You've heard about America's financial crisis, but do you understand it? Economic jargon is confusing and boring to most of us – that is, until the problem comes to ***our*** house. And it ***is*** coming, to you, to me, to all of us. We know that the financial guys tend to talk over most people's heads, so we've compiled this essay to explain the economic crisis in terms the average American can understand. This information is urgent and critical. Every American needs to have access to it. Once you have read this article, you will understand more about America's economic picture than 95% or more of your peers, and you will know what to do about it for yourself. Feel free to get it to those you care about any way you can. We only ask that you acknowledge ***financialcrisiswatch.info*** as the original source. Links at the end will help you pursue more information on your own.

Understanding
THE ORIGINS AND STATE
of America's Financial Crisis

Most of us think of our national economy as something to be dealt with by people in high places. We think of ourselves as mere passengers, while the pilot handles all the confusing dials and buttons in the cockpit. But what would you do if you discovered that your economic flight crew was in a panic – that they have headed the plane toward a mountainside and can't change course? In fact, this is exactly what is happening and we have precious little time to respond.

Consider these words from one financial specialist:

> **"We have all heard about the "coming" fiscal cliff . . . we have (in fact) already gone OVER the fiscal *cliff*** *(he says that the point of no return happened in 2006 or 2007)***. . . what no one is saying is that it's not the fiscal cliff that we should be worried about, it's the actual IMPACT with the ground that's coming . . . I assure you that mathematically under the present system, there is NO SOLUTION, period. . . the time to have used the brakes was back in the late 1980's or 90's. Today . . . any use of austerity will kill the economy within days if not the next day that the markets open . . . we are even past the point of "inflate or die" now,** *(as in 'stimulus' packages such as the QEs which just print money)* **yes, "inflating" will prolong the death for a time (and it may not be much time at that), but the currency and banking systems will approach "zero and worthlessness" as the inflation gas pedal gets pressed harder and harder . . . Confidence is THE only thing left and confidence is a very fickle animal at best."**
>
> **--- Bill Holter** (comments in italics added for clarity)
>
> ***[http://blog.milesfranklin.com/the-fiscal-cliff-and-fools]***

In other words, the Titanic has already hit the iceberg, financially, and all we can do now is prepare for the ship to go down. This is just a sample of what a lot of financial smart guys are saying about our economy. And it should get your attention. But if you're like most of the rest of us, you are busy taking care of your own business, assuming that people in high places are watching out for our nation's welfare.

We're going to learn that it is a serious mistake to trust our destiny, financial or otherwise, to other people's hands. And that is exactly what we have done. What is happening in our country right now will directly affect every one of us. We can't escape it. A lot of us don't pay attention to economic news because it is difficult to understand and we feel like there is not much we can do about it anyway.

That's about to change.

What follows is a summary of the origins and state of America's financial crisis. We will lead you step by step through our economic history and you will come out on the other side understanding more than you ever have about our economic realities and knowing what to do about it. Our story unfolds in four parts; ***FIRST***, a brief look at America's rise to power, ***SECOND***, seeing how America became ensnared in the debt trap, ***THIRD***, discovering the potential triggers that can set off economic collapse, and ***FOURTH***, learning what action we can take as individuals to protect ourselves and our families. So let's get started with part one, and remind ourselves how America became the world's greatest economic superpower in the first place.

Understanding the Origins and State of America's Financial Crisis

OUTLINE

Part 1 **– A Brief Look at America's Rise to Power**
Part 2 **– How America Became Ensnared in the Debt Trap**
Part 3 **– Potential Triggers for Economic Collapse**
Part 4 **– How Individuals Can Take Protective Action**

PART ONE: AMERICAN ASCENDANCY -- The Unique Place of the U.S. in the 19th-20th Centuries

THE RISE OF AMERICAN POWER

How did America come to be in such a strong position for the bulk of two centuries? The health of any economy, in great part, is a result of the character and choices made by the citizens of that country, and its leaders. The events of history also dramatically affect the fortunes of nations. Historical circumstances turned greatly in favor of the United States in the 19th and 20th centuries. Not every development was positive, but until the end of the 20th century the U.S. managed to maintain an advantageous position. These fortunate events put a 'tail-wind' behind our prosperity in many ways, and allowed us to both relax our discipline and to put off difficult decisions we otherwise would have been forced to make. Here are some of the major factors that played a huge role in America's rise to economic superstardom:

a. ***Our Judeo-Christian and Enlightenment Heritage*** --The bold, adventurous and pioneering character of America was forged out of its early settlers who were steeped in a biblical work ethic. Work was not just a way to make money. It was seen as a part of living out one's faith. Driven by economic and political suffering, and longing for the clear air of personal freedom, these people were willing to leave all the comforts and attachments of their native lands for the rough life of forging a nation out of wilderness. Practical values of life and work learned from the Bible merged with Europe's Enlightenment-age quest for knowledge. Together they produced a vision for a new kind of government; one that would not exist for monarchs nor for the elite, but a form of government that would create optimal conditions for individual freedoms and achievement to flourish.

b. ***America's Manifest Destiny*** – As the 1800's unfolded, it gradually became apparent that the U.S. was going to become a continent-wide network of states, creating a vast country rich in resources with a youthful, vigorous and expanding population. It is a bit hard to fathom that as recently as the year 1800 our Western border-states were Pennsylvania, Kentucky, Tennessee and Georgia. Westward development created an ongoing sense of growth and momentum that captivated every facet of American life and thought.

c. ***Capitalism & the Industrial Revolution*** – An understanding of the workings of a free-market economy grew out of the demise of feudalism. The foundations of Capitalism had been laid in Western Europe and in our nation since colonial days, and its modern, democratic, free-market structure was classically described by Adam Smith in his 1776 work, The Wealth of Nations. Free-market economics is simply an attempt to describe the reality of economic laws in the natural order of the universe. It was given the pejorative name, 'Capitalism', by Karl Marx. Finding its native soil in democracy, the free-market bloomed into the birth and growth of the Industrial Revolution, creating the stage for incredible economic vitality heading into the 19th century. We saw one astounding invention after another; the steam engine, telegraph, telephone, light bulb, combustion engine, automobile, airplane and on and on and on. Each new invention spawned several more and America's momentum grew exponentially.

d. ***The Devastating Effects of War on Europe and Asia*** -- Most nations that stood as potential competitors of the U.S. had their economies devastated by WW 1 & 2. These European wars provided tragic, but exceptional growth opportunities for the U.S. America emerged as the largest creditor nation in the world after WW1 and as the manufacturing engine of the world following WW2.

e. ***The U.S. Dollar as the World Reserve Currency*** -- The decimation of European economies left the U.S. dollar as the logical candidate for World Reserve Currency, replacing the pound Sterling. Though Britain had held world reserve through much of the 19th century, having succeeded the Dutch currency of the 17th and 18th centuries, her economy was now severely weakened. The world reserve status of the U.S. dollar was formally established in a conference at Bretton Woods, NH in 1944. Being the reserve currency provides a great advantage, as the nation gets a huge discount on borrowing. But this advantage holds a danger as it also enables a nation to spend far beyond its means. The world currency nation also has enhanced influence over the affairs of other nations. As one observer put it:

> "The nation with the world currency gets to write checks that no one cashes".
> And in an afterthought he added, "But when you lose world currency status, then those nations bring all of those accumulated checks for you to cash."
> *(http://dailyreckoning.com/one-dominanat-currency)*

f. ***Technological Development*** – As the momentum of the industrial age rolled on toward the service and information eras, manufacturing and technological development continued to mushroom, catapulting the U.S. into the world's powerhouse economy from WW2 through the 1970's.

h. ***Establishment of the Petrodollar*** -- In 1973, an agreement with oil-producing countries was forged that arranged for oil to be traded in dollars. In exchange, the U.S. promised to provide military defense for these regimes. This arrangement created the 'Petrodollar', essentially forcing all nations of the world to purchase oil with U.S. dollars. This maintained a strong demand for the dollar because of the global need for oil. Nations increasingly depended on oil and that meant they had to keep a large supply of U.S. dollars in order to buy it. This, along with being the World Reserve Currency has kept the value of the dollar strong for the last 40 years.

