The DEBT CRISIS Problem

In Plain English, 20 Risks That Will Soon Fuel a Serious Economic Downturn

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INTRODUCTION

Seasons of Default and Restructuring

About The Author – My name is Jerry Staker. I am not an authoritative source, the head of anything, or some sort of know-it-all expert. That would be the last thing to describe me. I am a common sense, normal, gut feel, US citizen. I am not going to talk past you like authoritative sources do. I am going to talk with you, the average person, in plain simple English. Who am I? I am an independent thinker, who uses candor. If I walk alone, and not with the crowds, so be it - all the better, especially if I believe the crowds are walking in the wrong direction. I call balls and strikes as I see them. I am an arbiter of truth as the way I see it. I am nobody's puppet, but rather like an independent QB on the field. I am willing to call audibles when I don't like what I see. Or even as an old-fashioned farmer out working on the field all season. I pay attention because I am actually out in the field. I observe and look closely at things. I familiar with and watch the ground, observe the skies, and when decisions or certain calls must be made, I trust my gut and speak up. And, I do not look back either, ever. Once decided, I go forward with confidence in making all my decisions. I also seek out and respect the points of view of others who are sincere with verifiable sources. So I do a lot of research; I listen to both sides of the argument. But I will speak up in seeking the truth, if necessary, regardless if anyone else wants to hear what I have to say. Unlike some who may censure certain viewpoints, even mine, I expect and encourage divergent views that are sincere, and supportable by facts. I've been on the field, in the action, on the front lines in commercial banking and regulatory supervision for more than 40 years. My reading stack, from differing points of view, is always full with dozens of articles from the day. So, I am comfortable with what I'm talking about, and I correctly rely on my gut as my work life history has proven. I am unafraid to opine, to express what I think. I am also in learning mode all the time, so I want to continue to study and learn. Hence, as I look back, I don't make many mistakes or miscalls. I love this work and I do my homework, try my best; it is a passion thing with me since the early 1980's. I live, eat, and sleep this stuff. Some qualifications, right? There is no PhD, or other 'worldly' credentials. It's too bad, this is what you get. I'm just me, and I am okay with me and everything I write and speak about.

Purpose/Goal – My purpose in doing this is to raise credit risk awareness in the US (the risk of default and non-payment), by creating a healthy and transparent debate (stage) at the average citizen level. Right now, it's completely missing. And, it's wrong. I'm not an economist or any kind of an official, and I don't talk like them, nor do I focus on their audiences. The experts can debate amongst themselves, because they don't speak to the people anyway. On the other hand, I care about the people, individuals, the families, and small business owners. I don't like to see people needlessly suffer under the burden of heavy debt, as so many people, families, and small businesses are needlessly ruined. I'm here in the weeds where it matters, here on the front line of battle. My voice serves the general population and no one else. So, let's get to work, stop complaining, and find out what's going on out there to prepare ourselves, and apply the right solutions. I also want to hear your immediate concerns, you own super ideas, and best practices. My goal is to make none of this about me. I won't let that happen. If I do, I quit. I am not a 'show' or anything like a 'program,' but I do want this national debate to happen, and happen fast, as we are losing precious time each day. Other than in this Introduction section, you will

rarely see me using any personal pronouns, as none of this is about 'me.' It's about you, the individual, consumer, family, small business owner. My message is not for the experts on Wall Street, never has, never will. In the end, I'm the consumer's and small business owner's trusted friend.

Warning! This is the Downside Case – This publication, mainly my supportable opinions and information, *is intended* to address the downside 'black swan' risk of 20 so-called events that will severely impact the US national debt and economy. It is based on the 'reasonableness test' and common sense of the average person. The findings are not pretty, not sugar-coated, full of candor, and intended to bring awareness and even shake things up a bit if needed. I intend to draw attention to the national debt debate (it's hardly even happening), to invigorate new discussion platforms, while seeking full financial reporting transparency from officials. I am also introducing to the world what I believe is the right solution for these times – Tunabudget – The Solution. It is a new debtor-to-creditor paradigm shift in debt repayment resolution strategies. More has been written at tunabudget.com and NCARA.org. Here, I'm going to focus on the *problem* in the hopes that we understand the event risks all around us. We can then search for understanding their root causes through healthy debate. As we do so, we will be able to apply the right and best solutions. Don't get discouraged, but this publication is a bit alarming.

The World is Fragile – Now for some candor. Everything is fragile and increasingly unstable. Seriously, what are the odds the US (and the world) will enter seasons of default and restructuring? What could possibly go wrong? Let's please just take a simple, reasonable, closer look at what is happening out there, and, like I said, seriously ask ourselves what is really going on? In my opinion, we should immediately take measures today to get our finances on a sound footing by eliminating debt, or have a plan on how best to manage the heavy debt burden we are stuck with, to better survive financial storms. Living off of debt, everywhere, is something that should keep people up at night. It's not sustainable. Borrowing binges have resulted in interest payments on the national debt that will soon be growing out of control, leading to a debt spiral.

Does Anyone Even Care? – You hear talk, on rare occasion, that all the deficit spending (that is propping up everything) is not sustainable. But what does that mean? Does anyone really care as long as things continue to roll along? Most people are more than willing to 'look the other way' and ignore the pending crises. They don't have the ability to comprehend the ludicrous size of the national debt and the structural deficit spending that will surely demolish the US economy, resulting in higher interest rates, persistently high inflation pressures, and a debt crisis. Only then, will people care. We don't get it.

So, Let's Talk About It – But for now, let us simply have the discussion! That is all I am asking. Like having to address a health or diet issue, no one wants to talk about what is really happening out there in the economy. It is like some mysterious belief that everything's okay or business as usual, and yet everyone's gut is turning inside-out because they know something is not right. But to have a rational discussion of what is happening in the economy, and talking about what might happen next, is out-of-bounds-talk territory. Show me anyone who welcomes debate on good monetary (interest rates) and fiscal (spending) policy, yet these policies affect everyone. Maybe people with other points of view are being censored?

There is No Real National Discussion or Debate (Yet) – In this publication, you'll notice that I'm going to call out (or otherwise hold accountable) economists, rating agencies, US regulatory agencies, elected and appointed US Government politicians, etc. Somebody needs to be held to account, and we have to start at the top. In the end, my goal is to get the healthy debate going. Why? Because national policy, something that affects everyone (but everyone 'leaves it up the experts' and their decisions), clearly will be seen as not being in the best interest of we the people. Actually, in terms of magnitude, we're way beyond the point of no return. We are now in red flag territory as there's nothing anyone can do, but just keep prolonging the pending debt crisis. The experts won't speak up loud enough. It's now too late to avert a debt crisis and severe economic downturn in my opinion. This is not a matter of if, but of when. Furthermore, we the people give our public officials and economists way too much credit and blanket power of this non-debate world we live in. They have essentially become an audience unto themselves. They have become very narrow-minded, drunk with group-think to impress and build up each other, and a special class unto themselves (at our eventual grand expense). They also refuse to honestly talk about the reality of the risks we face in a commonsense manner. They fear that if they tell the truth, the public will panic, votes will be lost, and sadly, because the public is totally unprepared, the public will panic when they get caught unprepared. Everything turns into a blame game, with no one apologizing or accepting any responsibility. Notwithstanding, there are reasonable voices out there that may see things from a different perspective. Where do they go? How do they share their commonsense opinions and best-practice recommendations with others? Washington, D.C. or other big coastal cities, don't have all the answers. They're not the only ones that can solve problems. Some may think policy makers are deliberately making the people overly dependent on the US Government for whatever reason. Concerned citizens don't have a central voice in this process at present, but there should be. I believe the people can see more clearly beyond the narrow and limited horizon the officials and economists (want to) see, and can offer more balanced views. There's more to this than stable prices and maximum employment, as a debt crisis will disrupt everyone's lives in ways in which tens of millions of people will not likely recover anytime soon. Forced US Government spending reduction will be required and the usual standard of living will fall off the charts. We will have no one to blame but ourselves for not speaking and showing up for today's non-existent debate.

Spoiler Alert: Build Your Own Debt Repayment Solutions

Tunabudget – The Solution (Tunabudget Worksheet Plan) – In a coming day, there will be a grand paradigm shift in debt repayment strategies. Tunabudget.com offers a free Tunabudget Worksheet Plan as the solution for managing through any periods of financial forest fires (which are coming). Frankly, it is past time that young and old stop day-dreaming about what is going on, and start taking a candid look at the event risks we face. Not that anything is going to change what's coming (besides more delay from just printing more money), because it cannot. If we had a balanced budget in the US, and in most people's lives too, it will all break apart. Why? Because we are effectively living and surviving off credit or debt. Our standard of living has become debt ridden at every level, with record levels of new debt happening all the time. It's not sustainable. Now is the time to prepare your own debt repayment solutions with your own Tunabudget Worksheet Plan – be it a small business, individual, or family. In a coming paradigm shift, you, the borrower, will soon be responsible to figure out, document, and

propose your own debt repayment plan to your creditors. That is why tunabudget.com and NCARA.org exist. To have the 'discussion' of what is happening, and working together to find the best 'super ideas' and best-practices out there in the marketplace, to help solve the debt repayment solution. The borrower-prepared debt repayment plan will be the new standard during the next major economic downturn. It is the best way to ensuring financial well-being with heavy debt burdens.

Invitation – In short, I invite you to take a closer look at reality and these 20 event risks here in Debt Crisis. Draw your own conclusions as you really see them. Use common sense, reasonableness, and take necessary precautions today. Talk it up. Is it really past-time to get out of debt, if possible? Should debt be limited to a 'modest' level, or no debt at all, including the mortgage? And if you are stuck neck-high in debt? There should be no doubt that things are going to change, probably much sooner that you think. What's coming is going to affect you, everyone, and everything. Please take a deep, serious look.

Standing by an Earlier Outlook Forecast

Insights Back in 2Q2020 of Interest Rate Hikes and Stagflation Warning in 2023-25, or Sooner –
"The world-wide stimulus everyone sees is ultimately akin to a lit can of starting-fluid, fire being sprayed onto a pile of logs, or simply put, living off a mock credit card. Interest rates the world over are maintained at near zero percent because it's the only way economies won't really burn; everyone seems to borrow more and more money. But very low interest rates likely create asset bubbles (think housing) and bond and equity market bubbles. And what will happen to bubbles when inflation and short-term interest rates <u>increase to four percent (or higher)</u> – for whatever reasons? Very few people, it seems, are even willing to talk about that.

"Currently, the world is facing massive global stress, high unemployment, and lackluster demand. Life is wonderful but bad things happen every so often. There are consequences in life, to each decision an individual makes, all the way to major US Governmental policies. NCARA believes the U.S. will unavoidably see <u>'stagflation' in the near term – by 2023 to 2025, or sooner</u>. Stagflation is routinely described as a time where inflation increases, but economic growth slows down. The massive and ever increasingly unsustainable levels of debt are the bedrock foundation that underlies what will become a long period of economic defaults and restructurings and other challenges." (Empowering Small Business to Repay Debt: The Coming Paradigm Shift from Creditor to Debtor in Loan Repayment Solutions, NCARA.org, Jerry Staker, 05/31/2020)

Still on Track for a Serious Economic Downturn in 2024-2025 – As far as I'm concerned, I believe we've had, until recently, artificially low interest rates for more than a decade since the Great Recession. Why? Because if interest rates were higher, it would have required all the deficit spending during the ensuing years to be at high unsustainable rates. It would have brought on a debt crisis much sooner. So, politics were played with artificially low rates, as the Federal Reserve Bank should have been independent, raised interest rates, and properly managed the country's finances. It should have screamed and yelled in pushing back against the massive US Government spending in those years, and in many earlier years too. But it sat back and basically pushed through the financing instead of doing the right thing. Now, we have a total mess on our hands, which will most certainly lead to a debt crisis soon. Rates should have never remained that low, and now with record borrowing, we have a massive debt bubble. The bubble will have to burst in 2024-25 due to its weigh, and the pending stresses from the 20 risk events which

will surely come in some form or fashion or another. As more debt becomes due, and is refinanced at higher interest rates, it will create a debt spiral. The interest rates will be higher than the rate of growth in the economy and the debt service and levels will become out of control. More debt spending will be needed, and so goes the spiral. Think what borrowing levels would have been had interest rates been normalized over the years, but that couldn't be done for political reasons. So, the asset bubbles are mostly artificial. It is clearly a debt bubble that will soon turn into a debt crisis as it cannot go on like this forever. The debt levels will never be repaid in our lifetimes, or our children's lifetimes. The only other option is to have the debt bubble bust, resulting in seasons of default and restructurings everywhere in the world. As the US goes, so goes the rest of the world. Interest rates will have to increase again (nobody will buy the US debt at lower rates, soon), which will impact the economy in and of itself. Don't forget the potential added impacts of the 20 risks in this publication. Once the crisis comes ashore, prices will start to come back to reality. And reality, will be what people can then, realistically afford (lower standard of living). The great slow-down will persist and negatively impact the US economy for at least 10 years. While to very rich will become even more rich for a season, many more people will become poor.

New Prediction: Some of the 20 Risks Will Cause Major Disruptions, and Defaults

Today, in 2Q2024, I Feel Even More Strong About It – In early 2020, four years ago, I published that things would start to break when interest rates increased by 4% (400 bp), and inflation and a slowing economy would emerge by 2023 to 2025, or sooner. I'm sticking behind the financial forecast I made back in 2Q2020, even more strongly than before. Massive deficit spending would have to, sooner or later, result in inflation and higher interest rates – and that started to transpire exactly as predicted. But *primarily* because of the unstainable and increasingly dangerous extraordinarily high debt levels everywhere, natural supply and demand have been and are out of balance. Resources are now especially subjected to the 20 risks in this publication to one degree or another, and the bottom result? More and more deficit spending every time, for everyone, everything, and everywhere. Not preparing for a rainy day, but just out of control spending, has become total nonsense. It is surprisingly dangerous.

Buckle Up – It seems that with new technologies, there's no such thing as a decent simple budget plan for anyone, anything, or anywhere. When confidence in the US dollar is lost, there will be a debt crisis, and, of necessity, interest rates and stagflation will ensue. Hence, in the near term, we will see defaults, and they will come in seasons, followed by restructurings for a large percentage of Promissory Notes and Loan Agreements. Buckle up and get used to it. Nothing can stop it at this point, in my opinion. This is a ticking debt time bomb. And, when it comes, you'll wake up one morning and seasons of default and restructuring will be upon us. Perhaps the Federal Reserve Bank will then come up with a digital dollar to erase the old paper dollar. There would be more disruption and possibly social unrest. Just like with past disruptions, the Federal Reserve Bank just keeps coming up with more money in creative ways to solve default conditions. Think of the recent trillions spent during the Covid19 pandemic. It gives money away to everyone to supposedly make things better. Older generations would have slugged through the disruptions and not borrow their grandchildren's economic future. Today, too many people could care less about themselves, their neighbors, or future

generations. There's a huge price that will soon have to be paid for being so fiscally irresponsible. Our ancestors were wise, we are not. So, buckle up friends.

Wake Up; We're Not Sufficiently Prepared – People are beginning to ask if the cure to these shock events was or will end up being worse than the events themselves. The endless spending all rolls onto the backs of future generations of the American taxpayer. But the unintended consequences always seem to grow deeper and deeper, as more shock events will keep happening. Does anyone think they won't? We should have had savings set aside for such events, like sufficient dry power for emergencies. Irresponsible politicians and other Federal officials have taken the easy way out with deficit spending which becomes heavy soggy debt instead. The debt levels just keep growing and growing at unsustainable levels. But whatever it takes to put the 'sleepy giant' back to sleep, right? Once again, society thinks everything is fine. Until it wakes up one day. As you explore the 20 risks in this publication, I ask the question at the end of each chapter: "Can you smell a debt crisis yet?" Go with your gut instinct. You're not wrong, and neither am I.

Risk #1 - National Debt Levels

Massive Buildup in Debt Everywhere

Take a Closer Look at the Debt Stack Numbers – Take some time and ponder the numbers in the table below. When you think of the individual people who might be behind any one of those statistics, it is beyond heartbreaking. These people are not numbers. They are people, just like you and me. Their burdens are real, they are not pretended burdens. And, sadly, collectively, the burdens are only getting heavier. The US Debt Clock metrics in the table below shows alarming trends in the period of most adult's lifetimes.

USA (USdebtclock.org, Rounded, January 2024)	**January 1990**	**January 2000**	**January 2004**	**January 2008**	**January 2012**	**January 2016**	**January 2020**	**January 2024**	**January 2028**
Total Unfunded Debt (Trillions)	$14	$27	$38	$51	$57	$68	$82	$97	$109
Federal (National) Debt (Trillions)	$3	$6	$8	$11	$16	$20	$27	$34	$46
Personal Debt (Trillions)	$5	$9	$13	$17	$16	$18	$17	$25	$28
Mortgage Debt (Trillions)	$4	$7	$11	$15	$13	$15	$16	$21 (e)	$24 (e)
Credit Card Debt (Trillions)	$0.7	$0.7	$0.8	$1.0	$0.9	$1.0	$1.0	$1.3	$1.5 (e)
Unemployed Persons (Millions)	7	9	14	14	22	13	9	11	11
Living in Poverty (Millions)	33	31	37	40	47	45	41	43	48
Food Stamp Recipients (Millions)	20	17	26	33	48	48	39	41	46
Not In Labor Force (Millions)	64	69	76	81	89	94	101	99	96
Gross Debt to GDP	59%	56%	65%	79%	104%	107%	121%	122%	150%
Total Debt Per Tax Payer (Thousands)	$40	$53	$74	$102	$156	$175	$243	$264	$332
Personal Debt/Citizen (Thousands)	$14	$20	$26	$36	$51	$62	$86	$101	$132

Total Unfunded Debt – Debt obligations owed by the US Government. The debts I am talking about consist of unfunded payments to recipients for Social Security, Medicare, prescription drugs, and national healthcare as projected in the future. The US Government has borrowed from these trust funds that belong to the people, so many people don't view this owing a debt because the US Government intends on paying out benefits and will get the money from somewhere else (so it isn't borrowed money in that sense). But, honestly, folks. It claims its intention on paying all these future commitments, but can it honestly say, today, that the $97 trillion (soon to be $109 trillion) will be paid out over the future? Some would argue unfunded liabilities are really $150 to $200 plus trillion. Can it even conceivably pay those commitments along with everything else too? Not to mention the deficit spending it will incur for the next big event (any one, or combination of the 20 risks herein cited)? Not a chance, without more massive borrowing, which is what will happen until one morning, it breaks. It has been said, comparatively, that the estimated $97 trillion in unfunded liabilities is more than the total goods and services produced in the entire world in a given year.

- ***Use Common Sense*** – Certainly, to say the US Government has any chance of paying out the $97 trillion (soon to grow to $109 trillion and even beyond that), I believe, is misleading or worse. It is not going to happen. The needs of the aging population will surely outstrip the resources the US Government can afford, with all its overspending, etc. Why can it not be funded? Because it is impossible, unless you just add more debt on top of debt (think debt spiral). The US Government would have to raise tax rates and reduce services such that it would not even begin to work right. It can't even pay the interest on its current debt and everything else, without more borrowing. It will never happen – and everybody who is honest and can think for themselves, knows it. But there is no national debate, discussion, or transparency about it. So, it is up to the people to just use common sense and pay attention to their own financial condition

- ***Use More Common Sense*** – Moreover, with some 43 million people currently living in poverty, and 100 million not even in the labor force, who are you going to tax to cover the $2+ trillion annual deficits, let alone the future $97 trillion unfunded liability commitments? Again, it is not going to happen. Unless you print untold trillions of dollars, making the dollar's value bankruptcy-worthy, and cause hyper-inflation and massive interest rate hikes, right? Which ultimately means seasons of default and restructuring, asset bubble collapses, etc. It's not a question of if, but when. And, because of that, it's highly irresponsible and immoral to not talk about this risk on a national scale. US Government officials, supervisory agencies, rating agencies, economists, bankers, etc., should be totally transparent but they are not. Such warning voices are minimal and completely insufficient. Why? Because they all know if they tell the full story, it's game over. I believe they are complicit together in not being square with the people, because if they were, their business models would collapse, or at least be severely disrupted. And, therefore, nobody wants that and nothing is said. Using more common sense suggests the musical chairs game will just continue, until one day the music stops…

Federal (National) Debt – It's beyond insane the level of spending the US has incurred since just 2016 when the national debt was $20 trillion. In early 2024, just eight years later, the national debt has

increased to over $34 trillion. That's $14 trillion dollars in a short period of time. Talk about living off a giant credit card. What do you think would have happened to the economy if the $14 trillion weren't spent? And, in the just the next four years it is expected to reach $46 trillion, that's another $12 trillion increase. It's completely out of control and voices are starting to emerge now that the national debt has reached $34 trillion. Can anyone even comprehend how much money that is? Try to comprehend, not $34 trillion, but just $1 trillion dollars. It is the same as 1,000 billions, or a million millions. $34 trillion translates into 34,000 billions, or 34 million millions. No, no one can comprehend how much money that is. The national debt will never be repaid or substantially reduced, nor, in our current lifetimes, will it ever be paid down to a meaningful safe level. With all the noted 20 risk events facing this unstable world today, the Federal debt level will likely only increase even faster than the projections until it defaults, and its debts become restructured debts. The damage will be felt forever with asset bubble collapses and much more.

Personal Debt, Mortgage Debt, Credit Card Debt – See next chapter

Unemployed Persons – It seems like most anyone in early 2024, who wants a job, can find one. Hopefully it stays that way, but more and more joy layoffs are happening. It's also taking longer to find a good job. Some 11 million unemployed people is a significant number of individuals. The Great Recession in 2008, and the Covid19 pandemic obviously impacted unemployment, with gradual declines in the unemployment rate after each event. And while employment numbers tend to increase as the economy expands, it can contract quickly as we've recently seen. The number of post baby-boomer workers (after 1964) is fewer than the number of baby boomers who are retiring. A couple of risks are startling apparent.

- ***Answer This One*** – The US Government certainly can't collect needed revenues from unemployed persons. How will the unfunded liability payments (Social Security, Medicaid, Prescription Drugs, National Health) be paid out to baby boomers with ever increasing health costs, and less workers to pay into the system? Seniors and others will need the US Government benefits they have paid into their whole lives, as private pensions are becoming a relic, and personal savings isn't going to carry the day either

- ***Add Unhealthy Lifestyles*** – Perhaps as equally concerning is the apparent health profile of the typical American citizen. Is society getting sicker as it continually engages in unhealthy behaviors such as drinking alcohol, smoking, vaping, marijuana use, and other harmful drugs – all unhealthy lifestyles? It is hard to argue that a society will prosper long-term if it is less healthy than it otherwise might be. Health care costs are only going to exponentially increase, along with the deficit spending and debt levels beyond current projections. Again, I'm just talking common sense

Living in Poverty – According to the US Department of Health and Human Services, the 2023 poverty level for a family of four, is $30,000. Per the US Debt Clock data above, there are some 43 million people who are living in poverty. There aren't words to express how heartbreaking this is. But I'll try anyway. My heart goes out to those who have somehow ended up in this position. My hope is that those so affected can use the *power of their choices* (power they always have) to get any assistance in the following areas to improve their circumstances: pursue any higher education; saving any amount of money as possible; avoiding any risky behaviors like drug abuse which (I believe) destroys people's hopes and dreams; get adequate health care; avoiding criminal activity; use a good budget plan to manage finances; avoid gambling; get healthy; show a strong work ethic; develop skills for: communication, problem-solving, time management, building relationships, a positive attitude. Every one of these skills and measures can be made from daily choices. If you don't know how, ask for help, and just try your best. No excuses. Chances are, if you try and don't give up, you'll succeed. When you do fail, get back up and try again. No giving up. Ever.

Food Stamp Recipients – To qualify for Federal assistance under the Supplemental Nutrition Assistance Program, also known as food stamps, a household must have a gross monthly income at or below 130% of the poverty level and a net monthly income at or below 100% of the Federal poverty level. (USDA, Food and Nutrition Service, SNAP Eligibility). 41 million people receive this assistance, and once again, the number is overwhelming. The individual cases must be heartbreaking. There have been, on average, more than 40 million people each year receiving food stamps since 2012. It is entirely likely that the number will be understated, and more people than ever will be relying on the US Government for their survival.

Not In Labor Force – Refers to people who are not currently employed and are not actively seeking employment. In 2000, there were 'only' 69 million such people, and 24 years later there are about 100 million (an increase of 45%). Obviously, the baby boomer generation is getting older, plus adults with disabilities, or those attending college and not working. Other people may be discouraged and have given up on looking for work. The fewer people working can only result in slower economic growth. It will probably mean an increase demand for US Government assistance too.

Debt/GDP Ratio – A comparison of debt (what is owed) to gross domestic product (what is produced) in America. The ratio is a way to see how well debts can be repaid. The higher the debt ratio, the higher the credit risk (potential non-payment or default). It shows how stable a nation's economy is. It is too easy for a nation like the US to materially live off its credit card (Federal Reserve Bank); but that is not wise and is unsafe and unsound (not sustainable). In most cases, debts as they become due, and because of deficit spending, those debts will not be repaid but just refinanced and rolled up into new debt. The lower the debt/GDO ratio, the easier it is to conceivably repay. Heavy debt levels, since 2008, have increased by $23 trillion because of massive deficit spending. Any chance it will slow down or reverse course? No. No chance.

- ***Another ~$12 Trillion in the Next Five Years*** – The current debt/GDP ratio is dangerously high to where it increases the risk of default on the debt, which would be majorly destructive on the nation's economy and in financial markets globally. The US is currently facing wartime unrest, and a possible recession. Projected deficit spending is expected to reach another whopping $12 trillion in just the next five years

- ***Impact of High Debt/GDP Ratios*** – Countries having high Debt/GDP ratios are known to struggle with economic growth, high unemployment, and even political instability. When default happens, it would likely result in higher interest rates (borrowing costs), inflation due to excessive printing of money, currency devaluation, impact the banking system, social unrest, and a flight of capital. Asset bubble collapses are likely too

- ***Will the Real Debt/GDP Ratio Please Stand Up?*** – The US Government defines the Debt/GDP ratio with only the debt amount held by the public, and doesn't include the gross debt held outside the public. Isn't debt still debt, because all debt needs to be repaid? Why not use the gross Debt/GDP ratio when talking about the country's financial well-being? It appears that someone has some serious explaining to do. The level of debt incurred by the US apparently has unique accounting rules that it alone follows. There's debt that the public has financed or holds, and then there is the gross debt which includes the public debt as well as intraUS Governmental debt that the US Government technically owes to itself (like Social Security funding). Buy does not Social Security need to be paid too? Then why not just use the gross debt/GDP ratio so we can all see the truth of how drastic our poor financial condition really is? Which ratio would you think the average person should see and understand? The metrics always look better when you show just a part of the whole story. Interesting set of books, right?

- ***Use the Gross Debt/GDP Ratio to Show the Real Health of the US Economy*** – Using only the debt held by the public is not an accurate measure of the US Government's debt burden on the economy as some would argue. Debt held by the public, owed to the private sector, individuals, businesses, banks, insurance companies, state and local US Governments, pension funds, mutual funds, foreign US Governments and foreign entities and individuals, and now the U.S. Federal Reserve Bank, must be paid. And so does the US Government's obligation to pay intra-US Government debt like Social Security obligations (picked up in the gross debt). The better way to hold leaders accountable and understand the real health of the economy, is to primarily calculate the Debt/GDP ratio by focusing and discussing the gross debt (which includes Social Security payments, etc.). The Debt/GDP ratio using the debt held by the public should just be a footnote.

Total Debt Per Citizen, and Personal Debt/Citizen – Perhaps there is no other metric in the debt table that is more relatable or demonstrates the obsceneness of the underlying debt levels. To compare the total debt per US citizen, or the personal debt per citizen, to the actual budgets of average American households, you can get a quick sense of the enormous risk this is to the US economy. Check this out: "37% of Americans lack enough money to cover a $400 emergency expense, up 5% from 32% in 2021 and back to 2019 levels. Consumers would have to use credit, turn to family, sell assets, or get a loan to cover any major unexpected cost. When asked about non-emergency expenses, 18% of Americans said the largest expense they could cover using only their savings was under $100." (Board of Governors of the Federal Reserve System, Economic Well-Being of US Households in 2022, 05/22/2023). The massive US debt burden has been slyly spread out on the backs of every US citizen, and is at absurd levels. Just 24 years ago, in 2000, the *total debt* per tax payer was $53 thousand. It is now $264 thousand (400% increase), and soon to be $332 thousand. And almost 40% of Americans cannot come

up with $400? Actual personal debt levels are astonishing, frankly, beyond astonishing. The average debt per citizen in 2000 was $20 thousand, and is now $101 thousand and expected to hit $132 thousand soon. Talk about unsustainable. Just wait until unemployment increases.

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

America's Debt Burden is Extremely Heavy – America's collective debt burden will increase and become unsustainably burdensome. The recent debt metrics are alarming, especially when we add in the US Government's unfunded obligation of $97 trillion (soon to be $109 trillion) for entitlement spending. The 20 event risks will negatively impact the US economy, just as they always do; but remember that the current debt levels are at dangerously high levels. Every day, our serious lack of capacity to address future disruption events is increasing, which will push up inflation or even stagflation. Some 43 million people are currently living in poverty, 41 million are receiving food stamp assistance (increasing to 46 million by 2028), and some 100 million people are not in the labor force. The US citizenry will not even be able to cover the structural ~$2+ trillion annual deficits as far as the eye can see? Heavy debt levels, since 2008, increased by $23 trillion from massive deficit spending. Projected deficit spending will reach a whopping $12 trillion in just the next five years.

Redefining Debt/GDP Ratio to Measure Economic Health – There is no real national discussion or awareness of a pending debt crisis to hold leadership to account. For example, the US Government defines the Debt/GDP ratio using only the debt amount held by the public. It excludes the gross debt held outside the public. Using only the debt held by the public is not a complete measure of the US Government's debt burden on the economy. It is better if we could hold leaders accountable and understand the real health of the economy, by primarily calculating the Debt/GDP ratio using the gross debt (which includes Social Security payments, etc.). The Debt/GDP ratio using the debt held by the public should just be a footnote.

Dept Level Per Citizen is Overwhelming – Additionally, to support the need to bring awareness to the citizenry, we must compare the level of debt effectively placed on the back of each citizen from Federal spending. We must show how utterly unstainable the debt levels are today and compare that to the actual health of the average citizen. For example, currently, 37% of Americans lack enough money to cover a $400 emergency expense; for non-emergency expenses, 18% of Americans said the largest expense they could cover using only their savings was under $100. Consumers would have to use credit, turn to family, sell assets, or get a loan to cover any major unexpected cost. Compare all this to the massive debt burden placed on each citizen. Just 24 years ago, in 2000, the total debt per *tax payer* was $53 thousand; it is now $264 thousand, and soon to be $332 thousand. And almost 40% of Americans cannot come up with $400. The average debt per *citizen* was $20 thousand in 2000, is now $101 thousand and is still increasing. My estimate it that other disruptive risk events will be widely felt between now and sometime through 2025. The result will be a debt crisis. America's collective debt burden is truly increasingly and unsustainably burdensome. Can you smell a debt crisis yet?

Risk #2 - Consumer Debt, Spending

Go Back in Time for a Moment

Rock Solid Core Values – A few generations ago, our recent ancestors had a set of core values that should be the envy of the world. They were good people, honest, hard-working, frugal, used budgets, watched out for their neighbor. They avoided debt and if they did borrow, the loans were very modest and were repaid in short order. They sacrificed and went without, rather than use credit cards. They lived within their means, usually on one income in the household. They were sincere, and held themselves to account, and expected that others do the same too. They respected themselves and each other. They were exceptional decent people, with their courteous public manners on fully display all the time.

Spoiled Generations – Today, generations later, we have become less disciplined, more selfish, and have a plastic 'buy it now, pay it later' attitude. We've developed a 'covetousness' desire for more wealth and possessions, especially for automobiles and larger homes. With that came large installment and mortgage debts, and a more and more, and a me, mine, myself, mindset set in. Honestly, I think the earlier generations would see what we have today and shake their heads in disbelief. Who avoids debt today, is frugal, and saves money by living on less than their means would otherwise allow? In the end, we love debt, don't we? We want stuff even if it puts us in bondage. We want things so badly that we are willing to enslave our budget for years on end. Carefully pay close attention to the next TV ad from a lending institution offering money via a home equity loan. You'll see a small family getting a new car, or towing a new boat with all the fun and excitement. Or, a handsome couple sitting on a beautiful beach, sunset and all. Afterall, what is the big deal of just another $300/month, right? But debt loads can quickly become unstainable, and the new home equity loan (and all the fun and excitement) is really nothing more than a steel ball and chain that has enslaved the family for the next 20 years. They also risk losing their home for nonpayment. Consumer debt levels keep rising to record heights year over year. Because of the nation's addiction to debt, it is no wonder elected politicians just keep raising the debt ceiling. We are literally living off debt. Frankly, people are comfortably asleep on that debt-express airplane flying faster with a mountainside coming into greater focus each day.

Nothing Like Living Off a Big Credit Card!

