AN EXCERPT FROM THE BOOK IN GOD WE TRUST IN THE DOLLAR WE WORSHIP, WRITTEN BY DONALD A. GALADE.
PUBLISHED 2012, NOTICE THE ITEMS THAT HAVE ALREADY TAKEN PLACE!

Chapter 26

The Long Term Effects

The data compiled for this chapter has been derived from several sources, used with permission. I document the source, and in some instances re-produce the data in its entirety to show that the advice, and or opinions are that of other industry experts and not my own personal opinion. This is done to educate my readers on basic economic theories. There will always be opposing points of view. Your task is to gather data and use your own discernment.

One of the contributing factors to the fall of the economy was what is referred to as the mortgage crisis. People purchased houses they simply could not afford, largely in part because the government relaxed the lending qualifications, and greedy mortgage brokers gave loans to people who should not have borrowed in the first place. I did not say the people should not have received a loan; however they should not have received a loan for a house they could not afford. There are very specific guidelines as to how much debt you can have predicated upon your income and past credit history. There is a very good reason for this is it just works. If I make $1,000 a week I cannot afford a mortgage payment of $3,000 a month. The numbers simply do not work. With a period of very low interest rates over the past several years, many people purchased homes with what is known as an adjustable interest rate. The rate can go up or down depending upon the climate set by the Fed. Say you purchased a $250,000 house and had a mortgage payment of $1500. The payment was predicated on an initial adjustable interest rate of five percent. When the climate changes and interest rates go up, your mortgage payment escalates as well. You now have a house you cannot afford, where previously it was affordable.

The loans were then bundled together and sold by organizations like Fannie Mae and Freddie Mac to other institutional investment firms. These institutions created mutual funds based on the parameters of the loans. Many of these mortgage-backed securities ended up in your retirement portfolio and 401(k) plan. As people could no longer afford the mortgage payment on their

homes, they simply walked away from the properties, and let the bank foreclose. If the bank was stuck with the property, it obviously was not receiving the mortgage payment, thus the loan went into default. If the loan went into default, the investment which was backed by the loan within a mutual fund or a security product was worthless. Since a portion of your investable assets were made up of worth- less debt, your 401(k) became a 201(k) (pun intended).

Wall Street reacted accordingly. The market tumbled, which caused spiraling job losses and a failing economy. Big Brother reacted and thought printing more money (thus going further in debt) would spur the economy, but the situation got worse.

It all started with the government relaxing the rules so they could look like heroes to those who would not normally be able to buy a home. Greed fueled the lending industry to be at the right place at the right time.

So, those who can afford their homes may witness the collateral damage (pun intended) from this and possibly lose their jobs. Now they, too, may have to worry about their home because they can no longer afford the payments. "I'm from the government, I am here to help!"

We cannot dismiss the importance of discussing the future impact of Obama-Care and other recent governmental initiatives as they relate to where our country is headed financially. Government spending, TARP, cap and tax, the stimulus package, and recession are topics in the headlines regularly, but does the average person really understand the fleecing America is getting?

The shrapnel grenade our government has thrown at us will have a ripple effect for generations to come, and no one is really aware of the true consequences. We have buried our heads in the sand so long we may never recover. Income, capital gains and estate taxes will inevitably, increase. Medicare, Medicaid and other entitlement programs will witness drastic cuts. This means more out of pocket costs for those on a fixed income.

It will not be long before we see a dramatic impact on our economy as the true long- term effects of our government spending are realized by the rest of the world. The strength of the dollar as it relates to the Euro or the Yen plays a major role in the global economy.

Europe is witnessing the long-term effects of overspending. Greece is insolvent, Portugal has a liquidity problem, Belgium, France and even the UK have financial issues, and Russia may be the next to fall (again).

World leaders seem to think they can keep the status quo and in the words of the infamous Bob Marley, "everything is gonna be alright." Well, the financial landscape of the world is anything but "Irie Mon!"

This vast debt could trigger a recession unlike anything we have ever seen. Congress is frantically trying to increase the debt ceiling to prevent the U.S from

defaulting on debt payments for the first time in history. How ironic, isn't this the same thing that sparked the economic collapse to begin with? "Don't worry; I'm from the government I'm here to help."

According to an Associated Press-GFK poll, 41 percent oppose this idea and 38 percent are in favor. Don't you love these polls? Why do they never add up to 100 percent? Do you think it takes 21 percent of the populous to administer the poll so their votes don't count? It's probably just that 78 percent of all statistics are made up on the spot, just like this one. You can watch four different broadcasts and get four different opinions on where we are going. Here's a revelation: it *ain't* good!

