APPENDIX I
AN ECONOMIC PERSPECTIVE

"A good chart boils history down to its essence and presents it on a graph."

– **Robert Folsom writing for the Elliottwave**

http://www.elliottwave.com/freeupdates/archives/2009/02/03/How-A-76-Year-Old-Chart-Predicted-the-Future-A-Year-Ago.aspx

See: I.O.U.S.A Trailer

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Note: Best viewed at 75% of size.

By,
George M. Petrjcik
george.petrjcik@gmail.com
2009

INTRODUCTION

ECONOMIC PERSPECTIVE

The following Graphs represent my attempt to view the major trends as they relate to the big economic picture. It is difficult to see the macro picture when the general public is dealing with micro sound bytes from public news services as to the state of our economy. I personally believe a day of reckoning is coming in which the world will be forced into revamping our goods and services economy on an international bases. The day of isolated sovereign America is over.

One major population problem facing the already stressed North American economy is a group of about 70 million baby boomers moving through time on their way to retirement. The U.S. economy has been, to a large degree, targeting this group from child hood and will feel their impact when they retire — especially medically. When the New Deal was instituted there were 300 workers supporting every person retiring. That percentage is now reversed! Also, look at the world population graph below. Ninety five percent of population growth is coming from the less developed countries. How will this condition impact the global community? Also, consider the current problems with Mexican immigration and Japanese retirement not to mention the stress to the Russian and Chinese economies.

The first graph represents U.S. Government figures from the Grace Commission report given to President Regan in the 1980's. Harry E. Figgie, Jr. wrote *Bankruptcy 1995* and presented it to Congress as a warning that if the U.S. didn't get its economy under control by 1995 it would me mathematically impossible to pay off the national debt in light of the slow projected growth of the U.S Gross National Product (GNP).

Data on the fifth graph in this series comes from the November 9, 1981 issue of Forbes Magazine. The article by Nikolai Kondratieff, back then at the start of the S&L crisis, got many peoples attention – including mine. This prosperity/depression graph gives a perspective as to what the major glitches in the stock market graph may mean. As we follow the time line the historical 4th cycle wants to complete back to depression. This graph adds perspective to the national debt and stock market graphs.

The warnings have clearly been given —at least by a few. The European Economic Community (EEC) and European Union (EU) have been in past news because of levying a fine against Germany and France (and maybe others) for exceeding the limit for deficit spending set by the EEC. It seems again that time is ripe for the 4th cycle to complete. Consider the last chart where Kondratieff's chart is compared with Hubbert's peak oil curve. Both sets of data come from studies out of the 1950's.

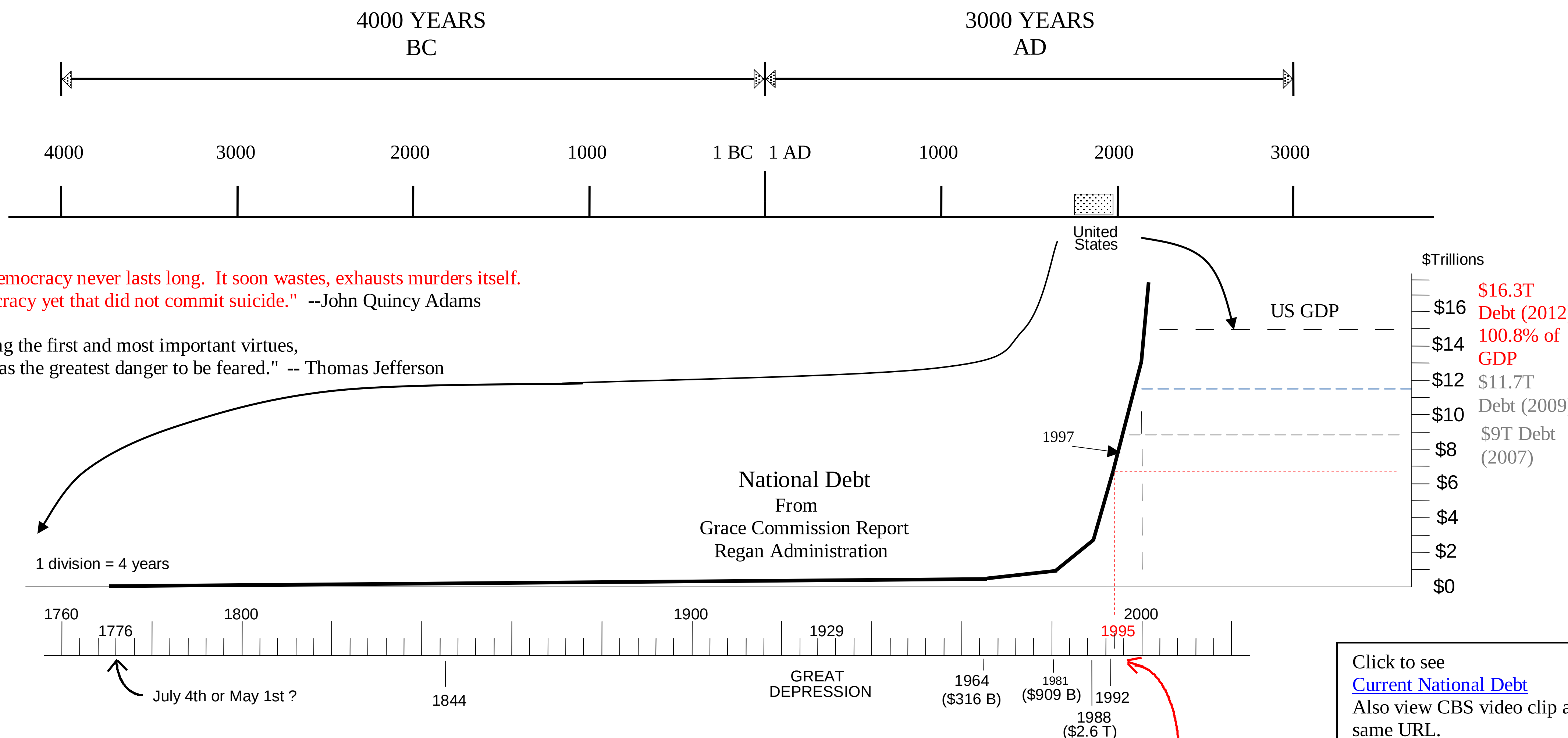
One question to ask is: whatever happened to the Balanced Budget Amendment? After 9/11, a balanced budget will never happen! If that is true, what is next . . .?

[Following charts are best viewed with screen size = 75%.]

The United States National Debt

"Remember, democracy never lasts long. It soon wastes, exhausts murders itself. There never was a democracy yet that did not commit suicide." --John Quincy Adams

"I place economy among the first and most important virtues, and public debt as the greatest danger to be feared." -- Thomas Jefferson



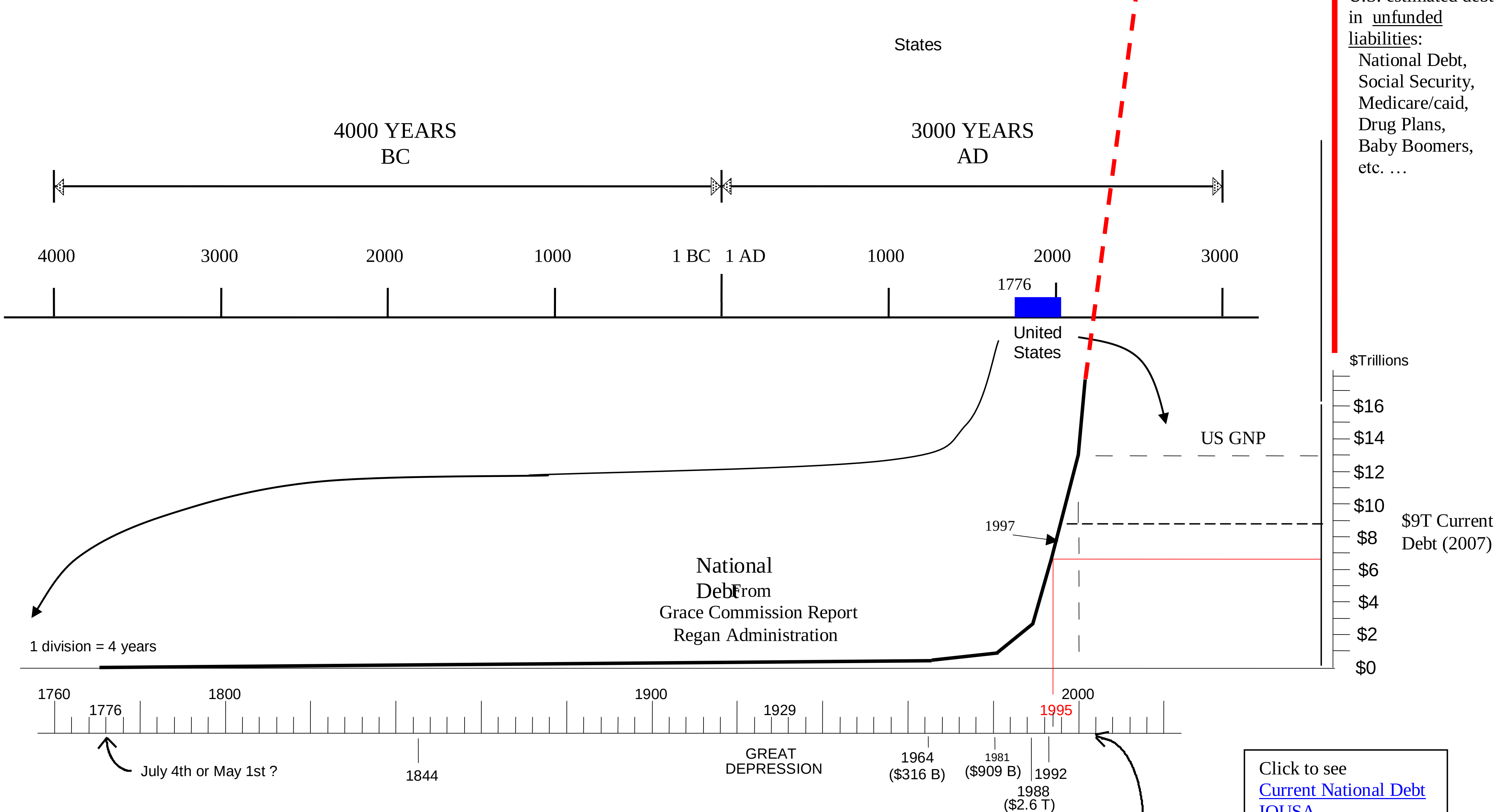
"Civilizations are dynamic; they rise and fall; they divide and merge. And, as any student of history knows, civilizations disappear and are buried in the sands of time. "
Samuel P. Huntington, Clash of Civilizations; Council on Foreign Relations Inc. 1993

1995 is the critical year based on the total U.S. Gross National Product of $13.2T to halt the escalating debt. Else the nation will run into a mathemmatical impossibility to pay down the debt based on limited tax income .

Click to see
Current National Debt
Also view CBS video clip at same URL.
Also see:
http://www.iousathemovie.com/
www.mcalvany.com/podcast

See: Bankruptcy 1995 by Harry E. Figgie, Jr.

The United States National Debt (adjusted)



Click to see
Current National Debt
IOUSA

Total Collapse
of
U.S. Economy ?