USA	January 1990	January 2000	January 2004	January 2008	January 20012	January 2016	January 2020	January 2024	January 2028
Personal Debt (Trillions)	$5	$9	$13	$17	$16	$18	$17	$25	$28

Mortgage Debt (Trillions)	$4	$7	$11	$15	$13	$15	$16	$21 (e)	$24 (e)
Credit Card Debt (Trillions)	$0.7	$0.7	$0.8	$1.0	$0.9	$1.0	$1.0	$1.3	$1.5

Mortgage Debt Levels Are Out of Control – To illustrate the point, simply look back to 2000 when mortgage debt was $7 trillion, and just $4 trillion 10 years earlier in 1990. Today, mortgage debt is estimated to be more than $20 trillion. Similarly, total personal debt, which includes mortgages, increased from $9 trillion in 2000 to $25 trillion in 2024, expected to increase to $28 trillion in the next few years. Any chance of defaults, and asset bubble collapses when the next serious economic downturn comes? Of course, the markets will make more accommodations to keep the musical chair game going. Would it surprise anyone to see, not 30, but, 40, 50, 60 or even 100-year mortgages? Shocking to you? Don't be surprised to see it commonplace to have mortgages with no expectation of ever being fully repaid in your lifetime. Talk about bondage. If you have a mortgage, depending on where you live, your ownership interest is essentially being held in trust by a Trustee. The Trustee is empowered to remove your ownership interest for nonpayment. You don't own it, and will never own it until the mortgage is paid in full. Don't be surprised that renting becomes the new norm for all your fixed assets. It wouldn't be surprising to see real estate investment trusts (giant landlords) gobble up more and more real estate assets, collect rents from all those tenants out there, and make their shareholders wealthy.

Stick to Modest Debt Levels – Consumers, the collective you, have literally been living off a mountain of debt. Why do I feel this way? In the first place, long-term debt should have been maintained at 'modest' levels, and be limited to just mortgage debt, and possibly education debt. Insatiable appetite for more things, bigger houses and cars, vacations, furnishings, has tossed the principal of modesty out the window, and has saddled most people with as much debt as they can carry. The heavy load often requires the support of two incomes, and in way too many cases, stress levels are over the top. And lighter debt burdens can become heavy overnight when that key job is lost, or someone gets sick, and so on. That's why debt levels need to be modest. What is a modest debt level? You define what 'modest' means, or should mean, to you or the average person. Modest debt levels are generally very manageable. Such levels leave room for emergencies, downturns, unexpected disruptions, and layoffs. What we have today is excessive, not modest, debt levels. Credit cards should be paid off each month, but they now total about $1.3 trillion in outstanding balances, likely at high interest rates. Credit card debt is being used more often as personal savings are depleted. Delinquency rates are rising too. Talk about bondage. When I think of modest debt or modest rent, I am thinking of what might be the average price for a given rental market and apply it to a mortgage payment amount. And is that even possible today? No, it is likely not. Which underscores how out of balance the markets are, how unsustainably high asset prices are (bubble prices).

Use One Income as the Standard for Rent and Mortgage Payment Amounts – So, you do what you've got to do, but be sure to do it with your eyes wide open and be prepared to step up to the plate and repay your debts. As you do your budget, if your gut says it's too much debt (or payment) then look for something else. While much of the $25 trillion personal debt level is tied to mortgages, that is still an

alarming amount of debt when adding in installment loans, etc. Nowadays, it can take two incomes to just make the mortgage payment. You're much better off (if you must pay a higher mortgage payment) to have it calculated on just one income, not two. Otherwise, just rent – and be thankful. In a down economy, unemployment increases, and it not that easy to make the hefty mortgage payments without a regular good job. Spending like this cannot and will not continue forever without substantially breaking down at some point, for a host of reasons. Where will you end up?

What if the Big Credit Card Limit Isn't Increased?

Think Carefully About Borrowing Levels – Consumer spend is the main engine running the US economy, and there is every indication it is running out of savings, utilizing credit card debt more than ever before, and repayment delinquencies are on the rise. Read any financial report these days; it is there, everywhere. Interest rates are high, as are prices. When people start financing day-to-day living expenses, that is serious. Younger people, those with student loans and auto loans are likely to have credit card debt too. How long will it be before this market segment defaults on its debt in large numbers. There's even a new unregulated debt option called 'buy now, pay later,' or BNPL funding, where purchases are repaid interest-free over a few payments. The debt isn't being reported to any credit report agencies, so no one really knows how much debt a person really has. And, talk about a temptation to get into more debt too. After all, it's cheaper than having a 20% credit card, right?

Is It Really Worth It? – And, what will that lead to next? Will this cascade into other mortgage debt sectors too, creating increased credit risk there? Mortgage debt is interesting when you take a close look at it. In the past 20+ years, mortgages that should have been paid down, are being refinanced, over and over, and in many cases the home owner owes substantially more than the original mortgage. 10 years later, if the mortgage amount has increased by $80 thousand, that equates to $8 thousand per year, or $667 per month in additional debt spending. One really should have asked themselves if being in bondage for up to 30 years paying $667 a month (basically, forever) was worth whatever they bought with it. In earlier generations, the answer would have been a definite 'no.' What's the risk of default over 30 more years? When widespread defaults begin, other issues arise like credit freezes. Ask how local, city, state, and even the US Government will ultimately collect more in taxes from its citizens if they are in default and restructuring mode of their debts? Would it not impact the collection of sufficient tax revenues to avoid default too? Who will bail out these US Governments? We will look back and question if such debt-funded expenditures were really worth it. The answer will be an obvious 'no.'

People are Playing with Mother Nature; Don't Get Caught in a Super-Cell Storm

Yellow/Red Flag #1 – "Americans now owe a collective $1.13 trillion on their credit cards, according to a new report on household debt from the Federal Reserve Bank of New York. Credit card balances increased by $50 billion, or roughly 5%, in the fourth quarter of 2023, the New York Fed found. Credit card delinquency rates also jumped — particularly among younger millennials, or borrowers between the ages of 30 and 39, who are burdened by high levels of student loan debt. 'This signals increased financial stress, especially among younger and lower-income households,' said Wilbert van der Klaauw, economic research advisor at the New York Fed. Why so many Americans are under pressure? 'Even though the economy overall is doing great, there are pockets out there where people are overextended,' the New York Fed researchers said on a press call Tuesday. Many consumers feel strained by higher prices — most notably for food, gas, and housing — and more cardholders are carrying debt from month to month or falling behind on payments, according to a separate report from the Consumer Financial Protection Bureau. Why workers' raises are smaller in 2024? Nearly one-tenth of credit card users find themselves in 'persistent debt' where they are charged more in interest and fees each year than they pay toward the principal — a pattern that is increasingly difficult to break, the consumer watchdog said. Credit card rates top 20%: Credit card rates were already high but spiked along with the Federal Reserve's string of 11 rate hikes, including four in 2023. Since most credit cards have a variable rate, there's a direct connection to the Fed's benchmark. As the federal funds rate rose, the prime rate did, as well, and credit card rates followed suit. The average annual percentage rate is now more than 20% — also an all-time high. Why credit card debt keeps rising? 'Even though $1 trillion in credit card debt is a staggering number to wrap your brain around, the unfortunate truth is that it is only going to keep climbing from here,' said Matt Schulz, chief credit analyst at LendingTree. 'Americans are still struggling with lingering inflation and rising interest rates,' he added, 'forcing them to lean on credit cards more and more.' Despite the steep cost, consumers often turn to credit cards, in part because they are more accessible than other types of loans, Schulz said. However, that comes at the expense of other long-term financial goals, he added. Until recently, most Americans benefited from a few US Government-supplied safety nets, including the large injection of stimulus money during the pandemic, which left many households sitting on a stockpile of cash that enabled some cardholders to keep their credit card balances in check. But that cash reserve is largely gone after consumers gradually spent down their excess savings from the Covid-19 years. What to do if you're in credit card debt? If you're carrying a balance, try calling your card issuer to ask for a lower rate. Or you might consolidate and pay off high-interest credit cards with a lower interest home equity loan or personal loan, or switch to an interest-free balance transfer credit card, Schulz advised. To optimize the benefits of their credit card, consumers should regularly compare credit card offers, pay as much of their balance as they can as soon as they can and avoid paying their bill late, according to Mike Townsend, a spokesperson for the American Bankers Association. 'Any credit card holder who finds themselves in financial stress should always contact their card issuer to make them aware of their situation,' Townsend said. 'They may be eligible for some relief or assistance depending on their individual circumstances.'" (Credit card debt hits a 'staggering' $1.13 trillion. Here's why so many Americans are under pressure, Jessica Dickler, 02/06/2024)

Yellow/Red Flag #2 – "Young adults, especially, are focused on enjoying life in the moment rather than saving for the future, reports show. It's partly that 'you only live once' mentality that intensified during the pandemic,' one expert says. Revenge spending is not dead. Even as Americans owe $1.13 trillion on their credit cards, consumers are still willing to splurge on impulsive purchases. It's a phenomenon also known as 'doom spending,' or spending money despite economic and geopolitical concerns. Roughly 38% of adults plan to take on more debt to travel, dine out and see live entertainment in the year ahead, according to a recent report by Bankrate. One quarter, or 27%, of those surveyed said they would go into debt to travel this year, while 14% would dip into the red to dine out and another 13% would lean on credit to go to the theater, see a live sporting event or attend a concert — including the European leg of Taylor Swift's Eras Tour, Bankrate found. 'There's still a lot of demand for out-of-home entertainment,' said Ted Rossman, senior industry analyst at Bankrate. 'Some of that reflects a 'you only live once' mentality that intensified during the pandemic, and some of that is because many economic indicators — including GDP growth and the unemployment rate — are in favorable shape,' Rossman said. Younger adults, particularly Generation Z and millennials, were more likely to splurge on those discretionary purchases, Bankrate found. Although an increased cost of living has made it particularly hard for those just starting out, young adults are taking a more relaxed approach to their long-term financial security, other studies also show. Rather than cut expenses to boost savings, 73% of Gen Zers between the ages of 18 and 25 said they would rather have a better quality of life than extra money in the bank, a Prosperity Index report by Intuit found. Gen Z workers are also the biggest cohort of non-savers, according to a separate Bankrate survey. 'It's hard to overstate the impact of the pandemic, it changed the way so many people view their spending and the result is that people are more focused on the 'right now' than thinking about 40 years from now,' said Matt Schulz, chief credit analyst at LendingTree and author of 'Ask Questions, Save Money, Make More.' However, that will have repercussions later on, he added. When it comes to saving for long-term goals, young adults risk forfeiting the significant advantage of time. 'Every dollar you set aside in your 20's will compound over time,' Rossman said. The earlier you start, the more you will benefit from compound interest, whereby the money you earn gets reinvested and earns even more. At the very least, strike a balance, Rossman advised. Automate a portion of your income toward savings and build some fun into the budget, he said. 'At least then you are not paying 20 percent credit card interest'." (Americans are still splurging on travel and entertainment — even as credit card debt tops $1 trillion; Jessica Dickler, 04/05/2024)

Yellow/Red Flag #3 – "It's easy to quantify the pain that high levels of debt can cause to one's finances by either looking at the opportunity cost or the squeeze on the ability to pay day-to-day expenses. But causing pain to the actual body? According to new research, the ache you may feel or the stiffness after work may also relate to the amount of debt you have. Researchers evaluated Baby Boomers as they aged, starting from 28-to-40, and then checking them again at 50 years old. They separated the group into the levels of unsecured debt, like the debt you take on by owing on credit cards or taking out payday loans. The results found a significantly higher rate of physical pain among those with high unsecured debt, when compared to those without debt. The findings follow a long line of research that links those with higher debt loads, less stable finances and reduced financial options with having poorer health as they age. The current research, however, provides a link between physical pain and debt, which can continue long after one pays back the loan. The researchers evaluated 7,850 people within the Baby Boomer age group who responded to the 1979 National Longitudinal Study of Youth, finding the reported debt levels for those from 28-40 at the time. They then evaluated the same group based on

the amount of reported pain they felt from work or in general at age 50 through the study. They discovered that those with consistently high debt had a 76% greater chance to report pain in their daily life when compared with those without debt. The pain presented even in cases where the high debt group had taken steps to reduce the debt levels, with a reported 50% higher likelihood of feeling pain in the cohort. 'Both debt and chronic pain can accumulate over time, so this cycle is hard to reverse once it starts,' said Adrianne Frech, an associate professor at the University of Missouri and a co-author of the report. Why does the level of debt have such a compounding impact on health? The reasons vary, but typically boil down to three causes. First, if you have a high debt load, then you have fewer resources to commit to areas of your life that would ease your pain or prevent illness, like preventive medicine or even basic health care. Over time, this lack of focus on your wellbeing results in poorer health, particularly as you age. Second, having high levels of debt can cause stress. To wit, high levels of stress can also result in higher levels of debt. The two sides of this coin can battle against each other, resulting in more stress, more debt and poorer health. It's also worth noting that health can play a role in this cycle as well. Poor health when young can result in higher debt, which can lead to more stress and worsened health as one ages. Finally, often anxiety over the repaying a debt can compound over time, which eventually presents itself by taking its toll on your health. Pain also often becomes more acute as one ages. The ongoing stress one experiences when stuck in a debt cycle takes time to appear and impact health. When it does, it can result in heightened levels of pain, according to the research, which can prevent someone from working or make the day job more difficult to bear. Despite the lingering impact of credit card debt, for those with a large balance, getting rid of the liability gives you the best chance to better your future health—and improves the chance to achieve financial independence."
(Painful Debt: How Credit Card Bills Can Hurt Your Health, Ryan Derousseau, 09/30/2021)

Yellow/Red Flag #4 – "Headwinds are going to eventually force the consumer to buckle, and I think that we're going to see consumers have to pull back on spending for a quarter or two." Additionally, "As the pandemic waned, consumers unleashed a pent-up demand for experiences denied by Covid. The consumer is going to have to take a breather for a little bit, and that would mean Americans may be forced to finally pull back on their post-Covid spending spree. At a certain point, this debt becomes unsustainable, and there's no more savings left," "And that's what we expect probably to happen to the US consumer, towards the end of this year and into early 2024." (Principal Economist at The Conference Board, Erik Lundh, 11/2023)

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Yesterday's Core Values are All but Gone – Sadly, the core moral values of our ancestors just a few generations ago, have all but disappeared with them. They were honest, hard-working, frugal, used budgets, watched out for their neighbor. They avoided debt and if they did borrow, the loans were very modest and were repaid in short order. They sacrificed and went without rather than use credit cards. They lived within their means, used budgets, a life-style usually on one income in the household. Today, generations later, we have become less disciplined, more selfish, and have a plastic 'buy it now, pay it later' attitude. We have developed a 'covetousness' desire for more wealth and possessions, especially for automobiles and larger homes. With that came large installment and mortgage debts, and a more and more, and a me, mine, myself, mindset set in.

Think of a Modest Mortgage – In 2000, mortgage debt totaled $7 trillion, and just $4 trillion 10 years earlier in 1990. Today, mortgage debt is $19 trillion, a 271% increase in just 23 years. Similarly, total personal debt, which includes mortgages, increased from $8 trillion in 2000, to $25 trillion in 2023, a 313% increase, expected to increase to $27 trillion in the next few years. People ask what they should do or how to make any sense of the mortgage dilemma. The answer: 'think modest.' A modest home in its size, to start with. If there be amount of household debt, limit it to a mortgage, and maybe some for educational purposes - maybe. The rest? Pay with cash or don't do it. To get a modest mortgage payment amount, compare it to the average market rent for an average size property. Base the mortgage on one income in the household, or just rent.

Calculating a Modest Standard of Living to Survive the Day – Do this by calculating a mortgage payment like the average rent payment – this is one way to determine a modest payment and level of debt. If you need to go bigger, buy a modest home, and base the underwriting or repayment capacity on just one income (assuming there are two incomes in the household). If it still does not work, rent something modest that the one income will reasonably afford. Being in overwhelming debt is just not worth the risk. Life happens, and having peace of mind at the end of the day is way better than suffering under an unbearable debt burden. Resolve to not increase the mortgage amount through a cash-out refinance. Think it through first, as it is likely not worth the pain, or exposure down the road. It's surprising to see how much people still owe on their homes after living in them 10+ years. Many have refinanced and owe tens of thousands of dollars more than when they first moved in.

Be Careful; You're No Match for a Super Cell Storm – More voices are *finally* sounding the alarm and waiving yellow and red flags – so be very careful, super cell storms will be coming. The world's sky will be changing rapidly, and over the next couple of years shock events will likely and severely impact the US economy, and you. The consumer has too much debt and continues to borrow more and more. As events transpire, debt loads will become overwhelmingly burdensome. Even normal levels of debt can become a heavy debt burden when income is reduced for whatever reason. Like a tornado dropping in out of the sky, it can hit any parent, spouse, family, business owner, town, city, state, or country. Best prepare while the sun is shining. Can you smell a debt crisis yet?

Risk #3 – Deficit Spending

Don't You Wish You Could Spend Whatever You Wanted? Maybe You Do!

Do People Realize We Are All Living Off a Giant Credit Card? – In a way, the US Government is spending your money for you, and you may not realize the high level of deficit spending. You're certainly on the hook for it. Your future taxes will be used to repay (just) the interest on the spending done in your behalf. The US Government lives off a giant credit card through deficit spending. Because you are required to pay taxes to the US Government, you are directly tied to the massive credit card spending, as you and your posterity are responsible to repay the US Government's debts. The US Government has the power to tax your earnings however it wants. Furthermore, if the US Government had not been deficit spending like it has, the economy you enjoy would not be there. It's a completely debt-fueled economy. Without all that spending, the marketplace would not be able to function – eventually it might, but it would have to crash first. If the US Government were to live within it means, like a balanced budget of receipts and disbursements, the economy would fall apart anyway. Deficit spending at almost every level is what society wants because hardly anyone is speaking up. We are selfish at large, and we want to live off the big credit card(s), even at the expense of future generations. The American consumer seems to splurge on credit cards even when red flags are waving – for food and entertainment. We do not want to have to cut back and live within our means. It would cramp our lifestyle and standard of living. Many of the excesses would surely dry up if we lived within our means and had budget plans. In the end, some people will argue for wealthy and large corporations to pay more in taxes, and others will argue for cutting non-defense spending and reducing taxes. All this arguing only results in a tiny adjustment to the level of deficit spending that may happen over the next 10 years, and does nothing whatsoever to solve a now baked-in debt crisis. It will happen, a debt spiral will occur, and the gloves will come off.

It Can't Go on Forever, and It Will Have to Bust – So, we plug along, year after year, the hole getting deeper than ever before, the plane flying higher and further past the point of no return, until one day, confidence is lost. The US Government will not be able to sell off its Bonds at these low rates any longer. Credit risk increases due to the enormity of the debt levels. It will result in higher interest rates. When there is a default, interest rates will sky-rocket, untold money will be printed, and inflation, stagflation, and high unemployment will set in and ruin the party for possibly decades to come. Asset prices will also likely collapse. Even as people, collectively, come to realize this, the spending addiction will prevail, but people will be forced to live within their means (a reduction in the standard of living).

Do Something About It Now – But that doesn't mean you can right-size your personal financial well-being and get out of debt yourself as soon as possible. If you're in an untenable situation debt-wise or stuck with heavy debt, there are ways to manage and even renegotiate your repayment plan in the future and still maintain a reasonable standard of living (as best as possible). Meanwhile, the US Government, corporate America, and the private sector will continue to drive up debt levels from deficit

spending (spending more than is taken in), and more monies will be borrowed to cover the deficit spending and interest payments thereon. Until, one day soon the natural consequences of heavy deficit spending will set in. The collective heavy burden of overwhelming debt will negatively impact everyone. Until then, do something about it, or you'll regret doing so.

Recent History of US Deficit Spending and Projection Through 2031

$24 Trillion More in Deficit Spending? – Per the table below, annual trillion-dollar plus deficit spending from 2020 through 2031 totals $24 trillion in just 11 short years. How sustainable it that? And, if some other disruptive event(s) come, how many more trillions will that add to the annual deficit and national debt? What are the odds that there will not be multiple events and disruptions? At what point does the debt bubble burst, and default conditions result in higher inflation and interest rates? Or stagflation with the higher rates and declining growth? Or could it result in asset bubble collapses?

US BUDGET DEFICITS											
2031 (e)	$2.3 trillion	2026 (e)	$1.7 trillion	2021	$2.8 trillion	2016	$585 billion	2011	$1.3 trillion	2006	$248 billion
2030 (e)	$2.1 trillion	2025 (e)	$1.8 trillion	2020	$3.1 trillion	2015	$442 billion	2010	$1.3 trillion	2005	$318 billion
2029 (e)	$1.9 trillion	2024 (e)	$1.6 trillion	2019	$984 billion	2014	$485 billion	2009	$1.4 trillion	2004	$413 billion
2028 (e)	$1.9 trillion	2023	$1.7 trillion	2018	$779 billion	2013	$680 billion	2008	$459 billion	2003	$378 billion
2027 (e)	$1.7 trillion	2022	$1.4 trillion	2017	$665 billion	2012	$1.1 trillion	2007	$161 billion	2002	$158 billion
2027-31 (e)	$9.9 trillion	2022-26	$8.2 trillion	2017-21	$8.3 trillion	2012-16	$3.3 trillion	2007-11	$4.6 trillion	2002-06	$1.52 trillion

(Congressional Budget Office [CBO], 05/2023)

Is Not a Day of Reckoning Coming? – One honest question to ask is how will the debt be funded, or at what cost? The US Treasury will need to issue new debt to cover these deficits. But, unlike the past decade when interest rates were much lower, what interest rates will investors bid at the upcoming US Treasury bond auctions, not if, but when they finally come to realize the Federal deficit spending is not sustainable? Are not foreign investors starting to back away from the US dollar? If investors worry about getting their money back, isn't the risk premium going to increase, and how substantially? And the Federal Reserve Bank is going to have to print even more new monies to cover the gargantuan deficits, besides rolling over trillions in low interest rate bonds. Interest rates will also continue to remain high for even a longer period, which will exasperate the cost of serving existing debt. All these points indicate that a day of reckoning is coming soon.

Endless Bailouts – In the past, the Federal Reserve Bank stepped in with its easy money quantitative easing programs, and bought up the US Treasury bonds and securities itself (just printing money – digitally). How risky is that? The fundamentals of having the market place set the

rates by itself was wiped out. They spread out the debt liability onto the backs of every tax payer in the country, but who even realized it? Woo hoo! It’s party time! But interest rates should have gone higher many years ago before the Federal Reserve Bank bought the securities and printed the money. Had it not intervened, the market would have just set the rates so things would become stronger sooner. But the US Government took the easy way out, extended the limit on its national credit card, and America has lived off it, and its false lower interest rates all these years. It just kicked the can down the road and flew the plane further and higher past the point of no return. The US Government propped everything up with artificial printing of money, a total house of cards, so things wouldn’t crash. When the Feds buys the unwanted bonds, it can add to inflation. Now, when it crashes, it will be much worse than it would have been if markets were enabled to react naturally, per the markets. The combination of greedy investments, supported by bad fiscal (spending) and monetary (interest rates) policy have managed to keep the lights on, but the consequences will always come, sooner or later.

2023 US Credit Rating Downgrade – “The rating downgrade of the United States reflects the expected fiscal deterioration over the next three years, a high and growing general US Government debt burden, and the erosion of governance relative to 'AA' and 'AAA' rated peers over the last two decades that has manifested in repeated debt limit standoffs and last-minute resolutions. In Fitch's view, there has been a steady deterioration in standards of governance over the last 20 years, including on fiscal and debt matters, notwithstanding the June bipartisan agreement to suspend the debt limit until January 2025. The repeated debt-limit political standoffs and last-minute resolutions have eroded confidence in fiscal management. We expect the general US Government (GG) deficit to rise to 6.3% of GDP in 2023, from 3.7% in 2022, reflecting cyclically weaker Federal revenues, new spending initiatives and a higher interest burden. Over the next decade, higher interest rates and the rising debt stock will increase the interest service burden, while an aging population and rising healthcare costs will raise spending on the elderly absent fiscal policy reforms. The CBO projects that interest costs will double by 2033 to 3.6% of GDP. The CBO also estimates a rise in mandatory spending on Medicare and Social Security by 1.5% of GDP over the same period. The CBO projects that the Social Security fund will be depleted by 2033 and the Hospital Insurance Trust Fund (used to pay for benefits under Medicare Part A) will be depleted by 2035 under current laws, posing additional challenges for the fiscal trajectory unless timely corrective measures are implemented. Tighter credit conditions, weakening business investment, and a slowdown in consumption will push the U.S. economy into a mild recession in 4Q23 and 1Q24, according to Fitch projections.” (Fitch Ratings, Fitch Downgrades the United States' Long-Term Ratings to 'AA+' from 'AAA'; Outlook Stable, 08/01/2023)

2023 US Treasury Disagreement with Credit Downgrade – US Treasury’s Response to the Fitch Rating Downgrade: “I strongly disagree with Fitch Ratings’ decision. The change by Fitch Ratings announced today is arbitrary and based on outdated data. Fitch’s quantitative ratings model declined markedly between 2018 and 2020 – and yet Fitch is announcing its change now, despite the progress that we see in many of the indicators that Fitch relies on for its decision. Many of these measures, including those related to governance, have shown improvement over the course of this Administration, with the passage of bipartisan legislation to address the debt limit, invest in infrastructure, and make other investments in America’s competitiveness. Fitch’s decision does not change what Americans, investors, and people all around the world already know: that Treasury securities remain the world’s preeminent

safe and liquid asset, and that the American economy is fundamentally strong." (US Treasury Secretary Janet Yellen, 08/01/2023)

2023 Penn Wharton on Debt/GDP Warning – "The U.S. 'public debt outstanding' of $33.2 trillion often cited by media is largely misleading, as it includes $6.8 trillion that the US Government "owes itself" due to trust fund and other accounting. The economics profession has long focused on "debt held by the public," currently equal to about 98 percent of GDP at $26.3 trillion, for assessing its effects on the economy. We estimate that the U.S. debt held by the public cannot exceed about 200 percent of GDP even under today's generally favorable market conditions. Larger ratios in countries like Japan, for example, are not relevant for the United States, because Japan has a much larger household saving rate, which more-than absorbs the larger US Government debt. Under current policy, the United States has about 20 years for corrective action after which no amount of future tax increases or spending cuts could avoid the US Government defaulting on its debt whether explicitly or implicitly (i.e., debt monetization producing significant inflation). Between 2040 and 2045---or in about 20 years---the U.S. debt-GDP ratio will hit between 175 and 200 percent under current fiscal policy, depending on the assumed interest rates. Unlike technical defaults where payments are merely delayed, this default would be much larger and would reverberate across the U.S. and world economies. This time frame is the "best case" scenario for the United States, under markets conditions where participants believe that corrective fiscal actions will happen ahead of time. If, instead, they started to believe otherwise, debt dynamics would make the time window for corrective action even shorter." (Penn Wharton, Budget Model, When Does Federal Debt Reach Unsustainable Levels? 10/06/2023)

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Out of Control Spending Risk – The annual trillion-dollar plus deficit spending from 2020 through 2031 totals $24 trillion in new debt in just 11 short years. My gut says it will be much larger. Compounding this problem, think about how the US not repays but mostly refinances (i.e., rolls over) its old bonds (debt) as they mature, the new pricing is not going to be at the low interest rates we have seen in the past. They will be refinanced at higher interest rates. That, and all the new debt, eventually, will converge to become a mess. Confidence in the US dollar will be lost, credit risk (risk of non-payment or default) will increase, resulting in sky-rocketing interest rates as untold money will be printed. We will see inflation, stagflation, spoiling the party for everyone and possibly for a decade to come. Asset values will have to reset or even collapse. If people were truly aware of gravity of this situation, they would agree with this troubling outlook. People will be scrambling to right-size their personal finances and get out of debt as much as possible. But the national debate will not happen to the extent it should until it is too late, when the people will be forced to live within their means (a reduction in the standard of living). And those who will be stuck in an untenable debt burden situation, they need to relax. There are ways to manage and even renegotiate their own debt repayment solutions in the future and still maintain a reasonable standard of living as best as possible.

Deficit Spending Addiction Will Lead to a Debt Crisis – Again, the deficit spending addiction the US is experiencing can only result in a debt crisis, because it has not been nor is it sustainable for some time. Hardly no one is willing to talk about it, because most know that the fix is in. We the people cannot make

it without relying on debt. Politicians know it, and they take advantage of it. They spend the tax payer's money for generations to come, mostly for political purposes. We've become a very selfish people and no longer have the interests of others in mind. People really like living off a giant credit card, with all the stuff it buys, and the higher, but unpaid for, standard of living. Untold trillions of your (and your posterity's) money are being spent by the leaders you elected, not to mention the officials they've appointed. Are we the people not responsible to repay such debt? Maybe you don't support certain elected officials. Did you decide to not even vote? Maybe you will decide to vote next time and choose different leadership? Unfortunately, to avoid a debt crisis up to this point, the US debt spending addiction has resulted in a propped-up economy. It requires a heavy dose of deficit debt spending to survive. It cannot be shut off at this point. What will happen, will happen. A little common sense will tell you what's going to happen. Once again, the result of this year-over-year spending mess is an enormous ever-expanding Federal debt burden. The other unfunded liabilities that need to be paid out are completely unsustainable. Paying anything less than 100% of what's owed means only one thing: default, or the endless printing of money (same effect as default). The effects of a default time will come in the near term and will result in a debt crisis. I sincerely believe it cannot be fixed at this point, and we are in a dangerous red flag waving period. When it happens, the US will be forced to print more money resulting in inflation pressures, raise taxes and cut its spending, or miss making payments. It still means insolvency or default. Debt payments will be paid out with much less-worth money – that's a default. Who out there will have an appetite for the needed reform and austerity measures? Will local, state, and federal taxes need to climb to 50% of your income get your attention? My opinion is that there will be seasons of default and restructuring beginning in the 2024-2025 period for any given number of reasons.

Living Within a Budget is No Longer Possible – You've heard how important it is to 'live within your means,' like within a (balanced) budget, right? You don't deficit spend, or spend more than you take in unless you're into carrying credit card balances. And, for many people that don't have a savings plan built in that budget, it would be even more important to 'live below your means' so you have some money to put into savings. You get the point. You have to have a cushion to take care of emergencies, etc. As long as you're not deficit spending, or borrowing money, especially for normal living expenses. As noted, however, for the US Government to live within a budget (no deficit spending) is not even possible, even if it wanted to (without destroying the economy). It would be like slowing a roller coaster too quickly at a very high speed. Good like trying to get through that. There is too much going on (it's going too fast, too many living off of it), and the 20 risk events will only result in more and more debt. All this will lead to an eventual debt crisis in the near term. It purposely cannot be fixed at this point, only slowed down, until the next risk even occurs, as there are too many political interests keeping a balanced budget from ever happening. Politicians know a balanced budget can't possibly be put in place, and it will never be, until a major debt crisis happens and certain pressures are forced upon us. Even then, it will likely still not happen. Politicians constantly just talk about reducing the deficit over the next decade, but none of them will ever do it. Hundreds of billions of dollars are scattered all over the place. It has been the same excuse given for several decades, but the national debt has only increased and is now dangerously high. What will be the resultant increased risks of not having and following a budget? Here are a dozen points to get you started: Higher inflation, higher interest rates, debt levels not being reduced, less economic growth, loss of confidence at the consumer and investor levels, poor credit rating leading to higher debt service costs, no spending accountability of US Government officials, heavy debt repayment burden on your grandchildren, higher taxes paid,

reduced competitiveness because of being strapped, civilian instability, and eventually debt repayment default or a debt crisis. No one should be buying it any longer. People need to speak up. But, for you, your family, your business, you can do something about it. Start with a pro forma budget plan for the next 1-2 years. Start planning, making changes today. If you have debt, get rid of it (anything that is beyond modest). Opportunities come from great upheaval too, but only if you're in a position to get through it, as opposed to digging your way out of a heavy debt burden.

Flawed Model is Misleading – The Penn Wharton budget model summary above, effectively illustrates how the 'economics profession' focuses on 'debt held by the public' to GDP as is economic barometer. Because $6.8 trillion of debt (20.5%) is from the US Government 'owing itself', it says including the $6.8 trillion is 'is largely misleading'. So, it's not included in how they use it 'for assessing its effects on the economy.' And it only makes the Debt/GDP ratio at 98 percent instead of much higher. Are they serious? Apparently, they are not. To me, Penn Wharton's viewpoint of not including the gross debt owed by the US Government, and, maybe they should even include a discussion on the impact for having to fund the US unfunded liabilities commitments too, is largely misleading. In their argument, they also conclude that the (using only, again) the 'US Debt held by the public,' that it 'cannot exceed about 200 percent under today's favorable market conditions'. In all seriousness and reasonableness, if their outside projection is to use this 200% Debt/GDP measure (and not including the other 20.5% of debt owed, even to itself), and all this is happening in just 20 short years, wouldn't you think they'd want to include a discussion of the other 20.5% of debt also owed? How silly is that to leave that out? It makes no sense at all. Did it not occur to anyone over there that as the 20 years fast approaches, they will have had to pay the other 20.5% too? And, somebody please ask Penn Wharton about including an analysis of the unfunded liabilities over the next 20 years. I doubt you'll get a response.

Economist Group-Think Accounting – If you don't look at the debt/GDP number through the economist group-think accounting method, and just use a bit of reason, this entire model makes little to no sense at all. The national debate must include the gross debt since the US Government is going to have to pay all its bills, and include unfunded liabilities too. It doesn't have the money now, and it is going to have to pay those bills too. It' already spent. It runs deficits. You have to look at the strength of the US economy using the gross debt and not just the debt held by the public. Enough of the accounting tricks. It doesn't even matter because all the gross debt commitments, and the scheduled unfunded liabilities, along with all the consequences of any of the 20 event risks in this publication, are going to come into play anyway. It doesn't even matter, really if in their economic profession, they prefer to use their own accounting gimmicks. They will be greatly off on their current 'play it safe, and still get their group-think paychecks' model projections. How simple, yet they all ignore common sense. Yes, group-think is not only misleading, it's very dangerous too. It must stop. If it doesn't stop, it won't matter anyway because they're wrong. One can hardly wait to hear all the excuses and blaming. No one will take any professional responsibility, you watch.