America still towers over the world in many ways. The U.S. accounts for 40 percent of the total world's spending on scientific research and development, employs 70 percent of the world's Nobel Prize winners and is home to three-quarters of the world's top 40 universities. With a GDP of $15 trillion the U.S. leads China, which holds a distant second at $10 trillion, dropping from there to Japan with $4 trillion. With a military budget of nearly $700 billion, America spends 58% of the *total of the top 10* countries, coming in at six times the amount of the second highest which is China. Clearly, the U.S. is still the world's lone superpower. Unfortunately, the U.S. has used all of this advantage to grow into a place of great disadvantage by accumulating a staggering debt.

THE RISE OF AMERICAN DEBT

The 19th & 20th centuries were by no means trouble-free for America. In spite of her tremendously favorable position during this time period, the U.S. struggled through a number of serious hardships. We encountered periods of social unrest brought on as by-products of the industrial revolution and the new corporate monopolies. We survived a bloody civil war, several devastating depressions --- especially the Great Depression of the 1930's --- two World Wars, the civil rights upheaval, the cold war and more. The United States managed to come out of all of these problems and grow stronger. Americans developed a confident mindset which assumed we would always grow into ever-increasing strength and invincibility. It seemed that America could face any obstacle and come out the better for it. And if we had made some wiser choices, this might well have been the case. Bit by bit, however, the U.S. found herself drawn deeper into debt.

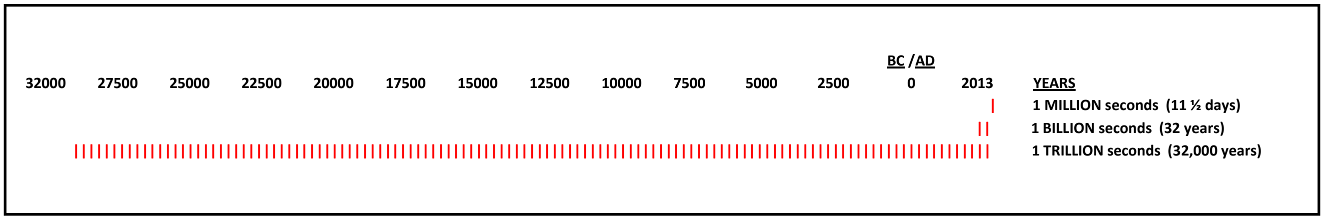
THE UNPAYABLE DEBT

It is hardly comprehensible that the U.S. was the world's largest creditor nation as recently as 1981. Today, in the space of only 30 years, the U.S. is now the largest debtor nation and the size of the U.S. debt has passed the point of no return. We are now beyond the ability to repay our national debt, even at the 'official' $16 trillion dollar mark. But politicians are not thinking about paying off the debt. They are simply concerned about reaching the point where we cannot pay the ***interest*** on the debt, which by definition is the point of default. Even so, this $16 trillion amount still does not include off-budget obligations such as Social Security, Medicare, and other government entitlement programs that are estimated to bring the total debt obligation to between $80 and $100 trillion. These numbers are so astronomical that there is no way mere humans can comprehend them.

The following example will help illustrate the enormity of the debt:

WHAT IS A' TRILLION'?

Because we really have no frame of reference to grasp the difference between billions and trillions, the average person tends to think little of the difference in a billion dollars in debt vs. a trillion dollars. This issue is more comprehensible if we think in terms of seconds. One million seconds = 11 ½ days. One billion seconds = 32 years. One trillion seconds = 32,000 years. One *billion* seconds takes us back into the <u>last generation</u>. One *trillion* seconds takes us back <u>thousands of years before the beginning of recorded history</u>. That's a big difference. Notice that because of the scale, the figures in the illustration below reflect the million and billion figures as *larger* than they actually are!



Keep in mind that as recently as 1987 our debt was in the <u>billions</u>. Our debt now is 16 <u>times</u> the trillion line.

Of course, the amount of borrowing one can handle is relative to the amount of one's income. Someone with a million dollars of income per year can expect to borrow and pay back much more than one with a ten thousand dollar income. The generally accepted safe debt level for a country is 60% or less of its Gross Domestic Product (GDP). As of 2011, the U.S. debt had reached 105% of its GDP which is around $15 trillion. There are countries with higher debt-to-GDP ratios, and some argue that the U.S. debt can grow forever with no problem, as long as the world market continues to believe the U.S. can handle it. This is like arguing that someone can continue to move out on a tree branch as long as everyone believes he can keep from breaking it. The mathematical results of exponential growth guarantee that there is a point of failure.

The impact of exponential growth happens slowly at first and then swiftly. If exponentiality is working in the favor of a skillful investor by compounding his interest, then wealth soars. But if it is compounding the interest on borrowed money, then the debt grows ever more rapidly and begins to sky-rocket out of control. We are at the point of extreme acceleration on the parabolic curve of the debt chart. We've heard warnings about our debt trend for years. The exponentiality factor is now making our financial crisis move quickly to the point of critical failure.

How has America been led into this entangling web of financial mismanagement? Blinded by assumptions that market forces were now 'different', or hoping that new economic theories could solve old economic problems; seduced by the political and economic payoff of easy credit, and overly-confident in her economic and political might, America has let herself be caught in a fatal trap. Each of the following strands has played a part in pulling the U.S. into this debt trap. Our purpose is not to lay political blame, because both major parties have had a significant share in causing the problem. This is about how we as an entire nation have lost touch with economic reality.

How could we have let our financial situation come to this? You're about to see. We'll need to step back and take a brief look at how each of these key pieces played a major role leading us into our debt problems: **1) The Banking System, 2) Our Spending Patterns, 3) Changing Mindsets 4) Cutting Corners 5) Deferred Trouble 6) The Effect of Globalization.**

PART TWO: HOW AMERICA BECAME ENSNARED IN THE DEBT TRAP

ENSNARED THROUGH THE BANKING SYSTEM

Banking is not something that a lot of Americans take time to understand, and in fact, the mystery of banking can be intimidating. Most of us just want to know how much is in our account, and we do well to keep our checkbook balanced. But our founding fathers were well aware that banking practices could make or break a nation. Gold, silver or both have most commonly been used for money throughout history. Coins were actually minted out of gold or silver bullion. When precious metal is used this way it is called '***commodity money'***. That is, the currency has actual value because of the precious metal it contains. In the middle ages, goldsmiths kept the commodity money in their vaults. They issued paper receipts to their depositors. Because these receipts could be exchanged for the precious metal at anytime, they were considered to be just as good as silver and gold, and were a whole lot easier to carry around. These receipts evolved into paper currency and came to be known as representative money or ***'convertible money'*** (our dollars used to be marked as 'silver' or 'gold certificates') While commodity money <u>is</u> precious metal, convertible money requires the government to <u>hold</u> actual gold and silver to back up its value.

Either commodity or convertible money can form the basis of a sound money system. However, bankers found a way to use their depositors' money to a much greater advantage than just making a fee for keeping it.

1. ***Fractional Banking –*** Hundreds of years ago, as bankers developed this receipt/paper-currency system, they realized that they could make loans for far more money than they actually had in their vaults. Because people don't all come for their money at once, it sits there unused. Bankers learned that they could safely loan up to about nine times the amount they have on hand, and make interest on all of that. This is called ***fractional banking***, a term nine out of ten Americans will not know, and yet it forms the heart of our banking system.

