

Spiraling into A GREATER DEPRESSION

Our financial woes have just begun

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America, along with most of the world, is steeped in excruciating levels of debt. Governments all over the globe have bailed out banks and financial institutions from the brink with borrowed money. If these governments had worked from a surplus, there would be no further burden. We could dig our way out of crisis.

But these countries and their citizens continue to carry all those losses in the form of additional debt. America's national debt alone is \$13.5 trillion, with interest due.

America is facing annual budget deficits in excess of \$1.5 trillion with no end in sight. At that pace we will soon face over \$15 trillion in short-term debt with long-term obligations well over \$120 trillion. This is unsustainable under any scenario. We cannot grow our way out of a debt this ominous. Especially when more are now riding in the wagon, through entitlements and government jobs, than are pulling the wagon by paying taxes.

The hole we keep digging is already so deep that, if you listen carefully, you can hear the voices of our Chinese creditors wondering if America's debt can ever be repaid.

As the number of takers grows and the number of producers diminishes, I am becoming less optimistic about the prospects for a happy outcome.

"There will be no double dip," according to Egon von Greyerz of Matterhorn Asset Management. "It will be a lot worse."

I fully agree with Mr. von Greyerz's analysis as it supports what we have been saying at Swiss America for years.

According to Mr. von Greyerz, the Industrial Revolution was built not only with machines but also with the dependable money of a gold standard. In 1933 President Franklin D. Roosevelt outlawed gold bullion. In 1971 President Richard Nixon closed the last window where central banks could convert dollars to gold. With this, politicians were empowered to print all the money they wanted to buy votes, reward cronies and fund wars and welfare.

For decades we have lived in a fool's paradise funded by the equivalent of paying for everything with a credit card, according to von Greyerz. But now the huge bill for this is coming due.

"The world economy will soon go into an accelerated and precipitous decline, which will make the 2007 to early 2009 downturn seem like a walk in the park," he writes.

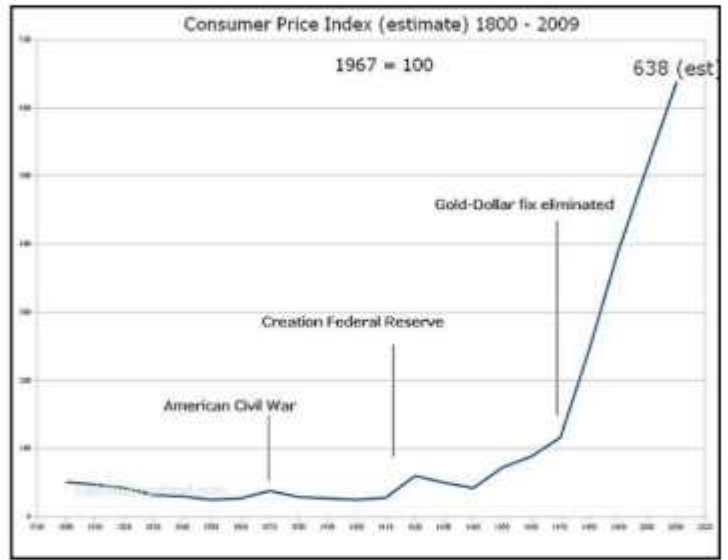
"The world financial system has temporarily been on life support by trillions of printed dollars that governments call money. But the effect of this massive money printing is ephemeral since it is not possible to save a world economy built on worthless paper by creating more of the same.

"Nevertheless, governments will continue to print since this is the only remedy they know," according to von Greyerz.

"Therefore, we are soon likely to enter a phase of money printing of a magnitude that the world has never experienced.

"But this will not save the Western World, which is likely to go in to a decline lasting at least 20 years but most probably a lot longer."

U.S. debt has grown from \$9 trillion in 1971 to \$59 trillion today, and the ratio of our debt to total income, the Gross Domestic Product, is above 380 percent and rapidly growing. By incurring debt of more than \$50 trillion, the U.S. has built its GDP to only \$14.5 trillion.