Credit Rating Agencies are Finally Speaking Up – Finally, it is noteworthy that some rating agencies are finally recognizing the increasing credit risk profile in the US with credit downgrades. Of course, the

former Chair of the Federal Reserve, Janet Yellen, now that she is the US Treasury Secretary (political role in the Executive Branch of the US Government), has changed her tune, as she "strongly disagrees" with the latest 08/2023 Fitch rating downgrade. However, I believe the message I am raising needs to be discussed at every kitchen table in America. Most people in America will never have a clue as to what the rating agencies are even talking about, and it is a moral failure for the US leadership to not sound a solid warning siren. If enough leadership sounded the alarms, there would be a national debate, and we can begin to prepare in earnest for the days ahead. Can you smell a debt crisis yet?

Risk #4 - Debt Crisis

The World Is a Fragile and Unstable Place

Everything is Fragile – The world is a fragile place, just ask Argentina and many other countries. What could overwhelm and cause a debt crisis here in the US? Will it be because of a single risk event, or a combination of risk events? Look at the risks we're facing today: exceedingly high levels of debt, everywhere; a high interest rate environment that impacts everyone at some point, little growth in the economy, likely recessionary periods to soon begin, higher than acceptable inflation with many potential variables that could trigger more inflation at any time; housing prices that are well beyond reasonable affordability; conflicts around the world, and possibly more coming; political upheaval everywhere; continuous natural disasters at every turn, and even sprinkle in some serious cybersecurity events. Some experts would also argue that we have economic growth, more effective regulation, better risk management practices, stronger banks, more transparency, and diversification, etc. That may be, but the US simply cannot afford the level of debts it has and expects to have, as the levels are not sustainable. And that is a subject hardly any one of these experts and officials in charge want to discuss. Fortunately, more voices are being sounded to show that a debt crisis is coming, because the risks are unsustainable. That means: unmaintainable, untenable, unmanageable, unjustifiable, indefensible, weak, unsound, shaky, and flawed.

Unsustainable Spending and Debt Levels – The ratio of US Government debt to its Gross Domestic Product (GDP) to be sustainable, needs to be stable or declining. Since 2000, the debt/GDP ratio has increased from 56% to 122% in 2024. That is an increase of 217%. It increased two-fold in just 24 years. To calculate the ratio, you take the $34 trillion national debt and divide it by the entire amount of all the good and services generated in the US, say $27.8 trillion in 2023, and you get 122%. It means the US Government has $1.22 in outstanding debt for every $1 generated in the US economy. The weight is just too high at that level and the ratio is expected to increase to 150% in 2028. What does unsustainable, runaway, excessive deficit spending mean to you? Nothing, out-of-sight, out-of-mind? As long as I get my pay check, it's now time to eat, drink, and be merry, right? Wake up! Let's get serious, okay? What else out there is excessive and unsustainable? Is excessive use of pesticides and fertilizers a problem? Eating excessive meat? A sedentary lifestyle? Excessive consumption of alcohol or other drugs and toxic chemicals like those in tobacco and marijuana? Excessive sugar consumption or processed foods? Excessive use of water that can lead to scarcity? Excessive urban sprawl? Excessive water, air, and plastic pollution? Excessive deforestation, or overfishing? None of this can be sustained for long without dire consequences. Finally, look at another unsustainable funding situation happening on the US Southern border: the welfare of illegal aliens crossing into the US. No budget in any State could sustain the millions of illegal migrants flooding into their States. Such chaos quickly turns into crisis. Just as no State could afford to cover the expenses for very long, the US Government cannot continue its unsustainable spending without triggering a loss of confidence in the US dollar. Sure, the Federal Reserve Bank will print untold trillions, but the debt levels, now too high, will result in a debt crisis.

Ready or Not; But There is Always Hope – No so-called US Government budget can survive the massive levels of spending, with shock event after shock event, adding trillions more to the national debt, year over year, and not reach unstainable breaking-point levels. Spending is too heavy already, and the US Government spending will crowd out the natural demand spending the market has to offer. Taxation would have to increase to the point where people might want to revolt, or take their wealth and leave the US altogether. Too many people don't even pay taxes as it is, which in and of itself is evidence that the national debt level is way out of balance by paying for services the people can't afford to pay for themselves. It is too heavy or big to be sustainable. And it keeps growing and is projected to grow until it busts. It seems like nobody, in official positions, wants to talk about it. If they do, they often seem to change their minds back and forth – just look no further than Janet Yellen (former Chair of the Federal Reserve Bank, and now US Treasury Secretary). It all comes across as being political at this point, and serious people, including economists, hardly will even talk about it. They are group-think experts and their jobs are secure as long as they tow-the-line like puppets. I think it is a good start that some of us are paying attention. I wish millions of others were aware of what is happening and could prepare by positioning their finances to avoid the chaos that will ensue. If their burdens are too heavy, they need to understand that they are enabled to create and recommend their own debt repayment solutions that will work in their favor.

Massive Buildup in Public Debt

Debt Burden Is Going to Get Too Heavy – The massive build-up in public debt is going to be overwhelming. How in the world will *any meaningful amount* of the debt be repaid, or even serviced with interest-only payments, given higher interest rate environments that will come? Wouldn't you have to have a balanced budget first to stop deficit spending to even start to reduce any amount of debt? The economy would go into shock (or worse) if there was a balanced budget, as deficit spending is now necessary just to keep it all going – a complete house of cards. When will investors finally lose confidence in the artificial printing levels of the US dollar? On one hand, a debt crisis seems impossible, right? We can live off a credit card forever because we've been doing it so long anyway, right? Wrong. The debt service (interest only payments) will eventually (and soon) take too great of a share of the so-called budget that it will eventually cause a default – out of necessity. That's what unsustainability means.

Do 'Interest-Only' Payments Make Sense to You?

No US Government Can Print Money Forever and Not Default – Like making minimum interest-only payments on your credit card, many likely believe that the US Government only needs to be able to pay the interest on the national debt, and that the size of the debt matters less in comparison. Maybe compare it to a high balance car loan, but a low payment on long term debt at a very low interest rate. What could possibly go wrong? For starters: Getting laid off your job, getting sick or injured, two household incomes go to one, pay reduction, etc., or any number of unrealized risk events that are bound to happen. Before you know it, the debt levels and payment can become overwhelming. It adds up fast,

especially when the chips are down. It's life. Same thing on the national debt level, except it can spend into oblivion because it's a corporation not a human being, right? After all, it can exist and print money 'forever.' You can't. So why is it really any different for the US Government, to be justified in unlimited deficit spending? Just look at other countries. The debts get overwhelming and they go into default. The US Government is an exception in the sense the US dollar is so strong, but everything has its limits. And when a debt crisis happens in the US, it will impact the entire world. Pay little attention to those who argue the US debt is not a problem. They are only trying to protect themselves and care nothing for you.

Deficit Spending Is an Immoral Structural Problem – It is beyond that of a 'cash flow' problem, as the deficit spending is structural. The US Government has no purposeful budget, but is simply a runaway spending and bail-out machine for just about everything. The Federal Reserve Bank prints its never-ending money. The US Treasury borrows money every year just to fund so-called budgets through major, now structural, deficit spending – structural meaning that is now necessary (cannot live without it; it is part of the building). All the excess spending, regardless of how it is accounted for, certainly is a massive and unsustainable debt burden on the economy because the levels too high and the gross debt is out of control. This is not only wrong it is critically immoral, as it robs future generations of Americans of their opportunity for prosperity. It is fully irresponsible, and even border line criminal – because it is purposeful 'stealing' from others who will be saddled with having to repay the debt directly or indirectly. Either way, future generations will lose out. How long can (or should) you borrow on credit cards, and high interest rates, and knowing you'd never be able to repay the same? Why is the US Government any different, in terms of being in its poor financial condition, and continue to borrower at increasing interest rates? How is that same type of wrongful spending not immoral?

The US Government is Effectively Insolvent Already – Has anyone stopped to see how much money is being borrowed, to cover all the expenses it spends, including the major expenses of interest-only debt service? Borrowing new money to even pay, in effect, the interest-only debt service payments on existing debt? Seriously? Unlike your personal budget that you can comprehend, your mind likely goes numb when trying to even comprehend the $34 trillion in the national debt. The number is so high it can't even begin to be comprehended. Was anyone alarmed when the national debt reached $10 trillion, or $20 trillion? Will anyone understand the gravity at $35 trillion or $45 trillion, or more? Would this type of thinking work for your personal budget, where you could run up debt as much as you wanted? The US Government is running structural deficits in the trillions each year, and a big chunk of that is, effectively, interest only payments where the principal is just refinanced when the bonds mature. Where this really becomes problematic is that while the US Government finds a way to fund its debt-service on the existing debt, it cannot possibly service all its future unfunded liabilities, the monies that will need to be paid which will also be added onto the national debt (10's of trillions more). Reasonable people know it's impossible to pay that, which means the US Government is, according to accounting rules the rest of us have to follow, already insolvent or bankrupt. Because it plays by different accounting rules, there's a lack of transparency and national debate, because it isn't reported 'on the front page' like other disclosure requirements everyone else must follow. That should be the classic definition of an insolvency red flag for everyone to understand.

Immoral Deficit Spending is Stealing – So, yes, if you can't repay your personal debts, or the US Government and its irresponsible spending, and you and the US Government keep borrowing knowing full well that you can't repay, why is that not stealing? At best, it's being dishonest. If you know you'll never be able to repay, and you keep borrowing, really? Is that the 'stupid lender's fault' because it keeps giving you money, money you know that you can't repay? Wouldn't you teach your children that borrowing money that you know you can't repay is completely irresponsible, and in my opinion, immoral? And, I am just talking about paying the interest expense, and nothing about even paying back the actual bond (principal) amount – which just keeps being rolled over into more expensive new debt. Imagine adding new debt to just be able to pay the debt service of interest-only payments of existing debt and other non-budgeted expenses. "A sharp rise in long-term interest rates combined with widening deficits and heightened fiscal discord in Congress have renewed questions about the sustainability of rising US Government interest costs. We project Federal interest expense will rise from 2% of GDP in 2022 to 3% in 2024 and 4% by 2030." (Goldman Sachs, 10/2023)

Many Economists Are Immoral, Few Are Independent Thinkers; They Just Serve Their Paymasters – Show me any economists who were warning six months to a year of the pending Great Recession in 4Q2008 (would have been a depression were it not for drastic intervention – that bad). Anybody with a conscience could tell that something wasn't right with the insanity of the mortgage market, among other things. Did these absent-minded professionals admit they were wrong, apologize, and correct their earlier forecasts? And, when their 'recovery' forecasts were all off too, did they admit they were wrong, apologize, and correct the same? Economists may even argue that, unlike a consumer household, it is not necessary for the US Government to pay off its debts. Rather it is only necessary to show that it can 'service' its debt, or just pay interest on the debt. That' true, but they should not ignore the whole story, and be willing to opine beyond the 'yearly forecast.' They only look out for the next quarter or year, but nearly always neglect talking about what everybody else can see with their untrained eyes. They do the bidding of their bosses, and probably have their hands tied too. If they really told the full truth about what's going on, they'll likely lose their jobs. All that education and training and they hand-cuff themselves or are hand-cuffed by their employers. Same with the US Government and Federal Reserve Bank economists. It's so disappointing. Most of them got caught with their pants down at the Great Recession, as well as the rating agencies and US Government officials. They may say that debt will just be refinanced by the issuance of new debt to pay off the old debt. In this way, it would not need to be repaid debt like that for a consumer, because a consumer has a limited time frame to repay, but a US Government has no such time frame. If there's confidence and demand for US debt, the old debts will simply be refinanced by new debt. And, aren't US Governments expected to grow as the population of tax payors grows, getting more and more tax revenue over the decades? An ever-increasing tax base to generate revenues, so spend like there's no tomorrow, right? How irresponsible! Populations can decline (think baby boomers), other risk events happen. What could possibly go wrong that would put the US Government at risk of not being able to continually borrow more and more money, have material reduction in tax revenue generation, and even go into default? Plenty. But no. Economists and other professionals still won't go there and talk about it.

There is an Economist Out There with a Solid Opinion – "The world is looking at a debt crisis that will span the next 10 years and it's not going to end well, economist Arthur Laffer has warned, with global

borrowings hitting a record of $307.4 trillion last September. Both high-income countries as well as emerging markets have seen a substantial rise in their debt piles, which has grown by a $100 trillion from a decade ago, fueled in part by a high interest rate environment. 'I predict that the next 10 years will be the Decade of Debt. Debt globally is coming to a head. It will not end well,' Laffer, who is President at investment and wealth advisory Laffer Tengler Investments, told CNBC. As a share of the global gross domestic product, debt has risen to 336%. This compares to an average debt-to-GDP ratio of 110% in 2012 for advanced economies, and 35% for emerging economies. It was 334% in the fourth quarter of 2022, according to the most recent global debt monitor report by the Institute of International Finance. To meet debt payments, it is estimated that around 100 countries will have to cut spending on critical social infrastructure including health, education, and social protection. Countries that manage to improve their fiscal situation could benefit by attracting labor, capital, and investment from abroad, while those that do not could lose talent, revenue — and more, Laffer said. 'I would expect that some of the bigger countries that don't address their debt issues will die a slow fiscal death,' Laffer said, adding that some emerging economies 'could quite conceivably go bankrupt.' Mature markets such as the U.S., U.K., Japan, and France were responsible for over 80% of the debt build-up in the first half of last year. While in the case of emerging markets, China, India, and Brazil saw the most pronounced increases. The economist warned that repaying the debt will become more of an issue as population in the developed countries continues to age and workers become more scarce. 'There are two main ways to cover this issue: raise taxes or grow your economy faster than debt is piling up,' he said. Laffer's comments come on the heels of the U.S. Federal Reserve's decision to leave rates unchanged in January, and shooting down hopes of a rate cut in March." ('A slow fiscal death' awaits some countries in this 'decade of debt,' says economist Art Laffer; Lee Ying Shan, 02/06/2024)

- My Translation Opinion: First, it is nice to hear from an economist that I believe is speaking up, finally. Obviously, the world has been living off a 'giant credit card,' with new debt of some $100 trillion in the past 10 years. That's obscene. It defies natural growth by so much stimulus. In my opinion, it's like using cans of expensive starter fluid on an open campfire to get the big logs to burn. When you take away the stimulus, what will happen to the big logs? Nothing, the fire dies out. Since the world (we the people) can't wait to grow a decent sustaining campfire by having the small logs turn into coals as a bed upon which the large logs will naturally burn, we used expensive cans of starter fluid to juice the big logs hoping and thinking that's 'natural.' The problem is, that it is not natural. It's forced stimulated unnatural growth that is not sustaining over the long-haul. It causes inflation. It burdens generations to come with excessive debt. We did it because we could, because we the people are greedy, selfish, and want it all, now. Unnatural demand equals a house of cards, which isn't sustainable, and will collapse when the load becomes too heavy, which it will. Soon.

For the Record; It's Party Time – "Heading into 2023, the predictions were nearly unanimous: a recession was coming. As the year comes to a close, the forecast economic downturn did not arrive. So, what's in store for 2024? The prediction is based on the same factors that prompted economists to call for a downturn in 2023. As inflation has run hot, the Federal Reserve has raised interest rates. Typically, that dynamic has triggered a recession, defined as two consecutive quarters of negative gross domestic product growth. Some forecasts are optimistic that can still be avoided in 2024. Bank of

America is predicting a soft landing rather than a recession, despite downside risks. More than three-fourths of economists - 76% - said they believe the chances of a recession in the next 12 months is 50% or less, according to a December survey from the National Association for Business Economics. 'Our base case is that we have a mild recession,' said Larry Adam, chief investment officer at Raymond James. That downturn, which may be 'the mildest in history: may begin in the second quarter, the firm predicts.' (The U.S. avoided a recession in 2023. What's the outlook for 2024? Here's what experts are predicting, Lorie Konish, 12/27/2023). In this publication, I want there to be record of what the group-think economists are saying. They pretty much said the same thing when the Great Recession started, and they were wrong. Their opinions defied common-sense then, and they ignore the real risks out there today, namely the large structural deficits which will lead to a debt-crisis soon. As long as the lights are on, who cares, it's party time, right?

One More Question About Making Bricks Without Straw – As people become poorer, they pay less in taxes. If people do not pay taxes, how will the interest-only payments be paid? The US Debt Clock shows about 100 million people not even in the workforce, and another 43 million living below the poverty line. How much are those people paying towards the US interest expense on its ever-growing debt load? If rich people paid more, would it even begin to cover the difference? In my opinion, if the top 1% were taxed at a 100% tax rate, it wouldn't even begin to solve the pending debt crisis. And besides, wouldn't the rich just move their assets and income out of the country if they were too heavily taxed?

Great Recession 'Look-Back' – Where Were the Red Flag Warnings?

Did You Know We Were Inches Away from a Depression? – In 2009, we learned how bad things really were, but you had no idea, right? "I think we've averted that risk (a new American Depression)." (60 Minutes, Ben Bernanke, Fed Chairman, 03/15/2009). What I have always found interesting is that prior to the Great Recession in 4Q2008, where were all the voices earlier in that year, or maybe even sooner than that, that come 4Q2008 we would be facing a depression? Where was common sense that said something was not right, and then for someone who could do something about it, where were they? Why didn't they (economists, regulators, government officials, anyone) sound the alarm, wave red flags? After all, a depression is quite important, don't you think? Incompetence? Complicity? You choose. It is still insane that there was effectively no warning siren, no nothing. Frankly, it is unacceptable. Mr. Bernanke, where was your warning voice beforehand? Did you not owe a simple red flag before the Great Recession that something wasn't right, like a pending "new American depression?" Other US Government officials, rating agencies, market analysts, and regulators, where were your voices? No where, obviously.

Where Are the Red Flag Warnings Today? – Is it possible, even likely, that the same could be said of today? Yet today, while there are some 'other' warning voices and some red flags waving, why aren't the folks in charge, who could do something about it, why are they not doing anything or speaking up? The answer is simple in my opinion. It is because they cannot do anything about it even if they wanted to. America, in every way, is way beyond being addicted to debt spending. It cannot live without it, and soon they will not be able to live with it either. That's why there are no red flag warnings.

Still, No Excuses – There may be many reasons why the Great Recession happened, as if it snuck up on us. Some root causes might include: financial deregulation, poor mortgage underwriting, lack of transparency in debt securities, risk management deficiencies at banks, banks with heavy debt loads, the globalization of financial markets, deficient ratings from credit rating agencies, inadequate bank supervision, and unregulated credit instruments. Notwithstanding any of these root causes, a person with just common sense could have looked at what was happening in the marketplace and could tell something was wrong, something bad was going to happen. It wasn't sustainable. Ever heard that before, that it was unsustainable? And, why did effectively nobody want to talk about it back then either? It's simple. Who would want to be the one to shut down the party, right? Who wasn't complicit in wanting to just not disrupt anything and keep making more and more money, right? It is all about the money. So, by and large, everyone is to blame, the people, their elected leaders, and the people they appoint to leadership positions, the regulatory supervisors, the rating agencies, economists, and so forth. In short, it's easy to bury something you don't want the world to see, until it breaks, of course, like it did in 2008. But, still, there are no excuses to bury what's happening today. The red flags should be waving.

Days of Reckoning are Fast Approaching

Shock Events; What are the Odds? – The national debt crisis will affect you, your employment, your children, your neighbors, everyone, everything. People do not fully realize that the US is effectively deficient in terms of its cash flow commitments – the amount of money it takes in, the money it spends, and its unfunded liabilities. Highly alarming, however, are some 20 risks events that, individually, or some combination of the same, could blow the projected Federal and consumer debt numbers out of the water. What are the odds that none of these 20 risks will not occur in the near term, and the current debt projections are not going to end up being well-understated, again? Has there ever been a 10-year budget projection that hasn't been busted in a given year? Didn't the Great Recession happen out of nowhere, the Covid19 pandemic, the regional banking crisis in early 2023, just to name a few? Does anyone think nothing else will happen that will not cause the US Government to have to spend even more untold trillions? If you see all the big storm clouds out there, then say something! Speak up! Let's have a national debate, Let's work together and prepare. We cannot afford to leave this up to the 'group-think experts' any longer. Many would argue that they are driving us fast towards a cliff.

Debts, Subject to Refinance, Now Exposed to Higher Interest Rates – US Government, private and corporate debt are all facing increased credit risk from higher interest rates, refinance risk, higher debt service requirements – all impacting default risk. Such crises could lead to lower wages, negative economic growth, higher unemployment, political instability, and severe budget cuts to lower spending. "Corporate debt refinance risk is reported to include $1.8 trillion coming due through 2024-25" (MarketWatch, 08/07/2023). This means the debt will need to be refinanced at higher interest rates. The higher

cost of borrowing will negatively impact these companies, and impact default risk. Additionally, "Since the end of 2022, total 12-month defaults among US bond and loan issuers jumped from 1.6% to 3.04% for leveraged loans, and 1.35% to 2.99% for high-yield bonds. Through October, the year has been marked by 127 corporate debt defaults, 13% above the five-year average, as borrowing costs have come close to tripling for some firms compared to prior years. But in 2024, defaults could rise to a rate of 3.5%-4.0% for leveraged loans, Fitch estimates. It expects high-yields bond defaults to reach 5.0%-5.5%, over six times the default rate among all such issuers in 2021." (Markets Insider, The Fed may be done hiking interest rates, but get ready for more corporate defaults in 2024, Fitch Ratings says; 12/27/2023). Despite the Federal Reserve Bank signaling more modest interest rate decreases in 2024, which are now being pushed back to later in 2024, corporate bond defaults will increase. Moreover, as US debt is 'rolled over' or refinanced at much higher interest rates, the prospect or amount of highly increased interest payments will further squeeze the national budget for defense spending as well as entitlement spending – two critically important line items. Yet we continue to deficit spend trillions of dollars each year.

Janet Yellen Now Appears Political, Misleading America

Dancing To a New Tune – By late 2023, Janet Yellen changed to what now looks like a new political tune. Listen to her own words prior to becoming the US Treasury Secretary in 2021, how she delivered increasingly clear and sharp debt warnings from 2010 to 2019. Keep in mind, the national debt in this period was $11.9 trillion and nearly doubled to $22.7 trillion. Indeed, the national debt has now surpassed $34 trillion in early 2024. Janet Yellen, not as Chair of the Federal Reserve Bank, but as the US Treasury Secretary, appears to have suddenly forgot all about her prior *unsustainability* warnings, and recently stated that the statistic or metric that she looks at most often to judge our fiscal course is net interest as a share of GDP. You must read it to believe it. And she believes that even with the rise we've seen in interest rates, that net interest as a share of GDP remains at a 'very reasonable level' of around 1%. So, she's mainly focused on the low net interest amount compared to the entire GDP of the US economy. And she said that "we do need to be careful what we do going forward to make sure we *stay on a sustainable course*." Sustainable? Because she's now the US Treasury Secretary suddenly that makes it sustainable? Who is she kidding? To make sure we stay on a *sustainable* course? Read the story line for yourself. I think she regrets implying that the US Government is on a *sustainable* course, when for the prior decade plus, she defended it was not on a sustainable path. Here are her own statements. As the top official, she, among so many others, need to be called out and held accountable.

2010 Janet Yellen Statement #1 – "... the problem is that, in the absence of significant policy changes, and under reasonable assumptions about economic growth, demographics, and medical costs, Federal spending will rise significantly faster than Federal tax revenues in coming years. As a result, if current policy settings are maintained, the budget will be on an unsustainable path, with the ratio of Federal debt held by the public to national income rising rapidly.

“A failure to address these fiscal challenges would expose the United States to serious economic costs and risks. A high and rising level of US Government debt relative to national income is likely to eventually put upward pressure on interest rates, thereby restraining capital formation, productivity, and economic growth. Indeed, once the economy has recovered from its downturn, fiscal deficits will crowd out private spending. Large fiscal deficits will also likely put upward pressure on our current account deficits with the rest of the world; the associated greater reliance on borrowing from abroad means that an increasing share of our future income will be required to make interest payments on Federal debt held abroad, thereby reducing the amount of income available for domestic spending and investment. A large Federal debt will also limit the ability and flexibility of policymakers to address future economic stresses and other emergencies, a risk that is underscored by the critical fiscal policy actions that were taken to buffer the effects of the recent recession and stabilize financial markets in the wake of the crisis. And a prolonged failure by policymakers to address America's fiscal challenges could eventually undermine confidence in U.S. economic management.

“We should not defer charting a course for fiscal consolidation. Timely enactment of a plan to eliminate future unsustainable budget gaps will make it easier for individuals and businesses to prepare for and adjust to the changes. Moreover, the sooner we start addressing the longer-term budget problem, the less wrenching the adjustment will have to be and the more control we--rather than market forces or international creditors--will have over the timing, size, and composition of the necessary adjustments.” (Fed Vice Chair Janet Yellen’s timely speech today on “Fiscal Responsibility and Global Rebalancing” 12/01/2010)

- My Translation Opinion: If, as she said, the US Government’s current policy settings are maintained, the a) budget would be on an unsustainable path, b) that it would expose the US to serious economic costs and risks, c) put upward pressure on interest rates, d) fiscal deficits would crowd out private spending, e) an increasing share of future income would be required to make interest payments on the US debt, f) limit policymaker ability to address future economic stresses and emergencies, g) undermine confidence in the US economic management, h) timely enactment of a plan to eliminate future unsustainable budget gaps – if all this was a big deal way back when, just imagine how the risk of default (along with everything else she warned about) have increased today. Note: $11.9 trillion national debt at FYE 2009

2015 Janet Yellen Statement #2 – “I think Congress has made painful decisions that have now really stabilized, brought down the deficit very substantially and stabilized for a number of years the debt-to-GDP ratio. But eventually debt-to-GDP will begin to rise, and deficits will increase again as the population ages and Medicare, Medicaid, and Social Security get to be a larger share of GDP under current programs. And there are lots of ways in which these are problems we've known about for a long time. I also worry that if we were to again be hit by an adverse shock, that there's not much scope to use fiscal policy. It was used in the early years after the financial crisis -- we ran large deficits -- but in the course of doing that, the debt-to-GDP ratio rose. And were another negative shock to come along, it's questionable how much scope we would now have to put in place even on a temporary multiyear basis, expansionary fiscal policy, and I think it's important to deal with these issues -- for the Congress to do so.” (Senate Banking Committee, Federal Reserve Chair Janet Yellen, 02/25/2015)

- My Translation Opinion: Eventually debt-to-GDP will begin to rise, and deficits will increase again as the population ages and Medicare, Medicaid, and Social Security get to be a larger share of GDP under current programs; getting hit an adverse shock, that there's not much scope to use fiscal policy, and were another negative shock to come along, it's questionable how much scope we now have to put in place. In short, a 'cushion' is needed. What could possibly go wrong? Any cushion at all, or just absurd deficit spending? Note: $17.8 trillion national debt at FYE 2014

2017 Janet Yellen Statement(s) #3 – "Well, let me say in the strongest possible terms I agree with what you're showing ($19.9 trillion – Current US National Debt) here represents a trend, that given current spending and taxation decisions, is going to lead to an unsustainable debt situation with rising interest rates and declining investment in the United States, that will further harm productivity growth and living standards. I believe the key thing Congress should be taking into account in designing fiscal policy, is the need to achieve sustainability of this debt path over time. (House Financial Services Committee, Federal Reserve Chair, Janet Yellen, 07/12/2017)

Outgoing Federal Reserve Chair Janet Yellen has warned that the country's growing debt load could eventually become unsustainable. "It's the type of thing that should keep people awake at night," (Report to Congress, Federal Reserve Chair Janet Yellen, 11/2017)

- My Translation Opinion: In the strongest possible terms, she agreed that the $19.9 trillion national debt represents a trend, that given current spending and taxation decisions, is going to lead to *an unsustainable debt situation,* with rising interest rates and declining investment in the United States, that will further harm productivity growth and living standards. The country's growing debt load could eventually become unsustainable. It's the type of thing that should keep people awake at night. Apparently, nobody is losing any sleep over the debt load. Obviously, she's just fear-mongering, right? Or, is she telling the truth? Note: $19.6 trillion national debt at FYE 2016

2018 Janet Yellen Statement #4 – "If I had a magic wand, I would raise taxes and cut retirement spending," Yellen told CNBC's Steve Liesman at the Charles Schwab Impact conference, who characterized the U.S. debt path as "unsustainable." (10/30/2018)

- My Translation Opinion: If she had a magic wand, she would raise taxes and cut retirement spending, and she characterized the U.S. debt path as unsustainable. At $20 trillion in debt, the US debt path is finally unsustainable. We are a path of financial ruin. Where are the tsunami warning sirens? Where are the headlines? Apparently, nobody cares. Nope, it's party time. Note: $20.3 trillion national debt at FYE 2017

2019 Janet Yellen Statement #5 – "If we leave the current set of tax and spending programs on the books in place, we face a completely unsustainable rise in the deficit and the debt-to-GDP ratio" (Brandeis International Business School, Former Chair of the Federal Reserve, Janet Yellen, 09/24/2019)

- My Translation Opinion: If we leave the current set of tax and spending programs on the books in place, we face a completely unsustainable rise in the deficit and the debt-to-GDP ratio. Now she's warning that we are facing a 'completely' unsustainable rise in the deficit and debt/GDP ratio. Is anyone listening? Does anyone even care? Note: $21.5 trillion national debt at FYE 2018

2020 Janet Yellen Statement #6 – "Do you think the American public understands the debt that we all owe? Yellen: "I think the answer is no. I doubt that most people for example would know that the ratio of debt to GDP in the U.S. has doubled since the financial crisis. And I sometimes recommend to people who asked me about this topic, pick up the Congressional Budget Office's long-term budget projections and take a look. And the details change from year to year but for more or less the last 20 years at least, what you see is the U.S. debt path is completely unsustainable under current tax and spending plans and the exact way in which it takes off moves around from year to year depending on what happens but that fundamental problem of the U.S. debt path is not sustainable, I think is something that most people don't understand and I see very little evidence of concern about it in recent years." (George Washington University, Former Chair of the Federal Reserve, Janet Yellen, 02/04/2020)

- My Translation Opinion: Yellen was asked if she thought the American public understood the debt that we all owe, and she said the answer is 'no.' She doubted that most people would know that the ratio of debt to GDP in the U.S. has doubled since the financial crisis, and she sometimes recommends to people who asked her about this topic, to pick up the Congressional Budget Office's long-term budget projections and take a look. They'd learn that for more or less the last 20 years at least, you'd see the U.S. debt path is completely unsustainable under current tax and spending plans, but that that the fundamental problem of the U.S. debt path is not sustainable. She thinks it is something that most people don't understand and she sees very little evidence of concern about it in recent years. You have to ask yourself why. Why is there no national discussion or debate on this unsustainable debt path? If you (and your family) were on an unsustainable debt path, for the past 20 years, would it not be a hot topic in your home? Is there no competent leadership in the Federal Reserve, or the US Government to be honest and transparent with its citizens? Where are the real red flag warnings? Note: $22.7 trillion national debt at FYE 2019

2023 Janet Yellen Statement #7 – "The statistic or metric that I look at most often to judge our fiscal course is net interest as a share of GDP. And even with the rise we've seen in interest rates, that remains at a very reasonable level of around 1%, but we do need to be careful what we do going forward to make sure we stay on a sustainable course." (US Treasury Secretary, Janet Yellen, CNBC, 09/18/2023)

- My Translation Opinion: Janet Yellen, I believe, is now political and misleading America. From 2010 through the time just before she became the US Treasury Secretary, one of the most influential people on the Earth, she was strongly warning about the unsustainability of our debt path. Her warnings started when deficits were about a third of where they are today, now over $34 trillion. Suddenly, however, is she not now implying that the US is on a sustainable course when she said "we do need to be careful what we do going forward to make sure we stay on a sustainable course?" If you can believe it. Yes, those are her own words. Her focus for the fiscal course of the US economy is simply our net interest as a share of a $26 trillion economy. That approach is like walking across the freeway blind-folded and relying on your hearing only. Better yet, it's comparable to only making minimum interest-only payments on a gigantic enormous credit card balance or a superficially low interest rate. Why would she now take that approach? Because the national debt debate has become politicized, that's why. Responsible officials are not sufficiently transparent and are clearly being political, spending billions and trillions of dollars as if they don't even care. It seems like it's every other day where there are irresponsible spending announcements of $50 billion being spent here, and wanting $80 billion over there. If they tried this 25-40 years ago, none of them would have remained in office. Core sustainable values are all but gone. And almost nobody is even paying any attention, hardly no one even cares, as long as they have their job and a paycheck. That's a big shame on all of us. Regardless of what Janet Yellen now believes, it is not sustainable. Period. And it never will be at this point. Throw on top of this the US Government's unfunded liabilities of $97 trillion and see what she has to say about that too. I doubt she'll ever bring it up – until it all falls apart, of course.

Is the Federal Reserve Bank Finally Starting to Panic?