As long as the citizens have CONFIDENCE that their money is safe, this works fine, and makes bankers rich. But if doubts about a bank's stability arise, people are prone to run to the bank in a panic. Because a bank keeps only a fraction of its loans in its reserves, it doesn't have enough for everyone to get their money all at once. So the bank fails, and many people lose their money. This is why the FDIC (Federal Deposit Insurance Corporation) was developed after the notorious bank failures of the Great Depression. A down-side of having the FDIC, however, is that government protection of people's money creates what economists call a 'moral hazard'. Individuals as well as commercial entities no longer pay attention to the soundness of banking practices because they don't have to be concerned about losing any of their own money. This complacency rests on an assumption that deposits in the bank are 'insured' and therefore are safe. This is true for sporadic and rare bank failures, but the FDIC has only \$33 billion in its account. Although it does have a \$100 billion line of credit with the Treasury Department, the FDIC covers insurable deposits in an amount totaling over \$10 trillion in our nation's banks. It would not come close to being able to cover this amount in a complete collapse, or even in a substantial partial collapse. Of the four largest U.S. banks, ***each one*** has deposits totaling nearly or over $1 trillion.

2. ***National Bank / Federal Reserve --*** In the early days each state could issue its own currency and even individual banks issued unique currency. This practice was confusing and marginally regulated, leading to a growing public sentiment for better control of the banking system. But gaining this kind of control would require a national banking system. From our earliest days as a country, the question of having a national bank was a contentious issue. Some of our founding fathers, represented primarily by Alexander Hamilton, believed we needed a bank that could oversee and regulate all the banks in the country. This, they reasoned, would make for a strong financial system that would raise our credibility in the eyes of other nations. Others, such as Thomas Jefferson, James Madison, and later, Andrew Jackson were vehemently opposed to a national bank, believing it would make the nation vulnerable to control by wealthy bankers, as had proved to be the case in Europe's banking history. We went back and forth on this issue, having a national bank twice, and ending it twice. But our early free-wheeling and disjointed banking system led to a lot of panics. There were 21 of these crises between 1870 and 1907 alone. The severe 1907 panic led to an increasing willingness to establish a central bank. Advocates of a central bank claimed that it could smooth out the boom-and-bust cycles, and help avoid such panics. Amid questionable political maneuvering, the Federal Reserve Bank was chartered by congress in 1913. It was argued that a central bank would be powerful enough to enforce consistent banking practices throughout the nation and be able to intervene to rescue the economy in times of financial weakness. This might be the case with a true national bank run by the government, but what we got was a very different critter. It is often assumed that because of its name, the Federal Reserve Bank is a government agency. In fact, it is a private bank that has been given the power to issue U.S. currency. It is a for-profit corporation, making money for its owners through its operations which are not open to inspection by the government. A steady stream of voices from the time of its inception all the way to Rep. Ron Paul today are very convinced that the Federal Reserve holds grave dangers for our national well-being and that its veil of secrecy needs to be opened to public view.

ENSNARED THROUGH THE CURRENCY SYSTEM *(How Money Works)*

Prepare yourself for this one. It is the hardest part of our financial system to understand and to describe simply, but is the most important to grasp. Because our founding fathers were well aware of the dangerous reefs in the waters of banking and currency issues, they mandated in article one, section ten of the U.S. constitution, that our currency was to be made of precious metal; either gold or silver. As we've said, this is called 'commodity money'. For many years we only had commodity money or convertible money.

Exchange of precious metal coins for paper gold certificates was ended in 1933, and for silver certificates in 1964. Exchange of silver bullion for silver certificates ended in 1968. Silver was removed from dimes , quarters and dollar coins after 1964, reduced to 40% in half dollars, and eliminated completely from halves in1971. Since 1965, U.S. dimes, quarters and dollar coins have been made of cheap metal alloys.

(Nickels continue to have their historical 75:25 ratio of copper:nickel. Pennies were copper until 1982. In that year pennies were transitioned from copper to zinc.)

From the people's point of view, a currency backed by precious metal provides great economic stability. From the government's point of view, however, gold-backed currency is limiting because there are times (such as war) when a government wants to be able to spend more than the tangible wealth it has available in its holdings of gold. Politicians really like to have the freedom to just crank up a press and print whatever they think is needed when they get into a tight spot. Bankers have figured out a slick way to let this happen.

The system that the bankers have come up with is a radically different form of currency, even though on the surface it looks and functions almost identically to commodity and convertible money.

Instead of backing the value of currency with precious metal, they back it by the 'good faith' of the government. This means the government can issue a 'bond', which amounts to an IOU, and <u>borrow</u> the money it needs by simply having the central bank print it. The central bank conveniently 'buys' the bond by printing a 'note' for the value of the bond, or debt. This is why our currency bills have 'Federal Reserve Note' printed on them. So the central bank 'buys' the government bonds by giving these 'notes' to the U.S. Treasury. When the Treasury takes possession of the notes, they are at that moment turned into 'money' (monetized) and then put out into the economy.

Thus, money is created with only the price of paper and ink (and in the digital age, even that cost has been removed). Is your head spinning yet? This is probably the most difficult and slippery idea to try to understand about how our present money system works. This type of currency is called ***'fiat money'*** (fiat is a Latin word meaning, 'let it be done') and it is backed, not by anything of real value --- only by government debt. It is money, simply because the government ***declares*** it to be money, not because it has any inherent value of its own. So fiat currency is literally only as sound as the economic state of the country. More specifically, it is only as sound as people BELIEVE it is. If the general population ever loses confidence in their currency, its value collapses and can do so very quickly. Of the 599 fiat currencies that have been established throughout history, every single one has eventually collapsed in value or has been removed and replaced because it was in danger of collapsing.

The United States operated with a commitment to gold-backed currency until 1971. The toll of carrying World Reserve Currency status, the financial stress of fighting the spread of communism in Vietnam, and other circumstances led Richard Nixon to issue what is called the 'Nixon Shock', abandoning the gold standard in favor of a fiat currency. This opened the door for a pattern of increased spending which enabled massive growth of the economy through debt. Fiat currencies have been used many times through the course of history. They have a universal failure rate and are notorious for slipping into hyper-inflation. The average life-span is approximately 27 years. All the currencies of the world were pegged to the dollar as the World Reserve Currency by the Bretton Woods agreement of 1944. This meant that they had to follow the dollar off of the gold standard in 1971. As the dollar switched to fiat-currency status, the currencies of the other world nations, being tied to the dollar, necessarily followed. Today, virtually all currencies of the world are fiat.

Fiat money has several serious pitfalls:

1) It starts as debt and stays debt. Remember, fiat currency comes into existence as debt-with-interest-owed. The money loaned has been created out of nothing. But that doesn't provide enough to pay the interest on the loan, therefore new money has to be created to pay off the original interest. But the new money is also debt-with-interest, so more money has to be created to pay off the new interest, and ---- whamo! --- we're into a cycle where money has to constantly be created.

2) Inflation happens when more currency is created than there is wealth to back it. In the case of fiat currency, since it is not backed by wealth at all, it is inflationary from the very beginning. The more of it that is printed into circulation, the less each piece of the currency is worth.

3) Fiat currency has no backing except public confidence. This means that if confidence evaporates for any reason, people will seek out surer ways to store their wealth, and the fiat currency will lose its value.

4) Another major problem with fiat is that it REQUIRES growth (expansion) in order to prevent recession and the potential for economic collapse. Here's how this happens. Because fiat currency starts as debt-with-interest-owed, and new debt-money has to be created to pay off the original interest, continual expansion is required. If it stops, ***somebody*** is not being paid either the interest or principle they are owed. If they don't get paid, then they will have trouble paying their bills to the next guy, and so forth down the line. If the system begins to 'stop up' like this it is called a 'recession'. If the jam up becomes severe, it is called a 'depression'. Pushed far enough, the whole system can collapse. Once we're in a fiat currency system, the economy ***has*** to keep growing or it develops the danger of imploding back into itself. It is very much like lift to an airliner. An airliner can safely ascend and descend within a limited range of angles. If it loses lift, however, it stalls and begins falling downward. If it does not recover in time, it enters a downward spiral where recovery becomes impossible. You can also think about it as a traffic jam. When debt expands, the currency expands, but a slow-down, or tightening, of available credit, backs up in the system like a traffic jam. Just like on the highway, if a slow-down happens too quickly, some unprepared drivers crash into others. That is a recession. In a depression, brakes slam on and then cars start backing up into each other. In a collapse, people abandon their cars in the middle of the road and start walking. If you've ever wondered why reporting on the growth of the economy seems to be a daily newsworthy event, think of it as your pilot coming over the intercom to explain whether the turbulent dips you're feeling are of no concern or whether you need to brace for impact.