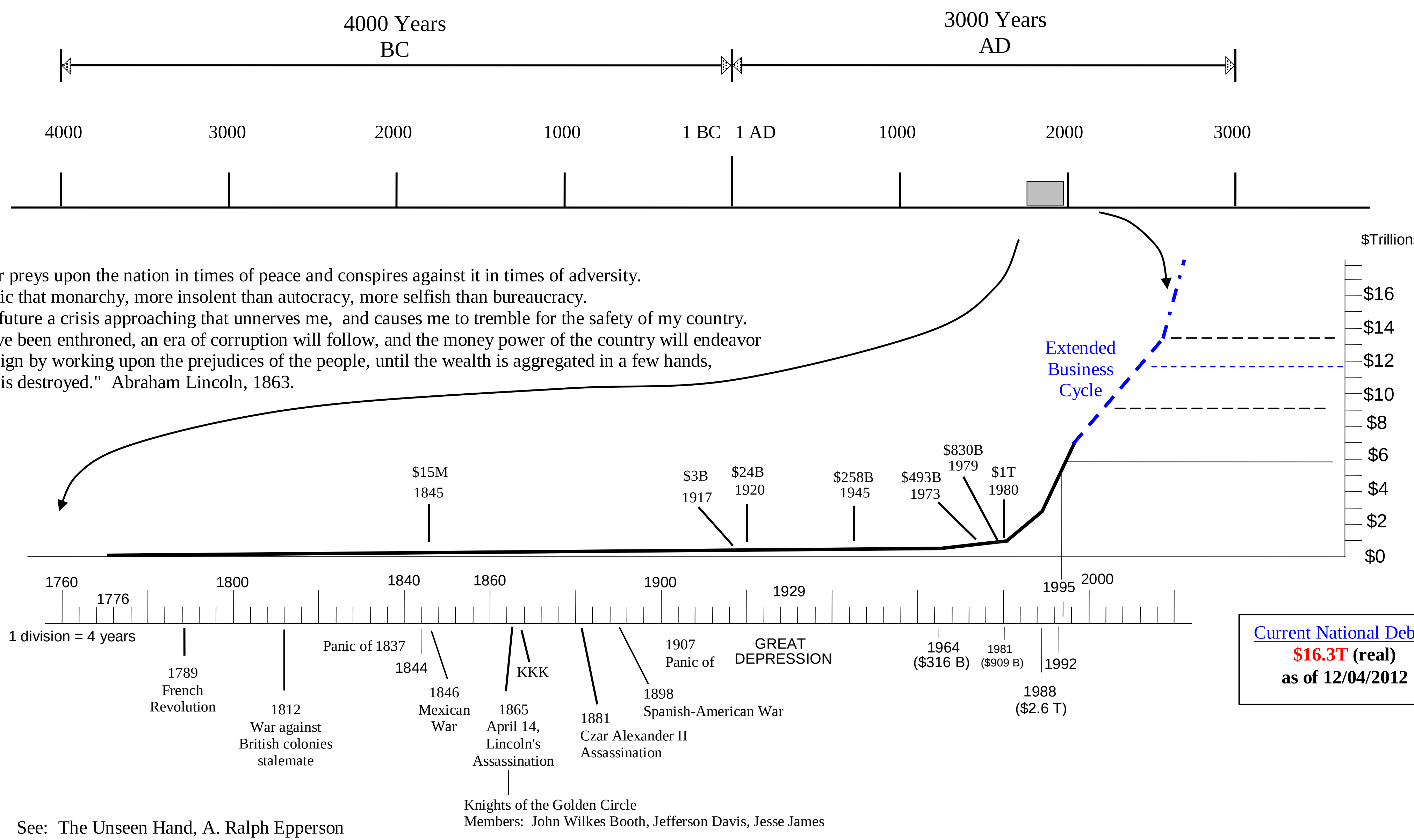
(Hyperinflation or Market Panic)

"Civilizations are dynamic; they rise and fall; they divide and merge. And, as any student of history knows, civilizations disappear and are buried in the sands of time. "
Samuel P. Huntington, Clash of Civilizations; Council on Foreign Relations Inc. 1993

See: Bankruptcy 1995 by Harry E. Figgie, Jr.

The United States
National Debt (adjusted)

"The money power preys upon the nation in times of peace and conspires against it in times of adversity.
It is more despotic that monarchy, more insolent than autocracy, more selfish than bureaucracy.
I see in the near future a crisis approaching that unnerves me, and causes me to tremble for the safety of my country.
Corporations have been enthroned, an era of corruption will follow, and the money power of the country will endeavor
To prolong its reign by working upon the prejudices of the people, until the wealth is aggregated in a few hands,
and the republic is destroyed." Abraham Lincoln, 1863.

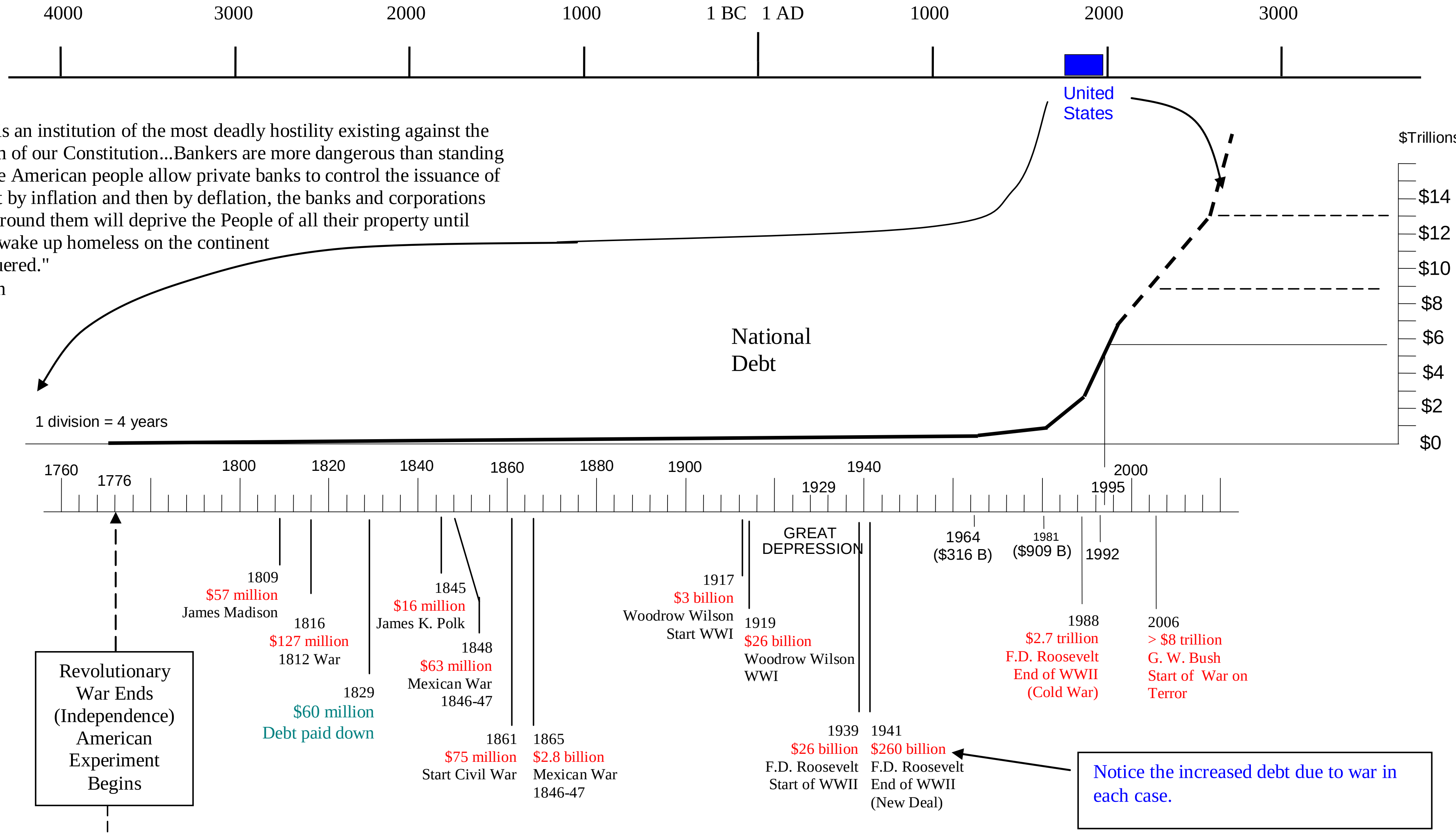


Current National Debt
$16.3T (real)
as of 12/04/2012

See: The Unseen Hand, A. Ralph Epperson

Effect of Wars on National Debt

"The central bank is an institution of the most deadly hostility existing against the Principles and form of our Constitution...Bankers are more dangerous than standing armies...(and) if the American people allow private banks to control the issuance of their currency, first by inflation and then by deflation, the banks and corporations that will grow up around them will deprive the People of all their property until their children will wake up homeless on the continent their Fathers conquered."
–Thomas Jefferson



Mrs. Powel of Philadelphia asked Benjamin Franklin, "Well, Doctor, what have we got, a republic or a monarchy?" With no hesitation whatsoever, Franklin responded, "**A republic, if you can keep it**."

President James Madison inherited a National Debt of $57 million when he took office in 1809. By 1816 - due largely to increased borrowing to fund the War of 1812 - that debt stood at **$127 million.** *He paid it down - but it would take the nation 20 years to get back to 1809 debt levels again*

President James K. Polk inherited a debt of just $16 million when he became president in 1845. Polk's desire to expand the nation led to the Mexican War in 1846-47...and left the nation with a **$63 million** debt by 1848

The Civil War exploded the federal debt, which rose from **$75 million in March 1861 to $2.8 billion by August 1865**

During President Woodrow Wilson's administration, the United States entered World War I. When it started, the nation's debt stood at $3 billion**. *But it rose more than eight times over, to $26 billion, over the next 24 months***

Roosevelt's "New Deal" had already pumped up the National Debt to $72 billion at the start of World War II. ***By the end of World War II, it stood at a staggering $260 billion.***

The Cold War took an enormous toll as well, raising the debt to a staggering **$2.7 trillion** by the time Ronald Reagan left office in 1988.

. . .

"We have no government armed with power capable of contending with human passions unbridled by morality and religion. Avarice, ambition, revenge, or gallantry, would break the strongest cords of our Constitution as a whale goes through a net. Our Constitution was made only for a moral and religious people. It is wholly inadequate for the government of any other." —John Adams (October 11, 1798)