There's a Whole Lot More 'There' There Than Meets the Eye – "The US Government is spending at an unsustainable rate, Jerome Powell said. The Federal Reserve Chair said he was worried future generations would be stuck with the bill. Powell urgently called for more careful and responsible budgeting. America is racking up dangerous amounts of debt because of its excessive spending, and future generations are likely to suffer the consequences, Jerome Powell said. 'The US Government's on an unsustainable fiscal path,' the Federal Reserve chair said in a '60 Minutes' interview broadcast on Sunday. 'The debt is growing faster than the economy.' Fiscal deficits over the past four years alone have totaled about $9 trillion, which has helped to more than triple the national debt to a record $34 trillion in the past two decades, Treasury data shows. The pandemic spurred federal authorities to spend heavily to stimulate the economy, but there's now an urgent need for prudent budgeting, Powell said. 'It's probably time, or past time, to get back to an adult conversation among elected officials about getting the US Government back on a sustainable fiscal path,' he said. The central-bank chief expressed deep worry that irresponsible spending today would hurt Americans down the line. 'We're borrowing from future generations,' he said. 'Every generation really should pay for the things that it needs,' he continued, instead of borrowing and lumping their progeny with interest expenses and the burden of repayment. 'It really should pay for those things and not hand the bills to our children and grandchildren.' As Fed chairman since 2018, Powell has played a key role in America's economic fortunes. Inflation spiked to a 40-year high of more than 9% in mid-2022, and the Fed responded by

hiking interest rates from nearly zero to north of 5% by last summer to curb demand and cool price growth. The rate hikes have helped to lower inflation to below 4% in recent months, unemployment has remained near a record low, and the economy has defied recession fears with growth clocking in above 3% last year. Although inflation remains well above the Fed's 2% target, Powell and his colleagues have penciled in three rate cuts for this year. The surge in interest costs has squeezed consumers and businesses by making credit cards, car loans, mortgages, and other types of debt more expensive, and also heaped pressure on vulnerable sectors like commercial real estate and regional banking. While Powell's focus is on maximizing employment and ensuring low and stable inflation, lowering rates would also help the US Government to borrow more cheaply, lessening the problem of its ballooning interest payments." (Jerome Powell rang the alarm on debt, saying it shouldn't be dumped on future generations; Theron Mohamed, 02/05/2024)

- My Translation Opinion of All This: The Federal Reserve Bank and elected US Government officials need to be held accountable for getting these warnings out. These hearings are too quiet. But the message isn't getting out and there's no public discussion happening. This is just another perfect example of failed leadership at every level. It's as though leadership wants to keep 'we the people' asleep; leaders don't want to be held accountable. Instead of really sounding the alarm system, a tsunami warning or anything, the voice of the Federal Reserve Bank simply says: "It's probably time, or past time, to get back to an adult conversation among elected officials about getting the US Government back on a sustainable fiscal path." The Chair of the Federal Reserve Bank wants 'elected officials' to resolve the problem. The problem is nobody is hearing you, Federal Reserve Bank, or US Government officials. If the Federal Reserve Bank is truly independent, as it should be, why not start up its own conversation with 'we the people,' and talk to all of us (not just a room full of 'elected officials')? After all, they all work for us, do they not? Of course, they do; they represent us. But, no. Instead, the messaging goes only between themselves or they only talk to US Government officials. So, if you, a normal person, were in the Chair's shoes (or as an elected official), and you saw or learned that a financial tsunami was coming (unsustainable debt path), would you not sound the alarm loud enough so 'everyone in your circle' could hear it? Herein lies the fix and the lack of accountability. Does anyone think any meaningful number of our elected officials in the US Government cares two cents of what Chair Powell just said? If they really cared, like you do with your own finances, then why don't they get on top of the table and shout these messages for everyone to hear? If they work for and represent, we the people, how about turning up the mega-phone and hold some real press conferences and start speaking straight to the people?

  Somebody has to step up and speak up, because why and what they're doing now is utter failure. The answer is presumably simple. The Federal Reserve Bank (although created by Congress in 1913) is independent of the Federal Government, but acts too much as if it is not. For example, if Chair Powell did talk to the people, the world would panic and run away from the tsunami – and that would 'upset things,' right? If he didn't, the world would just drown and we'd not have to have the hard debate and upset things. Because people would just drown and not know what hit them. Bottom line, the word isn't getting out, and that's sickening, frankly. "Probably time, or past time?" Please. No one hears you Federal Reserve Bank, and elected US Government officials. Do something more, please. Of course, we also share in the blame. Have

'we the people' (besides investors in the stock markets) ever stopped and taken seriously these warnings (via Congressional testimony) from the Federal Reserve Bank or US Government officials? It's not likely, as Janet Yellen said earlier that people don't even know what this stuff is. But we need to start raising the level of warning because this is a very serious matter. What we're doing today, all of us, but especially at the top levels is the perfect definition of failed leadership. As mentioned, the message is simply not getting out, and no one in authority cares enough to make sure it somehow does. Just because you show up at some Congressional hearing and testify, does not mean anyone is listening. If it's not sustainable, it's not sustainable, which is very dangerous to people's financial future. People are going to get hurt, badly. So, then, get the word out, right? But no. Crickets. People are not going to know what hit them one sunny morning, when the financial tsunami comes ashore. Yet, many are starting to smell something in the air. They see the receding tide and are wondering what's going on. Others are starting to panic as they know what's coming. Yet the red flags are lying on the ground, with people walking on top of them. Officials are not bending over to stand up their own flags and using their megaphones. The failed leadership needs to stand the flags back up and start warning people. They refuse to do so because it will cause panic, so the 'truth be buried in the sand.' Still, they take their paychecks and just move on. So disappointed and so disappointing.

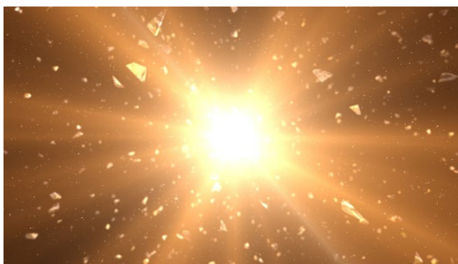
What Could Happen During a Debt Crisis? (This is Being Nice)

Seasons of Default and Restructuring – Seasons of default and restructuring will be ugly. It's too bad that 'we the people' (and our elected officials who only represent us) have become greedy, as we have and continue to want to live off debt. But we will have to start to 'pay the piper' in the near term, one way or another. It's called natural consequences time. If we had been wise, responsible, and fiscally disciplined like people were 50+ years ago, we would have lived with firm budgets, originated prudent lending (avoided Great Recession), etc. We've gotten out ahead of ourselves with all the innovation the technology boom has created. We've become irresponsible. We have no one to blame but ourselves. But that does not mean we will escape accountability. Accountability always comes, as the 'books will always have to balance.' We will face the unpleasant task of having to manage overwhelming debt loads, everywhere. Following is a list of the potential effects of an unfolding debt crisis from such neglect, and frankly, stupidity. Consider how any of these might impact your own life were they to occur:

- Financial market turmoil resulting in a massive sell-off in financial markets, resulting in a sharp decline in stock prices
- Global economic impact of global financial markets that will tank alongside a US default; it would have cascading effects on economies worldwide, leading to a global economic downturn
- Credit rating agency downgrades of the US credit rating, which will make it even more expensive for the US Government to borrow in the future; this would lead to other downgrades for other financial instruments linked to US debt
- Interest rates would spike too, as investors will ask for higher yields for the higher risk; borrowing costs for businesses and consumers will also increase

- The value of the US dollar will decline significantly as confidence in the currency erodes, leading to higher import costs and higher inflation
- The banking system, which holds huge amounts of US debt will be severely stressed and result in bank failures, need more US Government bailouts
- Financial services will be disrupted as banks fail/default which will lead to greater uncertainty and loss of confidence in the banking system
- The banking system is interconnected, and contractual obligations will become triggered for things like derivatives and other agreements
- Asset prices will become deflated, like real estate, and cause widespread economic pain for households and businesses
- There will certainly be social and political unrest, the likes of which we've not seen in modern times; there will be economic distress, job losses, financial instability, with protests and demonstrations demanding US Government action to address the crisis
- Recession (negative economic growth) will be an understatement
- Pensions will be impacted or even default
- Infrastructure will be in disrepair or abandoned
- Essential services like police and fire will likely be cut
- School budgets will be reduced
- Healthcare services will deteriorate or become overwhelmed
- Public transportation could cease operations
- Unemployment will increase due to mass layoffs
- Homelessness will increase without assistance
- Tourism will suffer
- Businesses and individuals will have to pay higher taxes and fees
- Businesses and individuals will 'leave the area' for lower cost environments
- Litigation risk will result in lengthy court battles
- Default and insolvency will ensue

Other Concerned, Reasonable Voices



2022 Inflation and Debt Relief – "Debt Explosion – In 2007, the US Government had borrowed a total of $9 trillion and paid about 5% interest on it, with an annual interest total of $450 billion. Today, it owes $29 trillion at 1.6%. Annual interest: $464 billion. It is a neat trick racking up debt without paying more for it, but it leaves us vulnerable. For every one-percentage-point increase in rates, the interest payment will go up by $290 billion or more per year. That is nearly half of the annual U.S. military budget - unless we start reducing the debt. This risk is multiplied by other forms of debt, including mortgages, car loans, student loans, municipal and corporate debt, and financial leverage. Altogether, the total is in the ballpark of $100 trillion, much of which needs to be rolled over or refinanced on a regular basis, just like the Federal debt. At least $2 trillion of this belongs to "zombie companies" that cannot make ends meet without borrowing more at ultra-low rates, and there are many near-zombie companies yet to come out of the woodwork." (The Fed Can't Control Inflation Without Massive Debt Relief, Ryan Pappa, 01/02/2022)

2022 Unsustainable Fiscal Future – "The US Government faces an unsustainable fiscal future. Increasingly large deficits drive unsustainable debt levels" (General Accounting Office, Annual Report to Congress, 05/2022)

2023 Corporate Debt – "The wave of (corporate) debt that will need to be refinanced could spell trouble for companies, as interest rates have been raised aggressively by the Fed over the last year. Those rate increases are also likely to eat up a greater portion of company revenue, which could end up weighing on the economy. For every extra dollar spent to service their debt, firms will likely pull back on capital expenditures spending by 10 cents and labor spending by 20 cents, the strategists estimated, a reduction that could weigh down the job market by 5,000 payrolls a month in 2024 and 10,000 payrolls a month in 2025. Experts have warned of trouble for US corporations as credit conditions tighten. Already, the tally of corporate debt defaults in 2023 has surpassed the total number of defaults recorded last year." (Business Insider, 08/2023)

2023 Moody's Announcement – "In the context of higher interest rates, without effective fiscal policy measures to reduce US Government spending or increase revenues, Moody's expects that the US' fiscal deficits will remain very large, significantly weakening debt affordability." (Moody's Announcement, 11/10/2023)

2023 America is Broke – "I hate to say this because, you know I love America, but America is in serious trouble financially because of the debt load. America is broke right now. All you do is look at history. Every time they printed money, the empire went down. We just keep printing money to solve our problems, but we can't go on much longer. I hate to say this, but inflation is here to stay. Incompetence is here to stay." (Rich Dad Company. co-founder, Robert Kiyosak, 11/30/2023)

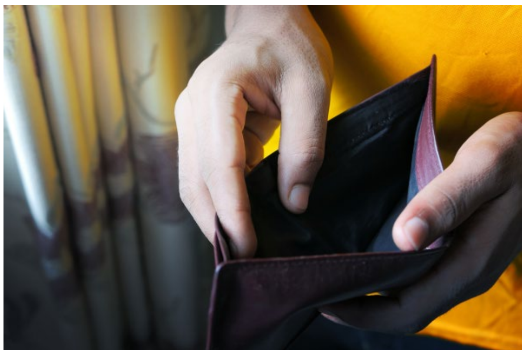
2023 US Debt is Still Ballooning – "The amount by which spending surpassed revenues in 2023 notched $1.7 trillion, or 6% of GDP. The Office of Management and Budget expects the deficit to expand to over $2 trillion by 2033, at 5% of GDP. That means the Treasury Department must issue more and more fresh debt, which has led some experts to warn of the risk that auctions could fail because of a lack of demand. The Congressional Budget Office's estimates sees outstanding debt rocketing to nearly 200% of GDP by 2053. Meanwhile, a third of all outstanding US Government debt, or about $7.6 trillion, is set to mature in the next 12 months, a previous analysis from Apollo found. Bank of America analysts have said that outstanding debt is set to surge by $5.2 billion every single day, or $218 million every hour, for the next 10 years. It's not just debt itself that is mushrooming. As interest rates remain elevated, the cost of carrying that debt is snowballing too. Payments on debt have doubled from $1 billion a day pre-pandemic to $2 billion a day in 2023. And the outlook for payments looks to worsen as well. OMB sees the average interest rate on US debt hitting 3.5% in a decade, up from around 2.97% as of October. Ray Dalio recently warned that the US was reaching an "inflection point" as the US Government borrows more money to just pay for debt service while spending continues unabated, deepening the hole it's trying to climb out of." (Markets Insider: Treasury yields have tumbled, but US debt is still ballooning. Here are 5 charts that show how severe the outlook is; 12/12/2023)

2023 Central Banks are Rethinking Their Forecasting Methodologies – "Central bankers are rethinking

their approach to economic forecasting after their high-profile failures to spot the most recent inflationary outburst, as officials argue for greater candor with the markets about the uncertainties they are confronting. After responding with aggressive rate rises, central banks have engaged in intensive postmortems as they unpack the reasons for their failure. Christine Lagarde, the ECB's president, told the Financial Times in a recent interview that the central bank needs to learn from its mistakes. 'What we should have learned is that we cannot just rely only on textbook cases and pure models. We have to think with a broader horizon,' she said. One outcome, officials say, is an increased focus on alternative 'scenarios' for future economic developments, to illustrate how policy might react. Fed Chair Jay Powell has stressed… 'Our economy is flexible and dynamic, and subject at times to unpredictable shocks, such as a global financial crisis or a pandemic. At those times, forecasters have to think outside the models." (Central Banks Rethink Forecasting After Failures on Inflation, Sam Fleming in London, Martin Arnold in Frankfurt, and Colby Smith in Washington, 12/27/2023)

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Debt Load is Too Heavy – The pending debt crisis is probably the most predictable crisis event society has ever seen, but nobody can see it, or they do see it, but refuse to even talk about it. What a shame. What a sham. In fact, it's so blatantly obvious to anyone who becomes aware of what's happening, and uses some common sense. When something is unsustainable, it means if it's not fixed, it will turn to a crisis. We get past the point of no return. The red flag debate and discussion should be everywhere. The world is a fragile place, just ask Argentina and many other countries. What will be the trigger of a debt crisis here in the US? Will it be because of a single risk event, or a combination of risk events? The ratio of US Government debt to its Gross Domestic Product (GDP) to be sustainable, needs to be stable or declining. The opposite has been happening for decades. Since 2000, the debt/GDP ratio has increased from 56%, to 122% in 2024. That is an increase of 217%. It increased two-fold in just 23 years. Does anyone believe that the US Government will cut its spending, ever? It can't at this point, else things will break. Is any of this important to you, or do you just simply want to ignore it too?



Debt Crisis Could Lead to a Depression (Severe Economic Downturn) – We generally think "recession" and not "depression." A recession would be a downturn that would typically last several months or maybe a year or so. It would include a period of negative economic growth, higher unemployment, and likely reduced spending. In the Great Recession of 2008, perhaps one of the worst recessions we've experienced, involved the collapse of the housing market, and financial institutions. US Governments spent (fiscal policy), and the Central Banks lowered interest rates (monetary policy), sufficient to stimulate an economic recovery. The US Government bailed out the banks and other companies to avert a depression. A depression would be a severe economic downturn that could last for years, maybe even a decade. There would be a serious decline in GDP, long-term high unemployment, and financial shockwaves everywhere, globally. Obviously, poverty would become widespread. The US dollar would be devalued and result in declining buying power for consumers. Interest rates would increase, the stock market would plunge, and bank lending would seize up. Likely, the US would lose its standing in the world, but the rest of the world would also be negatively impacted. Seasons of debt default and debt restructuring would ensue for many years, followed by a long-term economic recovery.

Interest Only Payments Underscore High Credit Risk – The massive build-up in public debt is not sustainable. How in the world will *any meaningful amount* of the debt be repaid, or even debt serviced with interest-only payments, given the higher interest rate environments that will come? The debt service (interest only payments) will eventually and soon take too great of a share of the so-called budget that it will eventually cause a default – out of necessity. No so-called US Government budget can survive the massive levels of spending, with shock event after shock event, adding trillions more to the national debt, year over year, and not reach unstainable breaking-point levels.

Debt Levels Will Continue to Bloom – People will argue that all the deficit spending is unavoidable, money that 'had' to be spent. To this, great exceptions have to be taken. That's complete nonsense. Just like you and your budget, most people live within their means, or find a way to mostly do so. There's no excuse for the US Government to not do the same. Except, it's too late. It can't stop spending at this point. The US Government, and we the people, don't' want to control the spending and solve problems ourselves. We want it all paid for by some magical credit card at the Federal Reserve Bank. People do not fully realize that the US is effectively deficient in terms of its cash flow commitments – the amount of money it takes in, the money it spends, and its unfunded liabilities. This all leads to annual trillion dollar plus deficit spending (new debt). Highly alarming, however, are some 20 event risks that, individually, or some combination of the same, could blow the projected Federal and consumer debt numbers out of the water. What are the odds that none of these 20 event risks will not occur in the near term, and the current debt projections are not going to end up being well-understated, again? The irresponsible spending is immoral because it will never be repaid, and the folks in charge, just keep spending and spending more and more, forcing debt limits to keep increasing. Just wait for the mountains of debt to be refinanced at higher rates.

Misleading Governance – US Government leaders and officials, I believe, are not serving the interests of the people, but rather, are being political and even misleading America. The underlying risks are not adequately being communicated for political reasons. Former Federal Reserve Bank Chair Janet Yellen used to speak up candidly about the unsustainability of the US debt path. Now, as US Treasury Secretary, a political position in the Executive Branch of US Government, she's measuring the country's financial condition and now calling it sustainable as being based only on the net interest payments as compared to the entire GDP of the US (only 1%). Unreal. This is plain wrong if you ask me as it's irresponsible and misleading even by her own statements. When confidence is lost and interest rates materially rise, there will be a debt crisis. Her new sustainability argument will fly out the window.

Look-Back Review – Where Were All the Voices? – Additionally, if you look back to the Great Recession in 2008, where were the economists arguing there was a pending Great Recession, or even a depression that officials later said was averted? I can't find any such voices, can you? And, when the first wave washed ashore, as I recall, most economists issued their general forecasts of things settling down in the next two quarters of 2009 – typical group-think. And most were terribly wrong in their predictions and not even close to what transpired for the next year or so. I believe most economists say what they're paid to say and are not independent thinkers. And, most of the time, they only project out about a year is all. They avoid any further discussion of long-term reasonable (i.e., the 20 risk events) risks out there that will likely impact the economy. They are mostly short-sighted and opine out only for the next

quarter or year. As mentioned, the Great Recession came along and they completely missed it, did they not? The US Treasury Secretary and many others, are, sadly, disappointing. They know better, I believe. Everyone with a conscience knows better now, and they knew better back in 2008 and said virtually nothing. You can't do that (no red flag warnings) and have what would have been a depression on your door step. Nobody was held accountable, and nobody issued any apologies either for the misses.

On the Brink Again? – And what are the chances we could be on the brink of another Great Recession or depression? After all, we've just been living off a giant credit card that's unsustainable, and a debt crisis is closer than ever. Thankfully, however, there are relatively few, but some, reasonable heads coming together to recognize the dire financial condition underlying the US economy. People that know better will still disregard and ignore the debt burden. Economists will still be just data-driven and ignore the big picture of other risk events, just like they ignored risks proceeding the Great Recession. Some like to rename the word 'debt' with 'increased investment' or the need to 'strengthen fiscal policy frameworks.' Regardless of where, when and for whom dollars are spent, much of it ends up on the debt mountain. But new voices identifying red flags are emerging, a need to be urgently addressed. People are starting to wonder about the impact of negative shocks that could impact the global economy. Finally! Unfortunately, there will be too few voices that raise the warning flags. You'll see. Meanwhile, the Central Banks, after having recent failures on predicting inflation, are rethinking how they do their forecasting. They are now looking at scenario analysis (different scenarios), and how severe a given scenario might be. I imagine they will be taking a closer look at economic prices, borrowing costs and its impact on making loans, and labor markets. But like always, they will finally become aware 'after the horses have left the barn.' Can you smell a debt crisis yet?

Risk #5 - Inflation / Stagflation

Big Recent Spike in Inflation

Ouch! Inflation Hurts – "Recent history of inflation from 2020 through 2023 shows inflation gaining traction in 04/2021 at 4.2%, peaking at 9.1% in 06/2022, and then falling to 3.2% in 11/2023. During this 26-month period, interest rates were raised 15 times, or by 3.25% to tamp down inflation." (Consumer Price Index or CPI; US Bureau of Labor Statistics, 12/02/2023)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	2.5%	2.3%	1.5%	0.3%	0.1%	0.6%	1.0%	1.3%	1.4%	1.2%	1.2%	1.4%
2021	1.4%	1.7%	2.6%	4.2%	5.0%	5.4%	5.4%	5.3%	5.4%	6.2%	6.8%	7.0%
2022	7.5%	7.9%	8.5%	8.3%	8.6%	9.1%	8.5%	8.3%	8.2%	7.7%	7.1%	6.5%
2023	6.4%	6.0%	5.0%	4.9%	4.0%	3.0%	3.2%	3.7%	3.7%	3.2%	3.2%	3.2%

Root Cause – "The sharp rise in pace of price increases during the 26-month period was primarily due to the US response to the COVID-19 pandemic, and included roughly $5 trillion in US Government spending. This contributed to strong consumer and business demand which tightened labor markets, putting upward pressure on wages and prices, rising commodity prices and supply chain disruptions, rising prices of food and energy, and the crude oil market was disrupted by the Russian invasion of Ukraine in early 2022." (National Bureau of Economic Research, 12/2023)

Prices Still High?

Inflation / Prices – In 2023, while the pace of inflation has decreased, per the table above, many would argue that prices remain high for food and other commodities, with some recent deflationary pricing coming in early 2024. Certainly, the pandemic helped cause supply disruptions and shortages that have led to higher prices for things like gasoline, used cars, lumber, housing, appliances, electronics, meat, fish, dairy, fruits, vegetables, healthcare, labor, housing, education, etc. Many economists are arguing that unemployment is low, and spending is still up – that the economy is strong. Yet, many people still see those higher prices and conclude that the economy is bad, that we're no longer going to have low interest rates and low inflation. The high cost of housing is probably one of the biggest contributors to the cost of living, especially those who are renting. The price of purchasing a place to live has risen so greatly as to becoming a homeowner is hardly a reality for millions. Rents have also surged greatly in the past few years, taking a big bite out of household income, and leaving less to spend on other essential products and services. Who is going to ever be satisfied with high prices until there's dramatic reduction in housing costs for the long term? If people must keep paying high prices, there is simply going to be less demand for other goods and services, which may be the reason for any declining prices out there – not necessarily a good thing, right? And, so many people are living off unpaid credit cards (not paying off each month). How comfortable do these high prices make you feel?

Piecing Together the Root Causes Behind Recent Inflation Surge

Loose Monetary Policies (Interest Rates, Money Supply) – Central banks were credited with averting depression conditions from the 2008 Great Recession and the more recent Covid19 pandemic. The central banks created trillions of dollars by purchasing US Government bonds and assets to keep borrowing costs down and stimulating their economies. To juice the economy, interest rates were kept too low for many years, and thus the potential for inflation was not managed adequately by the Federal Reserve Bank. These 'quantitative easing' (QE) measures increased the size of the Federal Reserve Bank's balance sheet on a large scale. With inflation growing in early 2021, and peaking in mid-2022, however, the QE measures have since shifted to a 'tightening' posture, where securities on their balance sheets are paid off (not refinanced), or sold off. Central banks, in a higher interest rate environment, try to produce a 'soft landing' with just the right level of interest rates, and not overdo it and cause a recession. Keep in mind that to reduce inflation interest rates are increased higher and faster as deemed necessary. They want to sustain economic growth and higher employment by slowly adjusting interest rates at the right level and timing. At the present, the Federal Reserve is signaling a slightly lower interest rate environment for 2024 (election year, of course), but overall, interest rates are still much higher than they were before, for a longer period. We're in the middle of this playing out right now. High interest rates and the world's high debt levels are triggers for a serious economic downturn in the bond, stock, and credit markets. While there's a current bias of eventually lowering interest rates, there are also reasons to consider interest rates also having to increase, especially when the next risk event comes and more untold spending.

Society's Inflation Expectations are Fickle

Do You Really Understand Inflation? – People see that the inflation numbers increase, and then decrease, but prices continue to remain high. The rate of price increases is just slowing with the lower inflation numbers. The media likes to sound off on declining inflation, but what does that really mean? Taking the average inflation rate from the table above for 2021-2023, you'd have 4.7%, 8.0%, and 4.1%, respectively. If you have $1 price in 2021 at an average 4.7% inflation rate, at the beginning of 2022 the higher price starts at $1.05. Adding another 8% for the second year pushes the price higher to $1.13 at the end of 2022. Adding another 4.1% inflation for the third year pushes the price higher to $1.18 at the end of 2023. So, there's a cumulative effect going on here, and just because the rate of inflation drops, it only means the rate of pricing increases is slowing. The high prices still remain, and may slowly come down in some sectors, over time. The cumulative effect of inflation means that what cost you $1 just three years ago is now costing you $1.18. That's an 18% increase in the three-year period above. If inflation came in at 1%, overall prices would have still risen even if by just 1%. If you have any inflation going on, overall prices are still increasing accordingly. Low inflation numbers only mean the price increases are happening more slowly.

Is Your Income Keeping Up with Inflation? – Now comes the big question. Have your wages kept up with the inflation and resultant higher prices? Hardly, likely. Most people like to have annual income merit increases, or pay raises, that exceed the rate of inflation, or at least match the rate of inflation. And so most people are

likely very concerned about the effects of inflation and the state of the economy because their purchasing power is decreasing. As if you didn't already know, now you can understand the reason why so many people are very concerned. And when it comes to the stock market, isn't is funny that the very minute the storm clouds get a break, people are quick to pack up a picnic and suddenly 'everything is okay.' For example, they start buying stocks because of the prospect of a lower interest rate environment in 2024 (election year) and we are quick to get in there with our gambling outfits on, and roll the dice to make a few extra bucks in the markets by riding the upward momentum. In short, we get financially depressed quickly, but get wildly optimistic when the sun comes out, the fundamentals by darned. Honestly, folks, we probably look desperate out there. Is that anyway of having peace of mind, and to make sound decisions, while leaving unwarranted debt on our balance sheets? With those feelings of exuberance that come, are we not forgetting some of the fundamentals, and what's even propping up the economy – an unstable and unsustainable foundation of debt. My, are we not fickle? Maybe irresponsible too, if we have a hefty debt load. Get out of debt fast.

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

20 Risks Could Trigger Inflation Again, Any Time – In the 2020-23 period, inflation gained traction at 4.2% in 04/2021, increasing to 9.1% in 06/2022, and falling to 3.4% in 12/2023. Interest rates were increased 15 times during this period to bring down inflation. Looking back, it's obvious what helped cause the recent surge in inflation. In response to the Covid19 pandemic, the US Government spent roughly $5 trillion which contributed to strong economic demand in a period of supply chain disruptions. This, and the tight labor markets created upward pressure on wages and prices, along with other events. These events, and the resultant deficit spending are precisely the reasons why it's reasonable to assume we haven't seen the last of it. There will be more risk events, more deficit spending, and the debt spiral will have to continue. It's past the point of no return, and a debt crisis is already baked in at this point. $34 trillion in debt, record levels of consumer and other debt, and what do you think will happen? When the next event comes from any of the 20 event risks in this publication, what will happen if society's expectation of increasing long-term inflation increased dramatically and sharply? While the sun always comes out, the point is, that same sun is always going to create new super cell storm events too. We haven't adequately prepared our budgets. Our houses are not in order. We don't have enough dry powder for these super cells. We're just soaked up to our noses in debt as a country and society. To remedy all these risk events and storms, it seems, is to make sure no one suffers, that we spend whatever it takes regardless of the costs. Just pass it on to the next generation, right? And when long-term inflation expectations do increase, the Federal Reserve Bank's reaction is going to be brutal. How much higher would interest rates go, and for how long would they stay high? Think of all the ramifications. Perhaps this is why 'no one' wants to talk candidly about these 20 event risks with a $34 trillion debt load ball and chain being dragged behind us. It's hard to swim away from the sharks with that big of a ball and chain – you get the picture. Because if everyone became aware of how unsustainable our debt risk is, and talked about it, it might be a 'game changer' in and of itself. When the next event(s) takes place, many more people will start to realize the US Government will just spend trillions more, and we'd likely see more or heavy inflation, or stagflation (throw in higher unemployment too). Meanwhile, there will be breaks in between these financial storms, but breaks in the storm does

not mean the debt levels or high prices just disappear. It’s just that, a break. We will be facing and having to deal with the fall out of these risk events because that’s just the way life is nowadays.

Are Households, Businesses, and the US Government Remotely Prepared? – The US Government, businesses, and households have not, in my opinion, even addressed, or otherwise sufficiently prepared for these risk events. Rather, the solution has always been to increase more and more record debt levels. These levels are now so high that they can’t be sufficiently repaid at this point, we’ve spent our dry powder, used up our credit limits, and now have a real debt repayment problem. In a debt crisis, most of the debts we owe won’t be repaid in full, but will be in default and have to be restructured. We will see additional surges in inflation again and again. The day of reckoning is real and it is coming. Risk events will continue, and it will be harder because the higher and further the plane flies past the point of no return, the higher and further the plane must fall. The resultant damage done by not addressing deficit spending at the consumer, business, and US Government levels, the resultant inflation, the more painful it will be for everyone. It just comes to show you that the world is addicted to deficit spending, and with any such addictions will surely come a very painful fall and long-term recovery. We are all responsible for this mess. I firmly believe the debt crisis will start to happen somewhere between 2024-25, the next two years. Can you smell a debt crisis yet?

Risk #6 - High Interest Rates

History of Low Interest Rates by the Federal Reserve Bank for So Long; Why?

2020 Janet Yellen Comments on Historically Low Interest Rates – "Let us talk about interest rates. Dr. Yellen, you have said you're a little worried about interest rates being so low for so long — explain. Yellen: 'Well, there's several pieces to that. Mainly low interest rates, which you can lay at the feet of central banks … but central banks are trying to keep their economies operating near potential, and at this point trying to boost inflation rather than lower it. And the reason they have set interest rates as low as they are, is because they're operating in an environment where that seems absolutely necessary to keep inflation running at moderate levels … so I worry about low interest rates because it is a symptom of a deeper problem in the global economy, and it is ultimately putting central banks in a position where they don't have a lot of ammunition. If we have a serious recession, you know, we're probably not going to be able to count on central banks to offer up a significant response. And then the last point I'd make is that in a chronically low interest rate world — which is what it looks like we can expect going forward — we do have to worry about risk-taking and the possibility of financial imbalances building." (George Washington University, Former Chair of the Federal Reserve, Janet Yellen, 02/04/2020)

The Federal Reserve Bank Has Become Politicized

Interest Rates Should Have Been Raised Earlier – The Fed Funds rate was kept purposely low at or near 0% from 12/2008 for the next 10 years, peaked again at around just 2% in 07/2019, and then dropped back to near 0% in 04/2020 the time when the Covid19 pandemic picked up. To me, the 10-year period of ultra-low interest rates was not warranted. The Federal Reserve Bank politicized its monetary policy by not raising rates sooner. I believe interest rates were intentionally kept low to stimulate the economy longer than was needed. Everyone was used to the low interest rates that were artificially lower than they should have been. The ultra-low interest rate environment stimulated the economy, fought deflation, juiced the housing market, reduced unemployment, helped the banks, lowered borrowing costs for consumers so they'd spend more, and boosted stocks. It also left the us in a vulnerable position to fight against an emergency like the Covid19 pandemic, when interest rates dropped back to 0%. The Covid19 panic helped fuel an asset bubble in housing pricing, together with trillions of dollars in deficit spending and more stimulus. This created inflationary pressures, where in 06/2022, US inflation hit a 40-year high. I would argue that the Federal Reserve Bank juiced the economy much longer than was necessary, and thus had to raise interest rates sooner, higher, and longer than most people expected. I call the root cause of all this – politics. The Federal Reserve Bank is supposed to be independent, but I'm afraid it has other interests at heart, and has drifted away from its true mission. Is the Federal Reserve Bank supposed to sit idly by and fund all the deficit spending forever, and not itself, become accountable? After all, it is a bank, right? But, no. It will print money forever because of politics. Why does it view its mission to keep funding soaring deficit spending and not stop it without a vigorous public debate of the damage these deficits are causing?

Have you heard anything more than a whimper by the Federal Reserve Bank, acting like a real independent bank, making its own decisions with the long-term interests of the American people in mind, or just caving to the political winds? Why doesn't it pound its fist and raise a genuine warning for all of America to see? Why did it allow the Great Recession to happen when it could have done something, or at least sounded a red-flag warning about the growing risks well beforehand? Where was its voice when it saw all the contributing factors to the Great Recession and did little to nothing about it, other than to signal that things were okay? That can't happen, and then to say after it did happen, that a depression was averted. Someone has to be responsible for it. Being responsible means accountability too. If not the Federal Reserve Bank, then who? Congress, yes, of course. But the Federal Reserve Bank is the Central Bank of the US. It should have stood up like a real bank and said 'no' once in a while. If it claims to not be responsible, then who is, might they tell us? The problems persist to this very day. Some bank.