We made a huge mistake when we switched to fiat currency in 1971, leaving the wisdom of our founding fathers' constitutional mandate to maintain commodity money. Nixon called it a 'temporary suspension', but here we are, forty-plus years later. From the moment our currency became fiat it has been living with a death sentence. Since 1971 the dollar has lost 80% of its value.

> The debt-and-interest-based money system requires infinite economic growth in order to avoid currency collapse so that, once we are hooked on money, we are hooked on economic growth. With debt-based money as a foundation for the global economy, growth is requisite for nations and for the global economy as a whole.
>
> ---- Tina Lynn Evans, PhD
>
> *http://www.feasta.org/documents/enforced_dependency/money-debt.html*

ENSNARED THROUGH THE ACCELERATION OF SPENDING

You might already be suspicious that since 'fiat' currency can be printed without gold to back it up, that there would be a temptation to print and spend. You would be right. And by the time we went to fiat currency, a very influential economist named John Maynard Keynes had already spent many years convincing us that spending is a good thing.

1) Keynesian Economic Theory -- Because world nations were tied to the dollar, they also adopted Keynesian economic policies that had been embraced by the U.S. government. This set all nations of the world on a path of escalating debt. The economic ideas of Keynes were adopted in the 1930's and spread widely until the 1970's, with renewed application in recent decades. Keynes believed that the government should intervene in the economy in slow times through deficit spending (that is, borrowing to spend more than we have). He argued that with government spending, recessions and inflation could be avoided and constant growth could be maintained. His idea was to acquire debt by short-term deficit spending during recessions and then pay it down by surpluses achieved as growth was stimulated. Unfortunately the theory didn't account for politicians' tendency to use the surplus funds of boom times for politically flashier choices than paying down debt. Instead of reducing our debt we kept accumulating it as we implemented programs that required more spending.

An Illustration of Keynesian Economics

Someone has described Keynesianism in terms of forest management. Throughout history, forest fires would happen periodically. When a fire went through, it fed on the underbrush, moved quickly and shortly thereafter seeds of new trees would pop out, starting the forest replenishing cycle. Essentially, the fire cleared out the junk. Modern environmentalists decided it would be in the best interest of forests to clear out the underbrush, removing burnable material in order to prevent forest fires. This succeeded in eliminating fires for awhile, but when fires did start, without the underbrush to burn, fire climbed the trees, burning higher and hotter. Crowns of the mature trees burned, killing the large growth trees as well as destroying seeds in the ground. Rejuvenation of the forests then took decades instead of years. Classical economic theory allowed for cyclical recessions that were somewhat painful and cleared out the less substantial elements of the economy. Keynesianism succeeded in eliminating the periodic recessions, but by allowing debt to build up to enormous proportions has set the stage for a massive economic collapse, a fore-taste of which we experienced in 2008.

2) The Encroachment of Socialist Ideology -- Marxist and socialist thinking has been a strong undercurrent in the U.S. since Marxism began to flourish in the late 19th century. Periodically discredited, it has often remained underground, but has never gone away. Its siren song of utopian promises regularly rises to claim fresh recruits in the youthful idealism of new generations. Socialism's main flaw is the shifting of responsibility from the individual to the government. It claims imaginary 'rights' and builds an expectation that 'someone out there' should provide them. Not understanding that there is no such thing as 'government' money, socialist policies dampen and discourage the productivity of individual initiative in the private sector. It seeks to redistribute the amount of pie everyone gets, but only succeeds in cutting off the flow of pie ingredients while increasing the expectation and appetite for more pie. As Margaret Thatcher was famous for saying, "The problem with Socialism is that you eventually run out of other people's money."

ENSNARED THROUGH CULTURAL FACTORS

It should be clear that both the banking and currency systems set us up for the growth of debt. But other factors weigh in, too. A mind-set shift has taken place in our culture that has diminished our economic potency by reducing our production prowess.

1. ***Deteriorating U.S. Culture*** -- The post-WW2 culture in the U.S. weakened dramatically in its work-oriented ethic, becoming used to a lifestyle of increasing prosperity and leisure, drifting increasingly into a consumption-oriented mindset. The post-WW2 industrial boom created a generation of incredible growth and production. We learned not only to enjoy the fruits of our productivity, but to expect them as a way of life. We became increasingly consumption-oriented rather than production-oriented. Of course, those who could sell goods to us more cheaply got our business. Manufacturing learned that it could make these goods much cheaper overseas. As technology made international trade ever-more feasible we gradually but steadily allowed our own manufacturing base to be gutted. But even the cheaper price of foreign-produced goods wasn't enough to satisfy our growing appetite for consumption. Americans increasingly took on personal debt to acquire their 'stuff'. As a whole, Americans owe about $11 trillion dollars in debt, with the average family owing $15,000 in credit card debt, $149,000 in mortgage debt and $33,000 in student loans. So instead of ***producing*** things to increase our wealth, we are ***dissipating*** our wealth through buying things that other nations are now producing. And we're not only spending our wealth, we're going deep into debt to spend wealth we do not even have.

2. ***Entitlement Mentality*** -- Beginning in the 1930's and growing throughout the 20th century, the U.S. economy became encumbered by the financial demands and promises of entitlement programs. These programs are rooted in the collectivistic mentality of socialist thinking. Socialism thrives on utopian promises that cannot be delivered by real-world economics. Programs promising to provide these 'rights', initially sound great, seem reasonable and begin small, but grow unsustainable in size over time. Socialist thinking spreads a steadily increasing culture of government dependency rather than individual initiative, gradually undermining national productivity. Union-secured quality of living demands brought

many needed improvements to workers in the early 20th century. But unions have driven jobs to countries with less-expensive work forces, as their demands for increases in pay and benefits outpaced the economy's ability to provide them.

3. ***Aging population*** -- The U.S. population demographic began to rise in age, with retirees increasing the demand on Social Security, Medicare and other government-funded entitlement programs, and reducing the ability of government to generate revenue from income tax.

All of these factors have had a weakening effect on both the character and mindset of our nation. Perhaps this is why we have seen an increasing tendency in our leadership to cut corners where we shouldn't.

ENSNARED THROUGH CUTTING CORNERS

Outward circumstances in culture and technology continually develop, often leading to the general assumption that 'things have changed'. Some things DO change, but some things DO NOT change. The essence of wisdom is being able to discern which is which. Technology and historical circumstances change. Patterns or laws embedded in the nature of the universe do not change. Among the patterns that do not change are economic laws. By deceiving ourselves into thinking that 'things are different now', we inevitably invite the return of unsound financial practices that are repackaged to look like modern progressive developments. Buying into faulty assumptions has repeatedly led us to financial disaster. In the 1920's some had become convinced that stocks were going up and would never come down. Preceding the housing market crash of 2006-7 there was an almost universal assumption that housing prices would never come down. Technological developments in economic management led congress to assume that the banking mismanagement of the 1920's wouldn't be repeated. Current stimulus spending assumes that the economy will be spurred to a growth level that will pay off the debt incurred by stimulus spending.

We have seen that banking, currency and cultural factors were weighing in against U.S. financial strength as the 20th century progressed. Adding to this load, misplaced assumptions led to a growing number of bad financial decisions.

1. ***Abusing the Artificial Strength of the Dollar*** – In spite of our use of fiat currency and growing debt, the U.S. dollar has been able to continue in an artificially strong position. This is due to two factors. The dollar has continued to hold both World Reserve status and Petrodollar status. This situation made deficit spending tempting because it enabled us to carry more debt while still maintaining a high credit rating.