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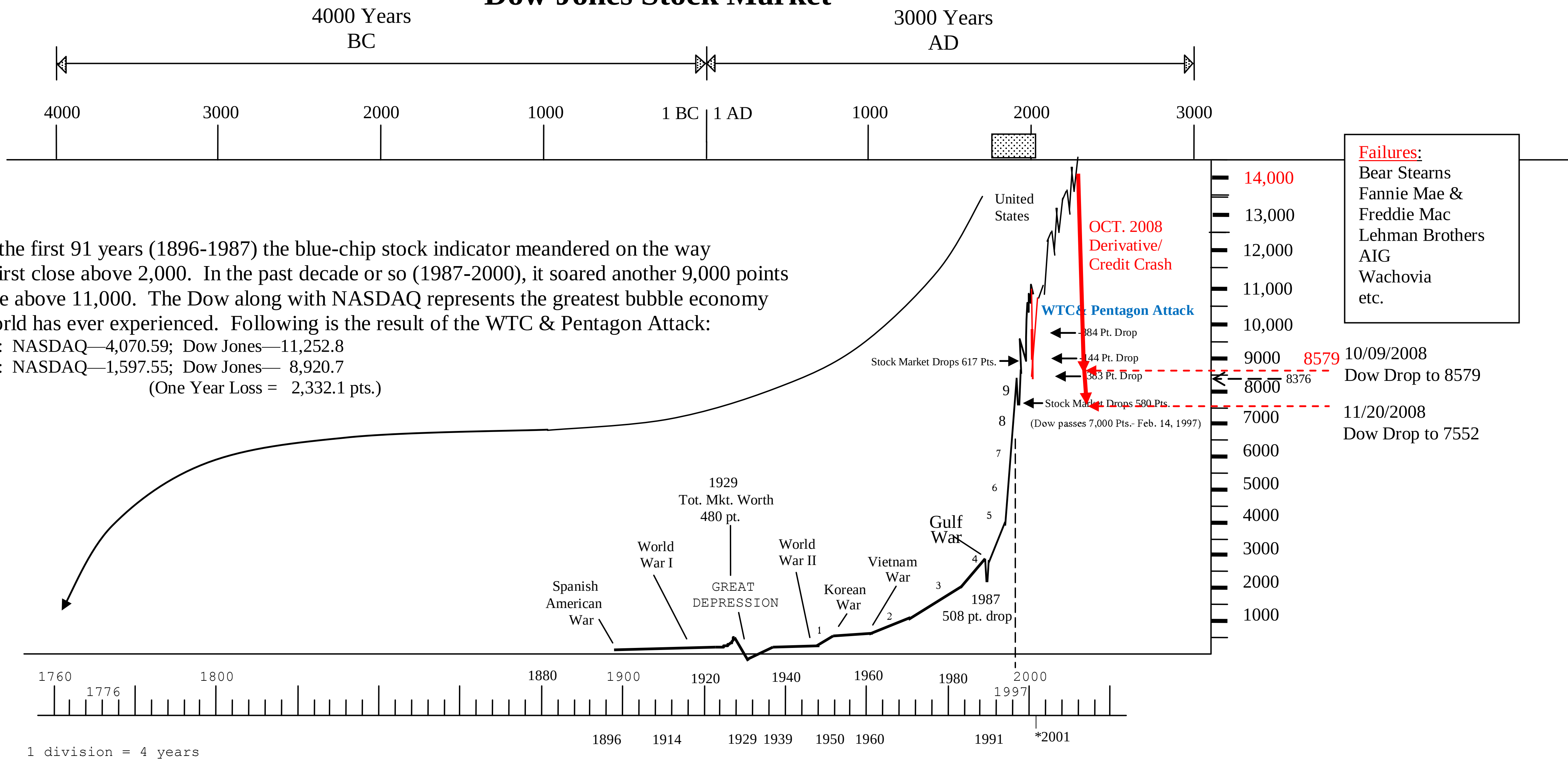
The United States
Dow Jones Stock Market



In the first 91 years (1896-1987) the blue-chip stock indicator meandered on the way to its first close above 2,000. In the past decade or so (1987-2000), it soared another 9,000 points to close above 11,000. The Dow along with NASDAQ represents the greatest bubble economy our world has ever experienced. Following is the result of the WTC & Pentagon Attack:

8/28/00: NASDAQ—4,070.59; Dow Jones—11,252.8
9/18/01: NASDAQ—1,597.55; Dow Jones— 8,920.7
(One Year Loss = 2,332.1 pts.)

Progression of Market Value :

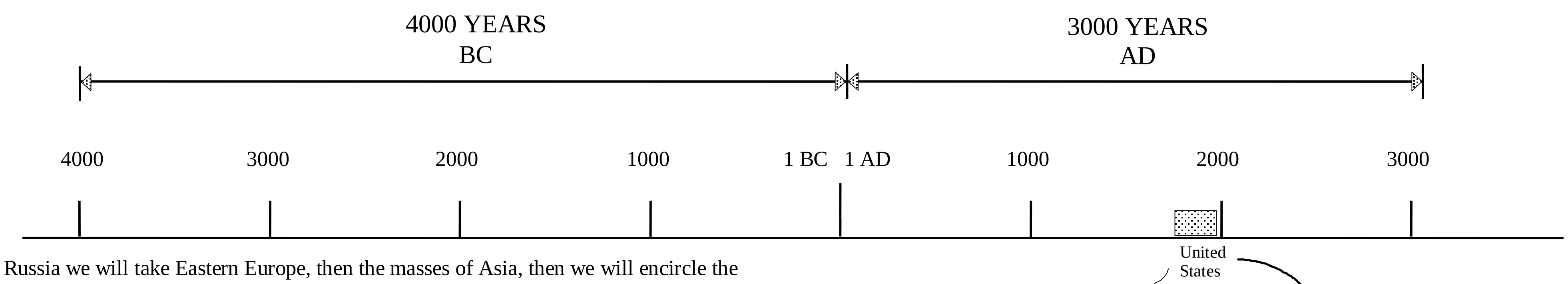
See: St.Petersburg Times, Feb. 14, 1997

1. Dow crosses 500 - March 12, 1956
2. 1,003.16 - Nov. 14, 1972
3. 2,002.25 - Jan. 8, 1987
4. 3,004.46 - April 17, 1991
5. 4,003.33 - Feb. 23, 1995
6. 5,023.55 - Nov. 21, 1995
7. 6,010.00 - Oct. 14, 1996
8. 7,022.44 - Feb. 14, 1997
9. 8,200 - Aug. 1997
10. 580 pt. ($660B) Drop - Oct. 27, 1997
11. 9,300 - July 1998
12. 617 pt. Drop
13. *8920.7 -884.81 pt. Drop – Sept. 11, 2001
14. 8376.4 -382.92 pt. Drop – Sept. 20, 2001
15. 13,444 as of June 28, 2007
16. > 14,000 as of July 2007

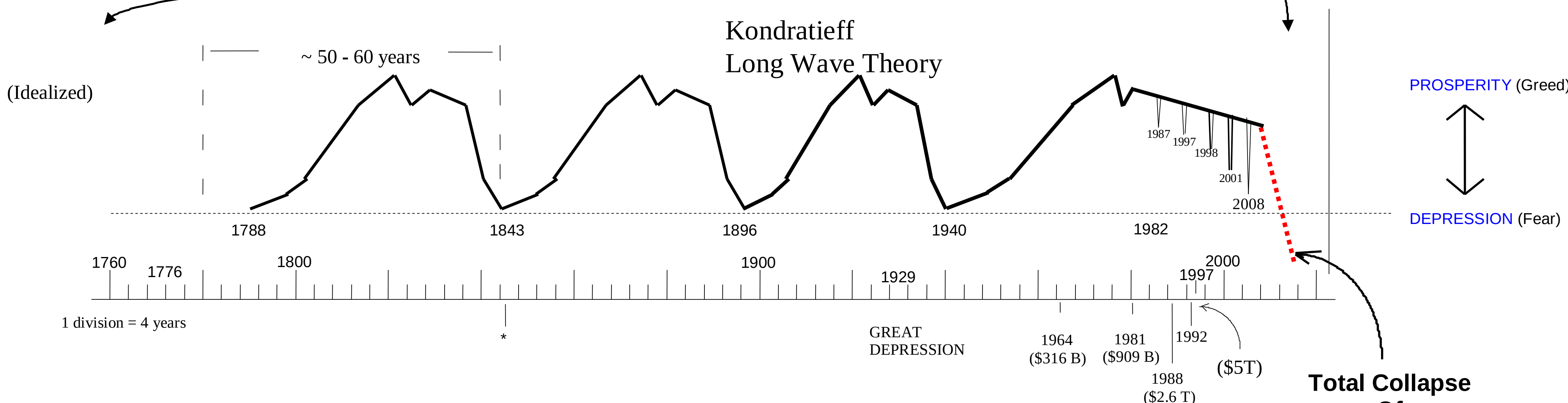
(Hyperinflation or Market Panic)

$13.2T National Debt will require 101% of U.S. tax revenue to service interest on debt.

The United States
224 Year Prosperity Cycle



"After Russia we will take Eastern Europe, then the masses of Asia, then we will encircle the United States which will be the last bastion of capitalism. We will not have to attack. It will fall like an overripe fruit into our hands." -- Vladimir Ilyich Lenin (1870-1924)



Total Collapse
Of
U.S. Economy?

World?

"You Americans are so gullible. No, you won't accept Communism outright, but we'll keep feeding you small doses of Socialism until you'll finally wake up and find you already have Communism. We won't have to fight you. We'll so weaken your economy until you'll fall like overripe fruit into our hands." -- Nikita Sergeyevich Krushchev

"The best way to destroy the Capitalist system is to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens." -- Nikita S. Khrushcev (1894-1971)

See: Forbes Magazine, Nov. 9,1981- Nikolai Kondratieff, once a scholar at Moscow's Agricultural Academy, studied commodity prices of Europe & U.S. while in Siberia.
(Presented by Charles Wheeling at weekend seminar, Lake Nelson School, Piscataway, NJ, 1982/3)

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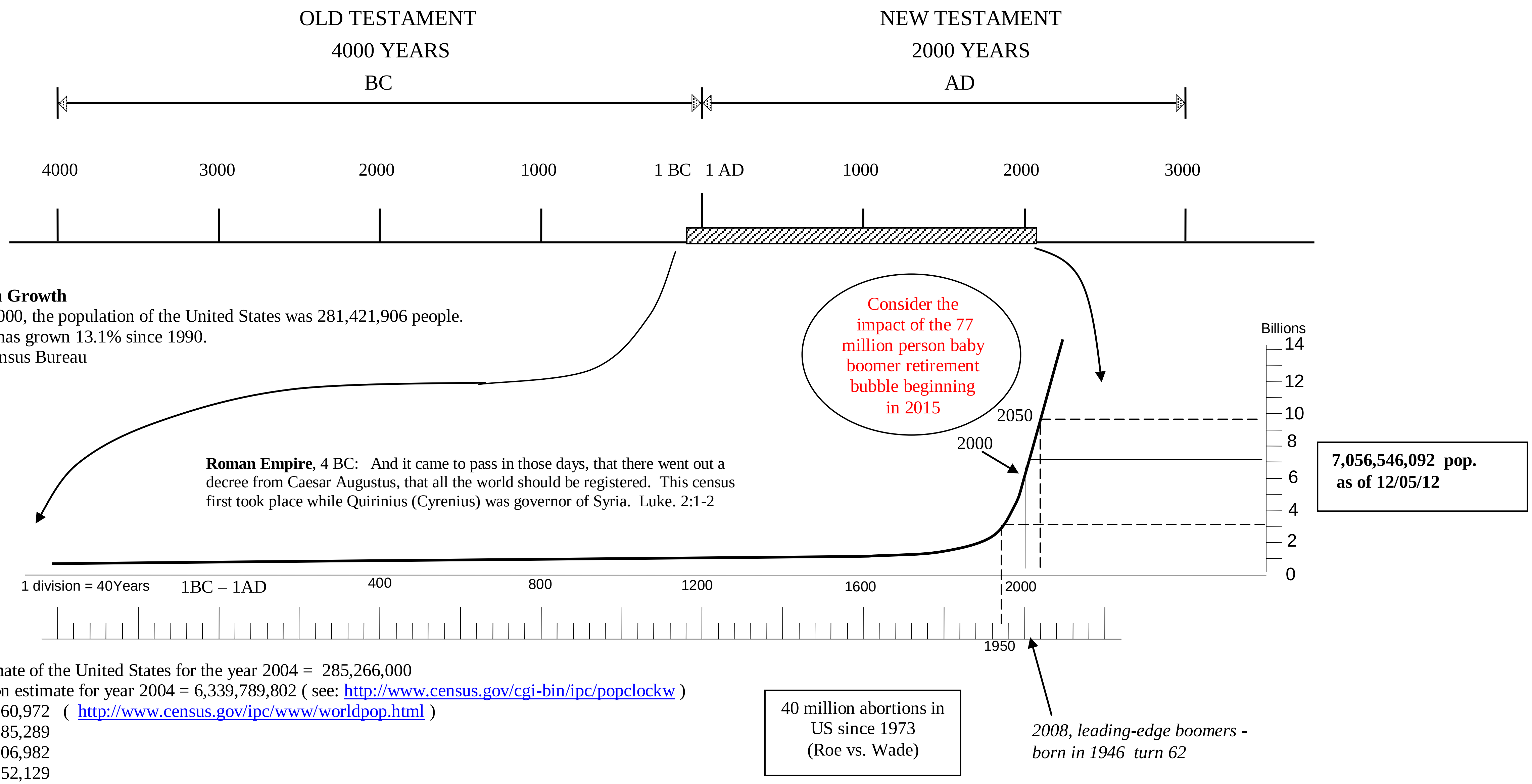
World Population Growth



U.S. Population Growth
As of April 1, 2000, the population of the United States was 281,421,906 people.
The population has grown 13.1% since 1990.
Source: U.S. Census Bureau

Population estimate of the United States for the year 2004 = 285,266,000
World population estimate for year 2004 = 6,339,789,802 (see: http://www.census.gov/cgi-bin/ipc/popclockw)
1950 2,555,360,972 (http://www.census.gov/ipc/www/worldpop.html)
1990 5,275,885,289
2000 6,079,006,982
2013 7,029,452,129
2050 9,084,495,405

Note: Of the approximate 78 million people added to the world population per year, 95% live in less developed countries. Over 1 Billion abortions have been performed world wide since Roe vs. Wade in 1973.

