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THE SUSPENSE IS KILLING US

U.S. to Borrow Record \$550 Billion This Quarter, Treasury Says

*By Rebecca Christie and John Brinsley
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WASHINGTON -- The U.S. Treasury predicted it would borrow this quarter more than three times the amount initially forecast as weaker economic growth and the costs of a new bank rescue package swell the budget deficit.

Borrowing needs will rise to \$550 billion in the three months to Dec. 31, compared with the \$142 billion predicted in July, the Treasury said in a statement in Washington. That would be more than double the largest ever -- a record \$244 billion in new marketable debt in the first three months of this year.

The worsening credit crisis is straining the country's finances and will leave the winner of tomorrow's U.S. presidential election facing the worst budget shortfall on record next year. The Treasury may announce in two days plans to expand sales of bills, notes and bonds to fund the gap, analysts said.

When you see a statement such as the above, there is not one rational solution or conventional outcome that readily comes to mind and we are quickly reminded of the most basic definition of risk: we don't know what is going to happen.

None of us wish to become the proverbial deer looking into headlights of an onrushing tractor trailer rig. As the above statement suggests, the debts and deficits are now at such preposterous levels that many of us will be harmed in ways that stretch the imagination. Our ability to quickly scamper off the road and get ourselves out of harm's way has been impaired. Nonetheless, we must take the time to contemplate how we can best safeguard our personal wealth under less than enviable circumstances.

This is not a simple exercise. There are many square pegs and round holes. We must understand what forces might be unleashed by our elected and unelected officials. Although we have no privileged information to guide us in our actions, we would not be surprised to learn that those in charge of scripting the *BarackOnomics* Companion Reader are deliberating on one or more of the following plots:

1. As the rest of the world nears the choking point on US Government debt, it might be necessary for the American public to step in as the debt financier of last resort. Should there be mandatory requirements for US citizens to shift taxable and retirement assets into US Government bonds that pay a very low rate of return? If so, then Joe and Josephine Taxpayer are going to experience a marked decline in their standard of living as investment income is damped down. This will encompass fewer choices of goods and services accompanied by shortages, rationing and other inconveniences.
2. Under the cover of darkness, should the US Government engineer an explosive rise in the

price of oil so that the Middle Eastern oil exporters can again refill their Petrodollar fuel tanks and resume their traditional large-scale buying of US Government debt?

3. The US Government will be deemed by its global creditors to be insolvent and will be pressured to sell strategic assets in order to raise capital. It is a stretch to think that Canada and Russia will be allowed to bid on Alaska or China and Japan will be allowed to bid on Hawaii. However, might this condition of insolvency necessitate the opening of global bidding on large-scale energy exploration rights on Federal lands and in Federal waters?

The mere suggestion of these possibilities should not be taken lightly. Again, there is no rational solution or predictable outcome so our minds are left to wander. The US debt and deficit problem is now so large that we don't know what is going to happen.

The \$64 trillion question is how an increasingly impoverished Uncle Sam will be perceived and treated by the rest of the world. Will he be tolerated as a benevolent charity case or be quarantined like the carrier of a deadly virus? Either way, the US is likely to become increasingly isolated from the rest of the world as its credit score is marked down and its currency becomes a declining store of value. This anticipated period of isolation will be a very tough road to rebuilding America as a land where self-sufficiency is paramount and debts and deficits are met with derision. Perhaps the outcome will include a political and economic union with Canada, Mexico and Central America.

The bottom line is that the US workforce needs several million meaningful jobs along with the income that accompanies such gainful employment. We are not going to be gifted either jobs or income by the rest of the world. The US has to take back what it has given away and at the same time build new platforms for the mass consumer markets of energy, healthcare and transportation. Only by adding meaningful jobs (which does not include Wal-Mart clerks and fast food cooks) can the US pull out of its economic nosedive.

With the US Treasury in hock up to its eyeballs, we at **DocOnomics** have no choice but to conclude that our wildest dreams are now descending into our wildest nightmares. Due to the unprecedented magnitude of the debt and deficit problem facing our country, we have no idea what is about to come hurtling down the dark road and cannot rely on any single wealth protection strategy. More than ever, it pays to be diversified and ready for a bout with one or more of the following economic maladies:

1. Serious deflation, i.e., falling asset values precipitated by the lack of credit and mounting debt defaults. Prescription: fixed and indexed annuities that offer guaranteed returns and protect your principal
2. Serious inflation, i.e., a US Dollar printed to infinity by a desperate government. Prescription: investments in foreign currencies, commodities, natural resources, precious metals
3. Outright attempts at wealth confiscation, i.e., higher taxes or forced purchases of low-yielding US Government bonds. Prescription: investments in sectors that stand to benefit from Federal spending initiatives plus your choice of Excedrin or Prozac.

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