"It is not, perhaps, unreasonable to conclude, that a pure and perfect democracy is a thing not attainable by man, constituted as he is of contending elements of vice and virtue, and ever mainly influenced by the predominant principle of self-interest. It may, indeed, be confidently asserted, that there never was that government called a republic, which was not ultimately ruled by a single will, and, therefore, (however bold may seem the paradox,) virtually and substantially a monarchy." By Alexander Fraser Tytler http://www.iwise.com/ F5hP8

It is obvious that the stimulus package has done little to create jobs or spur the economy. Government does not create jobs; people create jobs by starting new small businesses. Wall Street, big banks and the major unions witnessed a windfall from the Fed using our tax dollars. Little was done to stimulate the current economic situation by means of funding small businesses which are the backbone of our country's workforce.

The Congressional Budget Office Expects to see an increase in government health care spending for 10 years, followed by a slow decrease. They HOPE the new law will save the government $1.5 trillion over the next 20 years. If so, great, but let's do the real math: if we owe $20 trillion 10 years from today, our $20 trillion of foreign debt will continue to grow to uncontrollable proportions by the time we finally see the $1.5 trillion in health care savings. Talk about "trickle-down," even the Congressional Budget Office admits that any savings from Obama's health care law will take care of only "a small share" of the problem. Meanwhile, during at least the first 10 years of the new health care law, increasing costs will add to our already staggering foreign debt. Analysts also predict "staggering" unforeseen costs because some new health care policies may be hard to sustain, particularly when it comes to Medicaid spending cuts. The new law also calls for the creation of a new Advisory Board, which is expected to force even deeper cuts in Medicaid funding. This, along with the arguable assumption

that Medicare providers will go along with sub-inflationary pay- checks, is expected to happen <u>without</u> <u>affecting services for seniors.</u> Of course the cuts will lead to reduced services, and at a time when unprecedented numbers of seniors need it most. You can already see the skewed logic, and here's even more: The Congressional success formula also demands a 21 percent cut in payments to Medicare doctors. The pay cuts will be imposed almost immediately, in 2010. The number of doctors still willing to see Medicare patients after the pay cut remains in question because they face rising costs for things like business overhead and litigation insurance, among other issues. The Fed has a plan, Print more money or what is known as monetizing the national debt. Under oath in front of a Congressional hearing Ben Bernanke stated this would not be done. The day after the 2010 mid-term elections the Fed announced: They intend to spend <u>another</u> $200 billion over the next ten years to help keep doctors in Medicare. Unfortunately, the Congressional Budget Office correctly notes that this one move, alone, will wipe out ALL short-term savings created by the new health care law. Then factor in the cold reality of major cuts to senior Medicare services, and we will hear a public outcry from millions of disenfranchised seniors, among other Medicare recipients. Since so many voices mean a great mass of votes to politicians, Congress will undoubtedly print even more money to restore current cutbacks in Medicare services. In summary, while we already face a $20 trillion dollar national debt by 2020, the new health care budget alone will face the following facts and uncertainties, all of which threaten "blue-sky" scenarios sold to the public by a democratically controlled Congress: Like the proverbial "perfect storm," this will happen as the federal government obtains more debt to fund the most massive entitlement pro- gram since the creation of Social Security. The health care law will supposedly cost $938 billion over the next 10 years, which we hope will be covered by a projected $1.08 trillion raised from the following: Slashing Medicare services will pay $416.5 billion. After that, some 391 billion dollars, or roughly 42 percent of the <u>estimated</u> cost of health care, will come from higher- income taxpayers – individuals earning more than $200,000 a year, for example - along with a few other revenue-gathering provisions including a 32 billion dollar excise tax on "Cadillac" health plans, and so forth. AND everyone will pay a higher Medicare payroll tax and a Medicare tax on <u>investment</u> income. We'll also see reduced tax breaks for our own health care costs and the list goes on.

All we really need to know is that analysts predict tax rates upwards of 50 percent to 70 percent for upper-income Americans. Skeptics should note that European economies have followed similar formulas, pushing their governments toward an oxymoron called "social-democracy." I've heard that social-democrats are encouraged to work hard and "freely" earn as much

money as possible, in order to pay for people who choose to work as little as possible. A friend of mine has a cousin living in France who quit his job and filed for unemployment; the cousin lived very comfortably on French government unemployment for several years without looking for a job.

The Ultimate Outcome:

Economists say unprecedented taxation will soon be imposed as we begin to see the kind of inflation financial analysts have been promising since the financial meltdown began in 2007. Put the two together – soaring inflation and higher taxes – and we get the rest of a real witches brew. To call Wall Street "unsettled" in this upcoming environment is an understatement...

The role of the government will continue to grow in the single largest sector of the US economy: health care. The poor will get additional new subsidies. The upper-middle income wage earner, now considered "wealthy," will pay more and more taxes. Reduced insurance company subsidies might force carriers to leave the health care business, thus reducing the pool of competition. Smaller subsidies for hospitals and nursing homes will eventually lead to rising prices, with nursing homes becoming "selective" in alarming new ways – like disqualifying people on government programs in favor of those with more expensive long-term care insurance.