US HOUSING CONCERNS

"Those who think that the worst may be over for the housing market should take another look at the data... "

- The New York Times, January 7, 2007

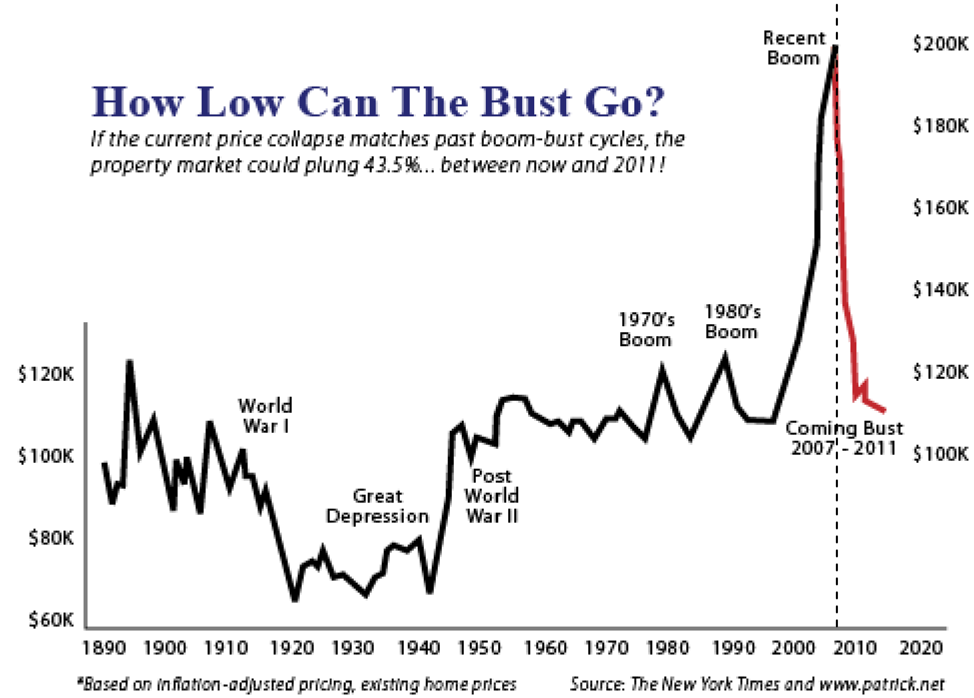
Shocking Prediction:
Why Your House Could be Worth 43% *Less* by 2011

"For cash-strapped homeowners, it was a pitch they couldn't refuse: Refinance your mortgage at a bargain rate and cut your payments in half... *but those who took the bait are in for a nasty surprise: payments are about to skyrocket."*

- Business Week

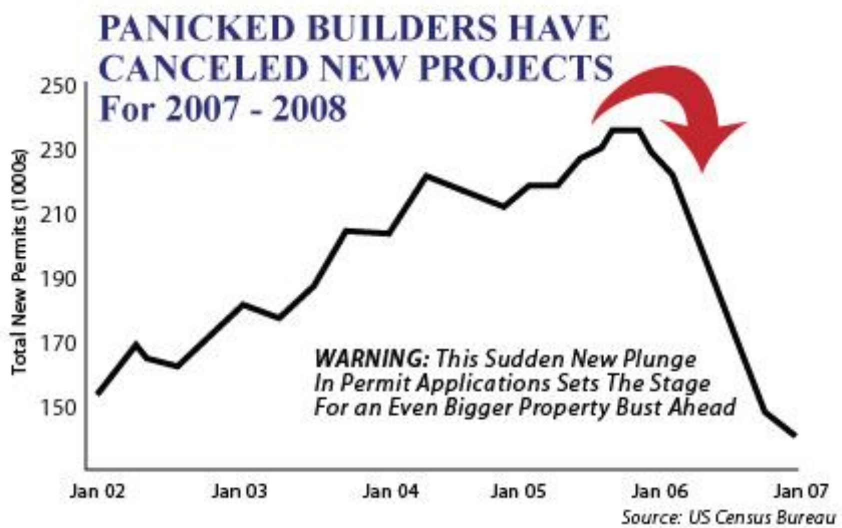
"Thought you were "done" with the property bust? Think again -- then get ready as a whole *"second wave" of falling prices sparks the worst property-led recession of the last 76 years!*"

Today



"The worldwide rise in house prices was the biggest bubble in history. Prepare for the economic pain when it pops."

- The Economist



http://www.isecureonline.com/Reports/SUR/ESURH534/?o=1376386&u=11013295&l=825442

WORLD ENERGY CONCERNS

Taken from Physics Today:" http://www.physicstoday.org/vol-57/iss-7/p47.html

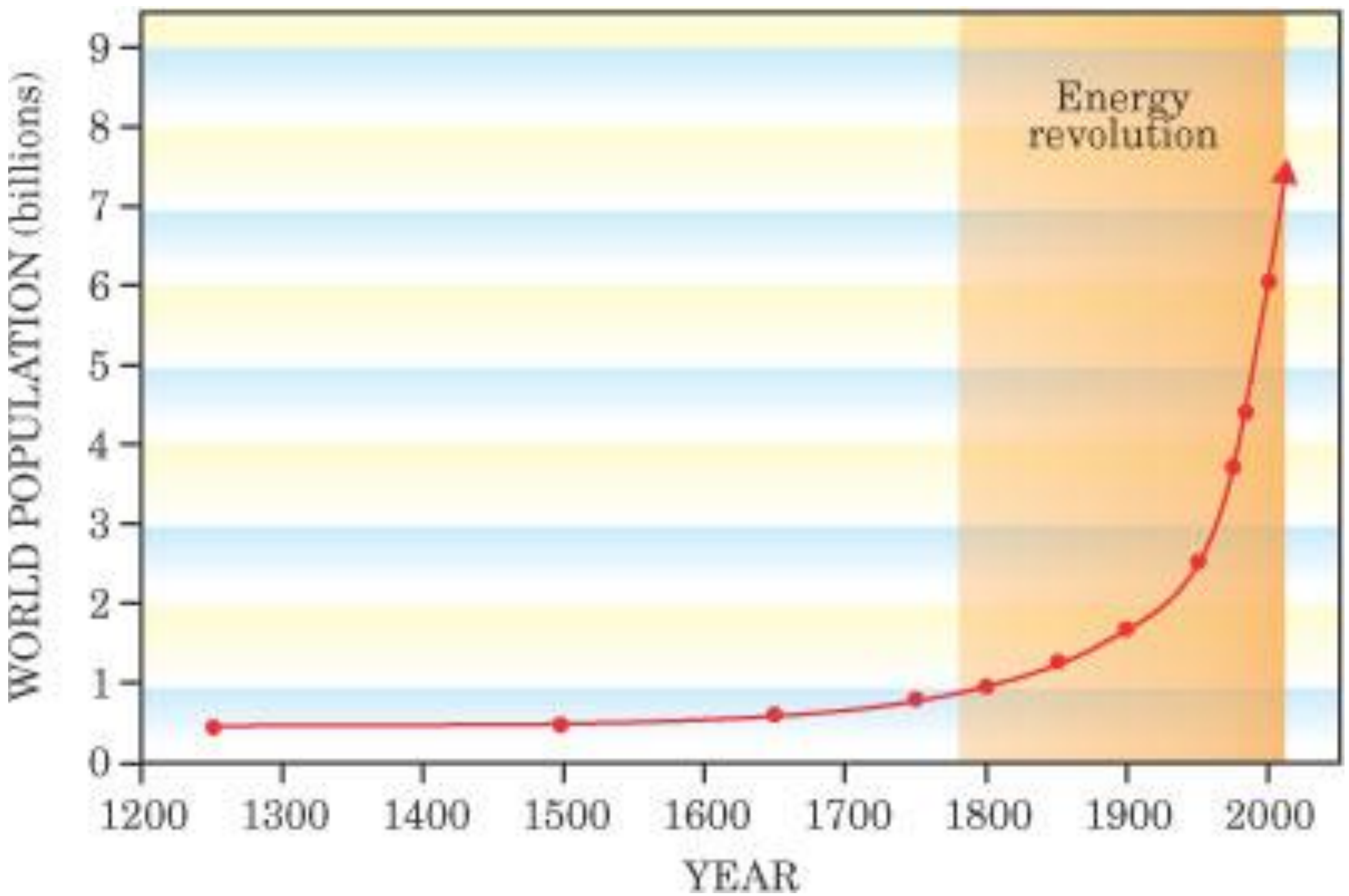
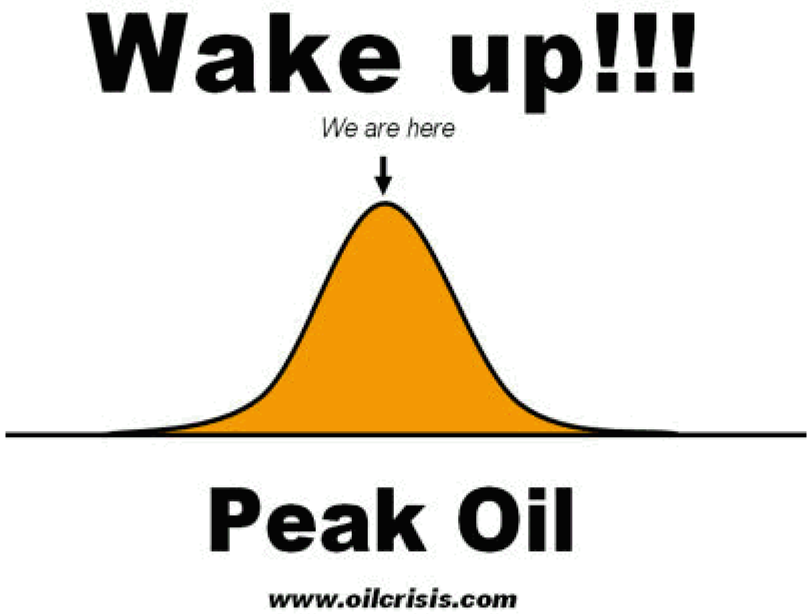


Figure 1. World population growth since the 13th century.