The Federal Reserve Bank Deserves to Have Lost Trust – Janet Yellen served in the Clinton Administration in 1997-99 as Chair of the Council of Economic Advisors, and President and CEO of the Federal Reserve Bank of San Francisco from 2004-10. She was the Vice Chair of the Board of Governors of the Federal Reserve System from 2010-14, and Chair of the Federal Reserve Board from 2014-18. She became the US Treasury Secretary in 2021 to the present. Notably, starting in 2010, while serving as Fed Chair, multiple unsustainability warnings were issued by Fed Chair Janey Yellen. Her tune changed when, as US Treasury Secretary, she no longer issues such warnings. Rather, she's gone political and mainly concerned about being able to make the interest payments on the US debt load. The current Chair, Jerome Powell, in my opinion, his voice isn't making enough of a difference. It's doubtful the public really knows him or where he stands. He continues the same policies of printing more and more money, and now had no choice but to raise interest rates over the past few years. But where is his needed voice in all this? Where did he demand the US Government get on a budget, stop the deficit spending, issue warnings, anything? He simply prints more money, and tells Congress in the same plain voice that we need to do better. Nonsense. And, now we find ourselves in a predicament. The US is unprepared on a multitude of fronts. To confront these risks, the Federal Reserve Bank will just continue to print more and more money to cover an ever-increasingly high deficit. Chair Powell won't speak up like he should because he can't reveal the true nature of the problem we now have, without causing panic. So, we just march along until the music stops one day, and we find there are not enough seats to sit on to stay in the game. Then, when the music does stop, real panic will ensue. Meanwhile, the Federal Reserve Bank, in my opinion, is not to be trusted. I believe it has simply become more and more political over the years. It has failed to protect the interests of the American people and its financial well-being. Janet Yellen's voice has only been a whimper, no one can even hear her, or what she really stands for anymore. The same goes for Jerome Powell. There are plenty of others out there that are also responsible too, including elected US Government officials, bank supervision and regulatory agencies, the group-think economists, bankers, investors, credit rating agencies, etc. Sure, besides becoming very wealthy, they'll all have plenty of nice arguments to defend their inactions. But at the end of the day, they go away fat and happy. America, we the people, are the big losers as a result. Now, do not pretend that we the people, society, are not also stakeholders in this mess. We are accountable too. Society wanted and voted for all the deficit spending through our elected political leaders, who appointed all these officials and experts that run these enterprises. We get what we really

want. And, we get the natural consequences that must needs come too. Now we're stuck, and we do all we can to postpone the inevitable. But accountability can be stingingly difficult like the touching of a hot stove. The consequences and days of reckoning of our financial house of cards will soon come too.

Now Interest Rates Have Moved High by the Same Federal Reserve Bank

Higher Interest Rates Have Big Consequences – To combat inflation (high costs) by slowing down the economy, beginning in 1Q2021, the Federal reserve increased interest rates 15 times, or by 3.75% in total. Higher rates make it more expensive to borrow money, and people will start cutting back on their spending, which slows down an inflated economy. It is the expectation that less consumer demand will result in the lowering of prices. During the QE ('easy money') years following the 2008 Great Recession, and the 2020 Covid19 pandemic, the level of US Government debt soared and ballooned to very high levels. To fund the new debt, Central Banks purchased large amounts of securities on their own balance sheets to help keep interest rates low and stimulate the economy. Now, with higher inflation and interest rates, will there not be less interest in purchasing the securities in the future to fund more deficit spending? With the exceedingly high levels of US Government and private debt, will not these higher interest rates push highly leveraged businesses and individuals into default and bankruptcy? The more this goes on, won't there be a ton of economic disruptions for businesses, and even social problems as families and marriages suffer? Of course it will.

Examples of How High Interest Rates Affect You

What Will Happen to Enslaved Borrowers as Interest Rates Climb, and the Underlying Assets Decline in Value? – We live in a world that uses an over-abundance of debt. Debt at higher interest rates results in much higher debt service payments. In many cases, loans are structured to just have interest-only payments, while others are fully amortized (repaid) over the term of the loan. If loans are structured with high interest rates, the obviously higher payment amounts may kill the deal in the first place (too expensive). That's why the Federal Reserve Bank raises interest rates in the first place, to slow down the economy by reducing debt spending. This is supposed to stop price increases and eventually reduce inflated prices. But what do you do if you already have low interest debt outstanding that is going to mature in a high interest rate environment? The examples below show what can happen to those who are now in a precarious situation with heavy debt. If you currently have a low interest rate deal, and will need to refinance with a higher interest rate, take a look at how much more interest will have to be paid for the same debt. Every dollar counts in today's high-cost economy. Just think what you could do with the extra money if you didn't have to pay so much at a higher interest rate. The same holds true for a mortgage, a small business loan, or to finance a building for a business. The extra interest expense can increase to the point it can put you, a company, or a country, out of business. While interest rates have increased in the past year or so, and are less than in prior decades, they are very high in comparison to what they were just a few years earlier. If you had a 3% loan, and are now refinancing at 6.65%, that amounts to a 122% increase in the rate you were paying before. So, take a good look at these examples and see how heavy the debt load becomes when you compare the low interest rate vs. high interest rate

environment on the consumer, a small business, and a commercial real estate loan. Somewhere, somehow, the borrower will have to come up with the extra money to make the required payments, else he will default. Higher interest rates put downward pressure on the underlying collateral values, if any, as well. In the end, all that extra interest isn't being used to purchase anything. The money is just paid to the bank instead of inventory or salaries. Banks love their long-term borrowers who are enslaved with heavy debt burdens. You have to ask yourself if it's really worth it. Surely you were fully aware of 'refinance risk' and the possibility you'd need to pay a ton more in interest each month if you needed to refinance. What will happen to enslaved borrowers as interest rates climb, and the underlying assets decline in value? That's when things get exciting.

Consumer:

- 2022: $10,000 16%, credit card payable over six years at $217/month = ~$5,600 in interest
- 2024: $10,000 22.75%, credit card payable over six years at $256/month = ~$8,412 in interest
  The consumer would have to pay an extra $2,812 in interest, an increase of 50% in cost

Residential Mortgage:

- 12/2020: $550,000, 2.7%, 30-year mortgage loan, $2,231/month = ~$253,100 in interest
- 02/2024: $550,000, 7.0%, 30-year mortgage loan, $3,660/month = ~$767,300 in interest
  The consumer would have to pay an extra $514,200 in interest, an increase of 203% in cost

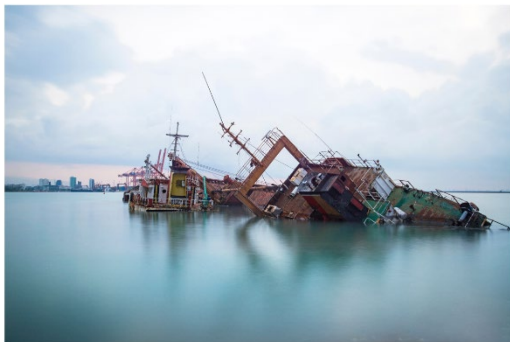
Small Business:

- 12/2021: $765,000, 5%, 10-year term loan, $8,114/month = ~$208,700 in interest
- 02/2024: $765,000, 10.5%, 10-year term loan, $10,325/month = ~$473,700 in interest
  The business owner would have to pay an extra $265,000, an increase of 127% in cost

Commercial Real Estate:

- 2022: $10,890,000, 3%, 25-year term loan, $51,650/month = $4,602,500 in interest
- 02/2024: $10,890,000, 6.5%, 25-year term, $73,530/month = $11,169,000 in interest
  The investor owner would have to pay an extra $6,566,500, an increase of 143% in interest

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?



Higher Interest Rates Can Sink the Ship – Interest rates are like a two-edge sword. On one hand, if rates are too low, it could fuel inflation and cause assets values to unnaturally expand like a bubble (asset bubble). If rates are raised too much, that could push the economy into recession. So, how do interest rates affect the debt owed by the US Government? Interest expense is regularly paid on the US debt or bonds, until the bond matures or is due when the full balance must be repaid. The unpaid balances are usually refinanced with another new bond, but now at a much higher interest rate. People are becoming rightfully and increasingly concerned about the high percentage of all US Government spending that's being spent just on the interest payments of US bonds. It's like your credit card, making the minimum payments on an ever-increasing balance that is taking up more of your check each month as the interest rate increases. And, with all that, the bank is now increasing the interest rate you pay, which will take up even more of your budget. Well, the same thing is happening on a national level at the US Treasury. They issue US bonds to finance its deficit spending,

and as a percentage of its total spending, more and more is going to just the interest payments, while the maturing bonds are being refinanced with new bonds but at much higher interest rates. Effectively, it is taking on more debt just to pay the interest payments. It would be like you getting a new credit card to pay off old credit cards, and to just make interest payments on those older credit cards – which is beyond insane. None of this is sustainable. It is not sustainable to you if you have heavy overwhelming debt. It is not sustainable to the US Government without causing a debt crisis. And, as you'd imagine, the pressure is building. How long could you afford to pay more and more of your income just on interest-only debt? And, who is going to give you another credit card (at low rates, if any) so you can use that new credit card to just pay the interest on your old cards? Again, that's already happening on a national level. How long could you afford to keep living off credit cards without your ship sinking? Again, the same thing is happening on a national level. Keep in mind the amount of interest paid on the national debt will soon surpass the amount of money the US Government spends on its national defense and security. It is estimated that the interest cost has now reached nearly $2 billion every day, clearly an unsustainable course that is more than likely to increase and get worse, which makes it increasingly unsustainable. Interest never even takes a nap, not for a single minute. Anyone who argues that we can still afford the interest payments will go away silently some day when there's another massive interest rate shock, and we all go into default and restructure mode (debt crisis). The first question they need to be asked, should be: "where was your warning voice before we got into this mess?" Can you smell a debt crisis yet?

Risk #7 – US Government Default

To Avoid Default, Just Extend the Debt Limit, Right?

US Debt Limit Look-Back – "The debt limit is the total amount of money that the US Government is authorized to borrow to meet its existing legal obligations, including Social Security and Medicare benefits, military salaries, interest on the national debt, tax refunds, and other payments. The debt limit does not authorize new spending commitments. It simply allows the US Government to finance existing legal obligations that Congresses and Presidents of both parties have made in the past. Failing to increase the debt limit would have catastrophic economic consequences. It would cause the US Government to default on its legal obligations – an unprecedented event in American history. That would precipitate another financial crisis and threaten the jobs and savings of everyday Americans – putting the United States right back in a deep economic hole, just as the country is recovering from the recent recession. Congress has always acted when called upon to raise the debt limit. Since 1960, Congress has acted 78 separate times to permanently raise, temporarily extend, or revise the definition of the debt limit – 49 times under Republican presidents and 29 times under Democratic presidents. Congressional leaders in both parties have recognized that this is necessary." (US Department of the Treasury, 12/2023)

Stop Pretending the US Government Isn't Broke – It seems there is a little game being played with the debt ceiling debate with the US Congress. First, there is a spirit of great division and contention over spending. Maybe it's all about wielding power and control? The debt ceiling is being used to control spending but only spending previously approved in Congress, so why not increase it? And when new politicians come on the scene, they can see that all the spending is driving the US off a financial cliff and seek to put the brakes on before disaster strikes. But uncontrolled deficit spending keeps happening, regardless what administration is in power. There is no real budget, and no self-control in spending. It is a spending free-for-all. Quite the game, right? And, the debt ceiling debate rages on, everyone pretending that the US Government is not essentially insolvent and needs to avoid what really is a fake default. So, they now argue for a 79th increase to the debt limit in order to keep funding the US Government, prevent another credit downgrade, avert a financial crisis, avoid a US Government shut down, no national default, escape a loss of confidence in the US and its dollar, etc. If a default were to happen, the shock would be felt around the world. Who would do business with the US, or under what conditions would it do so? At what price? What trust would there be in the US by investors? How many jobs would be lost? Would yours? Would the economy stop growing? Would interest rates not have to increase? What would happen in the stock market and household wealth? If the world loses confidence that the US cannot pay its debts, what will happen to financial markets throughout the rest of the world? So, 'get a clue' and just increase the debt limit, right? We did it 78 times in the past and one more isn't going to hurt anyone, right? After all, if you do not increase the debt limit, there will also be political gridlock, a US Government shut down, and all manner of economic disruption, so what are you waiting for? Do you see anything wrong with this picture? As to you,

whatever your so-called budget is, if you had massive debt and deficit spending on an equal proportion to the US Government debt and spending levels, you'd be completely insolvent, and 100% broke. Only you can't print your own money.

Digging Deeper Into the US Debt Ceiling 'Crash Landing' Debate – The same debate, regardless of party, is regularly at center stage in the Congress. Each party seems to go back and forth to suit their political needs; the entire debate has become politicized. There seems to be a perpetual argument for reasons to not raise the debt ceiling and control spending (being at unsustainable levels), vs. simply having to raise the limit on 'already approved' funding to avoid a default. Nothing is likely to come to a compromise, like living within a budget so there will be no need to have the debt ceiling debate ever again. So, what options really exist? Absent purposely letting the US Government go into default by not extending the debt ceiling, because it's insane to have uncontrolled spending and just go over a cliff, (and still many don't care at all and will forever deficit spend), the debate will continue back and forth until the debt monster becomes overwhelmingly, unmistakenly a full-blown debt crisis that will crash upon us. People must be thinking it is still better to have a more controlled default like trying to land a 747-jet airliner on the freeway vs. avoiding a full-blown crash into the mountain side at full speed. Is there really even any difference in trying to control a default (freeway landing) by not extending the debt ceiling, or just let a major debt crisis happen (mountainside crash)? What landing approach makes the most sense to you? The members of Congress you elected have to make these decisions for you. Indeed, they are making these decisions in your behalf right now. In the end, at this point, common sense says elected officials will not manage the nation's finances with a balanced budget, which cannot even work at this point. That is likely the reason no one will insist on a budget. If the US Government lived within their means (taxes collected and balanced spending), the economy would stall out because it is structured and addicted to all the spending – it can't be stopped at this point without a crisis. The forces (in trouble if you do, and in trouble if you don't) will only ensure one thing: while the debt ceiling debate rages on, the pile of debt just keeps increasing, regardless of party. In other words, we can most certainly expect a mountain side event in the near term. Nobody will do the right thing (have a budget) because they want to cling to power. Too many are there in Congress to serve themselves and not the best interests of the people. Or, maybe they are serving the people and giving them what they do want – more debt spending, budget be darned. The net result of the debt ceiling debate is always just pushing the airplane to the highest speed possible as it gets closer and closer to the mountainside. The spending and debt levels are unsustainable. It means the plane will eventually crash into the mountainside. Unsustainable means that the airplane is unmaintainable, untenable, unmanageable, unjustifiable, indefensible, weak, unsound, shaky, and flawed. It portends a disaster, or simply put, a default and debt crisis. Don't believe it? Would you get on board such a plane? Sorry, but if you're a US citizen, you ARE on that airplane already. And it is not slowing down. In fact, it is still picking up speed.

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

When the Musical Chairs Game Stops – When a given country defaults on its debt repayments, its Central Bank will print and borrow more money to cover its expenses, which leads to higher inflation and higher interest rates. In modern times, many countries have experienced debt crises, but when the

US Government defaults on its debts, it will take the global economy to new low places. Global debt restructurings will need to take place, which can take several years to negotiate and finalize. Think of seasons of financial forest fires. The standard of living will shrink as people are forced to live within their means, including drastic cut-backs in US Government spending and services. Renegotiated debt repayment terms with its creditors will need to take place. Emergency funding from international organizations will be given with lower interest rates and the expectation of repayment – and the new debt may not even be repaid either. Debts will end up being repaid over a longer period, or be written down/off to reduce the amount owed. Debt repayment negotiations will be very difficult and complicated due to the lack of transparency of even who all the creditors are. Like a person who borrows money from many places, so do countries. Creditors will be unable to determine if they are sharing equally when it comes to giving concessions. Stakeholder parties will have a hard time even agreeing on the financial condition of the country needing debt restructuring. As protracted negotiations play out, the burden will negatively affect banks, consumers, investors, businesses, and especially the poorest people. To survive, businesses will have to cut expenses and staff personnel resulting in higher unemployment. Services will be disrupted in key industries, including essential services like health care. One quick sign will be neighborhoods and roads that become even more unsafe and in disrepair.

Check Mate Conclusion – In short, we are in trouble if we do extend the debt limit, and in trouble if we do not. That is the point. We will be having a debt crisis in the near term. How can we not? The level of soaring deficit spending is out of control, susceptible to even more debt via the 20 risk events in this publication. The deficit spending and debt levels are not sustainable as default conditions are only increasing daily. If you do not increase the debt limit, you are just going to start the default period within weeks of the debt ceiling expiration date (freeway landing). If you increase and extend the debt limit, you are just postponing the inevitable (mountain side crash). But once it is extended, just like in the past, people won't see any immediate default coming so they'll go back into the 'let the party begin' mode. But, no, we do not even want to have a real conversation and hold people accountable about repayment default risk, because it is time to get back to the football game and the grill. Life is good until the party is suddenly disrupted, people are caught unprepared, and musical chairs disappear. That is what is coming, and frankly, we the people will get the consequences of our choices when it comes to the burden of overwhelming debt. The day of reckoning will come soon enough as a complete shock to most people. Then comes the fighting, blaming, contention, and so forth. We the people, we who should have known better, will be 'naked when the tide goes out,' embarrassed and hopefully full of shame. Others will be wandering around, upset, confused, dazed, and perplexed because they didn't see it coming. Most will likely panic, and some will act dumb or innocent for having been caught being heavily in debt. In a sense, the world will change, and financially speaking, it will be game over for a great many people. Natural consequences and accountability will always come. Touch a hot stove and you will be burned. Can you smell a debt crisis yet?

Risk #8 - Banking System

The 1Q2023 Regional Banking Crisis, Forgot Already?

1Q2023 Regional Bank Bailout by the Federal Reserve Bank – When Silicon Valley Bank collapsed in 03/2023, as well as Signature Bank, US regulators took action to prevent a banking crisis by backing deposits above the $250,000 FDIC insured threshold at these banks. Noting the fragile banking system, US Treasury Secretary Janey Yellen took additional measures by saying the US Government could step in to guarantee deposits at other banks if they posed a threat to the banking system: "Similar actions could be warranted if smaller institutions suffer deposit runs that pose the risk of contagion." (US Treasury Secretary Janet Yellen, 03/21/2023). Yellen's comments suggested that before the US Government would act, a bank would have to suffer a run on its deposits, and its failure would have to affect the rest of the banking system (so apparently the smaller banks are no longer important, right?). Many bank stocks experienced a sharp decline in value at the time in 1Q2023. Assets at larger regional banks, in particular, lost value in the rising interest rate environment, as existing loans and bonds at low interest rates had embedded losses in them (if they had to be sold to raise liquidity to cover deposit withdrawals on bank runs) as investors were looking at assets subject to higher interest rates. Uninsured depositors (with deposits above the $250,000 insured amount) would lose out if their bank failed as many banks were also at high risk of bank runs. Banks keep deposits at other banks that are subject to bank runs, so how realistic, really, is it to have the US Government guarantee uninsured deposits at other banks? Or how many banks can be bailed out during bank runs?

Commercial Real Estate Market and Growing Concerns About Another Regional Banking Crisis – "Wall Street is experiencing a case of déjà vu. It's been nearly a year since the collapse of three US regional lenders that left financial institutions and regulators scrambling to prevent the spread of a banking crisis. Today, investors are worried they're back on familiar territory. But while the last crisis was all about interest rate risk, this one revolves around the $20 trillion commercial real estate (CRE) market. What's happening: After decades of growth bolstered by low interest rates and easy credit, CRE has hit a wall. Office and retail property valuations have been falling since the pandemic changed where people live and work and how they shop. The Fed's efforts to fight inflation by raising interest rates have also hurt the credit-dependent industry. That's bad news for regional banks. US banks hold about $2.7 trillion in CRE loans. The majority of that, about 80%, according to Goldman Sachs economists, is held by smaller, regional banks — the ones that the US Government hasn't classified as 'too big to fail.' Much of that debt is about to mature, and, in a troubled market, regional banks might have problems collecting on those loans. More than $2.2 trillion will come due between now and the end of 2027, according to data firm Trepp. Fears were exacerbated last week when New York Community Bancorp (NYCB) reported a surprise loss of $252 million last quarter compared to a $172 million profit in the fourth quarter of 2022. The company also reported $552 million in loan losses, a significant increase from $62 million the prior quarter. The increase was driven partly by expected losses on CRE loans, it said. Shares of the bank have plummeted nearly 20% over the past five trading sessions and fell an additional 11.2% on Tuesday

morning. The US Regional Bank index dropped by about 5.2% over the same period." (Wall Street is worried about another regional banking crisis; Nicole Goodkind, 02/06/2024)

Commercial Real Estate Foreclosures Jumped 117% In March (2024) as Trouble Looms – "The commercial real estate market is starting to buckle under the weight of higher interest rates and remote work. There were 625 commercial real estate foreclosures in March, up 6% from February and 117% from the same time last year, according to a new report published by real estate data provider ATTOM. The figure is calculated based on commercial properties with at least one foreclosure filing – including default notices, scheduled auctions, and bank repossessions – entered into the ATTOM Data Warehouse during the month. California had the highest number of commercial foreclosures in March, with 187 properties. While that marked an 8% decrease from the previous month, it is a stunning 405% jump from the previous year. 'California began experiencing a notable rise in commercial foreclosures in November 2023, surpassing 100 cases and continuing to escalate thereafter,' the report said. New York, Florida, Texas, and New Jersey also saw notable increases in commercial foreclosures last month. Foreclosures have steadily risen since May 2020, when they hit a record low of just 141 properties. At that time, the U.S. economy was still in the throes of the COVID-19 pandemic, and many lenders offered commercial loan forbearance to borrowers to help them stay afloat. However, those agreements have largely expired and now, the commercial real estate market is struggling with a number of challenges, including higher interest rates and waning demand for office space as more companies allow employees to work from home. The Federal Reserve raised interest rates to the highest level since 2001 in response to sky-high inflation. Rates are poised to remain elevated for some time, as policymakers have signaled, they are not prepared to start reducing rates until they are more confident that inflation has returned to 2%. About $1.5 trillion in commercial mortgage debt is due by the end of 2025, but steeper borrowing costs, coupled with tighter credit conditions and a decline in property values brought on by remote work, have increased the risk of default. Roughly $929 billion worth of commercial real estate loans are set to mature this year, according to the Mortgage Bankers Association. Borrowers may have no choice but to refinance with significantly higher interest rates or sell their properties at a steep loss. Complicating the matter is the fact that small and regional banks are the biggest source of credit for the $20 trillion commercial real estate market, holding about 80% of the sector's outstanding debt. Regional banks were at the epicenter of the upheaval within the financial sector last year following the collapse of Silicon Valley Bank, and there are concerns that the turmoil could make lending standards drastically more restrictive. During a credit crunch, banks significantly raise their lending standards, making it difficult for businesses or households to get loans. Borrowers may have to agree to more stringent terms like high interest rates as banks try to reduce the financial risk on their end. Fed Chair Jerome Powell said in March that commercial real estate woes will likely lead to some bank failures, but do not pose a larger threat to the financial system. 'We have identified the banks that have high commercial real estate concentrations, particularly office and retail and other ones that have been affected a lot,' Powell said while testifying on Capitol Hill. 'This is a problem that we'll be working on for years more, I'm sure. There will be bank failures, but not the big banks.'" (Commercial real estate foreclosures jumped 117% in March as trouble looms; Megan Henney, 04/18/2024)

So, Is the Banking System All Better?

The Banking System Risk Still Exists – Interest rates remain high, which affect the value of bank assets. Banks have, in many cases, failed to adequately manage interest rate risk by mismatching funding of loans and deposits on their balance sheets. They did not sufficiently match fund their loans with the cost to funds the loans, primarily from the costs they pay out on their deposits. If depositors feel insecure about their bank via the security of their deposits, they may quickly withdraw their funds. A 'bank run' (fleeing deposits) will force the bank to sell its assets, like low interest rate securities and loans, to have sufficient liquidity to cover the deposit outflows. From an accounting perspective, the bank will then have to recognize the loss on sale of the securities and loans at their lower interest rates, into a market that has higher rates; those assets are not worth as much in this environment. Their value is worth less than they would yield had the bank carried them to maturity. The lower sales price means the bank will have to recognize massive losses, which depletes their capital, which further increases their risk of failure. This risk creates an environment for more bank runs in the banking system. Furthermore, as depositors want to be paid higher interest on their deposits, they may move them from their current banks to other banks or institutions that offer greater interest. Heavy deposit runoff can add pressure to a bank run, along with a heavy level of adversely risk rated or classified loans. So, the banking system risk most surely exists in the current high interest rate market. Banks are likely soon going to experience downward pressure on their earnings, and have a negative effect on their stock prices. As this all unfolds, we must ask ourselves what will happen, maybe not if, but when interest rates spike even more. How many banks could potentially fail during the next crisis, and how many would be sold to other banks (orderly resolution) to avoid a systemic meltdown? Are the biggest banks so systemically important to always get US Government bail outs? Are they now supposed to be the safest banks and the other smaller community banks less safe? Are the large banks only going to keep becoming even larger? It would seem likely that there will soon be massive consolidation of the banking industry.

Are Regional Bank's Earnings at Risk? Potential Shock to Uninsured Deposits? – "Regional bank earnings may expose critical weaknesses, according to Sheila Bair, former chair of the U.S. Federal Deposit Insurance Corp. Their quarterly numbers begin hitting Wall Street this week. "I'm worried about a handful of them," Bair told CNBC's 'Fast Money' on Tuesday. 'I think some of them are still overly reliant on industry deposits, have a lot of concentrated commercial real estate exposure, and then I think the larger picture really is the potential instability of their uninsured deposits even for the healthy ones if we have another bank failure.' Bair, who ran the FDIC during the 2008 financial crisis, is nervous that regional bank issues from 2023 aren't fully resolved. 'Congress should reinstate the FDIC's transaction account guarantee authority so that they can stabilize those deposits,' she said. 'This is still a problem for the regional banks, and fingers crossed that there's [not] another failure. We're just not quite sure what's going to happen.' Regional banks are having a tough year so far. The SPDR S&P Regional Bank ETF (KRE) is down almost 13%, and only four of its members are positive for 2024. The biggest laggard in the KRE is New York Community Bancorp which has tumbled more than 71% this year. Metropolitan Bank Holding Corp., Kearny Financial, Columbia Banking System and Valley National Bancorp are down more than 30% in that time period. 'The big issue is whether there is another shock to uninsured deposits because of a bank failure, and I think that is really the biggest challenge confronting regional banks right now,' she said. Her latest regional bank warning comes as the benchmark 10-year Treasury note yield topped 4.6% this week and hit its highest level since November

2023. Bair is concerned higher yields could put more stress on commercial real estate borrowers, and regional banks have a lot of exposure. 'Part of the problem in commercial real estate is that a lot of it is refinancing this year and next,' said Bair. 'So, the higher the rates go for those refinancings, the more distress there will be with borrowers to be able to continue with their payments.' However, regional banks' issues could bring more business to larger institutions. 'Regional bank distress benefits the big money-center banks. There's no doubt in my mind,' Bair said." (Regional bank earnings may expose critical weaknesses, former FDIC Chair Sheila Bair warns; Stephanie Landsman, 04/16/2024)

We Can't Rely on the US Government Forever – The US Government's intention to guarantee uninsured deposits indefinitely is unrealistic at best, which may result in low confidence from uninsured depositors (depositors with balances over $250,000 that are not insured or guaranteed by the US Government). How safe and reliable, really, is the $250,000 deposit insurance during such crises? Banks are now taking measures to reduce their expenses (layoffs), and still generate income in a slowing global economy where organic growth is challenged. Meanwhile, with higher interest rates now being paid on deposits, the cost of these deposits used to fund loans is now increasing. This increase pushes the bank to increase the interest rates it charges on its borrowers (which slows down borrowing and hurts borrowers trying to refinance at higher rates). Banks not used to having pay much on their deposits will likely find their net interest margin becoming squeezed, putting downward pressure on its earnings, and impacting their capital levels. The pressure is only going to increase as problem loan borrowers start to manifest from having to pay higher interest. Banks will have to increase their allowances for credit losses too as the potential for loan defaults increases. Many borrowers have yet to realize the higher interest rates they will soon be paying when their loans mature and are refinanced at much higher interest rates. Default risk will increase considerably, and collateral assets can be negatively impacted too. As this all unfolds, layoffs at the banks and the companies they lend money to, will increase to maintain profitability as much as possible. As the cycle churns, these stresses will likely continue to increase. Even insurance companies need to be concerned about their liquidity positions, and whether their illiquid assets may become impaired too. How many more banking shocks can happen before the price tag is too high? The US Government can't take care of everyone forever as debt levels keep increasing, without going into debt crisis mode.

Who Is Responsible? Who Is Accountable? Let's Take a Close Look

Accountability for the First Republic Bank Failure ($229.1 Billion) – A sample of the FDIC findings: "The primary cause of First Republic's failure was a loss of market and depositor confidence. Notwithstanding, there were attributes that made it more vulnerable to interest rate changes and the

contagion that ensued following the failure of SVB: rapid growth and loan and funding concentrations, overreliance on uninsured deposits and depositor loyalty, and failure to sufficiently mitigate interest rate risk. The FDIC recorded a loss of $15.6 billion associated with First Republic's failure on May 31, 2023. Examination ratings assigned from 2018 through March 2023, the FDIC assigned a Composite "2" CAMELS rating (Satisfactory). The FDIC assigned "1" component ratings for Asset Quality and Management, indicating that both were strong, and increased the Liquidity component rating to "1" in the 2021 ROE, indicating that liquidity levels and funds management practices were strong. The FDIC assigned "2" component ratings for Capital, Earnings, and Sensitivity to Market Risk, indicating that those areas were satisfactory. On March 31, 2023, the FDIC lowered First Republic's Composite rating to "3" and then to a "5" on April 28, 2023. First Republic's primary interest rate risk mitigation strategy relied on continual growth to produce a consistent volume of loans priced at current interest rates. Each examination report restated First Republic's growth and repricing strategy as key to mitigating interest rate risk. We concluded that RMS could have been more forward-looking in assessing how increasing interest rates could negatively impact the bank, given its concentration of lower-rate, longer-duration loans and dependence on low-cost funding and continual growth. RMS could have done more to effectively challenge and encourage bank management to implement strategies to mitigate interest rate risk starting in the second half of 2021, although we acknowledge examiners would have likely encountered pushback from the bank because growth was strong and interest rates were low at that time. In addition, RMS could have pursued a more urgent supervisory response, such as potentially downgrading the Sensitivity to Market Risk component and/or issuing SRs urging management to develop strategies to mitigate interest rate risk when it learned in August 2022 of First Republic's interest rate risk scenario results that were far outside of Board-approved parameters. Importantly, examiners did not learn until November 2022 that First Republic's Board agreed with bank management's recommendation to not take action to respond to the interest rate risk scenario breaches. FDIC's decision to increase First Republic's Liquidity component rating to a "1," signifying strong liquidity levels and well-developed funds management practices, in the 2021 roll-up ROE, was too generous and was inconsistent with First Republic's high level of uninsured deposits which ROEs identified as a funding concentration and Supervisory Plans noted were potentially unstable. Greater criticism of First Republic's vulnerability to interest rate risk and reliance on a high level of uninsured deposits, may have also prompted a downgrade to the bank's Management component rating in the 2021 roll-up ROE. Given the size and scale of First Republic's operations, we concluded there were opportunities for the FDIC to take a more holistic approach to supervising the bank to include greater involvement of LBS Branch and headquarters leadership to assist the region in effectively challenging bank management's strategies and assumptions and bringing a broader horizontal perspective and understanding of risks facing the banking industry that the dedicated team otherwise might not have. We observed that over the 4-year period of our review, First Republic doubled in size while actual examination hours declined by 11 percent. While we would not expect examination hours to parallel asset growth and while there could be explanations such as examination efficiencies, on the surface, this trend appears counterintuitive and may have warranted greater explanation in annual Supervisory Plans. The speed with which depositors withdrew funds from SVB, Signature Bank, and First Republic was unexpected and a surprise to the regulators and the banking industry. Meaningful action to mitigate

interest rate risk and address funding concentrations would have made the bank more resilient and less vulnerable to the March 2023 contagion event." (FDIC's Supervision of First Republic Bank, 09/08/2023)

- My Translation Opinion: This was another huge miss by the FDIC. It looks like they were playing games when they were handing out "1" ratings, or Strong, for Asset Quality, Management, and Liquidity. Capital, Earnings, and Sensitivity to Market Risk were rated "2" or Satisfactory. The overall composite rating was "2" Satisfactory. Sure, there must have been support for these ratings at one point or another, but honestly. Everyone relied on the bank's growth and repricing loans at the higher interest rates. But they didn't look forward enough and figure in how this would look in a higher interest rate environment. Talk about falling asleep at the wheel. The FDIC may as well of not gone there in the first place because what they did amounted to doing nothing to protect the bank and its depositors. A complete waste of time in my opinion. It's highly conceivable that the FDIC culture is way too cozy with the bankers. There's no sharp edge to their sword when they worry about bank pushback. Good grief. Do their job, right? But there is the question as to why. Why didn't anyone there at the FDIC raise their hand and speak up about interest rate risk? And if they did, why didn't anyone listen to them? Of, if they did, who was responsible for overriding those opinions? Surely that's all documented. Again, it also sounds like the FDIC didn't want to face any pushback by the bank in a low interest rate environment. That's why they are there in the first place, and apparently no one had the guts to speak up to the bank. That's what it sounds like. And you have the bank doubling in size over the last four years and the FDIC hours were reduced 11%. I hope the folks who cut the examination hours, didn't speak up, enjoyed their bonuses, after having witnessed the 2nd largest bank failure in the history of the US. Seriously people. Does anyone think anyone lost their job over this grand failure? It's unlikely. If this isn't complete incompetence, what is it? There were no edges on the FDIC's sword. Hopefully they have the right people in place now.