By sheer necessity and for the survival of our nation, a new law will eventually be enacted to eradicate debt and balance the budget, but it may take decades. Until then, retirees have a lot more to worry about than waiting for a solvent economy. As the effect of debt and deficit escalate, we can probably expect a series of traumatic market corrections to destabilize a struggling national economy.

(Original Informational sources for attribution: Landmark: The Inside Story of America's New Health Care Law and What It Means for Us All by the Washington Post Staff; AARP Bulletin, Special Section: Unser's Guide to Health Care Reform, May 2010, by Patricia Barry; Decoding Generational Differences/The Private Client Reserve, US Bank, by Colby Johnson)

America was once the largest producer of goods and services in the world. Our economy flourished after WWII as we became a world leader for exporting goods abroad. That is no longer the case. "The North American Free Trade Agreement or NAFTA is an agreement signed by the governments of Canada,

Mexico, and the United States, creating a trilateral trade bloc in North America. The agreement came into force on January 1, 1994. NAFTA's effects, both positive and negative, have been quantified by several economists, whose findings have been reported in publications such as the World Bank's *Lessons from NAFTA for Latin America and the Caribbean*, *NAFTA's Impact on North America*, and *NAFTA Revisited* by the Institute for International Economics. Some argue that NAFTA has been positive for Mexico, which has seen its poverty rates fall and real income rise (in the form of lower prices, especially food), even after accounting for the 1994–1995 economic crisis. Others argue that NAFTA has been beneficial to business owners and elites in all three countries, but has had negative impacts on farmers in Mexico who saw food prices fall based on cheap imports from U.S. agribusiness, and negative impacts on U.S. workers in manufacturing and assembly industries who lost jobs. Critics also argue that NAFTA has contributed to the rising levels of inequality in both the U.S. and Mexico. Some economists believe that NAFTA has not been enough (or worked fast enough) to produce an economic convergence, nor to substantially reduce poverty rates. Some have suggested that in order to fully benefit from the agreement, Mexico must invest more in education and promote innovation in infrastructure and agriculture." (Source: http://en.wikipedia.org/wiki/Nafta)

The majority of manufacturing of goods has since departed America and has taken up root in Mexico and China. We are now a country which consumes more than we pro- duce. Many of the manufacturing companies have moved to foreign soil for the benefits of cheaper labor and far fewer governmental regulations and compliance. Imagine that! Thus we regulated ourselves out of a job, literally, and then blame the illegals. Many of these companies have former employees who still collect pension plans. People were not expected to live as long as they do today when these pension plans were created. A majority of the company's earnings must be allocated to fund previously implemented pension plans. In order to remain competitive in the world market, many companies had "no choice" but to pull up stakes and relocate on foreign shores. Granted, NAFTA may have made these decisions easier. Since the economies of China and Mexico have witnessed an explosion from the products they export to the U.S., the exchange rate between the dollar and the yen for example, are watched very closely by the entire world. Thus the creation of the G20 Summit or group of 20 as it is called. The G20 was established in 1999, in the wake of the 1997 Asian Financial Crisis, to bring together major advanced and emerging economies to stabilize the global financial market. Did you get that? Since its inception, the G20 has held annual Finance Ministers and Central Bank Governors' Meetings and

dis- cussed measures to promote the financial stability of the world and to achieve a sustain- able economic growth and development (source: www.g20.org).

Did Your Portfolio "Recover?" Do You Feel "Stimulated?" Not Many People Do.

The 21st century has certainly gotten off to a rocky start. First, there was the collapse of the Tech Bubble. The Fed tells us that from 2000 to 2002 U.S. households lost $6.5 trillion in value from their portfolios, pensions, and 401(k)s. A mere six years later, the Housing Bust of 2008 more than doubled the damage, coming in at a whopping $15.5 trillion dollars in lost value!

Obviously our economy is in a tumultuous time**.** To say we have a turbulent economy is a bit of an understatement. The greatest economic minds of our generation are guessing as to what strategies to use to prevent economic collapse. Unprecedented government spending and deficits are clouding our future. Industry terms like "flash crash" are created daily to explain situations that occur within the market. Some analysts predict a rally while others tell of the impending doom of our entire economy. As an advisor, I can see some validity in both of the previously mentioned points of view; as a Christian, I can tell you the Bible speaks of financial turmoil in the end times.

In the first 185 years of our nation's history where financial records were maintained (i.e., the period from 1789-1974), the USA spent $3.8 trillion in aggregate.

The total of projected government outlays during the current 2010 fiscal year is $3.7 trillion (source: Office of Management and Budget). On March 2, 2005, then Fed Chairman Alan Greenspan told the House Budget Committee that the US government needed to undertake "major deficit-reducing actions." Greenspan said "I fear we may have already committed more physical resources to the baby-boom generation in its retirement years than our economy has the capacity to deliver" (source: House of Representatives). Prior to 1971, the dollar was represented by a fixed amount of gold. The government guaranteed this convertibility and it could not just "print" money at will. Post-1971, the U.S. went off the gold standard there by, lifting the restrictions on how much money could be printed. To complicate this, there is more money in existence currently than there is gold in existence, one of the government's biggest factors in removing the gold standard in the first place. These actions devalue the

dollar which can cause a global economic crisis, since the dollar is a benchmark against many foreign currencies.