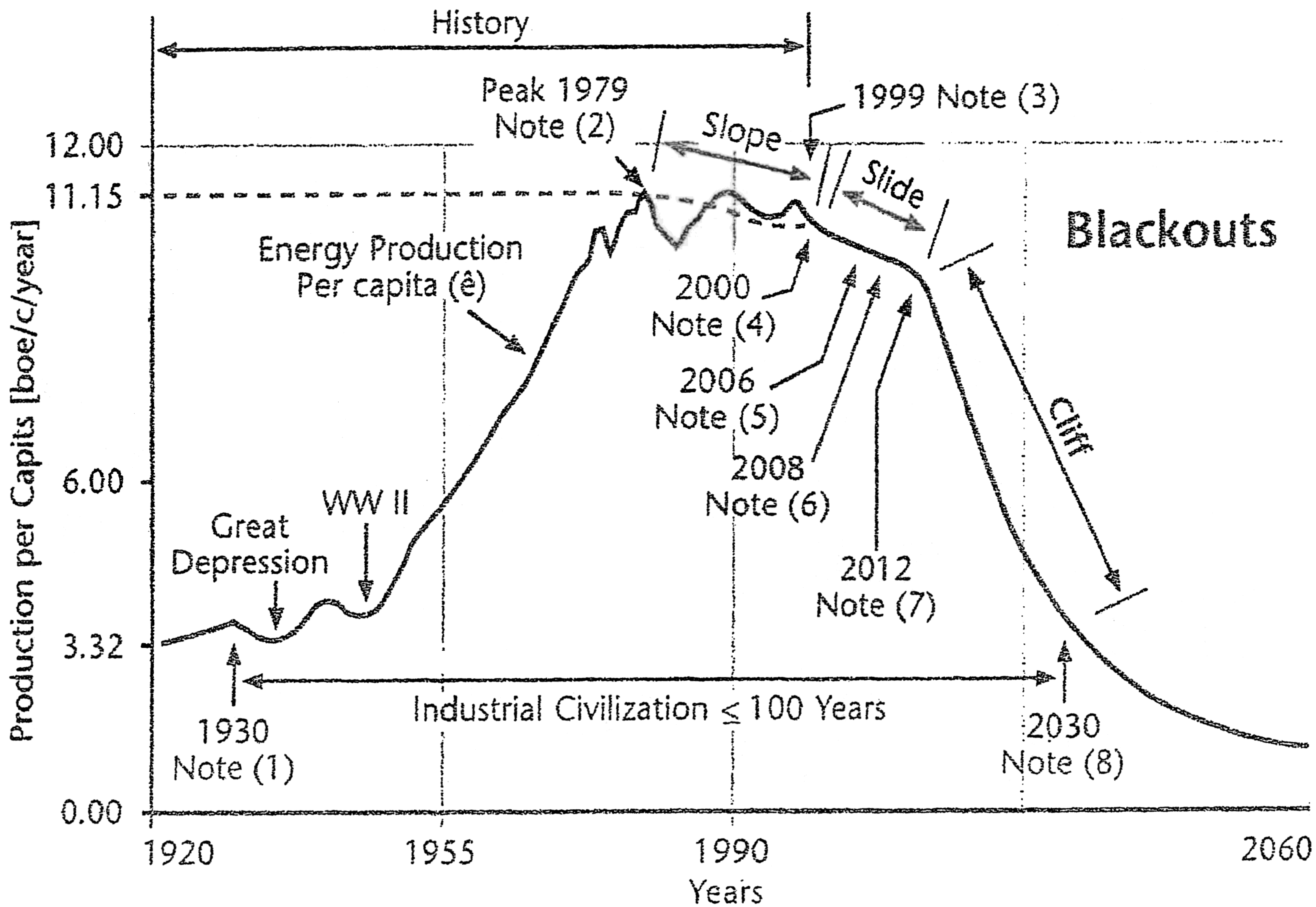


"*We do not inherit the Earth from our parents, we borrow it from our children*." Saint Exupery

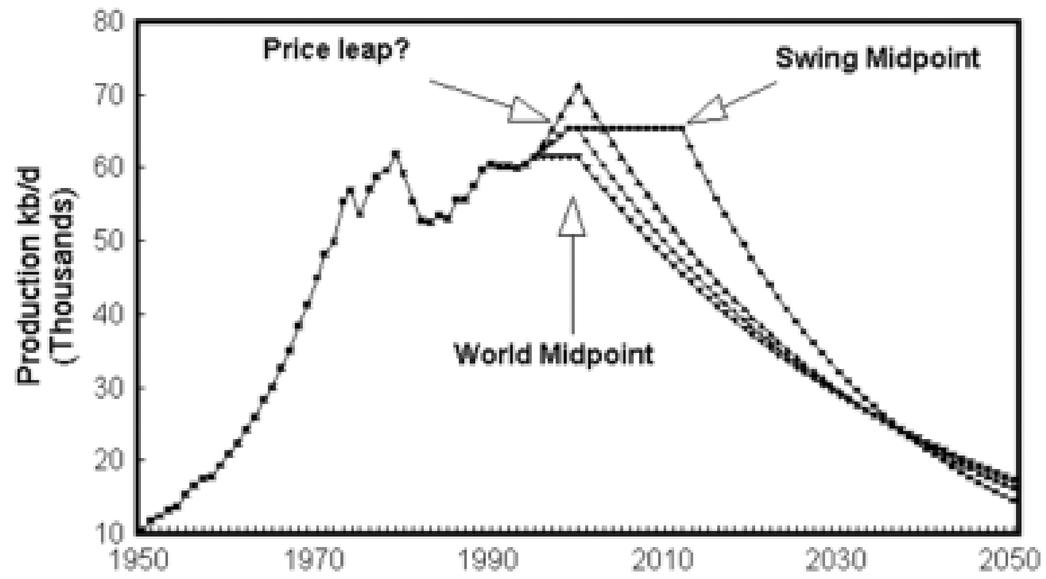
Peaking of World Oil Production: Impacts, Mitigation, & Risk Management, by Robert L. Hirsch, SAIC, Roger Bezdek, MISI, Robert Wendling, MISI for the National Energy Technology Laboratory of the US Department of Energy [2005 February]

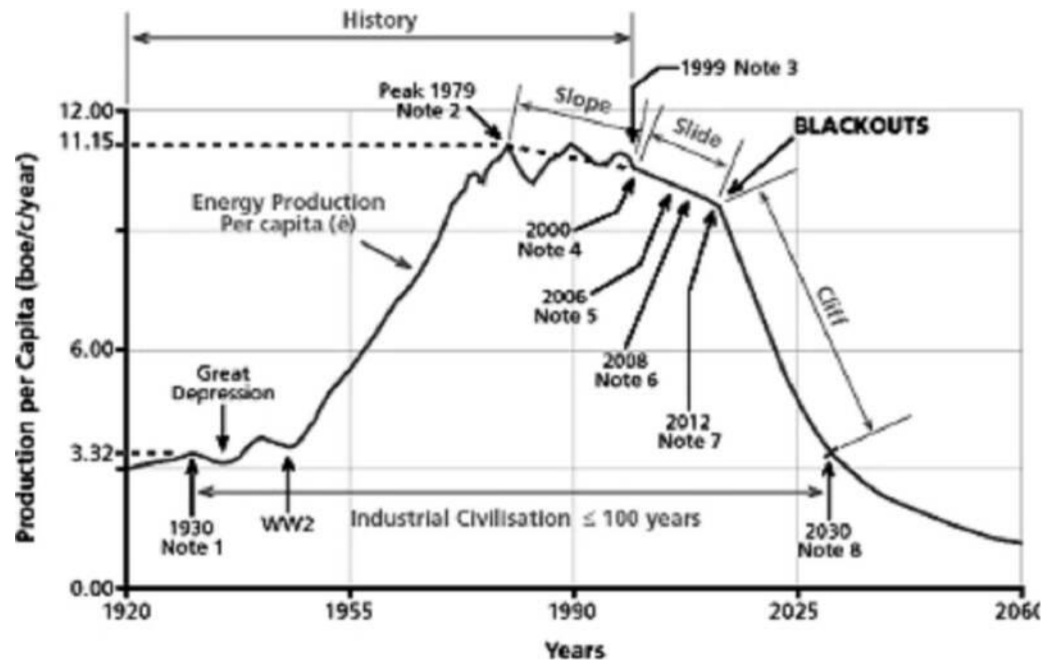
"The peaking of world oil production presents the U.S. and the world with an unprecedented risk management problem. As peaking is approached, liquid fuel prices and price volatility will increase dramatically, and, without timely mitigation, the economic, social, and political costs will be unprecedented. Viable mitigation options exist on both the supply and demand sides, but to have substantial impact, they must be initiated more than a decade in advance of peaking."

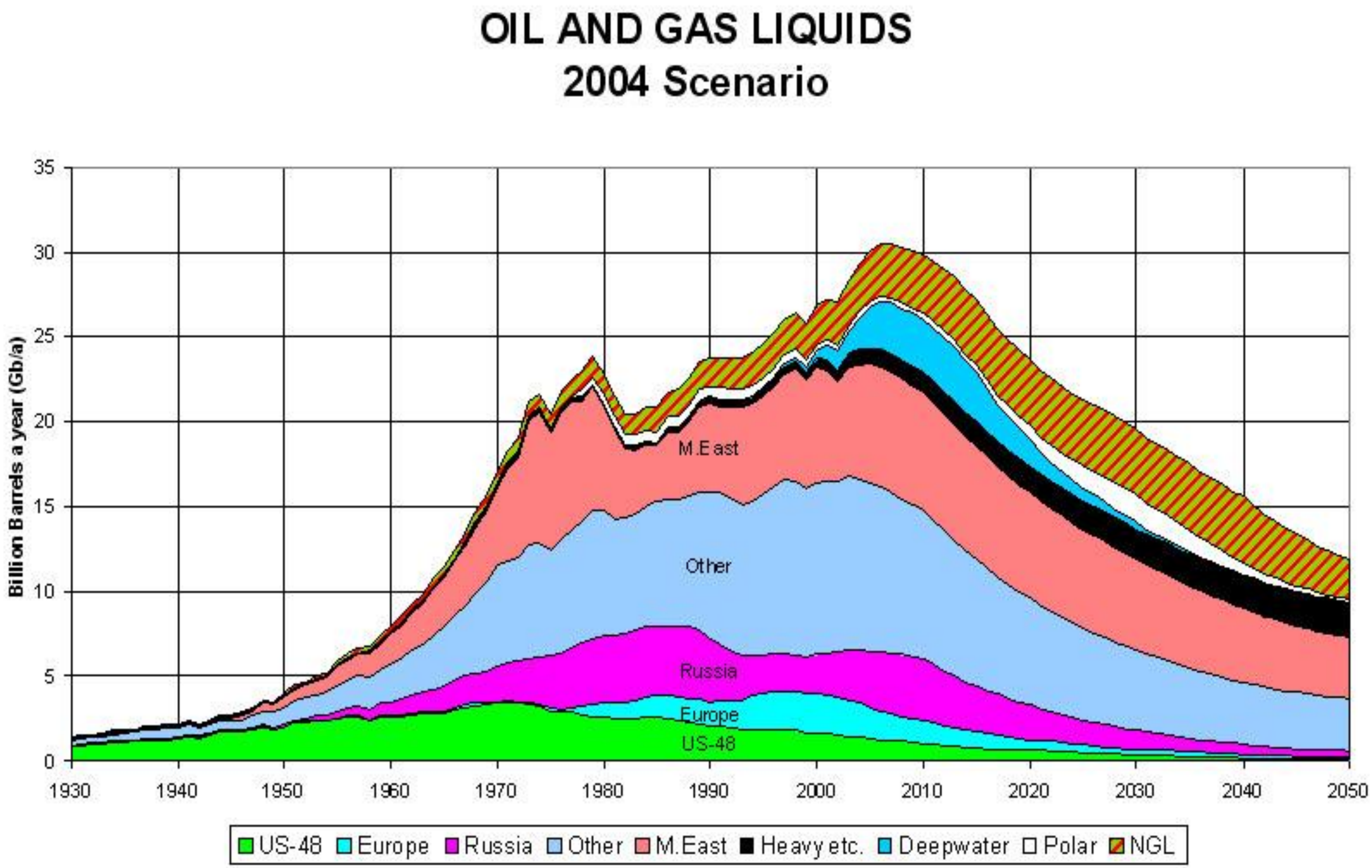
Oil Exploration vs. Demand (Hubbert's Peak)