Accountability for the Silicon Valley Bank Failure ($209 Billion) – A sample of the Board of Governors Findings: "Silicon Valley Bank (SVB) failed because of a textbook case of mismanagement by the bank. Its senior leadership failed to manage basic interest rate and liquidity risk. Its board of directors failed to oversee senior leadership and hold them accountable. And Federal Reserve supervisors failed to take forceful enough action, as detailed in the report. Our banking system is sound and resilient, with strong capital and liquidity. And in some respects, SVB was an outlier because of the extent of its highly concentrated business model, interest rate risk, and high level of reliance on uninsured deposits; however, SVB's failure demonstrates that there are weaknesses in regulation and supervision that must be addressed. Regulatory standards for SVB were too low, the supervision of SVB did not work with sufficient force and urgency, and contagion from the firm's failure posed systemic consequences not contemplated by the Federal Reserve's tailoring framework. Following SVB's failure, we must strengthen the Federal Reserve's supervision and regulation based on what we have learned. This report represents the first step in that process—a self-assessment that takes an unflinching look at the conditions that led to the bank's failure, including the role of Federal Reserve supervision and regulation. Individuals who were not involved in the supervision of SVB conducted the review, and I oversaw it. The four key takeaways of the report are: 1. Silicon Valley Bank's board of directors and management failed to manage their risks. 2. Supervisors did not fully appreciate the extent of the vulnerabilities as Silicon

Valley Bank grew in size and complexity. 3. When supervisors did identify vulnerabilities, they did not take sufficient steps to ensure that Silicon Valley Bank fixed those problems quickly enough. 4. The Board's tailoring approach in response to the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) and a shift in the stance of supervisory policy impeded effective supervision by reducing standards, increasing complexity, and promoting a less assertive supervisory approach." (Board of Governors of the Federal Reserve System, Michael S. Barr, 04/28/2024)

- My Translation Opinion: I agree that bank management and the board of directors should be held to account. That aside, the Federal Reserve Bank of San Francisco didn't take forceful enough action (I wonder why). They had low regulatory standards for this bank (I wonder why). They didn't act with sufficient force and urgency (I wonder why). They didn't fully appreciate the extent of the vulnerabilities as the bank grew in size and complexity (I wonder why). They did not act quickly enough when they realized the bank's vulnerabilities (I wonder why). The FRB Board's tailored approach to shift the stance of supervisory policy impeded effective supervision (still no excuse). Frankly, Mary Daly's Federal Reserve Bank of San Francisco didn't step up to the plate. Why? There's no doubt in my mind, whatsoever, that Silicon Valley Bank's CEO, Greg Becker, who also served on the Federal Reserve Bank of San Francisco's Board since 2019 (where he very much likely played a direct role in financial oversight and decision-making), up through the time Silicon Valley Bank failed in 03/2023, created a relationship that impacted the level of regulatory oversight by the bank supervisors. How could it not? Of course, the bank supervisors would be slow to spot and stop any issues at the bank. Of course, the bank supervisors felt the cozy (or at least must acknowledge it) relationship between Silicon Valley Bank and the Federal Reserve Bank of San Francisco, how could they not? Close ties are close ties, and that raises a lot of questions about there being a conflict of interest. Lastly, it is unlikely the front-line supervisors (Examiners) are incompetent. At a large bank like Silicon Valley Bank, seasoned Examiners understand risk for the bank's capital, asset quality, management, earnings, liquidity, and interest rate sensitivity. Undoubtedly, in my opinion, there must have been top-down pressure to leave Silicon Valley Bank alone. And, the supervisors, did they cave, or did they speak up and get squashed? Somewhere in there is the answer. We are in serious trouble.

Accountability for the Signature Bank Failure ($110.4 Billion) – A sample of the FDIC's findings: "The primary cause of SBNY's failure was illiquidity. However, the root cause of SBNY's failure was poor management. SBNY's board of directors and management pursued rapid, unrestrained growth without developing and maintaining adequate risk management practices and controls appropriate for the size, complexity, and risk profile of the institution. SBNY management did not prioritize good corporate governance practices, did not always heed FDIC examiner concerns, and was not always responsive or timely in addressing FDIC supervisory recommendations (SRs). SBNY funded its rapid growth through an overreliance on uninsured deposits without implementing fundamental liquidity risk management practices and controls. Additionally, SBNY failed to understand the risk of its association with and reliance on crypto industry deposits or its vulnerability to contagion from crypto industry turmoil that occurred in late 2022 and into 2023. SBNY's poor governance and inadequate risk management practices put the bank in a position where it could not effectively manage its liquidity in a time of stress,

making it unable to meet very large withdrawal requests. FDIC could have escalated supervisory actions sooner. Additionally, examination work products could have been timelier and communication with SBNY's board and management could have been more effective. NYRO rated SBNY's board and management performance as satisfactory until March 11, 2023. Given the recurring liquidity control weaknesses, SBNY's unrestrained growth, and management's slow response to address findings, it would have been prudent to downgrade the Management component rating to "3," (i.e., needs improvement) as early as the second half of 2021. The FDIC's communication of examination results to SBNY's board and management was often not timely. Targeted review Supervisory Letters and annual roll-up ROEs frequently exceeded elapsed-day benchmarks and in some cases were significantly delayed. There were opportunities for examiners to engage more frequently with bank management and the board and provide clearer, timelier messages to SBNY executives regarding identified weaknesses. The FDIC experienced resource challenges with examination staff that affected the timeliness and quality of SBNY examinations. From 2017 to 2023, the FDIC was not able to adequately staff an examination team dedicated to SBNY (Dedicated Team). Certain targeted reviews were not completed timely or at all because of resource shortages. These vacancies and the adequacy of the skillsets of the Dedicated Team contributed to timeliness and work quality issues and slowed earlier identification and reporting of SBNY weaknesses." (FDIC's Supervision of Signature Bank, 04/28/2024)

- My Translation Opinion: Yes, bank management and its board of director grossly failed in their duties. But the bigger question here is why did the FDIC also fail so miserably? Doesn't the FDIC supervise over 3,000 banks, with total assets of more than $23 trillion? Are they asleep? The findings show the FDIC could have escalated supervisory actions sooner (why didn't it?). Their work could have been timelier and communication with the bank could have been more effective (why didn't it?). The FDIC mis-graded the Management rating in 2H2021, two years sooner (why didn't they get that right?), and left it as Satisfactory at the time it failed (unbelievable). The FDIC didn't even communicate its examination results to the bank's board and management on a timely basis (you can't make this stuff up). The FDIC Target Reviews and annual roll-up Reports of Examination frequently exceeded their internal benchmarks and in some cases were significantly delayed (you have to be kidding). The FDIC missed opportunities to engage more frequently with bank management and the board of directors to provide clearer, timelier messages of their identified weaknesses. Lastly, the FDIC was unable to adequately staff their examination teams for the last seven years (this can't be possible). The FDIC was not even able to conduct the required Target reviews on time or at all due to staffing shortages (wow). The key takeaway here? Where was the Office of Inspector General in all of this, especially if the FDIC doesn't even have the staff to do its work properly? Obviously, asleep too. Big question: How can the public have any confidence in the FDIC in this condition? Seriously, we are in big trouble. Bigger question? How many bankers and supervisors got to keep their bonuses for the past couple of years, or how many were fired? You know the answer already, without doubt, right?

Accountability for the Silvergate Bank Voluntary Liquidation ($16 billion) – A sample of the OIG findings: "First, we found that the Board and FRB San Francisco considered requiring Silvergate to file an application under Regulation H as it evolved to a novel business model focused on the crypto industry,

but did not. The Board and FRB San Francisco viewed the bank's activities as traditional banking activities because the bank received cash deposits from and made loans to its crypto industry deposit customers. Regulation H requires state member banks to obtain approval from the Board before changing the general character of their business. We believe the Board's and FRB San Francisco's narrow interpretation of whether Silvergate's activities constituted a change in general character or traditional banking activities appears to directly contradict the expectation of the Board's guidance on Regulation H contained in Supervision and Regulation Letter 02-9, which is to assess the risk implications of a bank's strategy shift. The Board's and FRB San Francisco's narrow interpretation allowed Silvergate to enter a new business activity and gradually shift from commercial and mortgage banking activities to operating as a monoline entity serving the crypto industry without obtaining approval or implementing any conditions to address that transition. Second, we found that examiners should have escalated concerns through stronger, earlier, and more decisive supervisory action. While interviewees mentioned that resource constraints hindered their supervisory efforts, we believe that examiners should have taken more aggressive and decisive supervisory action to escalate several issues in light of the bank's unchecked growth; its volatile funding and deposit concentrations; and its significant, pervasive, and persistent weaknesses in key control functions. Third, we identified ways in which FRB San Francisco could have strengthened the process to transition Silvergate from the Community Banking Organization (CBO) portfolio to the Regional Banking Organization (RBO) portfolio. In 2021, Silvergate's total assets exceeded $10 billion; as a result, the bank transitioned from the CBO portfolio to the RBO portfolio in January 2022. We found that FRB San Francisco could have assigned an RBO team to Silvergate earlier to facilitate the transition. Fourth, we found that the Board's examiner guidance does not include information that could have helped examiners address the risks associated with Silvergate's business model and deposit composition. Although the guidance addresses liquidity risk management and rate-sensitive deposits, it does not address deposits that are highly susceptible to flight risk, such as uninsured and noninterest-bearing deposits and deposits that are highly concentrated in one industry. Lastly, we found that the Board does not have guidance for examiners supervising banks projecting or experiencing significant, rapid growth and does not have guidance on how examiners should assess whether a bank's risk management capabilities and key control functions have evolved with that growth. Examiners did not take sufficient measures to pressure Silvergate to improve its risk management capabilities and key control functions so that it could effectively manage the bank's escalating risk profile." (Review of the Supervision of Silvergate Bank, Officer of Inspector General [OIG], 09/27/2023)

- My Translation Opinion: Silvergate didn't sneak up on anyone. It was under the Federal Reserve Bank of San Francisco since 12/2012, for more than a decade. As noted in the findings, the bank moved its business strategy to a crypto bank and didn't file a required application under Regulation H. The San Francisco Fed didn't required the application, but should have (a huge miss, seriously, but why?). The bank completely became a monoline entity serving the crypto industry without obtaining approval, etc. (was everyone at the San Francisco Fed asleep?). The examiners failed to adequately escalate concerns through stronger, earlier, and more decisive supervisory action (who's at fault here? It can't just be the examiner's fault as they have managers too). Resource issues were cited too (senior management is to blame on this one). Examiners were not aggressive and decisive enough to push supervisory action (again, you can't pin this solely on the examiners). The San Francisco Fed also failed to transition the bank to the Regional Banking Organization in a proper

timeframe (senior management owns this one too). The Federal Reserve Board of Governors was also missing guidance for the San Francisco Fed to properly do its job, like how to handle concentrated flight risk deposits, rapid growth, and underlying risk management and key control function guidance (are in trouble, or what?). Finally, the report blames the examiners once again for not taking sufficient measures to pressure the bank to improve its risk management practices (yes, leave out the examiner's managers, right?). Once again, the culture at the Federal Reserve Bank of San Francisco is confirmed to be deficient. It's good to keep pointing upstairs too. Is the Office of Inspector General aware of any of this, and why didn't it have it addressed earlier? We're in trouble.

Hidden Like an Iceberg, Are There Other Banking-Related Risks Below the Surface?

$203 Trillion In Derivatives Held by Goldman Sachs, JPMorgan, And Other Top Banks? – This is impossible to understand for 99% of us. But just glance through it to say that you've heard of derivatives. Here goes: "The scale of derivatives held by major banks like JPMorgan Chase & Co., Citibank, and Goldman Sachs, amounting to $203 trillion, has raised concerns about the potential risks these positions might pose to the global economy. The third-quarter Quarterly Report on Bank Trading and Derivatives Activities, published by the Office of the Comptroller of Currency, provides a comprehensive dive into this issue. This figure surpasses the world's gross domestic product (GDP) by roughly double, highlighting the enormity of the market. JPMorgan Chase, in particular, is noted for its substantial exposure to derivatives risk, topping the list with roughly $58 trillion in derivatives. The mounting scale of derivatives owned by banks raises several questions and concerns among regulators and investors. A derivative is a contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate. Derivatives can be used to offset risks in the future or used as leverage to increase gains or losses. But it's unlikely the banks are the ones holding these derivatives. Rather, many of the top banks act as market makers for entities buying and selling derivatives. While these banks have large derivative positions on their balance sheets, the notional value is a fraction of the total derivatives market. This is because there are typically two sides to every trade: a short and a long. Because each side has a bullish and bearish position, the total size of the derivatives market doesn't necessarily correlate to risk. The banks likely don't hold exposure to most of these individual positions. They are market makers for these transactions and largely facilitate the transactions between parties. Those parties often use the derivatives market to manage risk by hedging their bets or using swaps to limit future exposure. This isn't to say there isn't significant market exposure to derivatives. By all metrics, the use of derivatives is increasing. Between the first quarter of 2022 and the third quarter of 2023, the notional amounts of derivatives increased by about $10 trillion. If an entity mismanages its risks and becomes too exposed to derivatives, there could be risks associated with those trades. But regulatory measures like the Dodd-Frank Act and higher capital requirements imposed by the Federal Reserve are regularly used to mitigate such risks. A larger concern is the lack of reporting and availability of data surrounding the derivatives market. For example, a recent BIS article highlighted the growing trillions in missing debt created by certain derivatives. Forex

swaps, forwards and currency swaps create debts that don't appear on balance sheets and most debt statistics. Swaps such as these are an underlying common denominator for many financial crises and shocks to the system, causing entities to fail or creating funding squeezes. These off-sheet debts are estimated to be at a staggering $97 trillion globally across all currencies and growing fast. The lack of reporting for these debts makes it difficult to predict future recessions and make policy regulating derivatives. The $203 trillion in derivatives held by major banks underscores a complex financial landscape where the interplay of risk management and market speculation is pivotal. While banks often act as intermediaries rather than principal holders, the sheer size of these positions raises questions about systemic risk and market stability. Regulatory frameworks and reporting standards, although improved, still face challenges in fully capturing the nuances of the derivatives market. The need for enhanced transparency and oversight in the sector remains critical, particularly in light of the growing off-balance-sheet debts that continue to elude conventional monitoring mechanisms." (Is $203 Trillion In Derivatives Held By Goldman Sachs, JPMorgan And Other Top Banks Causing an 'Everything Bubble?'; Caleb Naysmith; 01/31/2024)

When Innovative Technology and Gambling-Like Risks are Combined – Want to play with another iceberg? The banking industry is playing a game of musical chairs, where the risks become increasingly higher and higher. Even experienced professionals don't fully understand the risks involved with derivatives, future contracts on commodities, option trading on stocks, currency swaps in foreign exchange markets, mortgage-backed securities (MBS), interest rate swaps for banks, credit default swaps (CDS) on bonds, and more. Remember the 2008 financial crisis, where the widespread use of extremely complex financial instruments, like derivatives, contributed to the severity of the economic downturn? Prior to the Great Recession in 2008, there was a surge in the issuance of Collateralized Debt Obligations (CDOs), especially those backed by subprime mortgages. These CDOs were designed to pool various debt obligations, including mortgage-backed securities, and create tranches (buckets) with different risk profiles. The complexity of the structures, combined with a lack of transparency (no one knows the extent of the risks) and inadequate risk assessment, contributed to the severity of the financial crisis in 2008. The derivatives market poses a significant risk, and operates 'over-the-counter' (OTC), or the trades are private and not over centralized exchanges (lack transparency). Derivatives also have the potential for speculation, taking risky bets to maximize short-term gains, as well as having leverage (control large positions with little money). There's also counter-party risk, the risk that the other party in the transaction will not fulfill its obligations. All this can breed systemic risk just like in the 2008 financial crisis. Oh, but there's much, much, more to be asking ourselves. Due to their size, complexity, and lack of transparency, which should speak for itself, what could possibly go wrong if there were a debt crisis and all those hands go out asking to be repaid when derivative contracts come due? The entire banking system is interconnected, and banking system risks are interconnected. Don't ever forget the crisis in 2008. Again, what could possibly go wrong in 2024-25, right? What does your gut tell you is coming? And, nobody will talk about these complex financial arrangements. Why? Because nobody can even 'go there' and think about default conditions, regardless of red flag conditions. Until one day, just like in 2008, the music stops.

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Can You Sleep at Night? – When you peel back the layers to the US banking system (which you'd expect to be one of the best in the world) from a supervisory perspective, how can anyone sleep at night? It's beyond obvious that we're in big trouble, with all these deficiencies that surfaced from recent bank failures and a liquidation. It's not that there aren't great employees working there at all. Certainly, these are professionals that know their jobs. It's got be something else, at the supervisor manager level and above, in my opinion. It's got to be a culture thing starting at the top. Divergent views are likely not welcome, even though they likely say they are, even expected. Some clients, banks, people, are not to be criticized or touched, is what's happening, in all likelihood. They are likely protected by the top brass. Oh, the stories these examiners could tell, right? But they want to keep their jobs. If these examiners were turned loose to do their jobs, with a fair culture, there's no doubt the work would get done. It smacks of being political at the top, doesn't it? If that is the case, it's too bad more examiners don't step up and speak their mind. Obviously, they are going to preserve their jobs, but look at what happens when the job doesn't get done. Are we happy with that? No. It is about these agencies not managing their businesses much better than the banks they supervise themselves. If the 'lines of defense,' like auditors and the OIG are not picking up this stuff, what good are they too? Wish ourselves 'good luck.' For good measure, have you ever heard of any banker, ever, having their massive bonuses clawed back? Or fined? Same with the supervisors who let the banks get away with these documented failures?

Competent Regulatory Oversight? – To me, again, it seems like the regulatory agencies may not be hitting on all cylinders. Are they really prepared to do the job today, before these banking risks get out of hand? Clearly, by their own findings and conclusions, they were not sufficiently prepared and failed themselves, in large part, at adequately supervising these failed institutions, before they failed, in early 2023. That inspires confidence, right? No, not at all. We're in trouble folks. You don't change blind and incompetent supervision cultures overnight either. And, it's getting plenty dark out and scary out there.

Oh, and don't forget about the giant globally important Swiss bank called Credit Suisse, another failed bank in 03/2023 when clients quickly withdrew some $119 billion. It was only one of the largest banks in the world too, at $1.2 trillion in total assets at the time. Here's what happened to cause the failure of Credit Suisse: "Risk Perception: The collapse of Archegos Capital and Greensill Capital exposed significant risks in Credit Suisse's operations. Clients became wary of potential losses and questioned the bank's risk management practices. (Source: Investopedia). Liquidity Concerns: As news of financial losses spread, clients feared that Credit Suisse might face liquidity shortages. Withdrawals surged as clients sought to safeguard their assets. (Source: FINMA (Swiss Financial Market Supervisory Authority). Loss of Trust: Scandals, leadership changes, and mounting losses shattered clients' trust. When trust wavers, clients tend to withdraw funds to protect their interests. (Source: Swissinfo). Systemic Importance: Credit Suisse's status as a systemically important bank added urgency. Clients worried about the broader impact if the bank collapsed. (Source: Economics Observatory). Getting tired of being inspired, with all the overwhelming competency in regulatory oversight, and all the greedy or corrupt banking going on out there?

Most People Will Never Know These Risks Even Exist – Meanwhile, untold trillions of dollars in deals are subjected to derivative risks in the market place. The entire derivative market has potential risks: complexity, lack of transparency, potential for speculation, leverage concerns, concentration risk, counterparty risk, historical precedent, and delayed crisis recognition (think 2008), regulatory challenges

(gaps). In particular, the lack of transparency leads to possible market manipulation, insufficient price discovery, inadequate risk assessment, increased systemic risk, limited accountability, reduced investor confidence, ineffective regulatory oversight, inequality in access to information (unfair advantages), distortion in market competition, and difficulty in implementing effective policies. Also, keep in mind that banks are interconnected through interbank lending, derivatives, and counterparty risk. Some banks have high levels of leverage (debt to equity), hold derivative contracts (not just serve as an intermediary), have credit concentrations, and are subject to interest rate risk (sudden and sharp increases), external global economic shocks, and, of course, cybersecurity threats. Don't forget there is the global, less transparent, shadow banking system (non-banks) that operate outside the regular banking system, and whose assets are estimated to be in the trillions. It includes hedge funds, money market funds, securitization activities (bundling financial assets like mortgages) into securities sold to investors, and repurchase agreements (repos). Unlike regular banks, these entities face fewer regulatory constraints (means higher risk).

Hold on Folks. The Banking System and Marketplace are Still at Risk – Interest rates will be high, and likely be triggered even higher for any number of reasons. Inflation can be triggered from the 20 risk events outlined in this publication, at any time. What are the chances these risks won't trigger more US Government spending, higher inflation, and higher interest rates to combat the same? Seriously, with these risks, and how fragile everything is these days, what might the outlook have in store for the banking industry? I believe that after the bank run failures of some banks early in 2023, high interest rates will continue to plague banks with their embedded losses on securities they hold. They will eventually have to pay (high) interest on their deposits for customers to not pull those deposits. So-called 'sticky' deposits will become slippery (deposit flight) and money will quickly move out of some banks with all the online tools currently in place. This will create an environment of more downward pressure on earnings for some banks and lead to more bank runs in the near term. Many banks will quietly raise their hands looking to sell. CRE loans, especially office space, will continue to come more into focus too, as such loans will experience higher interest carry costs when (and if they can) they are refinanced at higher rates, as well as increased operating expenses over the near term. Capitalization rates will increase and values will continue to be reduced, thus fueling vicious downward spiral cycles. Even heretofore safe bubble markets like those in Hawaii will not escape these risks and will also finally be materially impacted, in my opinion. Credit repayment risk will increase for regular commercial loans, but especially the CRE office market where billions in loans are underwater. Such loans are subject to refinance risk at much higher interest rates, while experiencing high vacancy rates due to remote workers not being in the office. Pricing for risk, in a higher refinance interest rate environment will further expose banks to potential impairments (losses). Kiss their dividends good bye, and downward pressure on bank stock valuations. Banks will begin to sell CRE secured debt at discounts, demonstrating their own lack of faith in the CRE market. The higher the interest rates, the lower the collateral property values, and the higher repayment default risk. And, the regulatory agencies will sharpen their pencils to ensure prudent credit risk management practices are accounting for all this action. All these forces will likely create a wave of merger and acquisition deals for acquiring banks to survive. Lastly, more banks will fail due to portfolios of defaulted CRE loans, and embedded losses in their other loans and securities portfolios (at low interest rates); such asset sales

would be needed to cover fleeting deposits. Who knows what will happen once that ball gets rolling? And at what cost for all this mess? Can you smell a debt crisis yet?

Risk #9 - Geopolitical Tension

Big Wars Now, More Escalation on the Way?

Wars – Russia's invasion of Ukraine, the war in Israel/Hamas, Iran's attack on Israel, have certainly had an impact on oil prices, increased US military spending, affected consumer confidence, increased the national debt, contributed to increased inflation, and much more. If a wider conflict in the Middle East breaks out, oil prices will skyrocket. US troops in the region are on high alert and increasingly coming under attack that involve hostile countries like Iran who are adversarial to the US. Commercial shipping lanes continue to be under attack too. Is a foreign crisis inevitable as the escalation of war increases? At what cost? Think about that one for a minute.

Rising Geopolitical Tensions in the Middle East – Key points in the 04/2024 attack by Iran on Israel has escalated tensions in the region and raised concerns about potential further conflict. "Iran launched its first direct attack on Israeli territory, involving drone swarms and missiles deployed by multiple Iranian proxies. Israeli defense officials reported that the attack included over 300 drones and some cruise and ballistic missiles, although most were intercepted by Israeli defenses with assistance from U.S. and Jordanian forces. The attack poses the most serious risk of regionwide conflict since the Israel-Hamas war began six months ago. Neither side desires this conflict, but both are compelled to respond. Israel's deterrence posture mandates retaliation, even if there are no casualties. Iran's Islamic Revolutionary Guard Corps threatened retaliation against any country assisting Israel in responding to Iran's attack. Israel is likely to retaliate, given the attack on its territory. Iran may also respond, leading to a cycle of escalation. The risk of more direct attacks between Iran and Israel is significant. For instance, Israel might target Iranian nuclear facilities. Iran's proxy war strategy shields it from direct U.S. retaliation, but the situation remains precarious. Iran does not wish to directly clash with the United States due to America's superior firepower. However, Iran could use its proxies to target U.S. forces once the crisis subsides. The risk of U.S. forces or other regional forces becoming more intensely involved remains uncertain." (Council on Foreign Relations, Iran Israel-Hamas Topics, 04/2024)

Rising Tensions with China – With tensions increasing in the South China Sea, China's increasing military pressure on Taiwan to enforce its One China policy, where it has vowed to reunify the island with the mainland, is becoming increasingly risky. Taiwan is moving towards greater independence from China. A war between these two countries would likely have significant economic consequences here in the US for several reasons. First, the US will likely continue giving Taiwan military assistance resulting in increased deficit spending, likely possibility of regional instability resulting in the disruption of global supply chains and shortages of goods, higher prices, humanitarian crises for civilians, cyber warfare risks, and, heaven forbid, even worse consequences like nuclear war. US unemployment would increase. Consumer confidence would decline along with consumer spending resulting in lower economic growth (or recession, or worse). These same threats are increasing with adversaries in Iran (and its direct attack on Israel) and their attempting to become a nuclear State, and with North Korea engaging in more nuclear activity.

Other Geopolitical Risks – "With the eyes of the world on the ongoing wars in Ukraine and Gaza, an unprecedented number of potentially "catastrophic" conflicts are going under the radar, analysts have warned. The International Rescue Committee earlier this month released its emergency watchlist for 2024, documenting the 20 countries at the greatest risk of security deterioration. These countries (i.e., Sudan, Democratic Republic of the Congo, Rwanda, Myanmar, the Sahel, Haiti, Guatemala, Ethiopia) account for around 10% of the world's population but around 70% of its displaced persons, along with approximately 86% of global humanitarian need. The U.N. estimated in October (2023) that more than 114 million people were displaced by war and conflict worldwide. That figure is now likely higher." (A slew of new conflicts could erupt in 2024, analysts say - while the world is watching Gaza and Ukraine, Elliot Smit, 12/28/2023)

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Increasing Conflicts and Strained Relationships are Happening About Everywhere – What are the far-reaching consequences and costs of geopolitical risk? Regional geopolitical risks are everywhere. They include "confrontations, conflicts, crises, instabilities, civil wars, territorial disputes, and currently include Russia/Ukraine and NATO, Israel/Palestine, Taiwan/China, South China Sea, Myanmar, India/Pakistan, Afghanistan, Iran, Yemen, Iraq, Nagorno-Karabakh, Syria, Lebanon, North Korea, Somalia, Ethiopia, Sudan, South Sudan, Democratic Republic of Congo, Central African Republic, Libya, Western Sahara, Venezuela, Haiti, and Mexico." (Council on Foreign Relations, Global Conflict Tracker, 02/02/2024). The risks can and will impact the US too. Where is there not political, social, economic, and now territorial issues that are ripping apart delicate relationships? International disputes on boundaries on the land and in the sea are emerging. Trade wars will increase tensions that include restrictions and tariffs on shipped goods. Military conflicts will cause different countries to have to take sides, with possible sanctions and other diplomatic measures being set up to punish the so-called adversaries. Who is serious about addressing human rights issues, human sex, and drug trafficking? There will be nuclear tensions on the Korean Peninsula with North Korea's nuclear weapons program. Uncertainties will increase in the North Atlantic Treaty Organization (aka NATO) relationship with Russia, and obviously with the very complex relationships in the Middle East with countries like Iran, Saudi Arabia, and Israel. As push comes to shove, there will be disputes over control and access to energy resources like natural gas and oil reserves. Cybersecurity risk will increase and become a major concern that will strain diplomatic relations between the US and China. The cost of taking care of refugees fleeing from one country to another, including illegal migration, will only increase. These are just some of the reasons why there is a structural deficit in the US Government spending (which ends up in the national debt bucket, now being subjected to higher interest rates). The costs and expenses of navigating through a world where global geopolitical tensions are soaring will not decline anytime soon. Can you smell a debt crisis yet?

Risk #10 - Global Supply Chain

Global Supply Chains are Fragile

Shipping Firms Pause Red Sea Transit – "The world's biggest container shipping companies have paused transit through one of the world's trade arteries, which experts say could snarl supply chains and drive-up freight costs. MSC, Maersk, CMA CGM and Hapag-Lloyd all said in recent days that they would avoid the Suez Canal over safety concerns. The canal connects the Red Sea to the Mediterranean Sea, which both bound Israel. Evergreen Group's container shipping arm joined that list Monday, saying in a statement that it would suspend its Israel import and export service 'with immediate effect until further notice.' In a further statement shared with CNN, the firm said its container ships would suspend all navigation through the Red Sea. On Friday, Houthi rebels claimed responsibility for attacks on two MSC vessels. 'The situation is further deteriorating and concern of safety is increasing,' French group CMA CGM said to pause their journeys 'until further notice.' 'CMA CGM is taking all necessary steps to preserve its transportation services for its customers,' the company added. But analysts have cautioned that the disruption to a key trade route between East and West could have knock-on effects on supply chains. 'Global freight can expect to see rate increases, rerouting and longer transit times,' said Judah Levine, head of research at logistics company Freightos. Already, some ships are being rerouted via the Cape of Good Hope in Africa, adding up to three weeks to journey times and increasing fuel costs. 'This means that one week of meaningful capacity rerouting could have ripple effects for several months ahead, after a lag of a few weeks,' UBS analysts wrote in a note Sunday, noting that around 30% of global container trade passes through the Suez Canal. The analysts said that, if the disruptions persisted, shippers might be able to 'lock in higher-than expected rates' as they renegotiate long-term contacts in the coming days and weeks. More than 80% of global goods trade is moved by sea, according to the United Nations Conference on Trade and Development. And seaborne traffic via the crucial Panama Canal is already restricted because of a severe drought." (Oil and gas prices surge as BP stops Red Sea shipments following Houthi attacks, CNN, 12/18/2023)

Shipping Issues are Worse Than People Realize – "The problems impacting global trade, notably the Houthi attacks in the Red Sea and the drought in the Panama Canal, are far greater than what many people realize, according to logistics experts. The disruptions are poised to be far-reaching and could lead to even more product delays in the U.S. over the next coming months as consumers look to spring and summer shopping, and create even more issues involving shrinkflation as companies fight to offset losses. The two situations in the Suez Canal and the Panama Canal are 'dramatically impacting supply chains' concurrently, hindering trade between Asia and Europe and between North America and Asia.

These are chokepoints both undergoing external pressure. Trade within the Suez Canal, which connects the Mediterranean Sea to the Red Sea, is being stifled as Iran-backed Houthi militants continue attacking cargo ships. The Suez Canal is the shortest shipping route between Europe and Asia. It is estimated that about 15% of the world shipping traffic transits via the waterway. Simultaneously, the Panama Canal is experiencing an unprecedented drought impacting water tables and the ability of ships to pass. There were more than 14,000 vessels transiting the Panama Canal in 2023. The problem is that both situations require a solution that currently doesn't exist. The consequences of this double whammy are already rippling through global trade networks and the slower arrival of goods is already occurring. At the very least, this means there will be a scarcity of goods and higher costs for customers for everything from electronics to appliances to furniture to oil…expecting to see 'more shrinkflation' – which is when companies reduce the unit size or weight of a product to turn more profits per package – in the coming months. U.S. consumers have high expectations for in-store availability and delivery times. To keep up with the standards consumers have come to expect, retailers will likely have to address inventory availability issues by reducing packaging size but keeping prices the same to offset losses to their bottom lines. While people are starting to experience shipping delays for finished goods now, raw materials are also impacted. This could delay manufacturing of the finished goods that are expected to be in store in a few months. The issues will last as long as the Red Sea continues to be attacked and as long as it takes for rain to fall in Panama." (Red Sea, Panama Canal issues are worse than people realize, expert says; Daniella Genovese, Fox Business, 01/30/2024)

Shipping Delays Results in Higher Inflation Due to Scarcity and More – Delays in shipments over a month would likely result in higher inflation due to supply chain disruptions (shortages of goods) from the increased shipping costs which will likely be passed on to you, the consumer. What sort of goods are we talking about? Everything, including things that we all depend on like: computer chips from Taiwan, oil from oil producing countries, pharmaceutical drugs, food, automobiles, electronics, and construction materials, etc. These disruptions could escalate quickly as geopolitical tensions rise, and would certainly have severe implications on the US economy. It would quickly cause increased inflation, lower industrial production due to the shortages, likely higher unemployment as production declines, and an increase in national security risks. Consumer spending, which drives the US economy, could be upended too. Such disruptions could also last for years. All of this would add billions or trillions of dollars, ultimately, to the Federal deficit and national debt. Talk about fragility from the paralyzation of, or risks in global supply chain shipping. Did this even cross your mind?

