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IS THE INEVITABLE DEBT COLLAPSE PREDICTABLE?

The national debt is accelerating at a geometric rate. But no one in Washington seems to notice. “Geometric” rate means it is accelerating exponentially.

Have you noticed that current members of Congress never mention the horrendous explosion in the nation’s debt? Apparently, they hope that Americans won’t notice what they have done to our economic future.

Debt is nothing but borrowing prosperity from the future. If we want it now, such as all the “free” governmental programs, we have to borrow it from the future. No matter what Bernie told you, there is no “free lunch.”

Amazingly, the average American doesn’t mention it either anymore and figures that the politicians will take care of things. Well, they have taken care of financing every new boondoggle with new programs that most congressional people don’t even read. They are confident that when the Treasury runs out of money, just a phone call to the Federal Reserve will provide plenty of new credit.

The national debt is around $19.5 TRILLION. Even mathematicians have a hard time understanding the immensity of this. The number “19.5” seems so insignificant, until you put the 11 zeros behind it. Yes, $19,500,000,000,000.

Do you remember when Congress would debate for weeks about a new program that would add another $1 billion to the debt? Well, $1 TRILLION is 1000 times that.

From the beginning of this nation, to the year 2000, that’s over 200 years, the total accumulated Federal debt was $5.7 TRILLION. The debt has now grown to an amazing $19.5 TRILLION, a 340% increase in 16 years.

Over the past eight years, the amount of new debt added is more than all the governmental debt since the founding of our nation before that. That’s certainly another “accomplishment,” but not mentioned by the people in power.

It’s very, very important to realize that debt in the US and the world is on a geometrically accelerating growth path. **The debt must grow faster and faster to postpone a collapse…until it finally collapses under its own weight.**

That’s why the US has gone to zero interest rates, called ZIRP. Europe and Japan have gone to negative interest rates, below zero, called NIRP.

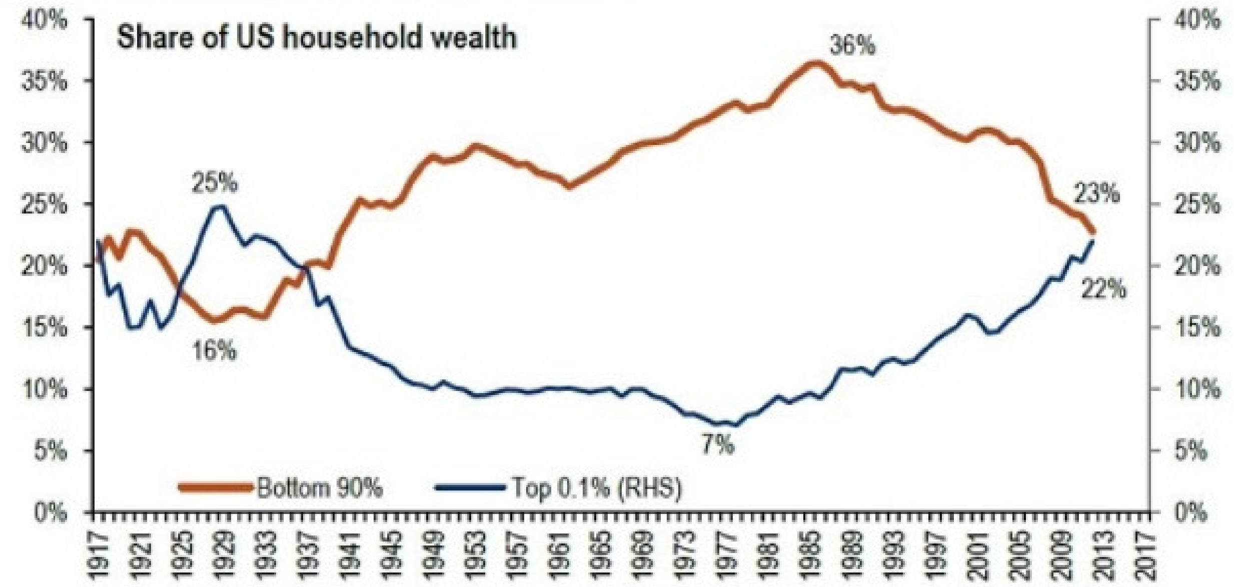
The lowest interest rates in the history of mankind are a desperate attempt to prevent a collapse.

You may have seen the physics experiment in school where the students build a small pyramid of sand. Then they add one grain at a time. Eventually, one additional grain of sand collapses the pyramid. The timing cannot be predicted. And so it will go with the global debt “experiment.”

