

The Six Presidents Causing US Bankruptcy

written by Egon von Greyerz | September 9, 2016

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Since Reagan came to power in 1981, the US has had a total of five presidents who have spent ever increasing amounts of money to hang on to power and buy votes. This has resulted in the most extraordinary money printing venture in history. It is not just central banks that print money. Governments that borrow vast amounts of money are also performing a printing function since money is created out of thin air. And even worse than that, the US government neither has the intention, nor the ability to ever repay the debt with real money. Thus the US debt can only vaporise when the country defaults. Since there is no other way of eradicating this debt, a default by the US is guaranteed to take place in coming years. But before that the Fed and the US government will flood the market with jumbo jet money since helicopter money won't suffice. Jumbo jet money will create hyperinflation but it will never repay the debt since all it does is to increase the amount of debt outstanding from trillions of dollars to quadrillions.

After 55 years of US deficits debt has grown from \$286Bn to \$19.6T

The US economy showed natural growth without deficit spending until 1960. At that point, heavier involvement by the US in the Vietnam war created the initial deficits. As Eisenhower handed over to Kennedy in 1961, US debt was only \$286 billion. Then 20 years later during the first year of Reagan's presidency, US debt reached the staggering sum of \$1 trillion.

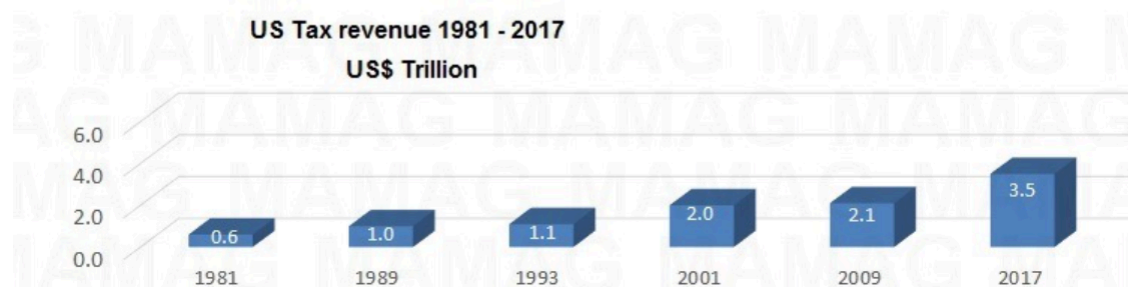
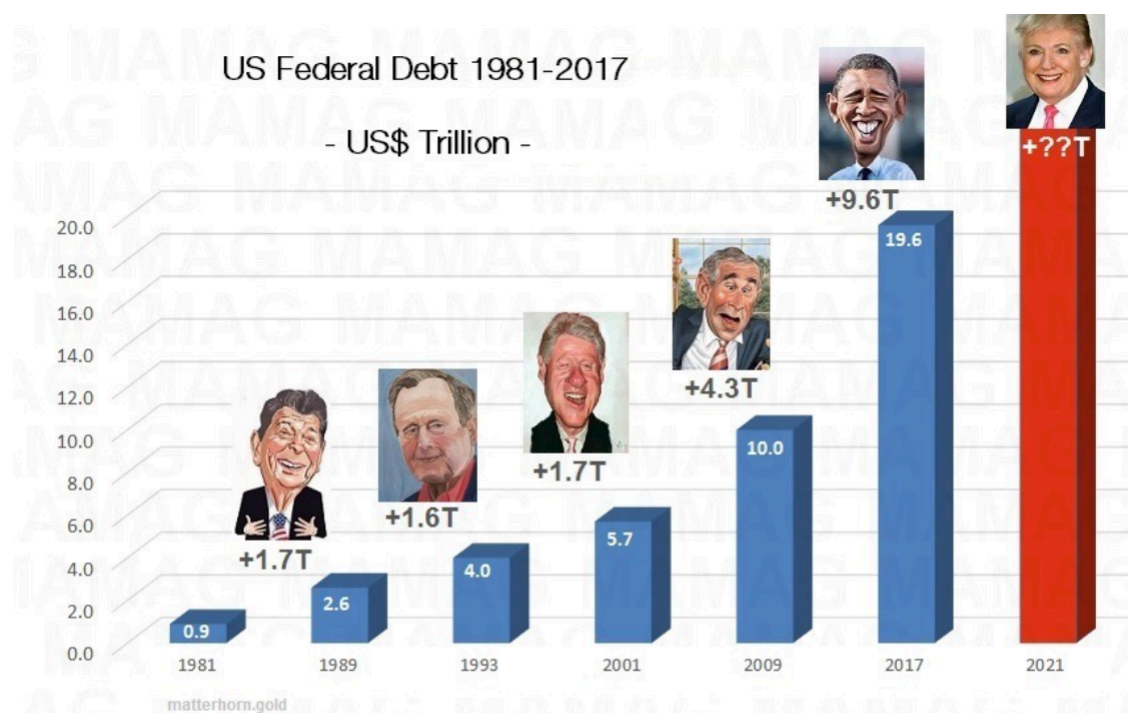
Reagan was hailed as a superb president primarily because he (like Thatcher in the UK) assumed power at the bottom of the economic and stock market cycles. So they were lucky to get in at the right time. But few people realise that Reagan achieved this by almost tripling debt from \$0.9 trillion to \$2,6T. So in eight years Reagan incurred \$1.7T of debt which is almost twice what all the presidents before him had incurred since 1789. And from then on every single president continued on the neck braking deficit course. Most people believed that Clinton managed the US economy particularly well and created surpluses for the first time in 35 years. But what the Clinton administration succeeded particularly well with was to cook the books rather than to create surpluses. Because in every single year of the Clinton administration, federal debt increased in spite of the fact that budget surpluses were shown. And by the time Clinton left in 2001, he had managed to add another \$1.6T debt to make the total \$5.7T.