As of November 2010, gold has reached an all- time high cresting $1,422. Robert B. Zoellick, the president of the World Bank, announced that the world should be placed back on the "gold system." Gold is the "elephant in the room" that must be addressed by policymakers, as it's being used as an alternative monetary asset because of unease about the strength of developed economies, Robert Zoellick, president of the World Bank, was quoted by CNBC. The response by the conservative right was quick. "We don't want temporary, artificial economic growth brought at the expense of permanently higher inflation which will erode the value of our incomes and our savings," retorted Sarah Palin, the former GOP Vice Presidential nominee. "We want a stable dollar combined with real economic reform. It's the only way we can get our economy back on the right track," she said."

A gold standard simply will not work! There is not enough gold in the world to sup- port the amount of currency in circulation. That is why the floating exchange system was implemented back in 1971. From that time till now, obviously the amount of currency in use has gone up substantially. Mr. Zoellick's point was to illustrate the fact that our monetary system is broken. If the dollar is worth less, it is only a matter of time until it is worthless. Obviously the buying power will continue to diminish. When the buying power is less, inflation rates escalate. Although inflation is actually a normal component in a balanced economy, it is my professional opinion that we will enter a period of hyper-inflation in the near future. It could come to the point where your currency may actually have more value as a literal fuel for heat than it does as a purchasing agent for goods and services.

The devaluing of the American dollar is no accident. It has been the intention of the Federal Reserve for many years. Before I can develop this topic you must first fully understand who and what the Federal Reserve is. First of all, The Federal Reserve is an oxy- moron. The institution is not controlled by the federal government and there is no reserve. It was Alexander Hamilton who lobbied for the first private Federal Bank, and in 1789 Congress chartered the bank.

"I place economy among the first and most important virtues, and public debt as the greatest of dangers. To preserve our independence, we must not let our rulers load us with perpetual debt."

-Thomas Jefferson

Thomas Jefferson was adamantly opposed to the idea of a privately owned federal bank and said, “I sincerely believe the banking institutions having the issuing power of money are more dangerous to liberty than standing armies.” In 1811, under President James Madison, Vice President George Clinton broke the tie vote in Congress to cast the bankers out refusing to renew their charter. Unfortunately it was President Madison who proposed a second United States privately owned Central Bank, and it came into existence 1816. When speaking to his closest friend, Martin Van Buren, Andrew Jackson said, “The bank, is trying to kill me, but I will kill it!” (And he did) The year is now 1913, the year after Woodrow Wilson was elected president of the United States. Prior to his election he needed financial support to pay for his campaign, so he reluctantly agreed, that, if elected, he would sign the Federal Reserve Act in return for that financial support. In December 1913, while many members of Congress were home for Christmas, the Federal Reserve Act was rammed through Congress and was later signed by President Wilson. At a later date, Wilson admitted with remorse, when referring to the Fed. “I have unwittingly ruined my country.”

We didn’t have, nor did we need, an income tax until we got the bankers back. The income tax was only needed to pay interest to the bankers for our money that they loaned to our government. Yes, you read that right, the Fed, mostly on paper, creates money or pays the Treasury a small printing fee for currency, and then lends this money to our government. Our taxes pay them interest on this loan that costs the FED virtually nothing to make. What a sweetheart of a deal they have.

“One of the most ungodly and fraudulent institutions ever perpetrated on the American people and the world, is the Federal Reserve System which through deceit became the central bank of the United States in 1913. The idea came about on a meeting in Jekyll Island off the coast of Georgia in 1910. The bankers in this country, especially J.P. Morgan, created a currency panic in 1907 in order to get the American people to accept the idea of a central bank.”
A central bank already existed in England from as far back as 1694. The Rothschild’s completely dominate the banking system. It is estimated their wealth goes into the trillions.

Baron Nathan Mayer Rothschild boasted: “I care not what puppet is placed upon the throne of England to rule the Empire on which the sun never sets. The man that controls Britain’s money supply controls the British Empire, and I control the British money supply.” The idea of a central bank is to so enslave the people of the country to a debt money system that you continue to collect taxes continuously which just covers the interest. The duped people of the United States are paying about $400 billion dollars per year to the IRS which is the collection agency for the Federal Reserve. By the way, the Federal Reserve is a privately

owned bank with 10 private members. The Chase Manhattan Bank is a member which is owned by the Rockefellers who are Rothschild Agents. At this point the citizens of the United States falsely owe these lemmings over 10 trillion dollars. Have you ever asked the following question? WHO HAS THAT MUCH MONEY TO LOAN TO THE UNITED STATES? Now that the Federal Reserve was firmly in place, schemes had to be constructed to get the government to borrow so a continuously growing national debt would happen. So here are some coincidences: The Federal Reserve is created in 1913, and then in 1914 we have World War 1. Right at the end of World War 1, we have a depressed economy especially in the Weimar Republic where 2 billion marks could buy a loaf of bread. In 1917, we had the Bolshevik revolution in Russia. A man named Lord Alfred Milner was a front man and paymaster for the Rothschild's in Petrograd during the revolution. He later headed a secret organization called The Round Table which was dedicated to a one world government run by wealthy financiers under socialism.