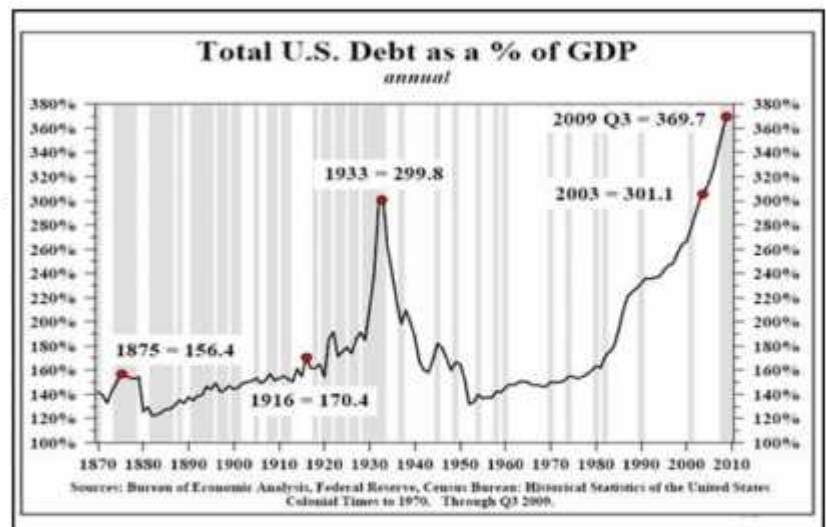
According to Mr. von Greyerz, without this massive increase in debt - which does not include \$120 trillion in unfunded liabilities such as future Medicare - *"the U.S. would probably have had negative growth for most of the last 39 years."*

Mr. von Greyerz foresees a fast-approaching *"hyperinflationary depression and... credit and asset implosion"* that is likely to be *"the end of a 200 year era of growth for the Western World."*

"The real unemployment rate is now 22%," writes von Greyerz. *"Since 2007 over 8 million Americans have lost their jobs, and it will get a lot worse."* The next few years, he predicts, will see unemployment hit 35%.

Nearly \$2 trillion in government stimulus has helped with government jobs. President Barack Obama spent many billions to save and increase government, not private sector, jobs. His party now plans to increase taxes on private employers to pay for this. This is like hacking the limbs off an overburdened tree, then infesting it with unproductive, parasitic mistletoe to suck out the last of its life blood.

Most of Mr. Obama's new 250,000+ Federal employees will be unionized, provide campaign contributions to his party and be almost impossible to fire. They will receive wages plus benefits twice that of private sector workers, where the same stimulus could therefore have produced twice as many jobs.



Only five years ago many Americans thought of themselves as new millionaires because the value of their homes soared. Lenders promoted homeowner borrowing against inflated home equity values as if it were a piggy bank for reckless spending and living beyond their means in a house many could no longer afford to buy.

Home prices have since fallen in much of the U.S. by 40% or more and are still falling. One in 10 mortgages (from the Old French meaning "pledge to the death") are at risk of foreclosure. Banks are revealing little about their inventory of millions of already-foreclosed homes, which if dumped onto the market suddenly could plunge home prices into a death spiral. This might also drive many banks into bankruptcy as real estate holdings on their asset books would become worthless. Call it Housing Bubble 2.0, with an even more costly commercial real estate bubble also about to burst.

Despite record low interest rates, formerly lax lenders have made loans difficult to obtain for most - and impossible for the one in four homeowners "underwater," with mortgages now bigger than their home's reduced value.

The Obama Administration pressured banks to reduce principle and interest on the mortgages of low income owners, millions of whom had been given mortgages in the first place through liberal pressure on banks. But half of the beneficiaries of Obama's debt reduction favoritism have stopped paying on even their discounted loans.

The perceived "wealth" felt five years ago, writes Mr. von Greyerz, came only, *"from an increase in their debt level, not from an increase in real earnings. So the improvement in living standards that the average American and many other Western countries have enjoyed in the last 40 odd years is primarily based on debt - debt that can never be and will never be repaid with normal money."*

Politicians also behaved as if government was wealthy. But new government spending also came from debt, borrowing and printing trillions of paper dollars. Consumer prices rose 500 percent as these new paper dollars tipped the balance of supply and demand and thereby devalued the dollars people had earned and saved.