Next record breaker was Bush Jr who increased debt by \$4.3T from \$5.7T to

\$10T. But Obama has been the most productive of all presidents so far. Remember that it took the US 219 years to go from zero debt to \$10T. Then “Après nous le Deluge” (after us the deluge) Obama took over and before he has finished, US debt will be around \$20T. That is the most astonishing increase in national debt in history excluding hyperinflationary economies. And remember that this figure does not include the Fed’s money printing or unfunded liabilities nor personal or corporate debt which all have grown exponentially. With all of that we can add at least \$250 trillion!

US Debt will never be repaid

The first chart below shows how debt has gone from \$900 billion in 1981 to \$19.6 trillion currently. By the time Obama hands over to Clinton/Trump he will have doubled US debt from \$10T to \$20T during his reign and he has also presided over a cumulative budget deficit of \$7 trillion.



Thus in the last 36 years, US debt will have increased 22 times. It took 220 years to reach \$10 trillion debt and Obama has achieved to double this in only 8 years. Having already received the Nobel peace prize, he should perhaps also be awarded the Noble Prize in Economics as the most productive president in world history.

The second chart above shows US tax revenue from 1981 to date. Tax receipts have gone from \$900 billion to \$3.5 trillion, a 5.8 times increase.

SINCE 1960 THE US HAS NOT PRODUCED A REAL BUDGET SURPLUS IN ANY SINGLE YEAR. WITH DEBT UP 22X SINCE 1981 AND TAX REVENUE UP ONLY 5.8X, IT IS TOTALLY CLEAR THAT THE US DEBT CAN NEVER BE REPAID WITH THE ONLY REALISTIC SOLUTION BEING DEFAULT AND BANKRUPTCY.

Neither presidential candidate will solve the US debt catastrophe

It is just unbelievable that the world's biggest economy with the world's reserve currency is being run into the abyss by a successive number of presidents with each one exacerbating the problem exponentially. **What is even more astonishing is that in the current presidential election campaign, neither of the candidates devotes any serious campaign time to the most pressing of all problems which is "the economy stupid"!** The reason for this is simple. They don't dare to seriously discuss a problem that they know they can't solve. To run for president at a time when it is almost guaranteed that the US economy and the dollar will collapse in the next 4 years is certainly a daunting prospect.

Even under normal circumstances and without major recessions, the US deficit is forecast to grow substantially in coming years. The promises of Clinton/Trump will also contribute to escalating deficits. Add to that a serious recession, increasing interest rates and a derivative debacle and we will see deficits not only in the dollar tens but in the hundreds of trillions. Thus Clinton/Trump are likely to preside over a US default.

A country that for 55 years cannot manage its finances properly is on the road to perdition. It is only a matter of time before the US economy implodes. And as the country implodes, so will the US dollar. A currency that is just supported by worthless debt and by a weakening military power, does not qualify for the role as reserve currency. And that is why the hegemony of the US and the dollar is now coming to an end. The country will clearly not give up this role without putting up a massive fight. This could sadly involve starting major military conflicts even of nuclear proportions. It is also guaranteed to involve money printing of a magnitude never seen before in history.

After us the deluge



Clinton/Trump and Yellen will all continue Obama's / Bernanke's record producing money printing

It is not only the US which will experience escalating deficits, massive

money printing and a collapsing currency. Virtually every major economy including Japan, China, EU and Emerging Markets will go through the same thing. The big difference is that the US has the biggest debt and deficits as well as bigger bubbles in stocks, bonds, property, car loans, student loans etc. than any other country.

There will be dark clouds around the world in coming months

Dark clouds are now moving in fast across the world and this coming autumn could be very troublesome both for the world economy as well as geopolitically and socially. The combined risks are now higher than at any time in world history. When risks are high, it is advisable to stay away from bubble markets. But sadly, the investment world loves owning things that are priced high, totally ignoring the massive loss potential.



Gold – the only money which will survive

The best insurance against financial or economic risk are real assets such as gold and silver as long as they are held safely outside the financial system. Precious metals will reflect the unending destruction of paper money. Before the coming crisis is over, gold is likely to reach at least \$10,000 in today's money and silver \$500. In hyperinflationary terms we could see multiples of these targets. So if gold reaches 100 trillion like in the Weimar Republic, that is only funny money. But compared to holding money in the bank or cash, the gain in the gold price becomes very real and will be actual life insurance. And at \$1,350 per ounce, there is no better insurance to own.

Egon von Greyerz

Founder and Managing Partner
Matterhorn Asset Management AG
matterhorn.gold
goldswitzerland.com