Then, lo and behold, in the 1920's we see a little known corporal with 12 men meeting in a beer hall in Munich while in America the Roaring 20's were in progress until October,

1929. Then the Federal Reserve withheld money from circulation so bills could not be paid,while simultaneously they were calling in all their loans which caused the stock market to crash. By 1932 the price of stocks had plummeted 80 percent. When the bankers plunged this nation into a depression on that fateful day in October, at the New York Stock Exchange was a visitor, his name was Winston Churchill who stated after the crash of '29, "Now I know who wields the real power." The key to understanding the Great Depression is to realize that when the Federal Reserve had contracted the money supply, there was not enough money in circulation to pay bills, to hire people, to pay back loans, etc. The crash of the stock market was the symptom but the cause was the Fed restricting the money supply. This is their weapon which is used today. When they flood the country with money, this causes inflation.

For more detailed information on the Federal Reserve, please read:
"The Creatures from Jekyll Island" by G. Edward Griffin.

"Let's print 'till we run *out'a* paper and if we run *out'a* paper we'll borrow some from China!"

Federal Reserve Chairman Ben Bernanke said he wouldn't monetize the US debt but later he recanted on his word and approved the printing of $600 billion. The goal is to pump money into the economy in order to purposely devalue the dollar and sends prices for goods and services skyrocketing. The dust had not

quit settled on the midterm election of 2010 when the FED made the announcement. Since the days of bail outs, tarp and stimulus are gone forever via the new conservative regime change, the FED figured they would have to take things into their own hands to move their along the agency that is already in place. Because they are as we said, un-audited and unregulated they can do what they want, when they want, thus they have the future of our economy in their hands. These goals can be accomplished outside the realm of government control by the nature of the FED's existence.

As the FED monetizes the national debt to "inflate it away" other countries try to protect their currency. We now face a new "currency war." "The Federal Reserve began purchasing US Treasury notes and bonds with the principal income it receives from its vast holdings of Fannie Mae and Freddie Mac mortgage securities. This practice wherein the Fed buys up US government securities and injects cash into the public market as payment for these securities - is a form of monetizing the debt.

The last time the Fed did this on a big scale was back in the 1960's when it attempted to mop up the excess treasury securities that were flooding the market as a result of Lyndon Johnson's efforts to finance the Vietnam War. That Fed program was viewed at the time as a failure, since the cash the Fed put back into the economy in exchange for the securities was a big reason - perhaps the major reason - why price inflation accelerated from the late 1960's.

The market was expecting some sort of monetary stimulus, but not this. The expectation was that the Fed would renew its "quantitative easing" program involving Fannie Mae and Freddie Mac securities - a program designed to push down long-term mortgage rates. That program was successful inasmuch as mortgage rates are at record lows, but it left the Fed with well over a trillion dollars of these securities on its balance sheet. Fed officials have lately been pondering publicly how to get rid of these securities, and apparently have concluded they can't under present market conditions without forcing mortgage rates back up again, which would only hurt the housing market. Instead, these officials have concluded that the Fed has no choice but to hold on to these securities until they mature, which is well over 10 years from now for the portfolio. The Fed receives billions of dollars of principal and interest payments every year on this portfolio, and what to do with this cash has always been open for discussion until now. But using principal proceeds from these securities to monetize the government debt is fraught with risk. For one, should the housing market start to weaken again and foreclosures rise from current levels, the Fed will be sitting on billions of dollars of credit losses on its portfolio. This could eat up most if not all of the profit it would otherwise earn on this portfolio. Second, older investors have memories of the nasty inflationary

consequences the last time the Fed monetized the debt, and the market has become very skittish about the risk of inflation, and maybe even hyperinflation Weimar Germany, that could result from the enormous fiscal and monetary stimulus put into the economy since 2007."
(source: http://www.thepeoplesvoice.org/TPV3/Voices. php/2010/08/11/ monetizing)

Every generation has the desire to see their children become more successful than the previous. Until recently this was the norm. Now I believe it will be the exception. The children of today will be the first generation of Americans that will not have more opportunity than their parents. In a recent article published by protect seniors. org, a former Federal Reserve Bank Chairman had stated: "The vast majority of American retirees see their children and grandchildren being unable to participate in the "American Dream" and afford retirement. According to a poll conducted by protectseniors.org, in conjunction with former White House ERISA advisor, Dr. Thomas Mackell Jr., Ph.D., almost three quarters of poll participants said that they expect their children and grandchildren to have worse career and lifestyle opportunities than they enjoyed (73.4 percent-children,75.6 percent-grandchildren). He went on to say, "In the past it was a given that children would enjoy better career and lifestyle opportunities than their parents. That chapter in American life appears to be ending." Over 65 percent of respondents replied no when asked if they thought their children will be able to afford retirement. Over 70 percent doubt their grandchildren will be able to afford retirement.

