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A Nation in Crisis

The Meltdown of Money, Government, and Religions

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An unlearned, casual observer would have to come to the conclusion that we are truly a nation and world in crisis. What is happening in the USA is even more important than what is happening in most of the rest of the world, as the United States and Israel are the only remaining countries that stand between the rest of the world and total despotism.

Like most of you, we have grown weary of the political theatre playing out in Washington, D.C., over everything from the military to the debt ceiling. One really need not have worried about the NFL season, as political football is the latest craze – at least in the nation's beltway. Still, many have asked just what occurred in the last few weeks and what the real consequences are to the nation and the economy.

First, allow us to clarify something lost among most of the members of the media. The United States was not at risk of a downgrade in our credit rating due to the debt ceiling. Few, if any, really thought that we would NOT be forced to pay the interest and principal on U.S. government debt. Rather, we were warned that we must reduce long-term indebtedness as a nation. This message, clear and simple, was all but lost to the President and his supporters in Congress, who were busy unnerving investors, holding the payroll of the military hostage, and scaring little old ladies into believing they wouldn't receive their Social Security checks if the debt ceiling were not raised. This was truly despicable, even for politicians!

What Moody's, Standard & Poor's, Fitch and the other ratings agencies were (and are) concerned about is what any creditor is concerned about: Will the borrower be able to afford the loan? The agencies have been warning about the need for a reduction in long-term U.S. debt. What they were practically demanding was not a rise in the nation's credit line, but the exact opposite: a reduction in indebtedness.

Moody's and S&P have both called for a long-term reduction of roughly \$4.3 trillion dollars from our nation's debt. They see the real likelihood of a U.S. default due to too much debt. They are calling for a plan that will reduce the current debt tally of \$14.8 trillion to around \$10 trillion. Now, I realize those numbers are often hard to fathom, but think of them in terms of an individual's home mortgage. If you are seeking a loan, the bank wants to make sure you have the ability to repay it. If you have too much other debt, you will likely not get the loan; at the very least, you will have to pay a prohibitively high interest rate. The lender wants to make sure they will get their capital back in the end. That is just good business. Let's say you were seeking a \$250,000 loan for a new house, but you were already maxed out with an equal amount of debt. Chances are not good for you and the new loan. The bank is going to tell you that you simply don't qualify for additional loans until you pay down some of your current debt. That, essentially, is what Moody's and S&P were emphasizing to the U.S. government. Additionally, they were warning that doing otherwise would jeopardize the nation's credit rating – as would a default.

At this writing, the United States has hit a red-letter day in the economics of our nation. I am sorry to report that the U.S. national debt is now equal to the U.S. GDP (Gross Domestic Product). In other words, we owe as much as we produce. The last time this was an economic reality for our nation was just after the end of World War II. To further put this in perspective, the national debt equaled just 31 percent of the national GDP in 1981!

Since the Republican Party holds a majority only in the House of Representatives, a compromise was made with Senate Democrats. What we got as taxpayers was an increase in the debt ceiling, enabling politicians in Washington to borrow and spend an additional \$2.4 trillion dollars. Even Nancy Pelosi commented that Congress is likely to burn through that amount within the next 18 months! So, by borrowing more money and creating more debt, we are doing exactly opposite what common sense and the rating agencies were demanding.

Adding insult to injury is the fact that much of the budget process has automatic riders that raise spending as much as 8 percent per year for many of the government programs and agencies in the bill. According to several members of the House and at least one Senator that I know of, this will add on even more dollars in spending (and borrowing). While we talk of deficit reduction of anywhere from \$1.2 trillion to \$2.4 trillion over the next ten years, these riders actually may increase government indebtedness by as much as \$5 to \$8 trillion dollars over that period of time, if some fiscal sanity is not brought to Washington, D.C.

Friends, we are not doom-and-gloomers, but let's face it: money in the hands of politicians is like crack cocaine in the hands of a crack addict. They are going to use it up, then look for more. Only a balanced budget amendment will halt or slow this insanity.