"This is what is currently taking place all over the world and which will accelerate in coming months and years leading to a total destruction of paper money," writes von Greyerz.

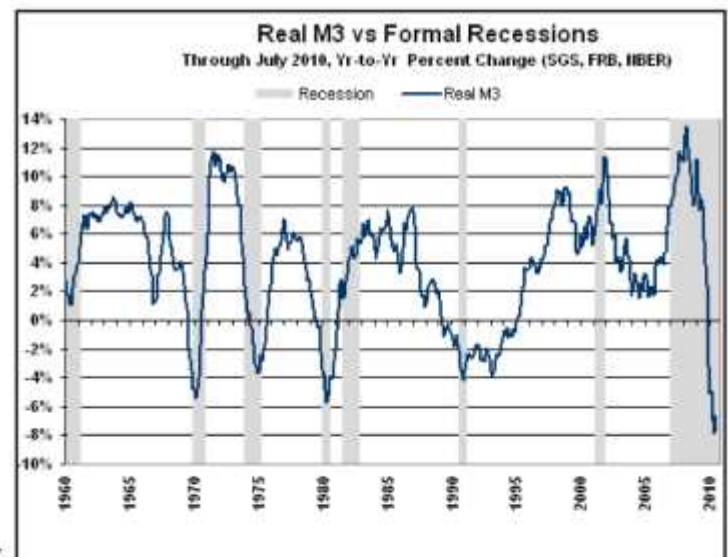
"Paper money has completely lost its function as a medium of exchange or a store of value. This is why gold is gaining and will continue to gain value against perishable paper that is called money."

It's now too late for governments to dig their way out of the emerging crisis, according to von Greyerz. *"Governments now have two options; continue to spend and print money like the US or introduce austerity programs like Europe. Whichever way they chose will not matter since they have reached the point of no return. The economy of the West cannot be saved by any means. But governments both in the US and in Europe will still apply the only method they know which is to print money,"* thereby spiraling the world economy downward from inflation to hyperinflation.

"All the excesses in the economy and in society must be unwound," he writes, including the excesses of politicians, greedy bankers, and families that lost their ethical and moral values. We must restore the family *"as the kernel of society"*.

"The only reason that the US could build up such a major debt is that the US dollar has been the reserve currency of the world and therefore the US has been able to finance its debts and deficits internationally," writes von Greyerz.

"The US has now reached a point when debts have to increase dramatically for the country just to standstill. Like all Ponzi schemes this one will also come to an end - and this very soon."



"The US dollar," he writes, "will decline dramatically and lose its reserve status and the US government will be unable to finance its deficit in any market. This process will lead to endless money printing, collapsing treasury bonds (substantially higher interest rates) and the dollar becoming worthless in a hyperinflationary black hole."

All this sounds frightening, but it can be a dark cloud with a golden lining. It will cause millions of us to rethink living for almighty paper dollars, the inflatable promissory notes of politicians, and instead to think of more important things - our health, family, and the genuine Almighty.

A life based on the stress of crushing debt, undependable money and illusory wealth is hazardous to our physical, mental and moral health and well-being. This crisis can bring us back to Earth and bedrock values.

Hyperinflation can be a new beginning, not doomsday. And in history's past hyperinflations, those who held solid money that was safe against inflation did more than survive. They thrived and were able to protect their families, pay off debts and acquire property and valuables for pennies on the dollar, as I document in my forthcoming book. What's now happening is a golden opportunity for those who are prepared.

As Swiss America has warned since 2008, a serious economic slowdown is coming. You need to get informed about what to do, realistically, for the next three to five years.

Your single most important step - and you need to take it NOW, before the dollar loses more value from political manipulation - is to diversify a portion of assets into gold. Gold is its own money and no government can print or inflate it. Historically when paper money's value evaporates, gold rapidly gains in relative value - as it has in recent days by soaring high above \$1,200 per ounce.

It's your choice: ride the Down escalator with the sinking value of paper dollars or take that step today onto the Up escalator with gold to preserve and protect the purchasing power you've worked so hard to earn and save.

Call 800-289-2646 to speak with your representative about adding gold to your portfolio *today*.

