



United States of America Bankrupt

October 3, 2008

Why can I make this statement? It's quite simple. The USA does not have the tax revenue and savings to service the debt we have accumulated. Our tax revenues are rapidly declining and we have next to zero savings as a nation. Unemployment is going up and tax revenues are going down. Wages are stagnant and declining for many. Yet our national debt is sky rocketing as we attempt to bail-out a record number of financial institutions and special interest programs. We simply will not be able to service all this debt with traditional accounting methods. It's really that basic!

It's much like a household which has less revenue than expenses. This household is technically bankrupt and insolvent...even though they may continue to survive for a short while. Our National Household has now reached this technical position. Tax revenues are going down nationally and our expenses are going up. Our deficits are growing. To maintain our status as a solvent nation we must borrow record amounts of funds...mostly from foreigners. And this only increases our debt and deficits...consequently, making our problem worse. So our current bail-out bills are only a short term (temporary) solution...which eventually will lead to national insolvency and then bankruptcy. We are plugging deficit holes with 'ice' that is melting rapidly. Our ship of state (let's compare it to the Titanic) has punctured its hull from an encounter with a huge iceberg (a fatal blow over time). The ship is gradually sinking but our leaders assume that the hole in the hull will be plugged with the iceberg. This is folly over time...but this assumption deceives the masses who are unaware of the real issues.

Currently we have a national deficit in our budget of over 400 billion. In 2009 this will increase into a trillion or more. The funds for the 700 billion bail-out bill do not come from existing revenues. And our Treasury has 'no money' of its own. Rather, we must borrow these funds (mostly from foreigners). The existing obligations for social security (as baby boomers retire in record numbers) have no reserve to draw upon. All these funds must come from new borrowing (mostly from foreigners). The Fannie/Freddie losses (likely over 1 trillion) must come from borrowing. And current trends suggest that there will be additional trillions of losses from future bail-out bills which will need to come

from borrowing. Currently, our national accumulated debt exceeds 10 trillion. This number must be rolled over and serviced as we are unable to pay down this debt. And as we continue our borrowing binge in 2009 and thereafter...this number will sky rocket to unsustainable levels. Interest rates will likely increase substantially as foreigners demand a higher return to lend us their wealth. It's a sobering tale that I am revealing.

Currently, we are a nation of about 330 million people. Our planet has about 6.7 billion people. This means that we are 5% of the global population. And we currently are consuming 25% of the global wealth produced. We have been able to accomplish this result (not because we are producing more than others)... but because we have been fortunate to exchange our debt (dollars) for the goods and services of other countries...mostly from countries like China, India, Brazil, Saudi Arabia, Japan, South Korea, Mexico, and Canada. These countries have been willing to accept our debt dollars for their tangible production (mostly consumer goods and natural resources). But this game is starting to change as these holders of our debt dollars observe our current financial condition and the trends developing. Will they continue to offer us real goods for our debt dollars? China and Saudi Arabia and many other countries are giving this serious thought today and their thoughts are not real favorable (towards us) as they consider their future relationship with US of A. Watch the news in the coming days and months as foreigners reevaluate their situation now that they are becoming aware of our situation. Awareness can change relationships quite dramatically and quickly.

Again, here is our debt situation as of today:

National debt: 10 trillion and growing rapidly as we borrow to maintain our lifestyle.
Contingent debt: 53 trillion and growing as baby boomers and health care cost increase.
Annual deficits: 400 billion (2008), 1 + trillion (2009) and continuing to increase.
TARP debt: 700 billion for 2009 with much more needed in the future.

Residential and Multi-family debt outstanding: 14 trillion (now deflating)
Commercial Real Estate debt outstanding: 2.6 trillion (now deflating)
Consumer and Corporate debt outstanding: 20 trillion (now deflating)
Derivative debt (notional value): 180 trillion.(now deflating)

Tax Revenues: Now decreasing as wages stagnate and unemployment increases.
National Expenses: Continuing to increase as new programs are started.
Consumer savings: Have declined for years and are now near zero.
Home equity: Declining as home values decline (30% with negative equity)

Can our ship of state be re-inflated so we can continue with a new bubble economy? I don't think this is possible given today's environment and with foreign awareness of our financial condition. Also, American 'confidence' (essential for a new bubble) would need to inflate to a new and much higher level. We would need to assume that our Fed and Treasury could introduce policies that would re-inflate our entire economy with a flood of new dollars (all borrowed from foreigners or created via monetization) and that we would maintain our 'confidence' in the soundness of these policies as they are being

implemented. Is this likely? Not in my mind. The game of re-inflation to reach a new and higher bubble economy is over. We are not Zimbabwe (this country is near total economic collapse). We were the sole Super Power economy on this planet and our dollar was (still is) the Reserve currency on this planet. Current AWARENESS, however, has changed this perception and it's now evident as we watch the NEWS. The party is over...as Nancy Pelosi recently stated on CNN. She made a prophetic statement IMO (but probably unaware of its significance). We are now living with new realities!

The most positive response to this message IMO would be to take the time to check out the above data for your-self. Most Americans, I have noticed, are rather uninformed when it comes to economics. Economics and philosophy have been my passion for most of my life. So I have been following these issues and the evolution of our financial situation for over 30 years. I sensed the problem emerging way back in the early 70's as I became enlightened and aware of our monetary situation. I watched as President Nixon and John Connely closed the gold window on August 15, 1971. I studied the history of our money and our economy during this time period. I attended numerous conferences during the 70's and 80's. I watched as the Euro currency was introduced and promoted back in the late 70's and early 80's. I personally experienced the S & L Crisis of the 80's since I was directly involved as a real estate broker and appraiser. And I observed the behavior of our Congress and Senate as they pursued a policy of spend and borrow...with no thought of the consequences. I taught a workshop in the late 70's and early 80's which focused on all these issues and more. Over 5000 adults attended my workshops (even some PhD's in economics). Many recognized our dilemma and our problems as they learned about our history. But many also felt that this subject was beyond their interest and motivation. Economics has always been a rather sober and dismal science/art. I happened to be one person who viewed this field as interesting and meaningful. Anyway, now may be a good time for many of you to think seriously about these issues. All these issues will likely affect each of you uniquely in the coming days, months, and years. God bless!

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