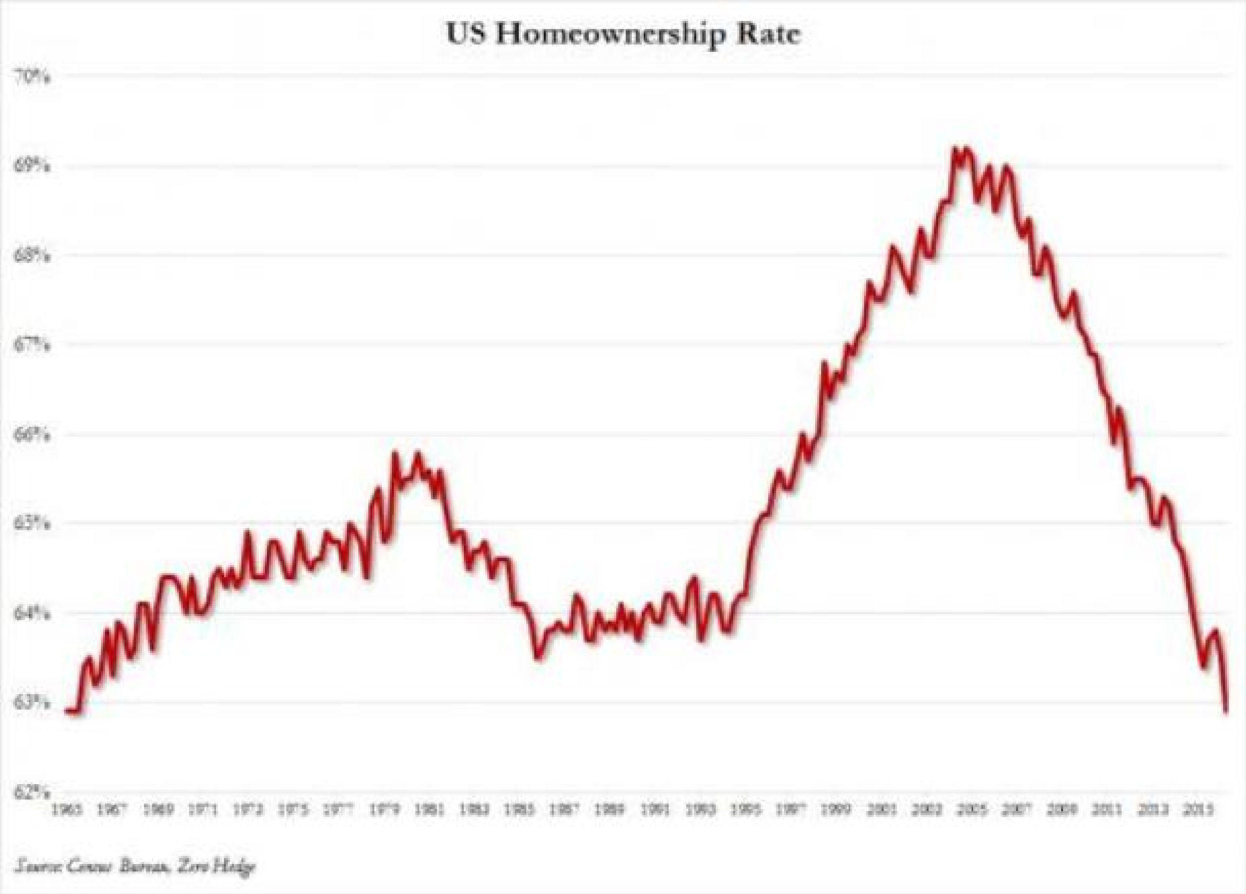
Former budget director under President Reagan, David Stockman, writes the following in an excellent article on www.davidstockmanscontracorner.com:

> *The puppet politicians in Washington D.C. have only done what their "invisible government" puppeteers have instructed them to do. They don't answer to the voters or their local constituents. They answer to Wall Street bankers, the military industrial complex, mega-corporation CEOs, and shadowy billionaire oligarchs who fund their corrupt existence.*
>
> *These feckless politician hacks could never have added $13.8 trillion to the national debt in the last sixteen years and run the country's unfunded welfare liabilities to $200 trillion without the Wall Street controlled privately owned Federal Reserve manning the printing presses and manipulating interest rates to enrich their "invisible government" benefactors.*
>
> *They have inflated away 97% of the dollar's purchasing power since their shadowy creation in 1913. They are single biggest reason real wages have not advanced since 1971. They are the reason the top 0.1% now have the highest percentage of the national wealth since 1929.*