So, Ask Yourself, What Could Happen if Transportation Was Paralyzed? – Do we take 'everything' for granted? Things like the beautiful fresh foods in the grocery stores, well-stocked shelves in stores all over the place. Gasoline available at every gas station. And the list goes on and on, year after year. What could possibly go wrong? Depending on the event(s), how long would it take for shelves to go bear if transportation of these goods were somehow curtailed or even paralyzed? The world has already experienced global supply chain disruptions from the recent Covid19 pandemic, geopolitical events with the war in Ukraine, now in the Middle East, and China's aggressive posture with Taiwan. Supply chain bottlenecks will impact goods and services from being delivered on time. How concerned should we really be that much of the world's trade passes via those shipping lanes through the Red Sea and the

Panama Canal? When these lanes are unable to function as needed, or are otherwise disrupted, how much do you think it could impact the global supply chain? As you may know, there have been numerous attacks on ships by drones and anti-ship ballistic missiles in the Red Sea. Such attacks have caused container ships, oil tankers, and other cargo ships to either suspend or to reroute their goods all the way around Africa. This has caused increased shipment delays up to four weeks late, along with rising ocean freight costs. The ships would likely have to travel a net 17,000 miles further to get their goods to Europe if they must travel further around the tip of Africa. The attacks would have to be serious to not pass through the Red Sea and travel an extra 17,000 miles, knowing how much extra that will cost in terms of hard costs and delays. If you think about it, why would any ship pass through areas where they'll be attacked? It's hard to blame the shippers for not going into zones where they could be killed, even if it means there will be supply shortages. Would you go through those zones if you were under attack and your safety was not assured?

The US is Being Drawn into More Conflict to Protect Shipping Lanes – "There are growing calls from some political leaders on Capitol Hill to justify U.S. Navy protection of 'foreign flag' vessels from Houthi attacks in the Red Sea, but these lines of inquiry run up against a basic operating truth about the flow of trade: it is global. U.S. import and export data shows that the majority of the country's trade is on foreign flagged vessels. In fact, according to U.S. trade data aggregated by MDS Transmodal, less than 3% of trade is carried by U.S. vessels- 97.2% of U.S. trade is transported on vessels that are flagged by foreign nations. The Congressional calls to consider prioritizing U.S.-flagged vessels come at a time when the Iranian-backed Houthis continue to attack shipping in the Red Sea. According to U.S. defense officials, there have been 40 attacks on commercial shipping. Over the weekend, the U.S. and allies launched the latest strikes against the Iran-backed Houthis rebels, which included targeting of anti-ship cruise missiles. Mohammed Al-Bukhaiti, a member of the Honthis' Ansarallah political bureau, said on Saturday in response that the group's attacks 'will continue until the aggression against Gaza stops.' Recently, four senators — including three from the Senate Foreign Relations Committee — asked the White House for the "legal rationale" behind President Biden's 'unilateral' decision to not prioritize the security of U.S. vessels in light of the deaths of five U.S. servicemen serving in the region. Other nations, including U.S. ally France, have already declared their priority is to escort French-linked vessels after facing nationalistic pressure.

"International law requires commercial vessels to be registered in a country. The country where a ship is registered is identified by that country's flag. Many times, insurance and a country's tax environment play a part in a ship's flag state. The Marshall Islands, for example, is a popular registration country for this reason. The flagging norm — which leaves only 2.6% of U.S. trade moved on U.S. flagged vessels — ties the economic interest of the United States to Navy protection of all ships. At a hearing last Tuesday in the House of Representatives, Charles "Bud" Darr, executive vice president of MSC, the world's largest

ocean carrier, was asked by Congressman Salud Carbajal (D-CA) if the U.S. Navy should prioritize security for U.S. flagged ships over foreign vessels. MSC does not have any U.S.-flagged vessels in its fleet, but it was the No. 1 ocean carrier handling U.S. imports, based on 2023 cargo arrivals data. 'We are a conduit of world trade,' said Darr, a former U.S. Navy serviceman. He added that while MSC is foreign-flagged, it does pay U.S. taxes and employs many Americans across its operations. 'Keep the trade lanes open,' Darr said. 'It comes down to serving the commerce needs of the trading partners and what they need is what we provide.' MSC's ocean alliance partner, Maersk, was No. 1 on handling U.S. exports. Maersk is also a foreign-flagged ocean carrier, but it does have some U.S.-flagged vessels, as do other foreign carriers including Hapag Lloyd.

"In their letter to the White House, Senator Tim Kaine (D-VA), a member of the Senate Armed Services and Foreign Relations Committees; Senator Todd Young, (R-IN), a member of the Senate Foreign Relations Committee; and Senator Chris Murphy (D-CT), chair of the Senate Foreign Relations Committee's Subcommittee on Near East, South Asia, Central Asia, and Counterterrorism, questioned the executive branch authority given the foreign vessel issue. 'It could also be argued that directing military action to defend U.S. commercial shipping is within this power. However, most vessels transiting through the Red Sea are not U.S. ships, which raises questions about the extent to which these authorities can be exercised,' they wrote. In the letter, also signed by Senator Mike Lee (R-UT), the senators asked, 'Does your administration believe there is legal rationale for a President to unilaterally direct U.S. military action to defend ships of foreign nations?'

"While the senators expressed support for 'smart steps to defend U.S. personnel and assets, hold the Houthis accountable for their actions, and deter additional attacks,' they said that Congress must carefully deliberate before authorizing offensive military action. In an email response to CNBC, Senator Kaine's office said the goal of the letter is to understand administration strategy for deterring Houthi attacks, the legal authority for U.S. military action without Congressional approval, and to 'avoid the nation sliding into war without the public debate required by the Constitution.' 'Senator Kaine and his colleagues seek answers on both the strategy and legal authority for our current actions,' the email stated. 'A President can act unilaterally to defend the U.S. Beyond that, Congressional authorization is needed,' Kaine's office stated. 'Senator Kaine believes it's quite clear that action taken to defend foreign flagged commercial vessels, even if strategically advisable, is not 'self-defense' by any accepted definition. This would require a Congressional authorization.'

"Kaine's office also said they would like to know if there is a plan to ask other nations to join in defense of global shipping. 'Military action is also only being carried out by the US and UK, even though other nations' commerce is being directly affected as well, arguably more directly than U.S. commerce,' Kaine's statement said. Nevertheless, the trade data shows the majority of U.S. trade is on foreign vessels. The White House, as well as the Senate offices of Murphy, Young, and Lee, did not respond to requests for comment by press time. The U.S. has been conducting Operation Prosperity Guardian as a defensive operation in the Red Sea with more than 20 countries providing support. Defense officials have told CNBC that between four to eight coalition vessels at any given time are monitoring the waters.

U.S. Navy Rear Admiral (Ret.) Mark Montgomery, a senior fellow at the nonpartisan Foundation for Defense of Democracies who served as policy director for the Senate Armed Services Committee under Sen. John McCain, tells CNBC the questions posed by the U.S. Congressional members go against the United States' position in upholding freedom of navigation for all nations as a principle. Under international law, freedom of navigation is defined as the 'freedom of movement for vessels, freedom to enter ports and to make use of plant and docks, to load and unload goods and to transport goods and passengers.' 'The percentage of U.S. shipping is 2-3% percent and the number of that 2-3% going through the Red Sea is even lower,' said Montgomery. 'The United States is for freedom of navigation, transparency, and freedoms of the sea. That means we are for the protection of all shipping including foreign vessels.'

"In recent testimony on Capitol Hill, trade representatives warned a House subcommittee which oversees maritime transportation that the U.S. economy cannot be separated from the global economy on the issue of Red Sea security. Said one expert: 'No shipping, no shopping.' Maersk recently announced two of its American-flagged vessels, the Maersk Detroit and Maersk Chesapeake, were attacked on January 24, during a scheduled U.S. Navy accompaniment for a northbound transit of the Bab el-Mandeb. After those attacks, Maersk announced it would no longer be transiting the Red Sea, a decision also recently taken by Hapag-Llloyd and MSC. Shipping companies are prepared for attacks in the Red Sea that despite U.S. counterattacks, could last from six months to a year. Montgomery said several issues make it impractical to consider U.S.-flagged shipping as an alternative. The United States has seen a steep decline in merchantmen since WWII, and there is also the issue of building U.S. ships. Materials and labor must be within the U.S., where vessels are more expensive to build and the cost to move ocean freight on a U.S.-flagged vessel is more than on a foreign-flagged vessel. 'We don't have sufficient merchantman, ships, and maintenance,' he said. It's not a new problem, he said, noting that a House Select Committee on China has been asking about this problem. 'Congress is well aware of this problem,' Montgomery said." (In Houthi Red Sea conflict, White House, Congress divide on use of military is getting dangerous for the economy; Lori Ann LaRocco, 02/04/2024)

Here Comes Billions More of Deficit Spending as Risk Increases – The US is responsible for US shipping vessels, but some 97% of its imports and exports are shipped on foreign-owned vessels, not US vessels. The US military is now protecting the vessels owned by foreign countries because their ships are carrying nearly all of the US imports and exports. The US is apparently now stuck in having to protect the global shipping lanes. Let your mind go out there and imagine for yourself what that might mean. At the present, the US military, along with others, are engaging in military action against such attacks. The US Congress is questioning the US executive branch on what legal authority basis it has for taking US military action without Congressional approval, and to 'avoid the nation sliding into war without the public debate required by the Constitution.' Talk about a fragile global supply chains mess we may be facing, right? How long, and to what extent, can the US military install defense strategies, even with global coalitions, to protect global navigation routes? Who will end up fronting most of the bill? Obviously, such disruptions will be inflationary, be very costly, tie up US military resources in different parts of the world, and cost billions of dollars (more deficit spending). Go a step deeper. Rather than just damage ships, what would happen if war breaks out and the tight passage ways that global supplies pass through, if the ships were sunk in narrow key places and ports and ships can't even pass through? Take even deeper – suppose strategic shipping ports and corridors were destroyed – think major war,

missiles, etc. How long would products remain on the shelf if transportation routes were paralyzed for some time, here or there, and for whatever reasons? What if the shelves went noticeably bare?

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Global Supply Chain Risk is Going to Increase – We are just too used to there always being plenty of goods everywhere, always available, and at reasonable prices. Much of the world's shipped goods will be challenged due to hostile actors in the Red Sea and also drought conditions in the Panama Canal. Sometimes when I go into stores and see the well-stocked inventory of every kind, I pause and feel thankful for these things, but I sometimes wonder how fragile things really are. Do you? Certainly, we will be found taking for granted the abundance of goods everywhere we look. And with all the geopolitical tensions out there these days, many will stare in disbelief at the bad actors who purposely disrupt lawful shipping with violent attacks. While the global supply chain risk seems to be of some concern (i.e., moderate risk), the risk will, in all likelihood, escalate to high risk, and there be additional stresses added for the availability of goods. Increases in US military action will stir the emotions in Congress in using war authorization powers with the US having to protect foreign shipping vessels at whatever cost it takes. All but about 3% of US imports and exports are shipped on foreign vessels. This will not only cost the US military budget to be overextended, it will contribute to higher inflation, especially when things get out of hand with escalated geopolitical tensions. Interest rates will remain higher and for a longer period of time, and likely even increase. It just comes to show you how fragile the global supply chain really is, and that it will have an immediate effect on the US economy, your job, the interest rates you pay, etc. Any costs to protect the national security here in the US will just end up on the national debt pile. Let's just hope that all that beautiful food and all the stocked shelves actually stay stocked. Can you smell a debt crisis yet?

Risk #11 – Political Polarization

Is Anyone Not Concerned About the Hot Temperature in Politics?

Political Polarization, Gridlock – Partisan polarization increases the chances of a downgrade of the nation's credit rating, and reflecting the political turmoil surrounding the nation finances (spending, debt ceiling, funding bills), the nation's outlook on its debt was changed by Moody's from stable to negative on 11/10/2023. "In Moody's view, such political polarization is likely to continue," the agency said. "As a result, building political consensus around a comprehensive, credible multi-year plan to arrest and reverse widening fiscal deficits through measures that would increase US Government revenue or reform entitlement spending appears extremely difficult." (Moody's Announcement, 11/10/2023). The 2024 Presidential election is here, and feelings of economic uncertainty are already being felt. Polarization in America over national policies such as border security, immigration, abortion, gun control, and debt ceiling limits, can lead to policy stalemate and even a dysfunctional Congress, becoming increasingly inefficient. Cooperation and trust between parties further hurts the US economy if people feel there are different standards of justice in America. Gridlock in the US Congress results in legislative and spending bills being delayed, US Government funding, judicial appointments remaining vacant which will slow down the legal system itself. People become increasingly unwilling to compromise and get anything done. With the new election cycle in 2024, the US population remains heavily divided, and there is a spirit of hatred and contention just about everywhere. In fact, millions of people have already determined there is a two-tier justice system in America, where the system is being used to destroy the other party by lawfare against political opponents. A dangerous environment like this could easily result in political risk costing the country hundreds of billions of dollars added to the deficit.

Extremism, Radicalism, Political Violence Explained – Extremism risk, defined as a political term where activities are not in accordance with norms of the State, where people are intolerant of others, where democracy is rejected in solving problems and social order is rejected, seems to be increasing. Radicalism risk, an intent to transform or replace the fundamental principles of a society or political system, through social or structural change, revolution, or radical reform, is also increasing. These measures could result in political violence and social unrest, which can disrupt the US economy. Furthermore, political violence causes physical damage leading to economic losses, disrupts global supply chains, reduces tourism and trade opportunities.

Protests – So far in the 2020's there have been major protests that have materially impacted many cities in the US, causing billions of dollars in damages. Since the 10/2023 Hamas invasion of Israel, protests full of hatred have been occurring at college campuses across the country. The protests have resulted in Federal monuments being damaged and disrupting traffic flow. People are arguing about free speech and hate speech. People are increasingly getting tired of all the protests, especially from people who are non-US citizens.

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Political Polarization Will Continue to Build – It's not hard to estimate that political polarization will increase throughout the global community in the future, as well as in the US. In fact, in all likelihood, one must ask, how it could it not only increase? So, political polarization will continue to build in 2024-25, resulting in extremism, intolerance, rejection of social order, new radical ideologies, possible revolution, political violence, social unrest, disruption in global supply chains, and, of course, protests everywhere. What this means is that the atmosphere will become more divisive with a more confrontational social environment, values will be questioned, new ideologies will affect your personal freedoms and an individual's rights. The result will be more uncertainty, disruptions to daily life, heightened tensions, and large peaceful protests to effectuate change. While these measures will continue to build in the near term, it is important to be aware of what is happening and be informed. People will have to learn to foster open opinions and listen to others with divergent views and different perspectives, in order to get along. Critical thinking skills will also be more widely developed to make informed decisions. We the people will stick with peaceful voting and activism to express our opinions, while a few will not, but the overwhelming majority will. There will be a strong sense of 'community,' to help ensure we honor and respect the rule of law, 'with justice and liberty for all.' Good people, everywhere, will step up and do the right thing. Meanwhile, there will be upward pressure on the costs to be borne everywhere. Most of it will end up on the national debt pile with everything else. Can you smell a debt crisis yet?

Risk #12 - Terrorist Attacks

The Likelihood and Cost of the Next Major Terrorist Attack

Terrorism, the Use of Violence by Domestic or Foreign Terrorists, can cause a devastating loss of human life, and materially impact the economy, just like it did at 911. Terrorists are evil and they seek to destroy, and would destroy anything they can, causing great loss of life and economic destruction. Terrorism can materially impact financial markets, damage the insurance industry, hurt tourism for years, consumers losing their freedoms in exchange for more 'security,' and, no surprise, the US Government running huge spending deficits. Terrorism can result in global supply chain and other international issues involving trade, and they can also result in border security issues. If terrorists were successful, they would likely target the US power grid, use cyberattacks against the US financial banking system, halt the IRS, destroy, or poison water and food supplies, shut down transportation systems, burn down forests, and close off telecommunications. They would also try to attack the healthcare system, oil and gas resources, disrupt the chemical industry, and wipeout nuclear power. Then you have the growing threat of lone-wolf terrorists too. They don't need all the training and funding that terrorist groups do. They like to build bombs to destroy things, and they also tamper with products and have used anthrax in past bioterrorism attacks. Lone-wolf terrorists commit violent attacks for political, ethnic or separatists causes. Some of these terrorists use religious causes, or excuse their violence on other issues like abortion or the environment. It's entirely likely such terrorists are irrational and have personality or other psychological problems. In any case, it is hard to imagine, for me at least, how any of these individuals or organizations would carry out such attacks. But they would, and they do, and are likely to keep trying. Will it just be a matter of time where more of these terrorists or groups are successful? Are hundreds or even thousands of terrorists-minded individuals illegally crossing into the US each month in the 'ones-that-got-away?' Will these people resist and commit acts of terrorism against the US and its citizens? Are any of them aligned with State-sponsored terrorist groups? The costs of major terror attacks can amount to the billions. Who is going to pay for that? It is likely to be added, ultimately, to the national debt pile because attacks like that are just added to the deficit.

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

We Can Expect Terrorism Risk to Increase in the Near Term – We can hope that terrorist attacks will not happen, and that US authorities are doing everything within their power to eliminate terrorist attack risk. No one can dismiss, however, that with well-funded resources and advanced planning, well-coordinated and State-sponsored terrorist attacks do happen, regardless of how well anyone is prepared. No one knows if hundreds or even thousands of terrorists have not crossed over into the US over the years that could cause significant terror. Lone-wolf terrorist risk is also going to increase in 2024-25, and it will be difficult to identify and stop them in time. We can expect terrorism risk to increase in the near term. The unexpected costs to defend against terrorism will only increase too, and ultimately add to the national debt pile. Can you smell a debt crisis yet?

Risk #13 - Housing Insecurity

How People Feel and React When Housing Insecurity Risk Increases

Real Estate Prices are Largely Unaffordable – Housing costs and rents are high, and seem to be less and less affordable over the years. In a higher interest rate environment, sellers are keeping their homes longer and staying out of the market. The results of high interest rates, and low inventory, also mean continuously higher home prices. In other words, housing is not that affordable. Some have argued that for home prices to come down, more homes must be on the market (increase the supply). But that won't happen until interest rates come down as people are just not going to sell and lose their current low interest rates. Real estate bubbles mean high home prices, with inflation raising the costs of building materials growing higher and faster than people's wages have increased. Now, the uncertainty of owning a home, once part of the 'American dream,' is all but certain. Most people had the bulk of their net worth tied up in a home as the value almost always increased over the years while the mortgage was slowly paid off. But that scenario no longer seems to be what's reality anymore. Many younger people are giving up on the idea of homeownership, and resigning themselves to be what some people have termed: 'forever renters?' Renters and homeowners nowadays may also have much more debt due to having large auto loans, several credit cards with balances, and student debt obligations. People like the new remote work opportunities while renting, which allows people to take advantage of living in other parts of the country, or even internationally. It is also apparent that corporate America is buying up homes that others would normally be buying, and turning these homes into rental properties. Why? Because they produce almost certain monthly cash flow and (hopefully) increasing values over time. As investment properties, will they not likely charge as high a rent payment as the market will bear, making them less and less affordable? Talk about stress. But that's the real world we live in.

What Happens When There's Housing Insecurity? – Not having adequate housing is troublesome, because these are real people who need shelter – just like you and me. Renters likely feel the economic pinch more than homeowners because a mortgage is likely to be a fixed payment amount based on a low interest rate. Whereas those who are renting have been hit hard recently by rising rental rates much more than those who have low fixed-rate mortgage payments. And, renters probably make less money than many homeowners. The renter is going to pay a higher percentage of his pay check to cover housing costs and therefore come up short. No wonder many are relying on credit card debt to maintain their standards of living. Anyone can see how housing insecurity for renters or mortgage holders can lead to other stresses as they fork over a huge portion of their income to cover housing. It is not surprising that people can become depressed, have anxiety, and

even have psychological distress when the burden of heavy debt is added. In a marriage, there will be compounded feelings of insecurity, isolation, embarrassment, shame, guilt, social stigma, and people may need to seek help from family or others. With a stressed budget and delinquent payments, people will find their credit scores getting hit. A good credit score is needed to get into other housing, if necessary. Being homeless will result in a person having even a more difficult time finding employment and getting access to necessities like food and proper healthcare. In some cases, housing insecurity results in family separation which will cause even more emotional distress and disruption of marriages and family life. In distressed situations, the physical safety people would normally expect may be exposed, likely leading to other mental and physical health challenges. We can all see how important it is to have adequate housing.

Where Will People Go to Solve Housing Issues? – With high interest rates, there will be less and less mortgage applications, which means people will continue to be renters, and not new home buyers. People will be reluctant to sell their homes if they have a low fixed interest rate. This leaves fewer homes to sell, and putting upward pressure on home pricing due to the lack of inventory. As people turn to renting, the market will no doubt pressure landlords to increase their rents as more market demand ensues. The percentage of people's income going to rent will increase. Ideally, rent or mortgage payments should be about 20-25% of one's gross income. For many, it is at least 30%, and maybe up to 50%, and not on just one income either. People may start out with a 20% of their gross income on a mortgage or rent payment only to be in 40% situation if one of the two household incomes goes away, or there's been a material drop in income due to losing a good job and taking another job that pays much less than before. What if a person wants to pay a religious contribution of 10% on top of it all? At what point will people increasingly want the US (or State) Government to expand their current roles in housing, and get directly involved in building more housing? What would the unintended consequences be when the US Government pushes unnatural demand growth in housing, or passing out more subsidizing vouchers (just adds more to the national debt), changing up laws to force rent controls, etc.? All this in the name of fixing housing shortages? Would this be the cure-all to stave off homelessness, reduce high rents, and getting people off the streets and out of shelters? If your gut tells you that if our free-enterprise housing markets gets taken over by the US Government, that it wouldn't end well, I'd agree. Meanwhile, how many millions of US citizens and families are already being subsidized for housing already? Once, or if the US Government takes over the housing market, what will come next? Is this what people really want? Natural market-driven housing demand is the better solution as opposed to US Government-based housing.

Housing Insecurity Is Very Volatile and Expensive

An Example of Housing Insecurity Disaster Beginning to Really Boil in 2024 – To illustrate the delicacy and intricacy of housing insecurity, how many millions of immigrants crossing the US border each year will be able to find and afford adequate housing? How will the cities and States manage to handle any ensuing chaos by the continuous flood of migrants? Take for example, the State of Hawaii. Hawaii already has a huge housing insecurity problem as it is. It's not affordable to live there for most people as it is. The price of the average home is about $1 million. How long would the State of Hawaii's tourism (economy, housing) survive if they had to address and find housing solutions

for the unnatural demand for up to 100,000 illegal aliens, just a small 1% of the 8-10 million crossing into the US in the past few years alone. Add other pressure when the Hawaiian society must live with these people who don't understand the 'aloha' culture, may not even speak English, likely haven't been adequately vaccinated against diseases, have no identification papers, or be vetted for criminal offenses. Now, take a look at the island of Maui after the August 2023 fire in Lahaina that left thousands without adequate housing. In early 2024, six months after the fire, there are still some 5,300 fire survivors without long-term housing. They have been mostly staying in hotels, much like in other States for those needing housing security. When the Lahaina is eventually reconstructed, where will the army of contractors live? Will the fire survivors find places to live that don't exist? How could Hawaii handle 100,000 more people, especially if they filled up the hotel rooms used by fire survivors or other would-be tourists? And if another 60,000 migrants also came? The cost would be enormous and entirely overwhelming. The cost would likely blow up the State's budget long-term (unsustainable), and it would require more help from where? You guessed it - the US Government. The high cost would just be added to the 'mandatory' cost to the national debt pile. That's how it works, right? But, that's Hawaii, and Hawaii may never receive its share of illegal migrants. However, lest we quickly forget, what about the cities and States that have been and are currently bearing the underlying costs of addressing the approximate 8 million to 10 million illegal aliens that have recent years flooded into the US? Should they be reimbursed? Is it fair that Hawaii gets all the income they get from tourism but not take in, let's say, an extra couple hundred thousand of illegal immigrants like other States already do? Why is it fair to the residents of other States to bear even the small 1% burden that Hawaii might take? After all, people will soon argue, Hawaii has equal representation in Congress as any other State to vote for immigration policies too. What if the other States insist that Hawaii take its 'fair share' of the 8 million illegal aliens, say, 160,000 (1/50, or 2%), and start sending planes full of illegal migrants to Hawaii to live? Why not? Some other States may start to argue that it is already shouldering Hawaii's 'fair share,' and is that really fair for those States? Regardless of how it ends up in any State, you can see the argument here as something has to be done. They are still human beings and have crossed into the US illegally. If the US Government and the States want them to live here, how do they intend to pay for, say, 10,000,000 of these non-citizens (and growing by millions more each year), let alone the 43 million citizens currently living under the poverty level? Will this unnatural growth in population entirely disrupt housing security in the US, and eventually the State of Hawaii? Unnatural demand will only greatly fuel enormous upward pressure on rent prices. How could it not? It seems like this disruption alone will impact not only housing insecurity, but the labor market too. People need to live somewhere, and work so they can eat. Or, will they just be given resources by the US Government, and not take responsibility for their own welfare? If they're here illegally, they can't even work legally, so how will this go? If the US Government decides to make these illegal immigrants to become legal citizens entitled to receive Federal benefits, many of them will move to Hawaii and live off the US Government for years like in other cities and States. After all, in Hawaii there's year-round sunshine and beautiful beaches. Well, you get the point. None of this is sustainable and it will all just end up on the national debt pile.

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Housing Insecurity Will Continue to be High Risk, With Consequences – Housing insecurity is already an increasingly high-risk matter, and will continue to be in the near-term for 2024-25. Housing affordability will continue to get out of hand, and many people will struggle to pay rent, and even those who have low interest mortgage payments. The cost of everything jumped since inflation started ramping up of the Covid19 pandemic and all the US Government spending. Most prices will remain high and budgets will be stretched for the consumer, the small business owner, and so on. Homeowners with low fixed interest rates will not be inclined to sell their homes, which will help dry up housing inventory available for sale, keeping upward pressure on inventory that does make it onto the market. Distressed people/sellers (divorce, job losses, sick, etc.) who must sell, will be forced to sell. Distressed properties will also go on the market and likely sold as-is (fixer uppers). Meanwhile, people will be resigned to becoming long-term renters, with younger generations most willing to rent and work remotely in areas with a lower cost of living. When homes do become available, corporate America will actively buy up homes and pool them into rental property investments, thus making it even harder for others to buy their own first home. With housing insecurity will come mental, emotional, physical, and even spiritual breakdowns. Such measures will (often) lead to more divorces, and the disruption of the family unit. More homelessness will ensue, which will lead to even more issues.

Will the US Government be the Catch-All Answer? – The fundamentals of housing, say a mortgage or rent payment that equates to about 20-25% of one's gross income, will be stretched. Many people already have their 'housing ratio' much higher, and that may include two incomes combined. Pressures to increase rent will continue in 2024-25 until the market place says it's too much. People will demand the US Government to step in and help make housing more affordable. There will be more subsidizing vouchers, along with rent controls installed. More low-income housing subsidized by the local tax payers, will be funded. The US Government may have to step in and help solve the housing crisis already underway to find refuge for some 8,000,000 to 10,000,000 illegal aliens who have crossed over into the US in the past few years. Some of the States are bearing the burden of trying to make accommodations for these people, but are demanding help from the US Government. Hawaii will be asked to shoulder its 'fair share' for housing and help take care of the millions of illegal immigrants. After all, like all the other States, Hawaii receives its fair share of US Federal funding through grants, Medicaid, highway funds, disaster assistance, defense spending, etc. Housing insecurity in the US, from lots of forces, illegal immigration being one of them, clearly, is not sustainable. Hawaii's economy would fail quickly if it had to shoulder 160,000 new residents (1/50th of the already 8,000,000 to 10,000,000 illegal immigrants now in the US in recent years); it can hardly handle the 6,000 displaced fire survivors from the 08/2023 fire in Maui. If Hawaii somehow doesn't take its fair share, some other State will. Everyone will look to good old Uncle Sam to pick up the tab. The deficit spending will all end up on the national debt pile with everything else, right? How could it not. It is happening as we speak. Can you smell a debt crisis yet?

Risk #14 – Energy Security

We Surely Take Fragile Energy Security for Granted

Who Doesn't Take Their Energy Security for Granted? – Generally speaking, most of us would look no further at energy security risk than past the gas prices at the next corner. Those that have big trucks are paying close attention to the cost of diesel fuel. We probably also think about our utility costs when we get the bill each month for things like natural gas and electricity, and how they keep going up in price. Do utility costs ever decline? Do you remember when they last went down? We may be paying some attention to the price of crude oil and how it dramatically increases every time you hear something going down the Middle East. The regions that use heating oil or propane, they see those prices taking off and they wonder how they'll get through the winter. Maybe one or two times a year we might think about other types of energy like: biofuels, coal, hydropower, solar, wind, geothermal, biomass (wood, waste), ethanol, uranium fuel, and nuclear reactors. Energy security affects all of us, from the homes we live in, the commercial buildings we work in, and throughout the manufacturing and transportation industries, etc. But we really don't know and appreciate all that goes on behind the scene to get energy sources in our vehicles, homes, businesses, etc., would you agree? It's always been there, so we just take it for granted that it always will be. About the only thing we really care about is how expensive it is.

Once Again, the World is a Fragile Place When It Comes to Energy – Everyone sits up and takes notice when the price at the pump gets over $3, $4, $5, $6, a gallon, etc. We also pay close attention when the utility bills for natural gas, heating oil, and electricity goes up, even 10% or more. But does anyone ever peel back the layers and see what risks there are to energy security throughout the world? Take cybersecurity risks in the energy sector. This is probably one of the major risks for energy because we have such an increasing reliance on digital technologies and interconnected systems in the energy sector which means it is very vulnerable to cyberattacks. Maybe you'll recall recent cybersecurity incidents at one of the world's largest meat processors in 2021 (JBS), reports of cyber threats at water treatment facilities in 2020, a malware cyberattack against petrochemical plant in Saudi Arabia in 2017, an IT management software company in 2020 (SolarWinds/Orion), and a ransomware cyberattack on a major US fuel pipeline operator in 2021 (Colonial Pipeline). Maybe you're starting to pay more attention to the geopolitical instability (another major risk) that's beginning to impact the global supply chain for energy resources and rare earth minerals needed for renewable technologies for wind turbines, light bulbs, batteries for electric vehicles, and solar panels. We note recent deliberate attacks on energy infrastructure of oil and gas supplies and pipelines by terrorists in Libya, Iraq, and Saudi Arabia. Natural disasters also can cause supply disruptions and spikes in prices, like extreme weather events that seem to happen more frequently and with more intensity. They certainly can have a direct impact US energy infrastructure. Lastly, one would have to imagine that all energy resources are finite, as there's no such thing as a never-ending supply of anything. We must keep in mind long-term availability and affordability, not to mention that we have, likely, an aging energy infrastructure that's subject to deterioration. Hopefully there will continue to be new technologies developed and new energy sources

discovered. When you peel back the layers on energy security risk, suddenly, we get a little more appreciation for it, right? It's a pretty fragile world, I think we could agree.

The Cross-Over to Renewable Energy vs. Oil Shortages

Get Ready for the Potential Price Shock Costs of Energy – Speaking of renewable energy sources (solar, wind, hydroelectric, and geothermal energy), these look like risky business too. How confident are you the US, or the world, will be able to change over from fossil fuel resources to these renewable sources? How long would it really take? And how much disruption might it cause to all the various stakeholders? Will there be never-ending political battles? Should there be more public debate too, as renewable energy sources are a big deal to a lot of people, not just politicians. The fight over the use of fossil fuels and renewable energy sources is just heating up in my opinion. How, exactly, can the world's economy not rely on fossil fuels while it transitions to renewable sources? What's the estimated time frame for a seamless transition so that we don't mess this up? Lots of these questions are being raised, and other questions like, should the US even be reliant on other countries to send the needed raw materials needed for batteries, electric vehicles (EVs), solar panels, and so forth? Should US energy be subjected to other countries that may be adversarial to the interests in the US? Can this transition to renewable energy realistically be done, and at what cost? How much oil energy will be needed to develop reliable renewable energy sources? Will there end up being a mix-match of these resources resulting in shortfalls of energy, causing inflationary pressures on available sources? How many trillions of dollars will this cost, and who will pay for it? Does anyone feel like anyone really knows what's going on in the first place, or that the debate is a one-sided 'take it or leave' it approach? Is anyone really working with anyone else on our energy needs or is it being controlled by special interests? Will not more political polarization take place when untold billions are being spent on renewable sources when many people feel different about it? Meanwhile, the price of oil energy continues to be quite volatile. One minute Brent crude futures are in the $80+/barrel range with worry about $100+ prices due to expectations of tighter supply from geopolitical rivals and greater tensions around the world. Higher energy costs would likely trigger inflation, and even stagflation with slowing economic growth plus higher unemployment.