2. ***Bank Deregulation*** – Commercial banks have historically held a reputation for being strict and conservative, leading to high confidence in their soundness and reliability (think Mr. Banks in 'Mary Poppins') Financial investment companies, on the other hand, are more inclined to take risks in pursuit of potentially huge profits that can be made from speculative ventures. It was the blending of the ***traditional*** practices of commercial banks with ***investment*** services that set the stage for the market crash of 1929. Banks began loaning to very speculative ventures and highly leveraging them. In the aftermath of the Great Depression, these two functions were separated by banking regulations put into force through the Glass-Steagall Act of 1933. This crucial separation of commercial and investment functions was reversed by the Gramm-Leach-Bliley Act in 1999, with the assumption that modern banking could be 'self-regulating'. In spite of the lessons learned from the stock market craze and crash of the 1920's, commercial and investment banking were once again allowed to co-mingle. This may be the most predominant factor causing the 2008 crisis and our ensuing problems.

3. ***Sub-Prime debacle set-up*** -- The financial crisis of 2008 was the convergence of several intense economic weather patterns.

First of all, faulty assumptions usually set the stage for disaster and nearly everyone bought into a big one here. There was a widespread belief that real estate prices would always continue to increase, because they always had. But housing prices had never grown out of proportion to earned income levels, which they slowly did beginning in the 1970's accelerating rapidly in the first decade of the 21^{st} century. As the gap between housing prices and earned income levels grew, this trend developed a massive bubble in real estate prices.

Secondly, the Community Investment Act of 1977, which was updated and relaxed in 1995, was a government initiative requiring banks to provide mortgages to less-qualified applicants. Again, with the assumption that housing prices always go up, it was intended to increase the number of American home-owners, helping to raise their standard of living.

Banks began to issue 'sub-prime' mortgages, often called NINA (No Income, No Assets, No Problem loans) and NINJA (No Income, No Job, No Assets, No Problem loans). But, of course, mortgage requirements were established for a reason. There is no benefit to getting a mortgage when you can't make mortgage payments.

Thirdly, lax regulation of banking practices and credit rating agencies enabled bankers to bundle these high-risk mortgages along with good ones and sell them off as good investments. All three of these forces, plus others, created a massive financial implosion when mortgages began to fail and real estate prices began dropping in 2006-7.

4. ***Complex Leveraged Securities*** – Computer-powered technical ability enabled the development of new, highly creative and complicated securities. These instruments have reached a level of complexity difficult to understand even by highly trained financial specialists. This makes detection of the actual status of institutional finances quite difficult to expose. For example, the Goldman Sachs bank helped

Greece use derivatives to hide their debt so they could qualify for admittance to the European Union. Toxic assets spread throughout the globe escalated in their impact through a leveraging process called 'hypothecation' and 're-hypothecation', meaning that collateral for existing loans could be re-applied as collateral for other loans many times over. Because the collateral is not considered cash, it does not show up on corporate balance sheets, making the dangerous debt levels easy to hide from public view. This practice led to the collapse of Lehman Brothers in 2008 and continues to be a huge factor in the shadowy world of the international derivatives market. It is estimated that the shadow derivatives market conceals debt at a level between $600 trillion and $1.4 quadrillion.

5. ***Questionable reserves of precious metals*** --- The U.S. silver reserve was 3.5 billion ounces in the 1950's, but has since been entirely depleted in efforts to keep the price low as well as to supply the increasing industrial demand for silver. The government's gold-reserve status now stands in question. Observers note the lack of openness to inspection and accounting, along with fractional-banking practices which sell paper shares of gold and silver. This raises suspicions that whatever remaining stocks may exist have been vastly over-sold and will not be available if called for redemption.

6. ***Acceleration of money creation*** -- Monetary policy of the U.S. Federal Reserve Bank has turned to 'Quantitative Easing', or acceleration of the printing of fiat-currency. This policy is spoken of as 'stimulus', intended to spark growth in the economy that will boost GDP (Gross Domestic Product) and thereby raise government revenue. But stimulus money that doesn't increase long-term production has a short-term growth effect while adding to the debt and devaluing (inflating) the currency. As debt grows the government is trapped into spending in order to keep the interest rate down because a rising interest rate makes our interest payment on the debt go up. This becomes a losing battle. It sets up the danger for – many say the inevitability of -- hyper-inflation, or complete collapse of currency value, the way in which fiat currency typically dies. While government 'stimulus' is used as a 'boost' to economic growth, its effect is artificial. As it wears off, more is needed. But unless real growth factors are at work, every 'boost' has to be larger. You can think of it like a clutch that starts slipping. The worse it gets, the more acceleration has to be increased to achieve the same pull, until eventually there is no pull left at all. Another way to think of it is like a drug fix. The addict continually needs more of the drug to get the same high, leading to an eventual overdose.

7. ***Monetizing the debt*** – It has historically been advantageous for prosperous countries to 'park' their wealth by buying U.S. treasuries, essentially loaning us their money. U.S. treasuries are regarded as one of the surest safeguards of money because of our historically stable government and strong economy. Making purchases of U.S. debt has the effect of protecting other nations' wealth and strengthening their ties with the U.S. The increasingly precarious state of the U.S. economy causes concern that nations which were previously large purchasers of U.S treasuries will begin reducing the amounts of U.S. debt they are willing to buy. For the first time, China recently began reducing its amount of U.S. debt purchase. As a result, the Federal Reserve has begun buying our own debt (called 'monetizing the debt'). This practice is seen by many economic observers as the beginning of the end of a fiat-currency, because it reflects a decreasing confidence in the state of the U.S. economy by other nations.

ENSNARED THROUGH DEFERRING TROUBLE

It is not hard to understand how political and financial pressures made these corner cutting actions attractive at the time. A main weakness of both our political system and the corporate financial system is the focus on short-term results. When long-term consequences can be kicked down the road for someone else to deal with, there is little incentive to voluntarily take on the pain of those consequences now. In the real world, consequences can be either immediate or deferred. We don't always get a choice as to which way it will be, but when we can defer negative consequences, they often become weightier with time. This is especially true when we're dealing with mounting debt and compounding interest. The likelihood of our leaders making wise long-term decisions diminishes even more in light of these additional factors:

1. Political need for 'growth' -- Political success requires maintaining a positive economic environment, making it important to preserve at least the appearance of economic 'growth'. (Remember Bill Clinton's famous quip, "it's the economy, stupid"?) Irresponsible spending promises are a constant political temptation, and because government spending does produce a certain amount of 'growth' (the money expands), the political impulse always inclines toward increased spending.

Of course most of us would live in a dream world if we could. But if we try to, we quickly face the hard facts of life in the real world (rent, food, transportation, etc.). People often do not recognize their delusions or accept reality until they are hit by tangible consequences. Politics is especially vulnerable to the danger of avoiding reality because politicians can kick the tough choices down the road for other politicians to have to deal with later.

2. Manipulation of negative data – Because of this need to show the economy in an ever positive light, there is a great temptation for politicians to find ways to 'fudge' the numbers. Weak and negative economic statistics are veiled by manipulative reporting techniques, hiding certain classic economic warning signals such as the real rates of inflation and unemployment from the public. Inflation was originally tracked by calculating the CPI (Consumer Price Index), measuring change in an identical fixed basket of goods. Beginning with the Clinton administration, this weighting pattern was changed, later altered from arithmetic to geometric, then by a system of 'hedonic' adjustments and finally 'intervention analysis'. This manipulation of data continues and is getting worse. John Williams' website, 'Shadowstats.com', has become a popular place to find real numbers. Government issued numbers are increasingly distrusted and regarded as propaganda.

3. Looming economic bubbles -- Unrealistic economic practices cause the formation of 'bubbles', or exceptional rises in prices or amounts. A bubble indicates that expectations of value are out of line with real-market values. While we saw what a large bubble collapse looks like in the housing market crash of 2006-7 and its ensuing financial crisis, we are now facing extravagant bubbles in the amount of U.S. dollars in circulation, in the U.S. bond market (sovereign debt), in the U.S. stock market, in commodities and in consumer debt, especially student loans. These all have swelled to exponential levels, becoming massive 'bubbles' that will at some point inevitably collapse.

