I casually mentioned that the USA might have difficulty selling its debt. Another of the participants, a professor of economics, came “unglued” and scoffed at my suggestion, saying he could not believe how unlearned I was because “most people know that the USA borrowing capacity is unlimited by definition.”

When I got a chance for rebuttal, I stated, “as a former bank CEO, I can assure you with great certainty that the capacity to borrow – whether an individual, company, state, or nation – is predicated on their creditors’ confidence in their ability to repay.”

This is where we are today – a nation whose budget deficit is soaring due to unbridled spending by the president and Democrat-controlled Congress. When a government spends money, it has NO money that it first did not get from someone else. It can get the money only by (1) taxes, (2) borrowing, or (3) having the Federal Reserve print the money.

Obama Economy

The Obama approach to “solving” the economic crisis is one that lead thinking and learned people to honestly conclude that “Obama and company” either do not know what they are doing – or they know precisely what they are doing.

I have come to the conclusion, after careful observation, that they know precisely what they are doing, and their plan is to deliberately destroy the USA as we have known it and as it was envisioned by the founders of this great nation. Their plan – or road map – can be found in the following chart, give to me by a former Soviet KGB agent who had defected to the USA.

THE DISINFORMATION PROCESS Demoralization Process (15-20 years)

Areas	Methods	Results
Ideas		
1. Religion	Politicize, commercialize, entertain	Death wish
2. Education	Permissiveness, relativity	Ignorance
3. Media	Monopolize, manipulate, discredit, focus on non-issues	Uninformed Media, uninformed populace
4. Culture	False heroes and roles models	Addictive fads
Structure		
1. Law and order	Legislative, not moral	Mistrust of “justice”
2. Social religion	Rights vs. obligations	Less individual responsibility
3. Security	Intelligence, police, military	Defenselessness
4. Internal Politics	Party Spirit, antagonisms	Disunity
5. Foreign	Divide and conquer	Isolation

<u>Life</u>		
1. Family, society	Break Up	No loyalty (importance of State)
2. Health	Sports, government-run health care, junk food	Enfeebled masses
3. Race	Lower the upper class Genetics vs. environment	Hatred, division
4. Population	De-land, urbanize	Alientation
5. Labor	Unions vs. society	Victimization

Destabilization (2 to 5 years)

Areas	Methods	Results
1. Power struggle	Populism, less individual responsibility	Big Brother
2. Economy	Destruction of bargaining process	Yield to Big Brother
3. Society fiber, law	Grass roots participation in community organizing	“Mobocracy”
4. Foreign	Isolation, multi-nations, central committee	Prestige, belligerence, encirclement

Crisis (2 to 6 months)

Normalization

The playbook used by “Obama and company” can be found in Saul Alinsky’s book, *Rules for Radicals* (originally published by Random House in 1971, and more recently by Vintage Books, 1989).

The size of the federal government is a lot bigger now that it was six months ago, and the growth of government under Obama and congressional Democrats shows no signs of abating.

What This Means to You

It seems we are now appropriating new sums of money in blocks of billion-dollar expenditures. We did the math on what each block of \$50 billion in spending means to the average family of four. Each family’s share of the financial obligation in spending \$50 billion is approximately \$700.00 Since only half of Americans even pay tax, the average taxpaying family’s share of the load is now \$1,400 for each 50 billion spent. The average taxpaying family’s share of just the cost of the bank bailout is \$21,000. Add to this the cost of the \$900 billion so-called “stimulus package,” and all the rest of the new big government programs of Obama – including nation health insurance – and it is clear we are allowing ourselves and future generations to be saddles with approximately \$84,000 of obligations for a tax-paying family of four. At this rate, we will soon run out of things to tax.

The recent trips to China by Secretary of State Clinton, Treasury Secretary Geithner, and several Democrat members of Congress indicate that the effort to market USA debt is in overdrive. China previously has been a reliable creditor in buying USA debt due to the huge trade surplus they had with the USA. The worldwide economic downturn, couple with the USA debt load, has caused potential buyers of the USA debt to proceed with great caution.

Print the Money

Absent domestic and foreign buyers of U.S. Treasury bonds, the U.S. Treasury will have insufficient money to spend on government programs – or they will have to resort to having the Federal Reserve print the money to buy the debt. This, of course, meets the classic definition of inflation: “an increase in the amount of money in circulation, resulting in a fall in the currency’s valuation and a rise in prices.”

Fraud and Deception

The only reason we have not yet seen the rampant price inflation is the fraudulent scheme of using Medicare and Social Security tax payments that go into the Medicare and Social Security “trust fund” to buy the U.S. Government debt. This scheme is currently financing internationally about half the debt. The problem is, the only thing in the so-called Social Security “lockbox” is IOUs from the U.S. Government that even the Chinese and other governments around the world are now reluctant to buy. What does this say about the quality of assets supposedly backing the current and future Social Security and Medicare payments?

By law, all Social Security and Medicare “trust funds” are “invested” in U.S. Treasury debt. Even with the questionable value of these U.S. Treasury bonds in the “trust fund,” the unfunded liability of the Social Security and Medicare programs is approaching \$20 trillion. This will require a confiscation of approximately half of all U.S. household wealth.

Crisis Politics

The method of choice by Democrat politicians, particularly the Obama crowd, is to create a crisis (real or perceived) to try and rush legislation through Congress or simply justify their illegal acts without any legislative authority. In fact, it was current White House Chief of Staff Rahm Emmanuel who was quoted as saying, “never let a crisis go to waste.” The use of crisis politics to garner more power is becoming the order of the day, and the frequency of such events is troubling for freedom-loving Americans.

The current economic and political risk is becoming more pronounced for many of your assets. The greatest economic risk we face is currency (dollar) depreciation due to monetization of U.S. debt by the Federal Reserve. The greatest political risk we face is confiscation of assets by increased taxes and the potential merging of IRA, 401K, and private pension assets with the insolvent social security program. As the crisis deepens, the value of having a plan to storm-proof your assets becomes more important than ever.

As with all other crises since 1971, this will be another currency crisis – no exception. *MER* readers may call an FAMC economist or consultant for a free economic and political risk analysis (800-325-0919, ext. 7470).

You may also order the latest Economic & Political Crisis briefing DVD set by call 1-800-336-7000. Or, go to the website: www.economictruth.tv