

SELLING ASSETS TO OFFSET OVERCONSUMPTION

WEB BUZZ 2010.07.12

You have probably noticed that Greece is in the process of selling some of its 6,000 islands. This is what happens when a country eats its seed corn. They work very little; they have long vacations; they have huge salaries, etc. They are all charter members of Club Med. When all you do is consume and don't invest, someone else is going to own your country.

As you analyze the U.S. fiscal condition, we are much the same. Ever since the New Deal years of FDR (Hoover started it), we as a country have been on this path. How would you like it if we started selling off the Rocky Mountains or maybe Yellowstone Park? Like it or not, that is what will happen if we don't get our fiscal house in order soon. That's the bad news. The good news is that we are the best looking horse at the glue factory. This means we will probably be the last to go down. That is why we are not worried about government securities at this time. How much time do we have? We would say five to ten years. It will be much longer (maybe never) if we adopt pro-growth fiscal measures, which include getting the government out of our business, lowering taxes, and cutting back on the Washington bureaucracy. What are the chances of that happening? It doesn't seem large; however, there is a movement afoot that could change things before it is forced upon us. If it's forced, we will lose much of what we hold dear.

The economy is slowing at a fairly rapid pace. The second half of the year (July-December) will be very slow - 0-2% growth is our best guess. More stimulus will not help; only stretch things out longer and cause the next recession to be worse. Please note Paul Mladjenovic's comparison of Greece to the U.S. We may have published this before, but it's worth doing again.

Greece is in chaos and collapse because in recent years...

- * It's government grew too big
- * It's public unions demanded more and more resources
- * It's private sector was (and is) being taxed more and more
- * The government's deficit is rising and rising
- * The deficits were financed by more and more debt
- * Higher and higher taxes resulted in less and less tax revenue
- * More demand and less supply meant rising prices for goods and services
- * The symptoms become chaos, violence, bankruptcy and collapse.
- * Reality arrived in 2010.

Now, what are we doing RIGHT NOW in the United States? What is happening for the good ol' USA?

- * It's government is growing too big
- * It's public unions are demanding more and more resources
- * It's private sector is currently being taxed more and more
- * The government's deficit is rising and rising
- * The deficits are being financed by more and more debt
- * Higher and higher taxes are resulting in less and less tax revenue
- * More demand and less supply will mean rising prices for goods and services
- * If we are not careful, we will have chaos, violence, bankruptcy and collapse.
- * WHEN WILL REALITY ARRIVE? Stay tuned...it is coming soon.

Adapted from SafeHaven.com