<u>**ENSNARED THROUGH THE EFFECT OF GLOBALIZATION**</u>

On top of all of this is the sobering realization that the world is connected in a way that has never happened in history. It increasingly looks like a collapse in the dollar will take every other currency down with it.

1. Increasing global interconnectedness – Interconnections in the financial systems accelerated rapidly beginning with the technological boom of the 1980's. Both global institutions and nations have grown tightly intertwined. Communication and financial transactions happen in seconds, even milliseconds. All nations are now vulnerable to the problems and weaknesses of all the others to an extent unprecedented in history.

2. Toxic assets injected into the global system -- Modern bankers took advantage of deregulation to creatively package the toxic mortgage assets created through sub-prime mortgage lending. These were put together in three layers of riskiness; low-risk/medium-risk/high-risk. Thinking that they had discovered a way to minimize and even eliminate risk by packaging low-quality loans with healthy debt instruments and spreading the risk around, banks infected the global economic system with a flood of complicated toxic assets. In more cynical views, the originating banks knew the securities would go bad because there is evidence that they made money betting against them in the stock market.

3. ***Eurozone problems*** – The EuroZone was established in 1999 as an ***economic*** alignment made up of certain European Union nations. But because it has insufficient ***political*** foundations, the EuroZone has become an interdependent economic cooperative that looks increasingly untenable. It was given a shock upon discovering that Greece had been hiding massive debt in order to gain admittance to the EU and has been hobbled by several other nations whose socialist programs have racked up unsustainable debt. Its problems have removed pressure from the U.S. in the short run, keeping the dollar stronger than it would have been, but global interconnectedness will bring European failure back on to the U.S.

4. ***Universal debt*** -- Fiat-inspired debt loads have put the economies of most all developed nations in a very negative state.

It should be obvious that we have entered a global economic mine-field with a vast array of trip-wires. What started as <u>institutional</u> problems became <u>national</u> problems through massive bailouts, and because of international connectedness the problem has become truly <u>global</u> in scope. What is important to see is that the level of financial explosiveness we are now living with has reached nuclear proportions.

PART THREE: **POTENTIAL TRIGGERS OF ECONOMIC COLLAPSE**

Indiana Jones often found himself caught in deadly traps. But the ghastly contraptions that threatened Dr. Jones were just movie props with scripted escapes. Until now, like Indiana Jones, the U.S. has faced many difficulties and emerged safely on the other side. We all want to be optimistic and 'believe in America'. But what we're being asked to believe in at this point is not the America of our founding fathers. We were put on this destructive Keynesian/Fiat path in willful disregard of our constitution. A constitutional America can be reborn, but we will have to go through a period of potentially great distress and then willfully choose to return to our roots. It remains to be seen whether this undertaking can be grasped by modern Americans. In the meantime, the financial nightmare we currently face is no movie prop. It is unfortunately quite real and looks to be inescapable. Laws of the marketplace are as real as the law of gravity. They can be suppressed and manipulated to create artificial economic 'lift' for awhile, but when the artificial effect wears off, economic gravity sets in. We find ourselves, like Wile E. Coyote, off the edge of the cliff, facing an imminent drop that is brought on by our own making. When nations ignore fiscal responsibility and become financially unstable, their economies will reset themselves to balance in harmony with economic laws. This will happen either ***voluntarily***, or ***involuntarily***, but it <u>will</u> happen. Typically, an economy 'resets' through recession and deflation, brought on by rising interest rates. This process cleanses financially weak elements out of the economy just as a forest fire eliminates accumulated underbrush. But because our debt has grown so large, we have to keep interest rates artificially low. Raising interest rates at this point would throw us into instant insolvency because we would not be able to pay the interest on the debt. The stupendous size of our debt and the global interconnectedness of economies means that we are now in danger of a financial disaster the likes of which the world has never seen.

About half of the U.S. debt is in short-term bonds which will be quickly impacted by a rising interest rate. If the interest rate rises to just 7 percent, the U.S. government will find itself spending ***more than a trillion dollars per year on interest alone*** on the national debt. Trying to solve this problem by taxation would be crippling to the economy. As Rep. Paul Ryan has pointed out, even if you taxed ***all*** the money of the wealthiest Americans, it would sustain the government only for about four months. There is just not enough money to be taxed, and, of course, to impose onerous taxation simply drives the wealthy out toward fairer shores. ***Our crucial need is for the economy to gain traction with productive growth.*** But the socialist-oriented policies of recent years impede rather than impel free-market confidence. If we can't tax our way or grow our way out of our debt problem, then we will eventually hit the point where our interest payment is beyond us. At that point we will have only two options left: 1) <u>Defaulting</u> on our national debt, which would mean instant and disastrous economic collapse, or 2) <u>Printing money</u> to pay our bills, which will inevitably debase the value of the dollar through increasing inflation. This could happen over some period of time or give way at any moment to a state of hyper-inflation**.**

We are now on an inevitable collision course with economic collapse in one form or another. The only questions left are when and how it will happen. At some point we passed the last fork in the road that would have offered any possible turn around. We are on an irreversible path that is an accelerating descent toward a bridge-less financial chasm. Some out there seem to truly believe that this Keynesian-Fiat system can go on and on with only periodic adjustments. Others say that these folks are buying into a mass delusion, keenly monitoring the daily data, but not understanding the underlying nature of our financial problems. As this picture comes clearer, many are drawing the conclusion that the powers at the controls of the cockpit are now primarily concerned about sustaining public confidence and preventing panic at any cost. They have to know we will hit the mountain. A fiat financial system ultimately rests ***only*** upon public acceptance and confidence.   Whatever else happens, that confidence must be maintained as long as possible. The direness of our situation means that the government will feel increasingly pressed to avoid the truth and continue manipulation of the stock market, interest rates, prices of precious metals, the actions of other nations and all statistics. But there will come a point when neither words nor actions can stop the consequences. When that point comes, it will be too late for American citizens to take steps to protect themselves. How and when we reach the drop-off point could be triggered by the following obvious factors, not to mention that history has a way of springing unexpected and unpleasant surprises on us. Any one of the following events could trigger a financial meltdown of the U.S. economic system at any time:

a. ***Global interconnectedness*** -- The massive interconnectedness of the global economy creates a vast minefield of possible trip zones. The economic failure of some nation or some significantly large institution could start an unraveling process that inevitably leads back to the U.S. economy

b. ***Hyper-inflation*** -- The non-stop printing of our currency will cause an inevitable inflation that could easily spiral out of control into hyper-inflation, which means that our currency will dramatically drop in value. From the point where we went on fiat currency status in 1971, the purchasing power of the dollar has dropped by 80%. Thirty-two nations have had their currency collapse into hyper-inflation in the last 100 years, including Germany, Zimbawe, Romania, Brazil, Argentina and Angola.

c. ***Loss of confidence*** -- Any set of circumstances that causes widespread loss of confidence in the U.S. economy or currency by Americans, or by the nations that are holding our debt. The BRICS (Brazil, Russia, India, China, South Africa) nations, among other countries, have begun pushing for trade to happen in their own currencies rather than the dollar. China is clearly laying the groundwork to gain world reserve currency status. The IMF (International Monetary Fund) has signaled the desire to move away from the dollar and toward a truly global currency. Central banks around the world are buying gold and seeking to retrieve their stores of gold that are held in the U.S. These are all signs of concern about the U.S. debt level, its debasing of the dollar through excessive money printing, and general fiscal mismanagement.

d. ***Loss of dollar's special status*** -- Loss of the World Reserve or Petrodollar status for U.S. currency will unplug its 'props' and dramatically weaken the dollar. This is now happening. A number of nations recently signaled their intention to establish alternatives for both. Seven of the ten major Asian economies have taken steps to move away from the dollar and toward the Chinese yuan. In addition, China's trade with Russia, Vietnam and Thailand is now being settled in Yuan. The BRICS nations all have economies stronger than the U.S. since 2008, and have made moves to deal with one another based on their own currencies rather than the dollar.