The enclosed is a re-print of a 10-10-11 newsletter called Uncommon Wisdom, produced by Weiss research reprinted with permission.
7 Major Advance Warnings
by Martin D. Weiss, Ph.D.

Monday, October 10, 2011

As soon as we see the likelihood of major bankruptcies and defaults, we don't wait around. We warn you immediately. We know you need time to get your money out of danger. And we also know that financial disasters don't obey any particular clock. They can strike suddenly — especially in the stock and bond markets, where investors often start selling in anticipation of the troubles to come. That's why we specifically warned our readers about:

• The failure of Bear Stearns 102 days ahead of time (Money and Markets of December 3, 2007) ...
• The failure of Lehman Brothers 182 days ahead of time (Money and Markets of December 3, 2007 and March 17, 2008)
• The near-failure of Citigroup 110 days before (Money and Markets of August 11, 2008)...• The failure of Washington Mutual 51 days before (Money and Markets of August 11, 2008), with advance warnings also issued many months earlier (Safe Money Report of March 2007 and June 2008) ...
• The demise of Fannie Mae four years before it collapsed (Money and Markets of September 24, 2004), plus ..
• The failure of nearly every bank and insurance company that has occurred since Weiss Ratings began rating them, decades ago. Now, the time has come to issue new advance warnings — some of the most important in the 40-year history of my company. My new warnings are mostly focused on Europe. But as I'll explain below, they're bound to have a life-changing impact on nearly all investors in the U.S. and around the globe.

Warning #1
Greece will default very soon. ***JUNE 30, 2015***

Banks and other investors who hold Greek notes and bonds have already seen massive losses in their market value — over 50 percent on two-year notes and even more on other issues. Until now, European authorities have turned a blind eye as their largest banks continued to carry these toxic assets on their books at full value — as if they were the best, most pristine assets in the world ... as if the sovereign debt crisis never happened! But now, European authorities are finally conceding that the banks must "partake in any solution of the crisis." In other words, the banks must bite the bullet and take some big hits in their Greek loans. They must officially recognize at least some portion of their losses. Conclusion: Whether the banks accept this "solution" voluntarily or not, it will mean Greece is in DEFAULT!

Warning #2
The contagion of fear will spread.

Anyone who thinks global investors will turn a blind eye to the Greek default is in for a big shock. Greece is not a small, third-world country. It's a member of the European Union and part of the euro zone. It has over 328 billion Euros in debt, more than Ireland and Portugal combined. Moreover, Greece is not alone, and investors know it. Investors will automatically assume — with good reason — that if one major Western government can default, so can others. And with that assumption, they will refuse to lend any more money to highly indebted governments. Or they will demand outrageously high yields.

Warning #3
European megabanks will collapse. ***JULY 3,2013***

Some of Europe's largest banks will collapse under the weight of defaulting sovereign debts and in the wake of mass withdrawals. Spain's banks are especially vulnerable, swimming in a cesspool of bad mortgages left behind from that country's giant housing bubble and bust. In fact, this year, the European Banking Authority ran stress tests on the largest banks in Europe; and among the eight banks that failed the test, five were Spanish. Their names:

- *Caixa Catalunya*
- *Unnim*

Grupo Caja 3

- *Banco Pastor*

Major French banks are bigger and in no less trouble. They barely passed the stress tests. And that was DESPITE the fact that they were allowed to cheat — not booking a penny of their losses on loans to Greece, Portugal or Ireland. According to Bankers Almanac, on a consolidated basis

- *BNP Paribas has $2.7 trillion in assets, making it the largest in the world ...*
- *Crédit Agricole has $2.1 trillion and is the world's fourth-largest bank, and ...*
- *Société Générale has $1.5 trillion.*

The total assets of these three French banks alone are greater than the total assets of the banking units of JPMorgan Chase, Bank of America and Citigroup. All three are drowning in bad loans to PIIGS countries. All three are in danger, in my view. But there's an even more imminent threat: mass withdrawals! You see, banks in the euro zone get less than 35 percent *of their funds from deposits, according to Bloomberg data. Instead, they rely far more heavily on what's called "wholesale funding" — money borrowed from other banks and institutions. In other words, they're hooked on HOT MONEY! That's the kind of money that is quickly withdrawn at the first sign of trouble. And that's also the same kind of money that caused mass bank runs in the U.S. three years ago — runs that doomed big U.S. banks like Washington Mutual, while nearly sinking giants like Citigroup and Bank of America. Big European banks are especially vulnerable because they rely on hot money far more than U.S. banks. This is why the European Central Bank rushed to the rescue last week with 40 billion Euros in emergency loans for banks suffering withdrawals. But 40 billion is a drop in the bucket, barely covering ONE CENT for each dollar of PIIGS' debts outstanding. In the weeks ahead, will governments stand idly by while their biggest banks collapse?*

Warning #4 JUNE 19, 2012

European governments will suffer a cascade of new credit rating downgrades.