Class Warfare and Political Meltdown

Knowing there is no way that his party or his administration is going to cut anything of real substance from the federal "trough," President Obama is seeking instead to milk the taxpayers for additional monies. You see, it is becoming increasingly difficult to find buyers of our debt. It is so bad, in fact, that the Federal Reserve, through its program of "quantitative easing," has become the biggest purchaser of this debt in the last couple of years. Frankly, this is a game of smoke and mirrors, as the government creates "money" from thin air to buy this debt. Unfortunately, there are real results in the form of inflation, and we are seeing it all around us, from the grocery aisle to the gas pump. Yes, Virginia, there is inflation – despite what government economists would have us believe.

So, how do you get the funds to pay for all this government largesse? The answer is that you have to borrow it, print it, or tax it. That brings us to these hard facts: (1) finding buyers for the debt is becoming increasingly difficult; (2) the Fed is printing massive amounts of money, which results in inflation; and (3) the rating agencies say we are nearly tapped out as a country.

Since the President does not directly control monetary policy at the Federal Reserve, he is turning to the taxpayers for a "solution." Specifically, he is tearing a tired old page from the socialists' handbook of class warfare, blathering about the rich not "paying their fair share" and the need to "clamp down on corporations."

First of all, corporations really don't pay the taxes levied on them; the tax just becomes a part of the cost of doing business and it is passed on to the consumer in higher prices for goods and services. If auto manufacturers have to pay more for steel, then those buying the cars will pay more for them. The same is true for oil companies or the now-maligned "corporate jet owners." Let's just dispense with the cheap political demagoguery, Mr. President. Most of us either work for a corporation or have investments in corporations, and we see this for what it is: class warfare.

Finally, it is important to note just who these "fat cats and millionaire/billionaires" are that the President attacks on a regular basis. Granted, there are the uber-wealthy in this country – such as Bill Gates, Warren Buffet, and George Soros – but they make up a small percentage of this "club" the President maligns as he endeavors to part them from their hard-earned money. The "rich" the President constantly refers to are grassroots American small businesses. Many of these oft-reviled "rich" file their small corporation/business taxes on their individual tax returns; and while the business may generate a couple of million dollars in a year, that is gross revenue. Most of them would tell you emphatically that after business expenses, payroll, and taxes are paid, they are decidedly not millionaires. Small businesses with fewer than 100 employees have created more than 70 percent of our nation's jobs, making them the economic backbone of our economy. The President's obsession with soaking the "rich" is likely to bankrupt a huge sector of this nation's economic engine.

As for paying their "fair share," I refer you to the National Taxpayers Union website (www.ntu.org) where you may take a look at just who currently pays the lion's share of taxes. You guessed it: the "wealthy." The top 10 percent of earners in this nation (families making in excess of \$113,000 annually – not exactly "Oprah" money) already cough up nearly 70 percent of all tax revenues annually. Add to that everyone in the top 25 percent of earners (families making in excess of \$67,000 annually) and the figure climbs to 86.34 percent. At the same time, nearly half of Americans currently pay NO federal income tax. Bottom line: those who are productive are getting soaked for the bulk of taxation – while the President has the audacity to claim they are not paying their "fair share." The fact is, they are being ripped off in what amounts to confiscation through taxation.

Healthy Skepticism

Be skeptical about all the hoopla in the latest "debate." Check out the facts before coming to the conclusion that this is just an issue of the "rich getting richer" or the "poor getting poorer." It appears we are suffering from an over-supply of government that we never asked for and certainly cannot afford. As a result, we will all pay a greater tax due to inflation (the meltdown of money) than to a direct tax. Our greatest risk, aside from the disintegration of Constitutional government as we have known it, is currency depreciation that will hurt most of those on fixed incomes. Everyone must develop a strategy and a plan to avoid having your existing financial standing in society overturned by massive currency depreciation and price inflation.

Churches that do not share the truth of what we are facing will cease to exist as we know them. The great apostasy of religion is truly upon us and most will find themselves in the valley of decision between the world system and true

Biblical Christianity. "Religion" won't get you through the impending, disastrous events that will hit us with the force of a hurricane.

Space does not allow us to get into all the details in the limited space of this article. Get your copy of our recent book, *A Nation in Crisis: The Meltdown of Money, Government, and Religion*. When you buy the book, we will give you a complimentary three-DVD set of the same title (a \$30 value). We urge you to share the information with your family and friends. Time is truly running short. (Call 1-800-336-7000 to order your copy of the book and get the three free one-hour teaching DVDs.)