"A 'renminbi (yuan) bloc' has been formed in East Asia, as nations in the region abandon the US dollar and peg their currency to the Chinese yuan — a major signal of China's successful bid to internationalize its currency."

--- ***ChinaDaily.com.cn 10/24/12***

(The renminbi and yuan are used interchangeably to refer to the Chinese currency, sort of like 'dollar' and 'buck' in the U.S.)

e. ***Exposure of inadequate precious metal reserves*** – Should there be a call upon any of several major banks for physical gold or silver that they cannot produce, this would provoke an instant crisis. Precious metals have been leveraged to the point that an exposure of lack of supporting collateral would spark an extensive financial collapse. Foreign central banks are now asking for their gold back. Secretiveness surrounding the holding and accounting of stockpiles of physical silver and gold have raised suspicions that these supplies have been drained and/or over-committed in paper stocks. This in itself is insolvency, but the problem is compounded by the extent to which existing stores of precious metals have been leveraged. Discovery of inadequate supplies of gold and/or silver will have cascading effects on the world financial system in the same way failing sub-prime securities did in 2008. Countries that have asked for their stores of gold to be returned to them from the U.S. include Venezuela, Germany, Ecuador, Romania, Holland and Switzerland. Their ranks are sure to increase. While the supplies of gold are shrouded in mystery, we know that the U.S. had a 60-year supply of silver that it began depleting in 1991 in an effort to keep down the price of silver. This supply is now exhausted, while demand for both gold and silver is escalating rapidly.

f. ***Interest rate rise*** -- An interest rate rise that is caused either by market dynamics or by downgrading of the U.S. credit rating could quickly make the U.S. unable to meet its interest payments, since about half of the U.S. debt is in short-term treasuries, mostly held by other nations. The U.S. credit rating was down-graded in August 2011 for the first time in history, and subsequent warnings have been issued.

g. ***Crisis event*** -- Any sufficiently jolting event to the U.S. or world economies, whether from natural disaster, treacherous sabotage by another nation, or otherwise.

h. ***Breaking point*** -- Reaching by inevitable exponential growth, the point at which the U.S. is not able to meet its interest obligations on its debt.

Each one of these items represents a section of a huge dam that is holding up the unprecedented debt-load of the U.S. and the world. In reality, cracks have already begun to appear, portending an inevitable and potentially imminent collapse. Some find it astounding that the system is still holding together. Most of the economic mistakes and potential trip-wires we've mentioned are events far beyond anything the average American can do anything about. But what does this <u>mean</u> for us? Does this leave us helpless? In fact, no. But we are in a <u>stupor</u>. We have grown highly dependent upon this 'system'. For those who are now alive, the current American economic system is all we have ever known. We naturally assume it will carry on as we have always known it. As this system has mushroomed in technological sophistication, it has become termite-infested in its structure. It has undermined individual initiative, responsibility and sense of purpose. It has gutted its production base and squandered its true wealth. This is NOT the American system envisioned and founded by our forefathers. We need to awaken to that fact while there may be hope of reclaiming our authentic heritage.

Our constitution was established to provide the maximum possible INDIVIDUAL FREEDOM. We began as a nation of pioneers, homesteaders, merchants and tradesmen who settled in close-knit local communities, taking responsibility for our own well-being. We started as a nation of CITIZEN-KINGS, who had taken the crown from the throne of England and split it up among ourselves. In taking our piece of the crown, we were taking the rights to freely live our own lives. But in those days we understood that our piece of the crown included not only <u>privileges</u>. The king was able to maintain rule of his government only by wisely managing the <u>responsibilities</u> of rulership. We must man-up to carrying our share of that citizen responsibility once again. Without realizing it we have been corralled. We have become a herd. We have grown dependent upon and intimidated by the ever-increasing assertion of federal power. We have been cowered into believing that the national government has far more by way of rights and good sense than it does. It is always tempting to take the easy way out --- to just find a groove in the system and coast along with it. That is the easiest way, but it is also deadening. The only helpful course of action left to us is INDIVIDUAL ACTION. We must INDIVIDUALLY look to our own financial protection and provision, and re-learn how to do that ***co-operatively*** rather than ***collectively*** – in ***commonwealth*** rather than in the false promises of ***communism***, or its baby brother, socialism. We have to quit trusting that the system is going to be there for us. This does not mean we quit trusting in America. It means we need to quit trusting in the system that America has become, and go back to trusting in what America was intended to be; to demand respect for our constitution; to think and act for ourselves; to awaken once again to what freedom looks like, feels like, smells like and tastes like. It is time to come alive.

PART FOUR: **ACTIONS WE CAN TAKE**

This is your dam-collapse warning. It is time to move to high ground. A vast number of financially astute observers are convinced that market forces will re-set our economy. But it must be said that there are others who seem to think that this dam is unbreachable, regardless how high the load behind it grows. There were also those who thought the Titanic was unsinkable. You must choose who you are going to listen to. According to those who are sounding the alarm, the only choice we have as a nation is whether this reset will come voluntarily or involuntarily. By intervening to cushion previous crises, especially the financial panic of 2008, the government forestalled the necessary economic re-set, which means that the coming crash will be much larger. In other words, they took an ***institutional-level*** problem and made it a ***government-level*** problem. And because of the United States' position and interconnectedness with the world, this is increasingly a ***global-level*** problem.

This looming meltdown has the makings of a world-wide disaster, unprecedented in history. The collapse may be postponed, but it cannot ultimately be avoided. Back to our airliner metaphor, the question facing us as a nation is whether we want to hit the side of a mountain, or crash-land on the ground in terrain that we choose. As to when this will happen, many forecasters are quite imminent in their tone, predicting anytime between 2013 and 2017, although it is possible that it could take the form of a slow leak, decaying gradually into a state as bad or worse than what we see in Greece today.

Our government has not been able to make correct decisions for quite a long time, so there is not a lot of hope that they will begin doing so until their hand is forced. It seems obvious that by the time that happens, it will be far too late. The democratic nature of our government leads politicians to take the easiest way out, undermining political will and inclining us to kick the can down the road as far as possible. As for the elite who are in financial and policy positions that could make a real difference, the dark heart of greed is driving most of them to enrich and protect themselves at the expense of the clueless masses. As for the believers in big government solutions, they never seem to be deterred by government failures. Collectivists are determined to believe that their promised utopia lies just beyond the ever-present immediate disaster that is brought on by government central planning. Any mess-up by the government is used to call for more government to fix the problem, while blame is diverted to their opposition. They zealously believe that their nirvana will be achieved only by more of the same policies that have brought on the disaster in the first place. We dare not expect the solution to come from the next election or someplace 'out there'. We can hope that our nation will wake up and come around, but we cannot depend on this happening. We must act for ourselves, and act now.

As dire as this situation seems to be, it is not completely hopeless. There would be no point talking about these things if there was nothing we could do about it. There actually is much we can do, but the time to do it is NOW. In this matter, it is better to start preparing years too soon than one minute too late. There are courses of action individuals <u>can</u> take to protect themselves. If you think of it as a dam break, you can move yourself and your family to high ground. If you think of it as a plane crash, you can personally put on a parachute and jump out while there is yet time, whatever the politicians may or may not do. Here are some clear, simple and definite steps you can begin to implement right now. We'll briefly list the 7 key action areas you'll want to think about. These all have much more information and explanation at ***FinancialCrisisWatch.info***.

1. INFORMATION --- Open up Information Tracks. The information available to us now is nothing less than astonishing. If you are still depending on the 'nightly news', the newspaper, or any other version of the MSM (Main-Stream Media), then you are in the dark and way behind. One of the best ways to get truthful, necessary and up-to-the-minute information is ***by having your own personal YouTube channel*** and subscribing to the channels of 'broadcasters' you learn to trust. ***FinancialCrisisWatch.info*** will show you how to do this and guide you to great sources. You will get information this way that is almost impossible to find otherwise. You can use these sources to share this information with people you care about. ***Blogs and E-Newsletters*** are another vital source of critical information. The website will point you to some of the best of these as well.