The richest governments of the European Union — France and Germany — will scramble to rescue their failing banks, and so, global markets may breathe a temporary sigh of relief. But recent history proves that the entire concept of bank bailouts is seriously flawed because of the following, now-obvious sequence of events: • In their zeal to save the banks and the economy, the governments gut their own fiscal balance. • They suffer big downgrades, losing their stellar credit ratings. • And as soon as they have to borrow more money, they must pay

through the nose with far higher interest rates. In other words, in their zeal to lift banks up from the brink of failure, the governments themselves are dragged down into the abyss. Case in point: Last week, we learned that Dexia, a Franco-Belgian megabank, is in distress. It's smaller than the giant French banks in trouble. But its assets are still 1.5 times the size of Belgium's ENTIRE economy! What happens if the government of Belgium tries to help rescue the bank? It will surely lose its still-good credit rating.
Indeed, late Friday, (10-7-11) Moody's announced it's ALREADY putting Belgium on review for a downgrade just based on the POSSIBLITY it may have to bail out banks like Dexia. Moody's specifically states that a key reason Belgium is on the ratings' chopping block is "the impact on the already pressured balanced sheet of the government of additional bank support measures which are likely to be needed." And the prospect of big bank bail- outs is also a key reason other major PIIGS countries have suffered massive downgrades in recent days. (More on this in a moment.)

Warning #5 SEPTEMBER 21, 2014
Spain and Italy will be next to face default on their massive debts.

Spain and Italy have nearly $3.4 trillion in debt, or about 10 times more than Greece. But with their borrowing costs surging and their big banks failing, they will be unable to borrow enough new money to pay off old debts coming due. Result: Spain and Italy will also risk default.

Warning #6 FEBRUARY 11, 2015
Global debt markets will suffer a critical meltdown.

In anticipation of a default by a country as large as Spain or Italy, nearly all debt markets in the world will freeze, as investors withdraw in panic. This panic will not only crush the borrowing power of the PIIGS countries, hastening their default ... but it will also threaten to melt down the bond markets of countries like France, Germany, Japan, the U.K. and the U.S. That could mean sharply higher interest rates and, ultimately, the inability to borrow at almost any cost.

Warning #7
The vicious cycle of sovereign debt defaults and bank failures will lead to a global depression.

Sovereign debt defaults will trigger more bank failures. More bank failures, in turn, will precipitate more sovereign debt defaults. This vicious cycle will cut off the

flow of credit to businesses and households, sink the global economy into a depression, and perpetuate the vicious cycle. Ultimately, we will see an extended period of great economic hardship for billions of people on every continent. Skeptical? If so, I don't blame you, and I assume you have your reasons. Yet there are far stronger reasons to be skeptical of all those who believe we can easily avoid disaster ...

Reason #1
Even the highest authorities have admitted the dangers.

U.S. Treasury Secretary Tim Geithner warns of "cascading defaults," "bank runs," and "catastrophic risk." The International Monetary Fund says "the global economy is in a dangerous new phase." World Bank President Robert Zoellick warns that Europe, Japan, and the U.S. are in such danger, they're threatening to "drag down not only themselves, but the global economy." And never forget: These statements are all from leaders who want to CALM financial markets! Imagine what they'd be saying if they were out of office and speaking freely! Clearly, the crisis has now progressed far beyond the deniability stage.

Reason #2
The major credit rating agencies have finally (and belatedly) begun to recognize the dangers.

Here are just a few of the most recent examples: This past Friday, October 6, Fitch downgraded Spain and Italy. Fitch cited the severity of the European debt crisis coupled with an increasingly recessionary atmosphere that can only impair governments' abilities to come to the aid of their faltering economies. On Spain, Fitch talked about the still sizeable structural budget deficit, high level of net external debt, and the fragility of the economic recovery as the process of deleveraging and rebalancing continues render the country especially vulnerable to such an external shock. For Italy, Fitch also stressed the "high public debt and tax burden; an inefficient public sector; barriers to competition in product markets and services; inflexible labor market; and a pronounced north-south that a further worsening of the euro-zone debt crisis and volatility in the value of Italian government bonds will further erode confidence in the banking system. "In such a scenario," Fitch continues, "concerns about the banks would start to weigh on the sovereign credit profile as a contingent liability and a vicious cycle of deteriorating sovereign and bank credit quality could emerge."