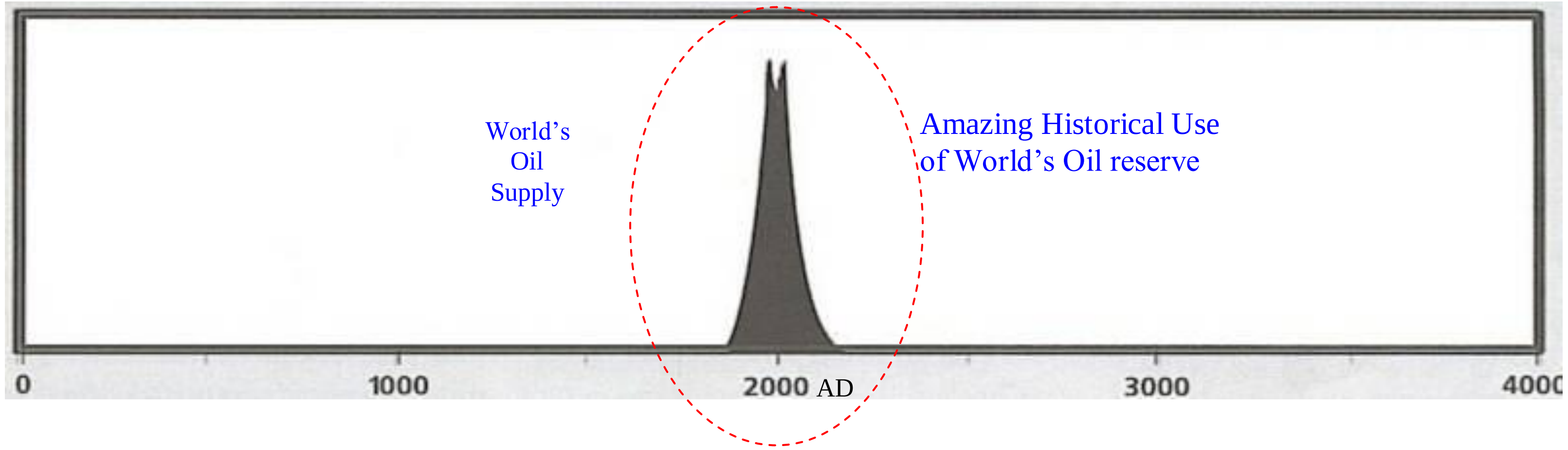


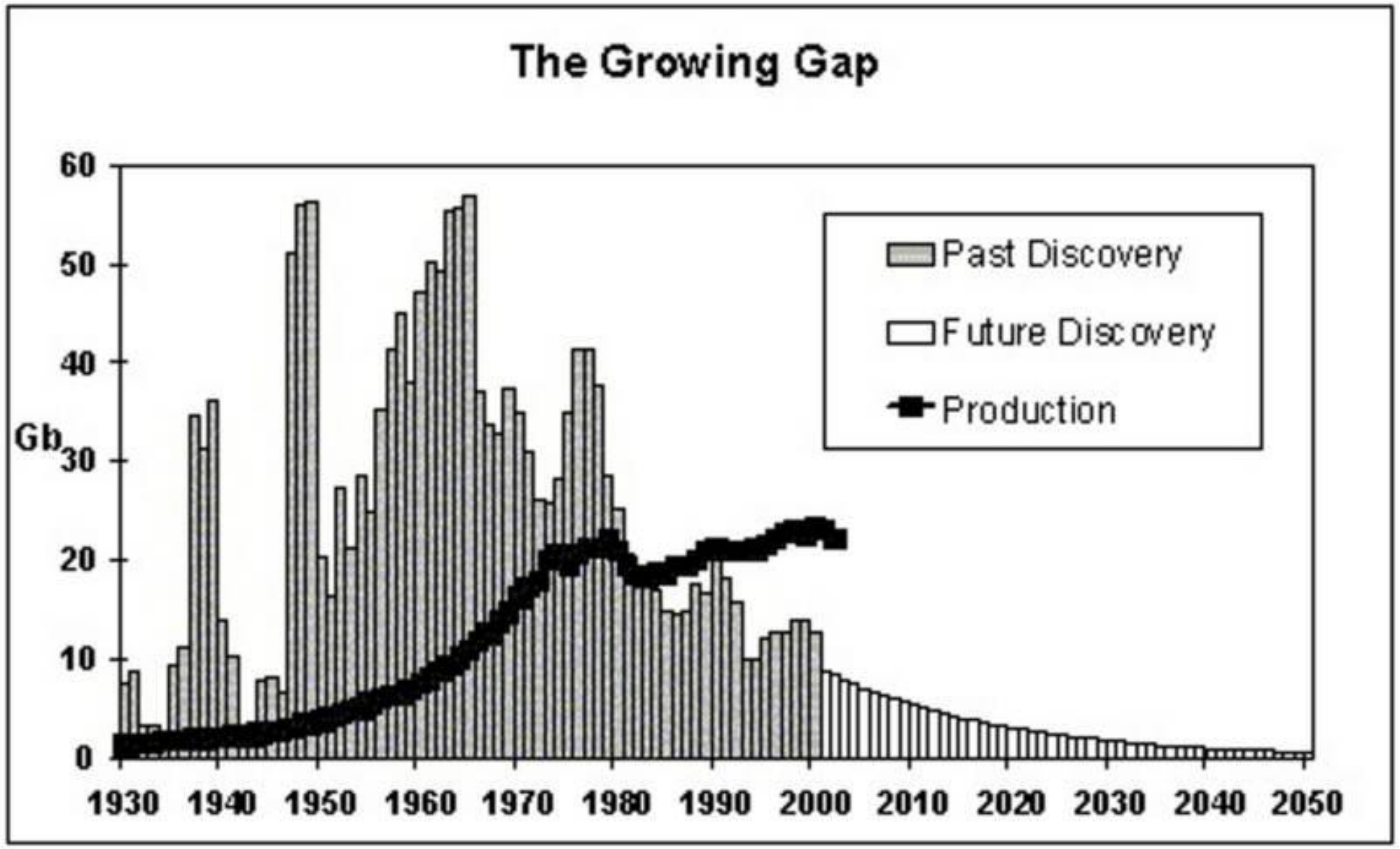
From Richard Duncan, *The Oil Crash and You*, August 2001.


Price leap?
Swing Midpoint
World Midpoint
Production kb/d (Thousands)
80
70
60
50
40
30
20
10
1950
1970
1990
2010
2030
2050


History
1999 Note 3
Peak 1979 Note 2
Slope
Slide
BLACKOUTS
Energy Production Per capita (ê)
2000 Note 4
2006 Note 5
2008 Note 6
2012 Note 7
Cliff
Great Depression
1930 Note 1
WW2
Industrial Civilisation ≤ 100 years
2030 Note 8
Production per Capita (boe/c/year)
12.00
11.15
6.00
3.32
0.00
1920
1955
1990
2025
Years


OIL AND GAS LIQUIDS
2004 Scenario
Billion Barrels a year (Gb/a)
35
30
25
20
15
10
5
0
1930
1940
1950
1960
1970
1980
1990
2000
2010
2020
2030
2040
2050
M.East
Other
Russia
Europe
US-48
US-48
Europe
Russia
Other
M.East
Heavy etc.
Deepwater
Polar
NGL


World's
Oil
Supply
Amazing Historical Use
of World's Oil reserve
0
1000
2000 AD
3000
4000

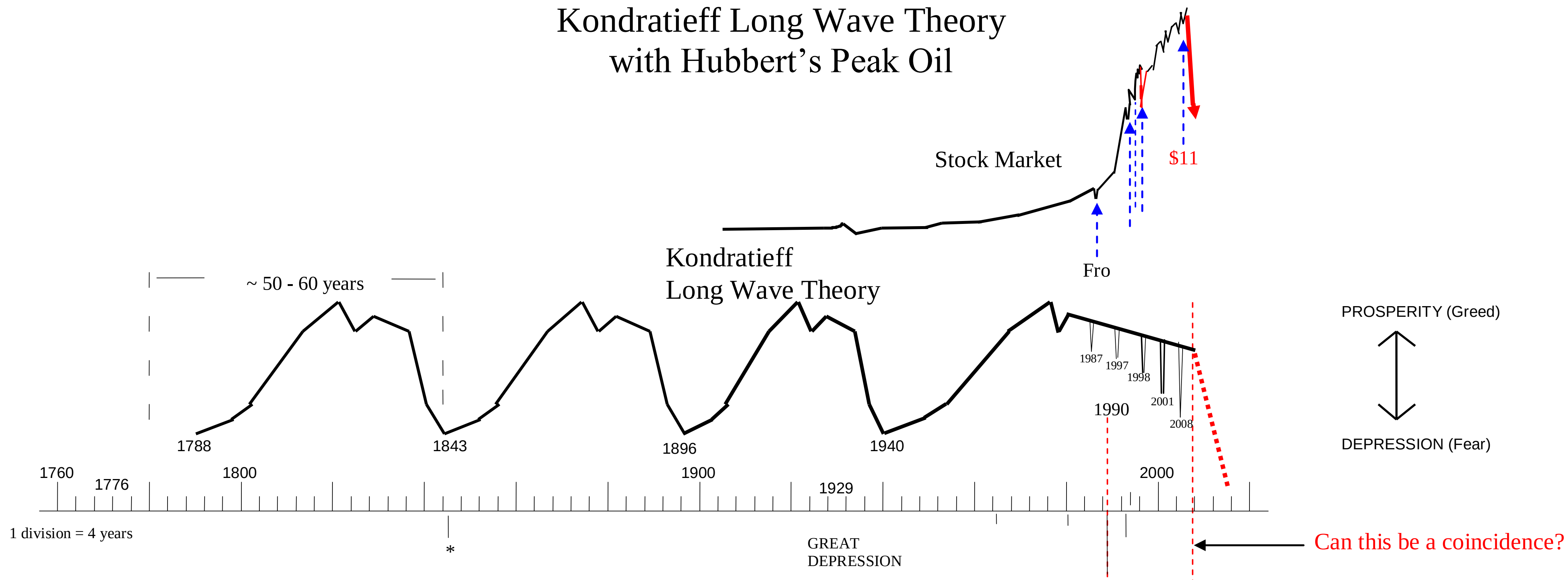

The Growing Gap
Gb
60
50
40
30
20
10
0
1930 1940 1950 1960 1970 1980 1990 2000 2010 2020 2030 2040 2050
Past Discovery
Future Discovery
Production

How high could the next phase of the Terror War push oil prices? Bill Browder of *Hermitage Capital Management* outlined six possible scenarios:

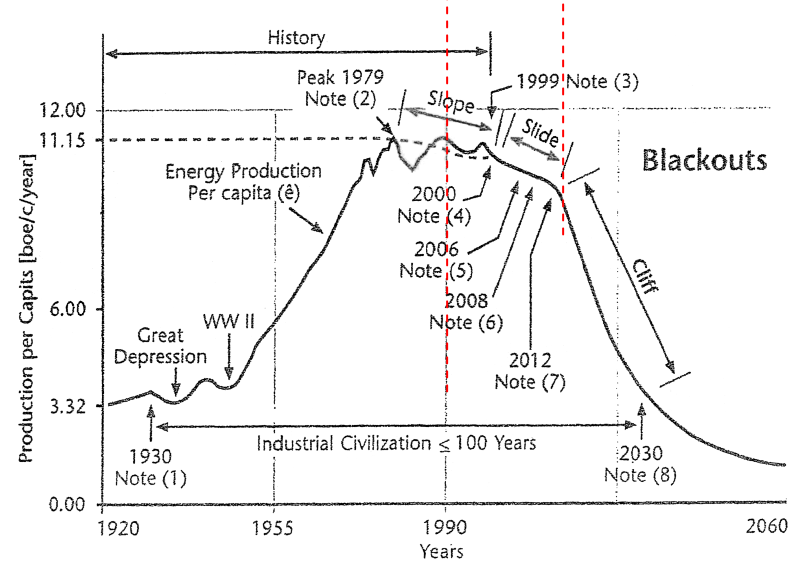
1. If more violent unrest breaks out in Algeria, you're looking at $79 oil - minimum.
2. If Iraq attacks on the oil industry infrastructure continue, then it goes to $88.
3. Civil war and chaos in Nigeria pushes prices $10 higher, to $98 per barrel.
4. If Hugo Chavez in Venezuela starts talking embargo, you're looking at $111.
5. Embargo talk from Tehran could *double* the current price, all the way up to $131.
6. Then there's the wildcard - a fall of the House of Saud, *and oil at $262*.