2. WEALTH PRESERVATION --- Convert Dollar-Based Assets into Silver, Gold and Commodities. This is a strange idea to many of us who have never thought of anything as money except dollars. But when you get your first silver or gold coins in your hands, you will understand the difference in the feeling of real vs. paper money. Because we are so used to being able to go to a nearby store and pluck anything we want off the shelf, the idea of stockpiling supplies of commodities seems strange. But after you give it some consideration, it actually is a very strange thing NOT to plan far enough ahead to be prepared for a supply-system failure in our culture that could happen for quite a number of different reasons. Supply could be easily and quickly cut off, but even if it is not, serious inflation can undermine our ability to buy what we need even as it sits on the shelf. As the dollar loses value, everything based in dollars will go down with it, including savings, pensions, annuities, stocks, etc., and the price of commodities will rise, possibly rapidly. For this reason, whenever inflation is a danger, we preserve the value of our wealth by turning currency into the commodities that we need and use, rather than letting it sit in a bank. Commodities hold and increase in value while currency decreases in value. We do not intend to give investment advice, but we suggest that you think carefully about where you do get your investment advice. Most of the people we respect and recommend will encourage you to have at least a portion of your wealth in precious metals and other tangible assets. The easiest place to start is buying gold or silver and acquiring commodity provisions for your household for a 'safe cushion' period of time. Purchasing precious metals online is easy to do. The ***FinancialCrisisWatch.info*** website provides links to companies that we have either used or who have an excellent reputation for reliable service and competitive pricing. Establish an emergency stash of cash that you keep on hand***.*** Leave enough cash to prepare your family situation to be able to go on emergency-status that living for at least three months. It is good to build an emergency fund to cover a full year or even two, but you would want this to be in precious metals rather than cash in the event of a dollar crash. Of course, the main issue in keeping precious metals or cash on hand is being able to secure them. You will find suggestions about doing this at ***FinancialCrisisWatch.info***.

3. HOME-BASED PRODUCTION. --- We Need to Have the Ability to Produce Basic Necessities. In a severe crash, the availability of goods and services is lost or diminished. We need to be prepared with short-term supplies and be able to produce some basic necessities. This means having both the means and the knowledge necessary to make this happen. Realize that you have become more dependent on the 'system' than you know, and you can become much more independent from the system than you would think. It is not only prudent, but it is invigorating to develop the ability to be more self-sufficient. You will love the sense of independence and security it brings. If the idea of gardening and preserving food is new to you, you will find helpful resources for beginners at ***FinancialCrisisWatch.info***. While it is a worthy goal to become self-sufficient, we will always need things that others produce. This is why local community is so important. Begin building a community network now. Think in terms of local food production and food sources. Visit local farmers' markets. Meet the vendors and learn about their farms and local co-op groups. You can also network through local state university-sponsored agricultural extension agencies, and local or regional farmer marketing associations. Take the issue of personal, family and neighborhood preparedness into your own hands. Realize that most people assume that 'someone' out there in the government is 'ready to respond' in the event of any emergency. Stop and think that through. Emergency response in most of the U.S. is spectacular, but it is designed for limited incidents. In any large-scale event involving many people our emergency response crews will be quickly overwhelmed, and we will be left to our own resources until they can get to us. Just as an earthquake, tornado, flood, hurricane, winter storm or other natural disaster can affect wide areas and thousands of people, a financial crash can bring down whole systems of production, payment and delivery that we completely take for granted. When the chips are *really* down, the first source of help and supply will be local.

4. FINANCIAL MANAGEMENT --- Immediately Stop Acquiring Consumer Debt and Begin Living with a Budget. Credit cards and adjustable-rate mortgages are especially vulnerable to a rise in interest rates. When a storm is coming we tie down and cover things up. Getting out of debt is one way to do this in a financial storm. Escape car payments by developing a plan to pay cash for your vehicles. Even though historically being able to deduct mortgage interest has been a tax advantage, it still leaves us with debt on our property. Owning property free and clear has always been a key pillar of financial security. Given the future uncertainty of the mortgage deduction in the tax code, and the benefit of being mortgage-free, it is a worthy goal to aim to pay off your house. Some have suggested that if the dollar crashes, it would be to one's advantage to have a lot of fixed-interest debt, since one would be paying less and less the more the value of the dollar drops. However, governments have been known to peg interest rates to the rate of inflation, and if this happens one would lose any advantage. Still, fixed-interest debt is much less vulnerable than adjustable-rate loans. Learning to have good financial management is always important and especially so in times of financial stress. You will find helpful resources to deal with debt and finances at ***FinancialCrisisWatch.info***.

5. AWAKENED CITIZENSHIP --- We Must Learn to Think and Act Like the Citizen-Kings that We Are. Recognize that just as our forefathers threw off the monarchy of Great Britain, and took on themselves the role of 'Citizen-King', we must come back to this reality. A totalitarian government can take many forms. Our powerful elitist, bureaucracy-bloated federal government can become just as oppressive as a monarchy. If we go slack on our diligence, watchfulness and personal responsibility there are powerful forces out there ready to scoop up our 'citizen-kingship' and take it for themselves. We encourage a re-awakening of individuals knowing and actively using all the resources of their individual citizenship to preserve their liberty and affect the direction of public policy. Find links to go deeper into this concept at ***TheCitizenKing.com***.

6. PEACEFUL HEART --- <u>Know the Strength that comes from Inner Peace</u>. Whatever time we may have on earth, it is good to remember that life is short, but eternity is not. True wealth is ultimately found in spiritual peace. Our ancestors were driven in great part by a strong sense that their ultimate destiny was the next world, not this one. So much of American prosperity and success is a by-product of that vision. It is easy to let panic and anxiety take over in unsettling times. We are not driven by fear in these issues and don't want you to be either. We're simply saying that we have come to trust systems that can fail us ---- systems our ancestors didn't have, and didn't need, to survive and take very good care of themselves. The fact that life is short and we will 'soon return to dust' isn't actually a morbid thought if we have a Creator leading us into a greater future. Although you may be completely cynical or disdainful of talk about spiritual issues, you might appreciate the take on it that you will find at ***LifePlace.org***. At least give it a look. Bear in mind that a lot of forces are at work to discount and dismiss the spiritual heritage that produced such incredible earthly fruit along with a great heavenly promise. Ask yourself whether you've ever given it fair consideration.

7. INCREASING FITNESS --- <u>Regardless of Your Age, You Can Grow into a Much Better State of Physical Fitness.</u> Our fitness level affects our ability to enjoy and do almost everything else. We are growing into flabby old crotchety people mostly because we expect to. You can change your thinking and work fitness into your lifestyle in such a way that you gain and maintain a great state of physical tone and flexibility. This is a big part of taking control and responsibility for our own lives. We're not talking about intense workout programs, but patterns of life that are doable for everyone. You don't have to be an athlete to stay fit and flexible. You find resources to help you learn how to gradually get into shape and maintain a personal pattern of fitness at ***FinancialCrisisWatch.info***.

CONCLUSION

When I first began digging into these issues, it took me a long time. I'm careful and skeptical by nature. I read and listened for hours and hours over a number of months. I understand how long it takes to get your mind wrapped around these realities. Of course the professional financial people will have a much deeper insight into the issues we've talked about here. Among the many voices out there we have to decide who we're going to listen to. I've discovered a number of financial authorities that I respect and trust. Their links are provided for you to study on your own. Their perception is based on their knowledge and perspective, and you will have to decide whose perspective you agree with. But, however unlikely it may be, realize that even if all of this information proves somehow to misread the direness of our situation, or we miraculously find a way back to economic soundness, that by taking charge of your life in a new and robust way you haven't lost a thing and will have gained an immense sense of personal satisfaction and preparedness.

On the other hand, if these ominous storm clouds do materialize into the oncoming perfect-storm scenario they seem to portend, then we who take appropriate action will be as prepared and alert as is humanly possible.

If this paper has sparked your interest in further study about our economic situation and related issues, you can find helpful topical guides at ***FinancialCrisisWatch.info***.

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