The day before, on October 6, Moody's downgraded 12 U.K. financial institutions. The reasons? Similar to those cited for its earlier downgrades of major U.S. banks: Moody's believes that the U.K. government is now more likely to allow smaller institutions to fail if they become financially troubled ... and that even U.K.'s larger banks will suffer a reduction in the government's support. In other words, even if big banks fail, the government is likely to dish out less cash and more tough love. On Wednesday, October 5, Moody's downgraded Italy by three notches in one fell swoop. Moody's says Italy's ability to tap into sovereign debt markets may be constrained by the "uncertain market environment and the risk of further deterioration in investor sentiment." Alarmingly, writes ***IHS Global Insight****, "the rating agency also warned of further downgrades should any long-term uncertainty arise over the availability of external sources of liquidity support to Italy." All told, including the downgrades of Citigroup and Bank of America announced the week before, we calculate that the countries and institutions downgraded in the last 10 days alone total at least $7.3 trillion in debts outstanding (see chart below).*

Borrower	Total Debt Outstanding ($ millions)
Italy	2,490,000
Spain	894,320
U.S. banks:	
Bank of America	
Citigroup	791,800
	779,920
U.K. banks:	
Bank of Scotland PLC Clydesdale Bank PLC Co-	
operative Bank PLC HBOS PLC	405,500
Lloyds Banking Group	2,160
National Westminster Bank PLC Nationwide	12,750
Building Society Newcastle Building Society	406,260
Norwich & Peterborough Bldg. Soc.	491,840
Nottingham Building Society Principality Building	132,260
Society Royal Bank of Scotland Group Santander	87,200
UK PLC	460
Skipton Building Society	310
West Bromwich Building Society	260
Yorkshire Building Society	690
	664,660
	102,810
	2,980
	1,910
	12,040
Total	**7,280,130**

Countries and Institutions Downgraded in

Past 10 Days Alone Have at Least
$7.3 Trillion in Total Debts Outstanding

Reason #3
The era of big bank bailouts is over!

The facts are simple:

• Not even the richest countries of Europe could possibly afford to bail out their biggest banks. And conversely Not even the richest banks of Europe could possibly afford to finance the bulging deficits of their sovereign governments. Yet, right now, they are leaning on each other to avoid failing. European banks are holding on to the bad debts of sinking ernments are trying to find ways to keep the banks afloat. But this entire structure is based on nothing more than a pack of legalized lies: Banks are allowed to lie about the value of their loans to PIIGS countries, their capital and their solvency. And governments lie about how much it would really cost to save the insolvent banks. Solemn promises are made. Paper is shifted back and forth. But it's no better than rearranging chairs on the deck of the Titanic.

This Impacts You No Matter Where You Live

If you're a U.S. investor, you may think you're better off simply because the downgrade of the U.S. did not precipitate the feared collapse in U.S. Treasury securities. But that's merely due to a temporary flight to quality. Or if you're living in a country that's growing nicely and in good shape financially, you may think you're even more immune to Europe's crisis. But the European Union has the largest economy and the largest banks on Earth. It would be vastly unreasonable to think that Europe could fall and leave any other region standing. The market contagion ALONE would be enough to cause a global meltdown, destroying trillions of dollars in wealth in bonds, stocks and real estate. The big blows to corporate profits, trade and trust would merely compound those losses.

So my recommendations are unchanged:
• Get all or most of your money out of danger immediately. (To look up the relative strength or weak- ness of your bank, credit union, insurance company, ETF, stock or mutual fund, sign up for www. WeissWatchdog.com.)
• For any vulnerable assets you may still own, buy protective hedges — inverse investments specifically designed to rise when asset values fall.
• For funds you can afford to risk, go for potentially windfall profits, using those same inverse investments. And above all, stay safe!

Good luck and God bless!
Martin

In 1887 Alexander Tyler, a Scottish history professor at the University of Edinborough, had this to say about the fall of the Athenian Republic some 2,000 years prior: A democracy is always temporary in nature; it simply cannot exist as a permanent form of government. A democracy will continue to exist up until the time that voters discover that they can vote themselves generous gifts from the public treasury. From that moment on, the majority always votes for the candidates who promise the most benefits from the public treasury, with the result that every democracy will finally collapse over loose fiscal policy, (which is) always followed by a dictatorship." "The average age of the world's greatest civilizations from the beginning of history, has been about 200 years. During those 200 years, these nations always progressed through the following sequence:
From bondage to spiritual faith;
From spiritual faith to great courage;
From courage to liberty;
From liberty to abundance;
From abundance to complacency;
From complacency to apathy;
From apathy to dependence;
From dependence back into bondage."
The Obituary follows: Born 1776, Died 2008.

Professor Joseph Olson of Hamline University School of Law in St. Paul, Minnesota, points out some interesting facts concerning the last Presidential election: Olson believes the United States is now somewhere between the "complacency and apathy" phase of Professor Tyler's definition of democracy, with some forty percent of the nation's population already having reached the "governmental dependency" phase.