The worse it gets, the harder the world pushes for oil alternatives outside of OPEC, which means escalating energy costs.

Comparison of Kondratieff Long Wave Theory with Hubbert's Peak Oil

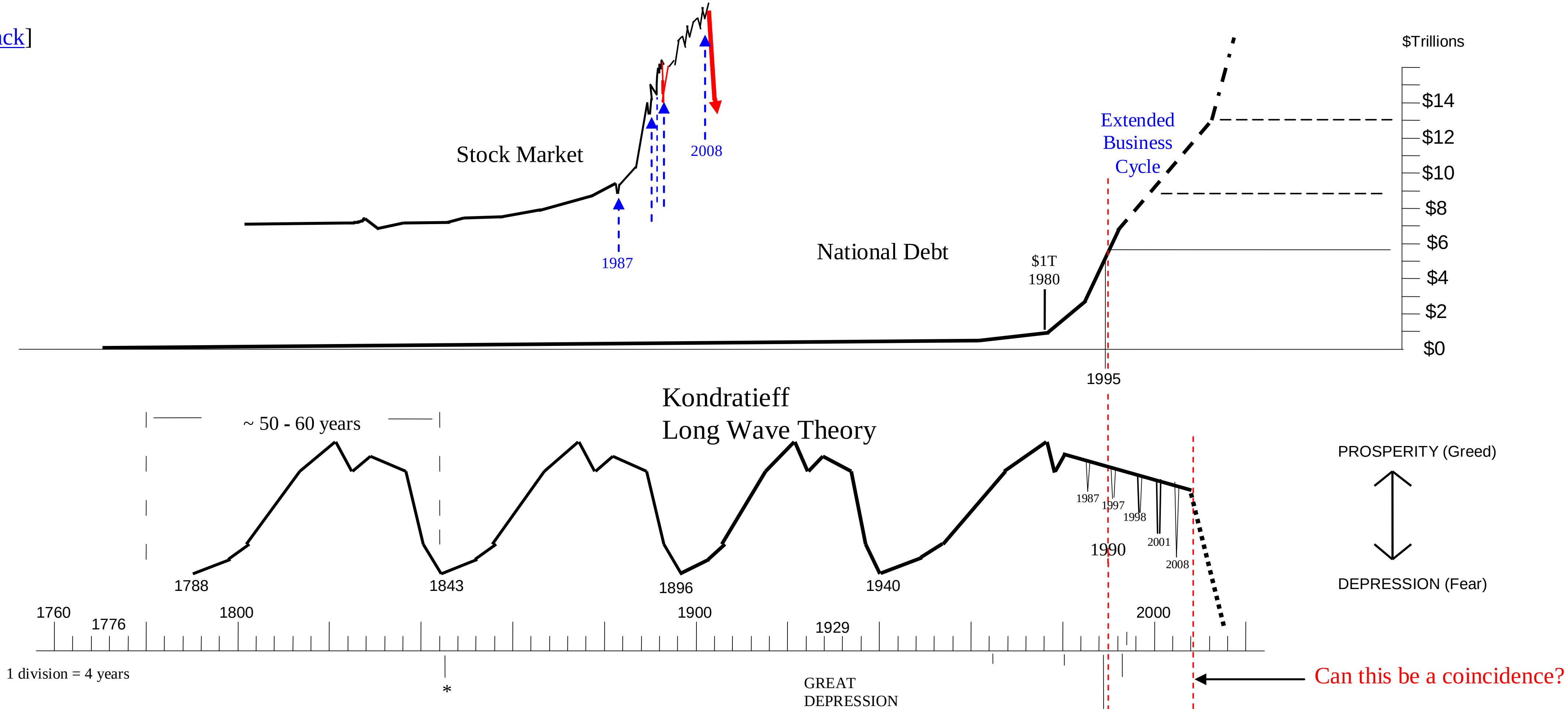


Can anything trigger
a
Total Collapse
Of the
U.S. Economy?



From Richard Duncan, *The Oil Crash and You*, August 2001.

"The peaking of world oil production presents the U.S. and the world with an unprecedented risk management problem. As peaking is approached, liquid fuel prices and price volatility will increase dramatically, and, without timely mitigation, the economic, social, and political costs will be unprecedented. Viable mitigation options exist on both the supply and demand sides, but to have substantial impact, they must be initiated more than a decade in advance of peaking."



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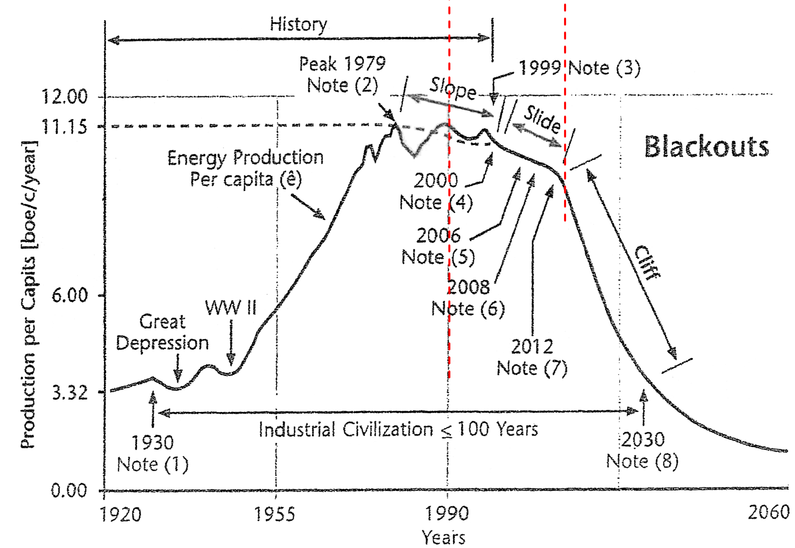
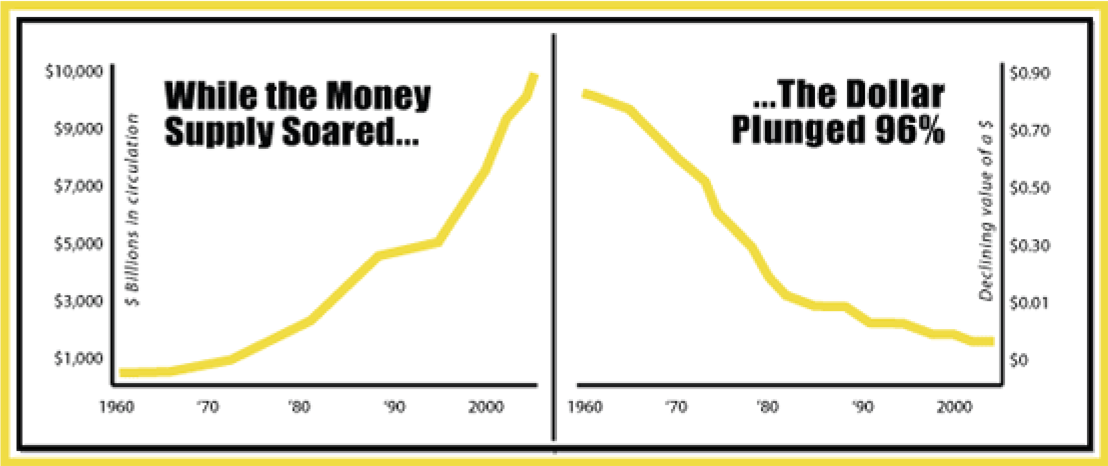
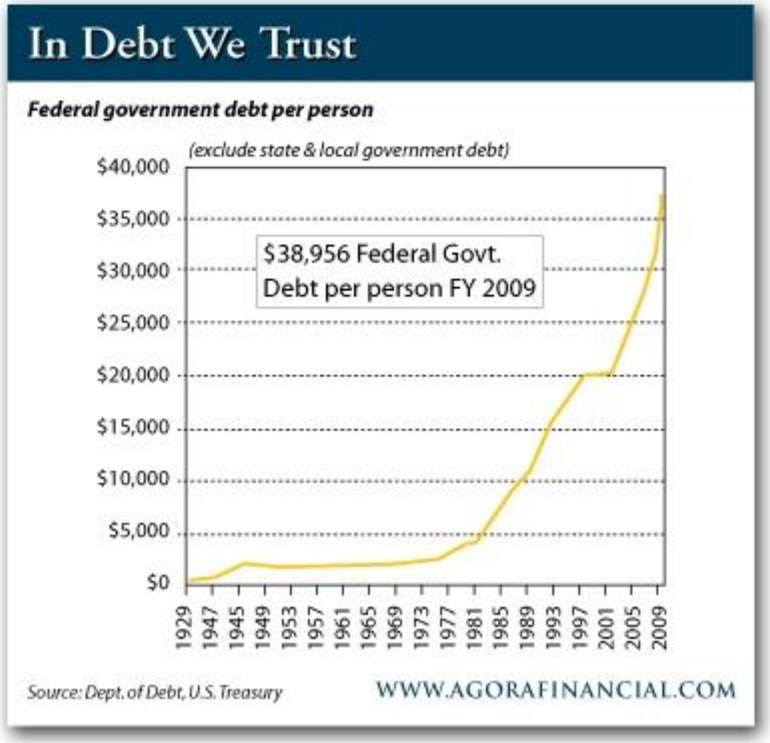


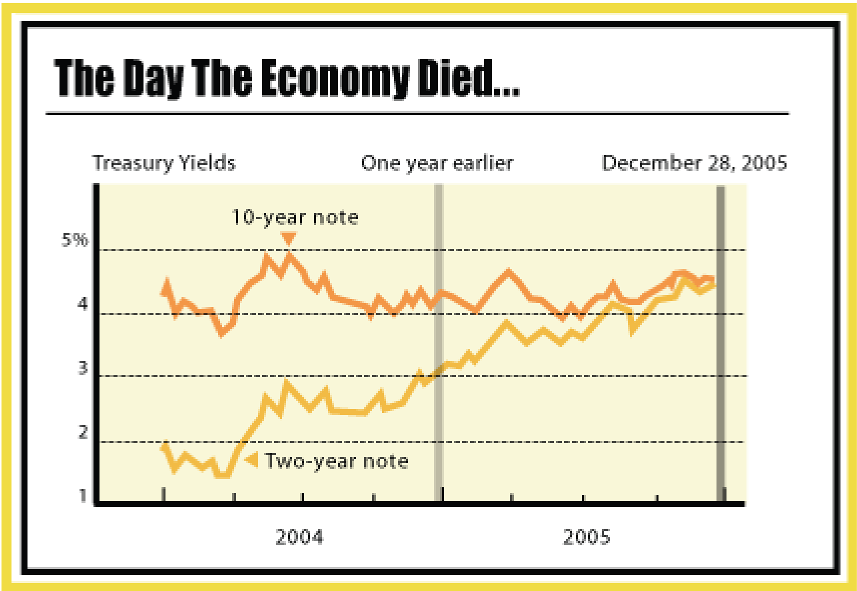
From Richard Duncan, *The Oil Crash and You*, August 2001.