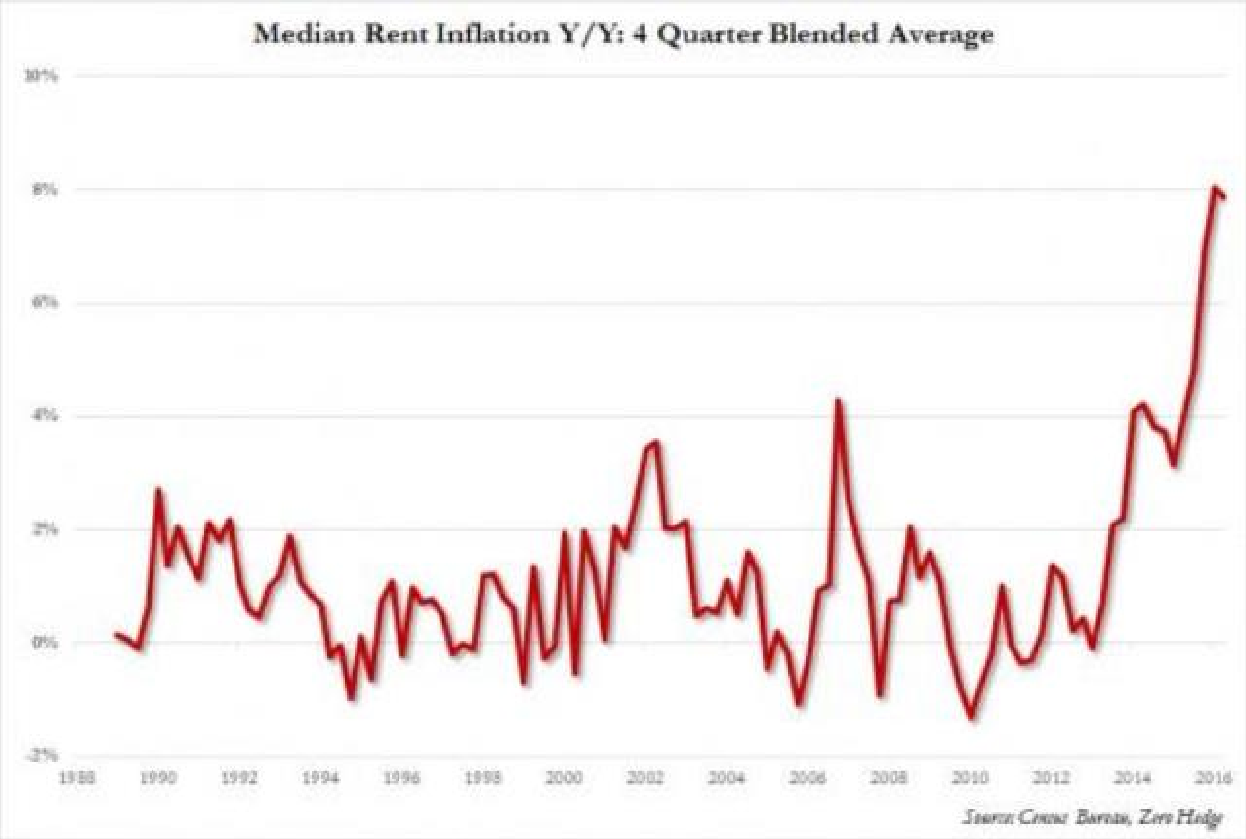
Chart 5: Distribution of wealth in the US since 1917



Source: BofA Merrill Lynch Global Investment Strategy, Emmanuael Saez & Gabriel Zucman - 2015



Luckily, the Fed and Wall Street concocted a scheme whereby Wall Street used the free money provided by the Fed to buy up millions of foreclosed homes at fire sale prices and rent them back to the poor schlubs who had been recently evicted by the very same Wall Street banks. The engineered shortage of home inventory led to soaring rent costs for everyone. This is called winning by the establishment.



Reducing interest rates to 0% again benefited those with the most debt: Wall Street banks, mega-corporations, and the U.S. government. It destroyed the finances of senior citizens living off their savings, penalized people for saving, and incentivized heavily indebted consumers to borrow more.

>How did allowing Wall Street banks to borrow at 0% so they could charge consumers 15% on credit card balances and 6% on auto loans benefit consumers? Did the government enslaving young people in $1.3 trillion of student loan debt with only low paying service jobs available at graduation, benefit anyone other than for profit diploma mills?

David Stockman is a very intelligent analyst and not a patsy for the ruling establishment. He calls it like it is, even when he worked under Reagan. Do you remember when he was “taken to the woodshed” by Reagan for mentioning the true budget projections?

For the last several months, we have had some of the smartest and most successful hedge fund managers warning about a crisis, something worse than 2008 ahead, etc. These include Ray Dalio (Bridgewater), Paul Singer (Renaissance), Carl Icahn, etc. Their warnings should not be ignored.

It’s what we have been warning about for the past year. However, our view is that when everyone “knows” that there is a crisis coming, it is postponed until no one believes it anymore. The regulators, central banks, and the people behind the scenes learned from the “surprising” 2008-2009 global crisis.

Thus, don’t head for the bunkers yet. But be alert, stay informed, recognize that the last grain of sand could collapse the pyramid at any time… but probably not next week, nor next month.

The fantastic growth of the global debt pyramid is reality. The fact is that any accelerating growth, in anything area, eventually leads to a serious reversal, often a crash, and at times a collapse to where the bubble started If that happens sooner rather than later, it just results in a shorter corrective period. However, when central banks try to prevent the "adjustment" with all means at their disposal, as they are doing now, it leads to something much worse. It's only a matter of time.

This is reality, not clairvoyance. But who in today's world wants to be bothered with "reality?" It's so real. Let's just plug in the headphones and listen to the latest beats. The party is still on. Enjoy. But be very cautious. Many people say, "wake me up when it's all over." We prefer to be prepared.

To be prepared, check out our views on a regular basis, Hedge Folios, Bert Dohmen.com and Dohmen Capital.

Wishing you successful investing,

Bert Dohmen,
Founder Dohmen Capital Research, Inc.