From *Daily Reckoning* and Gary North's Reality Check email "Jumping on the Gold Bandwagon

A hundred different snapshots could show you the mess we're in. Soaring personal and government debt. A plunging savings rate. Record-high mortgages as a percentage of GDP. Plunging yields on 10-year Treasuries. Soaring but "hidden" unfunded government liabilities, to the tune of *$53 trillion*...







Yield-curve Inversion

The graph you're looking at to the left first happened on Dec. 28, 2005... and stayed that way for several months.

It inverted again on July 31, 2006... and stayed that way until May 2007. That's a 41-week yield-curve inversion — *the third longest out of nine inversions since 1962.*

From *Daily Reckoning* and Gary North's Reality Check email "Jumping on the Gold Bandwagon

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USA TODAY – **Taxpayers on the hook for $59 trillion**

Modern accounting requires that corporations, state governments and local governments count expenses immediately when a transaction occurs, even if the payment will be made later.

The federal government does not follow the rule, so promises for Social Security and Medicare don't show up when the government reports its financial condition.

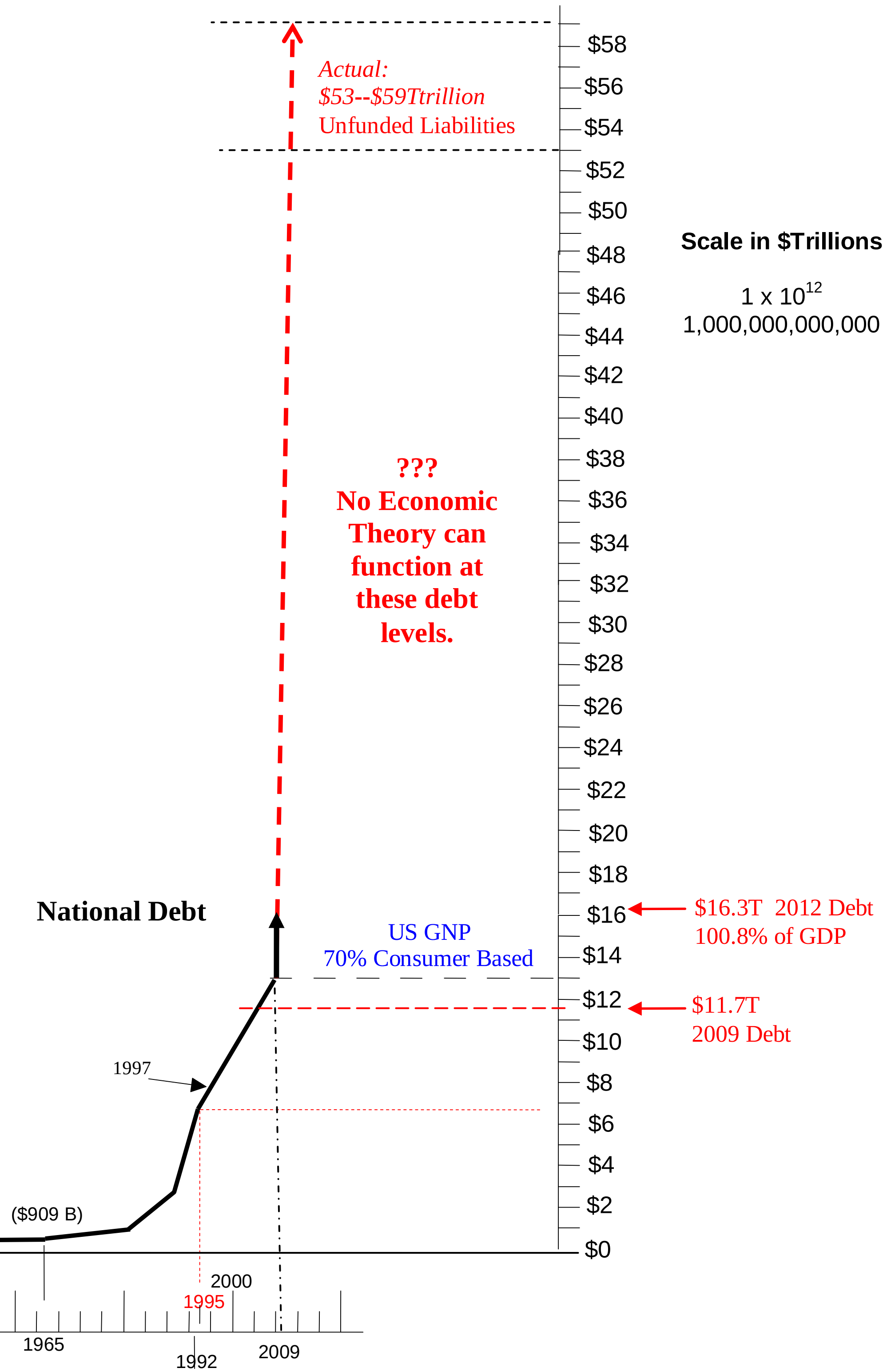
Bottom line: Taxpayers are now on the hook for a record $59.1 trillion in liabilities, a 2.3% increase from 2006. That amount is equal to $516,348 for every U.S. household. By comparison, U.S. households owe an average of $112,043 for mortgages, car loans, credit cards and all other debt combined.

Unfunded promises made for Medicare, Social Security and federal retirement programs account for 85% of taxpayer liabilities. State and local government retirement plans account for much of the rest.

http://www.cnn.com/2009/POLITICS/04/15/walker.tax.debt/
Regardless of what politicians tell you, any additional accumulations of debt are, absent dramatic reductions in the size and role of government, basically deferred tax increases. Remember the old saw? "You can pay me now or you can pay me later, with interest."

To help put things in perspective, the Peterson Foundation calculated the federal government accumulated $56.4 trillion in total liabilities and unfunded promises for Medicare and Social Security as of September 30, 2008. The numbers used to calculate this figure come directly from the audited financial statements of the U.S. government.

If $56.4 trillion in financial commitments is too big a number to digest, think of it as $483,000 per American household, or $184,000 for every man, woman and child in the country.



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The Social Security Network http://www.socsec.org/publications.asp?pubid=496

The "Unfunded Liabilities" Ruse

Bernard Wasow, The Century Foundation, 10/25/2004

Recently, the mainstream media have been parroting claims that the federal government, particularly the Social Security and Medicare programs, have dozens of trillions of dollars in "unfunded liabilities." For example, USA Today ran a long feature in early October 2004 that proclaimed that "the long-term economic health of the United States is threatened by $53 trillion in government debts and liabilities that start to come due in four years." Many other articles, news reports, and commentary have included comparable numbers that make the fiscal future look not just frightening but entirely unmanageable.

These claims appear aimed at scaring us into making radical changes in our social insurance system for old people. But whatever the motivation, how scared should we be? What is true and what is phony about the alarms that fiscal disaster is looming just ahead?

Here is what is true:

- Medical costs are rising much faster than other costs. If this continues, all future medical bills, including those the government has pledged to pick up, will be frighteningly large.
- In the future, as the population ages, old people will consume a larger share of the income pie, one way or another.

Notice that neither of these facts implies a public sector crisis. The first is a huge challenge confronting the entire society, posed by unmanageable healthcare costs. The second is simply a problem of adjusting our institutions to divide the income pie fairly among people of all ages.

…

There is no question that the nation's gross domestic product will be sufficient to meet all of our Social Security promises forever, leaving lots of income for increasing the prosperity of the young. In general, the outlook for economic growth is good. Our average income per person in 100 years is likely to be much, much higher than it is today (more than four times as high). Social Security benefits are predicted to rise from about 4.5 percent of our GDP to about 6.6 percent over the next century. Even though such long predictions are very uncertain, this one should leave us sanguine: if incomes in 100 years are only twice their present level, and incomes of the old rise from 4.5 to 6.6 percent of income, that still leaves us with $1.96 for every dollar we have today, after Social Security obligations are taken care of. We can continue to keep our modest Social Security promises, and young families still will be much better off than families are today.

There also is no question that, if health care costs continue to rise as rapidly into the indefinite future as they have in recent years, medical expenditures will soak up a much, much larger share of our overall income than they do now, leaving a smaller and smaller share for other uses. Unlike Social Security, this could indeed become a grave problem.
. . .

http://www.fms.treas.gov/fr/08frusg/08gao2.pdf GOVERNMENT ACCOUNTABILITY OFFICE REPORT, December 9, 2008, p. 168

United States Government Accountability Office
Washington, DC 20548

. . . "Currently, policymakers are understandably focused on dealing with stabilizing financial markets and stimulating the economy. However, once these issues are addressed, the nation's new and returning leaders will need to turn their attention to the serious long-term challenges of addressing the federal government's large and growing **structural deficits** that are driven primarily by rising health care costs and known demographic trends. As discussed in this *2008 Financial Report*, the federal government is on an unsustainable long-term fiscal path. The federal government faces increasing pressures yet a shrinking window of opportunity for phasing in adjustments."

WorldNetDaily http://www.wnd.com/index.php?pageId=88851

Posted: February 13, 2009
11:35 pm Eastern

By Jerome R. Corsi

…

The total U.S. obligations, including Social Security and Medicare benefits to be paid in the future, effectively have placed the U.S. government in bankruptcy, even before new continuing social welfare obligation embedded in the massive spending plan are taken into account.

The real 2008 federal budget deficit was $5.1 trillion, not the $455 billion previously reported by the Congressional Budget Office, according to the "2008 Financial Report of the United States Government" as released by the U.S. Department of Treasury.

The difference between the $455 billion "official" budget deficit numbers and the $5.1 trillion budget deficit cited by "2008 Financial Report of the United States Government" is that the official budget deficit is calculated on a cash basis, where all tax receipts, including Social Security tax receipts, are used to pay government liabilities as they occur.
. . .
"The federal government's deficit is hemorrhaging at a pace which threatens the viability of the financial system,"

"The popularly reported 2009 [deficit] will clearly exceed $2 trillion on a cash basis and that full amount has to be funded by Treasury borrowing.

U.S. Government GAAP Accounting Federal Budget Deficits
U.S. Treasury, *Financial Report of the United States, 2002-2008*

Fiscal Year	Formal Cash-Based Deficit	GAAP w/o SS or Medicare – Deficit	GAAP with SS and Medicare - Deficit	GAAP Federal Negative Net Worth	Gross Federal Debt	Total Federal Obligations – GAAP
	(Billion)	(Billion)	(Trillion)	(Trillion)	(Trillion)	(Trillion)
2008	$ 454.8	$1,009.1	$ 5.1	$ 59.3	$10.0	$ 65.5
2007	162.8	275.5	1.2	54.3	9.0	59.8
2006	248.2	449.5	4.6	53.1	8.5	58.2
2005	318.5	760.0	3.5	48.5	7.9	53.3
2004	412.3	615.6	11.0	45.0	7.4	49.5
2003	374.8	667.6	3.0	34.0	6.8	39.1
2002	157.8	364.5	1.5	31.0	6.2	35.4

Source: John Williams, Shadow Government Statistics, on *ShadowStats.com*