Will There Be an Oil Shortage in 2025? – "The oil market will face a supply shortage by the end of 2025 because the world is not replacing crude reserves fast enough, Occidental CEO Vicki Hollub said. About 97% of the oil produced today was discovered in the 20th century, she told CNBC. The world has replaced less than 50% of the crude produced over the last decade, she said. 'We're in a situation now where in a couple of years' time we're going to be very short on supply,' Hollub said. For now, the market is oversupplied, which has held oil prices down despite the current conflict in the Middle East, Hollub said. The U.S., Brazil, Canada, and Guyana have pumped record amounts of oil as demand slows amid a faltering economy in China. But the supply and demand outlook will flip by the end of 2025, Hollub said. 'The market is out of balance right now, but again, this is a short-term demand issue,' Hollub said. 'But it's going to be a long-term supply issue,' she said. OPEC is forecasting global oil demand will grow by 1.8 million barrels per day in 2025 on a solid economy in China, outstripping crude production growth of 1.3 million barrels per day outside the cartel. The forecast implies a supply deficit

unless OPEC ditches current production cuts and boosts its own output.” (Oil market will face supply shortage by end of 2025, Occidental CEO says, Spencer Kimball, 02/05/2024)

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Energy Security Risk Will be Messy – Using common sense, we live in a world where global interests are in conflict. The risks to energy security will continue to increase in 2024-25. Whether or not there will be oil shortages that increase inflation, bad actors are and will certainly try to perpetrate cyberattacks on the energy sector in the US. There’s just too much geopolitical tension for there not to be such activities. Extreme weather events will likely continue as Mother Nature never ceases to amaze anyone. Supply chain disruptions from areas in the world that export energy resources, will increase and add pressure to price inflation of many other goods. The transition to renewable energy sources will be a while before they are sustainable. Meanwhile the transition to those sources will subject to political, and hopefully much public debate over the costs, who will own and regulate those resources, where they will be stored, and whether the US should rely on other countries to supply the underlying minerals needed for renewable energy. It will be a ‘messy’ fight but it is important to utilize all energy resources at our disposal, that are expedient. Much of the investment in renewable energy sources come from US Government spending. In other words, more debt on the national debt pile. Can you smell a debt crisis yet?

Risk #15 - Natural Disasters

Mother Nature Rules

Mother Nature Is Still in Charge – Everything is becoming fragile, complex, and interconnected. From living organisms, plants, animals, soil, rocks, minerals, water, the air, we have a beautiful world in which to live. The great web of life, provides everything we need to live and survive. This includes all the plants and animals that we, as humans, depend on each day. While the world seems to be more resilient as time goes on, Mother Nature rules. She can cause significant damage from time to time. These events can include: hurricanes, floods, tornados, tropical storms, winter storms, blizzards, avalanches, hailstorms, extreme cold waves, wildfires, droughts, dust storms, extreme heatwaves, mudslides, volcanic eruptions, tsunamis, landslides, earthquakes, and sinkholes – to name a few. Besides loss of life, and causing injuries, these events cause significant damage to homes, businesses, and infrastructure, and economic losses in the billions. Droughts can result in water shortages which damage crops and ruin harvests. Rising sea levels can lead to costal erosion, flooding, and infrastructure damage. These events disrupt economic activity. The price tag is large: "According to the National Oceanic and Atmospheric Administration (NOAA), the cost of climate and weather disasters in the United States last year (2022) totaled more than $165 billion—the third most costly year on record." (Candace Vahlsing, WH.gov, 03/14/2023).

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

We Will Continue to Have More Natural Disasters – There's not too much to say. We will have more natural disasters to deal with. It is heartbreaking to see the human suffering and loss of life. The financial price tag is also like very large, often in the billions. When the stakes are high, everyone will band together and the best of humanity will do what it takes to alleviate human suffering. But our neighbors can only do so much, including insurance companies. Responses from local and State agencies will continue to be the first to respond to assess the situation, evacuate people, and provide immediate assistance. Once those sources are overwhelmed, State Government will step in and help provide more personnel, equipment, and financial aid. State officials can ask for Federal assistance. The US President can issue a disaster declaration which will unlock federal resources. The Federal Emergency Management Agency (FEMA) is a key player in providing disaster response. They work with State and local agencies to coordinate assistance, and provide funding for rebuilding. The National Guard is ready to assist and will operate with State and Federal authorities (assist with evacuations, distribute supplies, provide security). Nonprofit organizations like the Red Cross will also collaborate with US Government agencies to provide shelter, food, medical care, and other essential services to the survivors. Obviously, the US Government, at all levels, will step up and help with long-term rebuilding efforts and help repair public infrastructure like roads, bridges, schools, and utilities. The cost for all this necessary spending, even deficit spending, much of it will end up on the national debt pile. My gut says we will see an increase in unwelcome visits from Mother Nature in 2024-25. Can you smell a debt crisis yet?

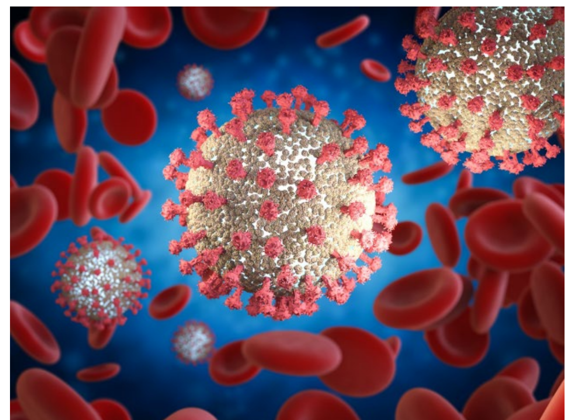
Risk #16 - Public Health, Well-Being

Society Is Sick, and Getting Sicker

What About the General Health of Society These Days? – Stripping away the facades we often put up in in life, what is really going on in our lives? For real. Mentally, emotionally, physically, and even spiritually? Off hand, most people would likely say that, despite a ton of progress and good health, the majority in society are probably in a state of decline of some sort. For example, laws that once restricted marijuana, are being changed to legalize its use at the State level. It's what we the people want, it's who we've become. We want drugs, regardless if they are unhealthy addictive drugs such as alcohol and nicotine (smoking), and other drugs. And they are all taking a toll on the public's overall health and well-being. Pornography and gambling, also addictive habits, are also destroying people's souls and busting up their families. How can we ignore what's happening with society's health profile and moral decline, and not think about the certain long-term implications on the US economy too. Following are sobor facts for consideration:

- Among people aged 12 or older in 2022, 59.8% (or 168.7 million people) used tobacco products, vaped nicotine, used alcohol, or used an illicit drug in the past month. This includes 48.7% (or 137.4 million people) who drank alcohol, 18.1% (or 50.9 million people) who used tobacco products, 8.3% (or 23.5 million people) who vaped nicotine, and 16.5% (or 46.6 million people) who used an illicit drug
- In 2022, 70.3 million people aged 12 or older (or 24.9%) used illicit drugs in the past year; marijuana was the most used illicit drug, with 22.0% of people aged 12 or older (or 61.9 million people) using it in the past year
- In 2022, 48.7 million people aged 12 or older (or 17.3%) had a substance use disorder in the past year, including 29.5 million who had an alcohol use disorder, 27.2 million who had a drug use disorder, and 8.0 million people who had both an alcohol and drug disorder
- In 2022, almost 1 in 4 adults aged 18 or older had any mental illness in the past year (59.3 million or 23.1%)
- Among adolescents aged 12 to 17 in 2022, 19.5% (or 4.8 million people) had a past year major depressive episode
- 1 in 20 adults aged 18 or older had serious thoughts of suicide in the past year (13.2 million or 5.2%), 1.5% (or 3.8 million people) made a suicide plan, and 0.6% (or 1.6 million people) attempted suicide in the past year
- Over 1 in 8 adolescents aged 12 to 17 had serious thoughts of suicide in the past year (13.4% or 3.4 million adolescents), 1 in 15 made any suicide plans (6.5% or 1.7 million adolescents), and nearly 1 in 25 (3.7% or 953,000 adolescents) attempted suicide in the past year (SAMHSA Announces National Survey on Drug Use and Health (NSDUH) Results Detailing Mental Illness and Substance Use Levels in 2022, US Department of Health and Human Services, 11/2023)

Think of the Trillions in Cost and Resources World-Wide Being Spent on Addictions – Think of the millions of people who could be saved if, somehow, just three addictive substances could be removed from society: tobacco, alcohol, and illicit drugs. Think of how much money could be saved in the healthcare system, the criminal justice system, social services, lost productivity with employers, emergency services, long-term healthcare, and public assistance programs. Think of the missing out on a good education, family and social service costs, the impact on the community, rehabilitation costs, homelessness and housing assistance, and legal aid. Think of the insurance and healthcare costs to get medical treatment, pharmaceutical and treatment costs, loss of human capital, and the impact on children and youth. Certainty, the cost savings would be in the hundreds of billions or several trillions, each year. Every effort to rid society of these deadly and destructive addictions (tobacco, alcohol, illicit drugs, and pornography) should be pursued. Otherwise, society will become even more sick, and suffer the inevitable consequences of such decisions. Because once a person is addicted, the ability to choose become less and less of an option. The cost to society, is too high a price to be paid any way one looks at it. Every consumer will pay higher prices for goods and services due to these costs, face higher health insurance premiums, pay more in taxes to cover public expenditures for law enforcement and judicial systems, as well as hinder economic growth. In short, we're not prospering. We're suffering. To those who would attack this as 'it's our choice,' I agree. But it doesn't need to be. We will never, any of us, be able to choose the negative consequences of our choices, so let's keep that in mind as we get buried with healthcare costs, and all the other negative consequences of our choices. We can still choose, can't we? Can we at least talk about it? If I'm the only voice willing to speak up about these risks, so be it.



Hopefully No More Contagious Diseases – The prevention of an outbreak of contagious diseases is extremely important. It includes detection of outbreaks, their size and extent and an identification of the source. Hopefully public health officials and investigators can control their spread and stop them from happening in the future. Think Covid19. Today, rightfully so, people are concerned about other outbreaks, as they can lead to serious disruptions, including more lockdowns, supply chain issues, bottlenecks in delivery, business and industry closures, and sick employees. As we all know, people can lose their jobs and have reduced incomes. Job losses result in reduced consumer spending. Higher inflation can be expected as the supply of goods and services are interrupted. They can also lead to social unrest. Today, society is pretty concerned about these risks.

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

We've Become a 'Weak' Nation – Over the next couple of years, despite millions with excellent health, the overall health of society will continue its negative trends. We the people, largely, don't care anymore. We are an addicted, 'off to the next party or bar' bunch to say the least. When we think of economic prosperity, there needs to be a healthy population, people that can think, make good decisions, be productive, and contribute to the greater good of society. For example, we have tens of millions of people that have alcohol use disorder (AUD) – or other similar disorders, or who are alcoholics, a term hardly used these days. They drink more alcohol and for longer periods than intended – like all the time. They say they can stop drinking and can control their alcohol use, but they don't because they really can't (except with help). They likely spend a lot of time recovering from the alcohol

use they crave every day. They keep drinking alcohol when they clearly know its use has contributed to major problems in their lives and in their personal relationships. They even use alcohol when they are in physical danger. They are addicted. Same with smoking, vaping, using illicit drugs, pornography, and gambling too. Weakened individuals means weakened families, the bedrock fabric of society, and a weakened nation – one that cannot nor ever will, repay all its debts. Besides the personal toll, the annual costs to society for the use of cigarettes, alcohol, and illicit drugs likely totals hundreds of billions of dollars. Just how weak are we? We're in big trouble health-wise. Doctors will have increasingly more work than they could ever handle (overwhelmed). Can you smell a debt crisis yet?

Risk #17 – Cybersecurity

One Click Away from Real Trouble?

Cybersecurity Threats are Big – With all the good in the world, unfortunately, there is a growing threat or dark side called cyber warfare. It has the potential to cause real damage to not only individuals, but to businesses and even the US Government. It involves a digital attack on computer systems and their networks. These events can disrupt systems for electrical power grids, drinking water, and transportation. Thieves can steal data including personal data on individuals, financial information, medical records, educational online platforms, communication networks, cloud services, social media, and other sensitive data. Ransomware can be downloaded to encrypt data until a ransom is paid to restore the data. Attacked enterprises can lose the trust of their customers if their systems are breached. It is even possible supply chains and US Government systems can be infiltrated and compromised. The costs to safeguard computer systems are likely to be passed on to the consumer.

Examples of Cyber Tools –There are 'bots,' 'trolls,' 'deep fakes,' and 'dark web.' Bots are like robots who automatically perform certain tasks that mimic real people, and can generate and spread false content or misinformation against any topic or individual. Trolls are people (or businesses) that try to maliciously target, disrupt, and provoke people on their posts, spreading fake or inflammatory information that creates contention and division. Deep fakes are synthesized media using artificial intelligence (AI) where a person's image, voices are manipulated to make fake videos or recordings of that person. They are used to create convincing but false statements by a person to shape public opinion. The dark web is a dark place outside the regular channels used on the internet. Naturally, it is a place where illegal activities are conducted with encrypted messages. It's a shame technology is used for evil purposes.

2024 Election Season – In 2024, billions of people will go to the polls worldwide and vote for their government leaders, including in the US. Of course, billions of dollars will be spent on pre-election efforts involving social media. Not everyone is honest out there. It is obvious that there are forces bent on deception, lying, manipulation, all to impair the rule of law in the United States and elsewhere. So, as political elections transpire, people are becoming more aware of having adequate election system infrastructure in place to avoid a cybersecurity attack on those systems. People are going to demand transparency and accountability in the entire electoral process. It wouldn't be surprising to see more regulation and legislation to enforce and combat the use of bots, trolls, and deep fake technologies that are clearly disruptive.

The Threat is Real and Non-Stop – Cybersecurity treats can originate from a number of sources, including nation-States, cybercriminal organizations, hacktivist groups, and, of course, people who stay up all night trying to hack in things – individual hackers. Places like Russia, China, North Korea, and Iran engage in cyber espionage (gathering intelligence, stealing intellectual property, monitoring political opponents, disrupting operations), ransomware and cryptocurrency attacks. There are known cybercriminal gangs, extortionists, fraudsters that all pose a significant threat to businesses, US

Government agencies, and to individual people too. There are probably a lot of malicious insiders that pose cybersecurity risks within the companies they work for too. Suppliers and vendors who fill up the supply chains can be attacked with data breaches. It's a very fragile world we live in.

Cybersecurity Bad Actors Have Already Targeted the US – "Chinese hacking groups maintained access to U.S. infrastructure systems for 'at least five years' before they were discovered recently, according to a new report from U.S. security groups. The Joint Cybersecurity Advisory issued its findings on Wednesday, saying that Chinese hackers had access but remained dormant inside U.S. systems. The hackers have infiltrated 'Communications, Energy, Transportation Systems, and Waste and Wastewater Systems Sectors — in the continental and non-continental United States and its territories.' The advisory is made up of U.S. law enforcement groups as well as security groups from the allied nations of Australia, Canada, New Zealand, and the U.K. The report states that the cyber operation's goal was not intelligence gathering, but instead to gain access to and control critical infrastructure across the U.S. The report adds that the hackers could wreak havoc on U.S. systems in the event of a major conflict between the U.S. and China. The hackers' 'choice of targets and pattern of behavior is not consistent with traditional cyber espionage or intelligence gathering operations,' the report reads. 'The U.S. authoring agencies are concerned about the potential for these actors to use their network access for disruptive effects in the event of potential geopolitical tensions and/or military conflicts.' The report echoes concerns raised by FBI Director Christopher Wray in a congressional hearing last week. Wray and other US Government officials testified in front of the House Select Committee on the Chinese Communist Party at a hearing titled 'The Chinese Communist Party Cyber Threat to the American Homeland and National Security.' 'There has been far too little public focus on the fact that PRC [People's Republic of China] hackers are targeting our critical infrastructure — our water treatment plants, our electrical grid, our oil and natural gas pipelines, our transportation systems. And the risk that poses to every American requires our attention now,' Wray told lawmakers. 'China's hackers are positioning on American infrastructure in preparation to wreak havoc and cause real-world harm to American citizens and communities, if or when China decides the time has come to strike,' Wray said. Wray has repeatedly called on lawmakers to focus more attention on China's cyber threat. He attempted to paint the picture for lawmakers during Congressional testimony last year as well. 'To give you a sense of what we're up against, if each one of the FBI's cyber agents and intel analysts focused exclusively on the China threat — on nothing but China — Chinese hackers would still outnumber FBI cyber personnel by at least 50 to 1,' Wray testified in April 2023." (Chinese hackers had access to US infrastructure for 'at least 5 years' before discovery, Anders Hagstrom, 02/07/2024)

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Cybersecurity Risk Will Hit Closer and Closer to Home – Cybersecurity risk will increase in 2024-25. It has been increasing dramatically over time. As soon as cybersecurity defenses are in place, the bad actors will systematically work to penetrate these walls. If they can't get through them, they will go above them, or around them, or below them, but they will not stop trying. Technological tools will be used for both good and evil purposes, and most certainly, AI. That's the world we live in, so get used to it. As geopolitical tensions rise, so will the cybersecurity threats, with more attacks. The two will go hand-in-hand with each other. The 2024 election year will affect billions of people globally this cycle. No doubt there will be forces bent on deception, lying, manipulation, all to impair the rule of law in the United States and elsewhere. Due to the evil use of technology, it will be very difficult to tell what is the truth, and what is not. For example, evil-minded people who do not care about being honest, will not stop at using cyber tools to get their candidates elected. That does not mean evil people will prevail. It means there are evil people who will actively undermine the rule of law, dishonestly influence voting to get their candidate elected. Extra precautions will be taken to ensure elections are safe, at least in the US. Finally, the recent testimony by the FBI Director confirms the cybersecurity risk with China is very real and urgent. This could end up costing the US billions of dollars to mitigate cybersecurity risk. The extra spending will all end up on the national debt pile. Can you smell a debt crisis yet?

Risk #18 - Inequality in Wealth and Income

When Push Comes to Shove Between the ‘Haves and Have Nots’

How Well Off Do You Consider Yourself? – “Are you rich? This is a question that many people ask themselves in quiet moments but would never have enough nerve to say out loud. What is the magic number to be considered rich, and what are the U.S. wealth percentiles? According to Schwab’s 2023 Modern Wealth Survey, its seventh annual, Americans said it takes an average net worth of $2.2 million to qualify a person as being wealthy. (Net worth is the sum of your assets minus your liabilities.) People with the top 1% of net worth in the U.S. in 2022 had $10,815,000 in net worth. The top 2% had a net worth of $2,472,000. The top 5% had $1,030,000. The top 10% had $854,900. The top 50% had $522,210.” (Are You Rich? U.S. Wealth Percentiles Might Provide Answers; Kiplinger Personal Finance, Neale Godfrey, 06/16/2023)

Who Owns the Vast Majority of the US Stock Market? – “The wealthiest Americans have never owned so much of the stock market, with the top 10% now holding a record 93% of US equities, according to Federal Reserve data. Americans broadly have been participating in the stock market at a higher rate, with a record 58% of households owning stocks in 2023, according to the Fed's Survey of Consumer Finances. Still, stock ownership is skewed toward the top: by comparison, the bottom 50% of Americans owned just 1% of all stocks and mutual fund shares in the third quarter, central bank data shows. While the pandemic period drove a rise in retail trading as Americans had time on their hands working remotely, as well as cash to put to work from US Government stimulus checks, it doesn't seem to have tilted ownership much further away from the richest Americans. Some experts have also said that many retail traders cashed out during the brutal bear market of 2022, unable to stomach steep losses. In any event, stock market booms have traditionally produced the largest rewards for those who are already wealthy. That's because the wealthiest US households have most of their assets tied up in equities, while most middle-class families have their assets tied up in housing, researchers said in a 2020 study. In the third quarter, the bottom 50% of households held $4.8 trillion of real estate assets, but just $0.3 trillion worth in stocks, Fed data shows. The top 1%, by comparison, held over $16 trillion in stocks, and just over $6 trillion in real estate assets. Stocks have also seen monster returns over the past 10 years, when interest rates were ultra-low and helped drive handsome equity returns. Over the past decade, the S&P 500 rose by 155%, with the benchmark index gaining 24% the last year alone, largely fueled by cooling inflation and expectations from investors for Fed rate cuts in 2024.” (The wealthiest 10% of Americans own 93% of stocks even with market participation at a record high; Jennifer Sor, 01/10/2024)

Wealth and Income Inequality Outlook is Uncertain – It is doubtful that anyone would think that, throughout the world, the rich are not getting richer, and the poor are not getting poorer. In today’s world we now have the super wealthy, and many believe this has a detrimental impact on democracy itself. They may feel that the super wealthy are too powerful, and own too much. Most people likely feel the gaps in income or wealth between richer and poorer households, continues to widen. No doubt that

after the Covid19 pandemic passed, the very wealthy people have even more wealth, while many others have had their employment disrupted, their income hit hard due to inflation, as well as their purchasing power. Their wages likely haven't kept pace with inflation. For many, these inequalities in wealth and income have become an issue, if they were not already an issue. Is this inequality due to the globalization of goods and services, technological advancements, and US Governmental policies and decisions? What if this disparity continues? Is it conceivable, some might argue, that such inequality could lead to social unrest and even political instability? For any number of reasons, millions of people are born into poverty. As they grow up, they are less socially mobile and will find it very challenging to climb the economic ladder. All this will breed distrust in the 'system,' as the rich get richer and the poor get poorer. The forecast for the future of wealth and income inequality is uncertain, and the disparity is not going away anytime soon. People may also become disenchanted with political leadership whom they feel mainly seek power and wealth over the needs of we the people. Wealthy corporations will continue to lobby and make political donations to political parties with the expectation that legislation will be passed that is favorable to the corporations. These businesses become very wealthy. More contributions will be made to the politicians, who, somehow or another, also become very wealthy too.

A Study on How People Feel About Economic Inequality – The following study summarizes how people view this issue:

- Household incomes are growing again after a lengthy period of stagnation
- Upper-income households have seen more rapid growth in income in recent decades
- Income growth has been most rapid for the top 5% of families
- The wealth of American families is currently no higher than its level two decades ago
- The wealth divide among upper-income families and middle- and lower-income families is sharp and rising
- The richest are getting richer faster
- Income inequality in the U.S has increased since 1980 and is greater than in peer countries
- About six-in-ten Americans say there is too much economic inequality in the country
- Most who see inequality as a problem say the economic system needs significant changes
- Most who see too much economic inequality say some amount of inequality is acceptable
- Health care and drug addiction seen as more pressing problems than inequality
- Lower-income Americans are more likely than other income groups to say reducing economic inequality should be a top priority for the US Government
- For those who say reducing inequality should be a US Government priority, large majorities point to unfair access it affords the wealthy and limits it places on others
- More Americans cite outsourcing than automation as a contributor to economic inequality
- Republicans are about twice as likely as Democrats to cite different life choices people make as contributing a great deal to economic inequality
- Six-in-ten Americans say most people can get ahead if they are willing to work hard
- About two-thirds who say there's too much economic inequality say the US Government should have a lot of responsibility in reducing it
- Republicans and Democrats largely disagree on how effective different measures would be at reducing economic inequality

- About eight-in-ten U.S. adults who say there’s too much inequality see investment in education and job training for the poor as a better way to address it
- Most Democrats and Republicans who say there’s too much economic inequality say the US Government should raise taxes on the wealthy to address it
- Most across income levels say the US Government should not raise taxes on people like them in order to address economic inequality
- Most U.S. adults say the US Government has a responsibility to provide health insurance and adequate medical care for all Americans

  Source: (Pew Research Center, Most Americans Say There is Too Much Economic Inequality in the US, But Fewer Than Half Call It a Top Priority, 01/09/2020)

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

We the People are Money Hungry and Risk Takers – If I didn’t know any better, I’d say that we the people, those with money, like to ‘roll the dice,’ would you agree? Isn’t it all about ‘money,’ and the more the better, right? With that high reward mindset comes high risk too. Stock equities and real estate holdings account for probably most of the wealth and net worth of individuals in the US. What could possibly go wrong with something like that when the US experiences a debt crisis? In 2024-25, these asset classes, well-supported by asset bubbles from inflation, will take a hit, possibly the likes of which we’ve not seen in modern times. In my opinion, it is only a matter of time. Investing in the stock market today, practically everything we do these days, isn’t fundamentally focused like the good old days, with any kind of disciplined investment plan. It’s more like a ‘gold rush’ mentality. So, it’s very high risk. Do our tax returns not show an insatiable appetite for more and more, year over year, generally and eventually with alimony and child support showing up along the way, as well as gambling losses? We the people will continue to believe that more and more means more happiness, when it generally results in the loss of the most precious and important things in our lives. Money will give pleasure, but not happiness. Such will continue to be the trend in the near term. Down the road a bit, there will come a time when those with wealth, the ones that understand what the highest and best use of it is, will use those resources to assist those who are poor and less fortunate. And for those who cannot take care of themselves at all, we the people will take care of them ourselves. Those that want none of that will simply build up their fortunes unto themselves, and when they die, they will leave it all here anyway. Meanwhile, the US Government will continue to dole out untold billions to take care of tens of millions of people, and most of it will be added to the national debt pile. Can you smell a debt crisis yet?

Risk #19 – Labor Market

How Much Pressure Is There in the Labor Market?

2024 Labor Market Feels Really Weird – "The job market looks solid on paper. Over the course of 2023, U.S. employers added 2.7 million people to their payrolls, according to US Government data. Unemployment hit a 54-year low at 3.4% in January 2023 and ticked up just slightly to 3.7% by December. 'The labor market has been fairly strong and surprisingly resilient," said Daniel Zhao, lead economist at Glassdoor. 'Especially after 2023 when we had headlines about layoffs and forecasts of recession.' But active job seekers say the labor market feels more difficult than ever. A 2023 survey from staffing agency Insight Global found that recently unemployed full-time workers had applied to an average of 30 jobs, only to receive an average of four callbacks or responses. 'Between the news, the radio, and politicians just talking about how the economy is so great because unemployment is low and just hearing all that, I just want to scream from the rooftops: Then how come no one can find a job?' said Jenna Jackson, a 28-year-old former management consultant from Ardmore, Pennsylvania. She has been actively looking for a job since her layoff four months ago. 'I haven't quantified how many applications I've applied to but it's definitely in the hundreds at least,' Jackson said. More than half, 55%, of unemployed adults are burned out from searching for a new job, Insight Global found. Younger generations were affected the most, with 66% complaining of burnout stemming from job search. A major reason could be the fact that the labor market is cooling." (Economists say the labor market is strong — but job seekers don't share that confidence. Here's why; Lee Juhohn, 02/02/2024)

The Labor Market Is Beginning to Smell Fishy, Getting More Volatile – Is reality, and your reality, consistent with the messaging that comes from the so-called experts, US Government officials? That we have the lowest unemployment rate in decades, the economy is super strong, and all is well? Everyone, especially economists, loves to see a strong labor market. The strength of the economic outlook largely depends on the labor market, as employed people spend money. Most of the economic output in the US is based on consumer spending. How do people really feel about the economy in an inflationary environment and increasingly high prices? Remember, when there is any inflation, in any amount, overall prices are still increasing. One must wonder just how reliable the unemployment rate is these days, or what it really means. The numbers may sound great but is the lower rate just lower because of more people leaving the workforce, and therefore, not being included in the unemployment numbers? Many people are running out of savings and are beginning to use credit cards, accounts that are becoming delinquent. They're relying more and more on having a good job and income. Getting behind the labor market numbers, just how strong is the labor market really? Are people having a hard time finding a 'good job,' and in some cases, any job? How many people are working not one, but more than one job? How many of the new jobs being created are US Government jobs and not private sector jobs (needed to fund US Government jobs)? Are older people's pocketbooks being pinched, making them work more to maintain their standard of living instead of just relying on retirement income? How many

hours each week are people working, and do they want or need more hours? What about your employer offering any benefits, like health insurance? Is the number of full-time jobs falling, and the number of part-time jobs increasing? Statistics and numbers can easily be manipulated to give the appearance of something that's better than what it actually is. Something doesn't smell quite right with the jobs numbers.

The Future Labor Market, Will It Be Tight, and How Well Will It Pay? – Is not the US population growth beginning to decline as the baby-boomer generation is dying off and the younger generations are not getting married and having children like they used to? What is that going to do to the future labor market? Become tighter and tighter, with higher wages? And, who is going to pay for all the older people who need greater health care and other benefits? As to the aging population, on one hand fewer workers would reduce the supply of labor (possibly inflating wages), but it is possible older workers will stay in the workforce longer and reduce the need for businesses to raise wages. While worker pay didn't really increase in 2021-2022, incomes, of late, haven't really increased all that much considering recent declining inflation. But, when inflation risk heats up again, how far will the Federal Reserve Bank go to tackle inflation, especially if wages finally get increased? So, we ask ourselves: "What kind of raise do you expect to receive in 2024?" What do you think your employer is planning to budget for salary expense in 2024 and beyond? During Covid19, a time known as the 'great resignation', workers were readily able to change jobs and command more money. Don't be surprised if there is downward pressure on wages after the strong demand for labor from the Covid19 period. Now, the likelihood of getting more money is trending lower while the chances of getting laid off are increasing. People have an uneasy sense of what's going on these days. High prices are holding strong due to inflationary pressures, and wages haven't increased like people had hoped. There's a lot of talk about layoffs, and those looking for good jobs are having a harder time finding one. What is it like for you, or those in your circle? Do you feel like you'll continue to have a good well-paying job, or is there a risk that your job outlook might change? Maybe you just desperately wish you had a better job?

Remote, Hybrid Work – Are People Really Happy at Work? – For many years, employees have complained about work-life balance. When Covid19 came, and many people started working remotely, the 'pros' for working at home helped to have more balance. Many people want to maintain a remote working posture, while employers are increasingly asking their workers to return to the office on a hybrid basis. There are many good reasons for this, including knowledge sharing, collaboration, mentoring other employees, and so on. Remote/hybrid work gives people more flexibility, reduced commuting stress (saving a lot of time and money), increased productivity, and cost savings. Others find remote work too socially isolating, the lack of communication between colleagues for solving difficulties or maintaining team cohesion, blurred boundaries between work and their personal lives, relying on technologies and adequate internet service, difficulty in monitoring employee performance and accountability, increased cybersecurity risks, and career advancement. Are you happy at work?

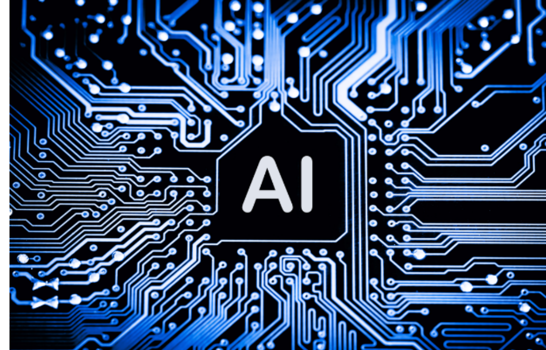
CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?

Uncertainty, Volatility, Rising Unemployment – At the end of the day, there's more labor market risk than meets the eye. In 2024-25, pressures will continue to increase on the inflation front (per the 20 risk

events in this publication) which means interest rates will increase. In a higher interest rate environment, businesses will be forced to reduce their payroll expenses (usually the largest operating expense) and layoff personnel. Yet at the same time, there will be fewer and fewer people in the labor market over the years (beyond 2025) as the baby boomer generation retires and dies off. Those forces will reconcile like everything else, but such uncertainty breeds volatility. There is also the issue of labor gaps filled by illegal migrants who are involved in the workforce at various levels. Such will increase the already high level of uncertainly in the labor markets, especially when unemployment increases. Over the near term, unemployment will increase, ever increasing social benefits will be paid out, and all the deficit spending will be added to the national debt pile. Can you smell a debt crisis yet?

Risk #20 - Artificial Intelligence (AI), New Technologies

We've Got Some New and New Exciting Risks to Deal with Here



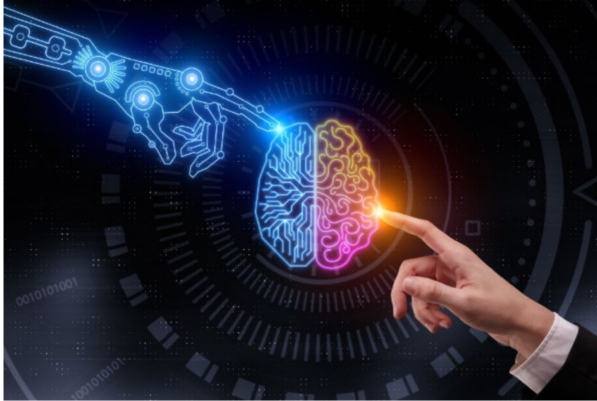
How Disruptive Will AI and Other New Technologies Become? – As new technologies emerge, it's obvious that the world belongs to the younger generations, in my opinion. There's got to be an increasingly uneasy feeling for older people, especially seasoned professionals, on what AI will mean for their careers. Many people, young and old, who are tied to long-term mortgages to service, and cannot afford to have their jobs replaced by AI. The older folks may never fully appreciate or even grasp what fascinating technologies are being developed in the first place. That said, as AI comes online, there are more and more voices of caution, concern, and some unnerving warnings. New technologies are supposed to be wonderful enhancements to improve our living standards, making and doing more things faster and cheaper. After all, what is wrong with increased productivity, cost savings, possibly superior healthcare, and financial services, to name but a few benefits? Better decision-making is another plus. But people also have a right to be concerned that AI and other new technologies will be very disruptive too. How many good paying jobs will be replaced by machines? Another concern, if you've ever used AI, one must wonder if AI automatically picks up bias, and can bias even be avoided? Could AI somehow properly manage or deal with personal data privacy? What's the world going to look like in 10-15 years? But who can or will hold AI accountable? Will it be regulated before it 'gets out of control'? Fundamentally, AI could change the way we work and live each day, whether that's a good thing or a bad thing remains to be seen. It would also create new jobs and industries. However, due to the aging public, it's a reasonable question to ask as to whether there be enough sufficiently trained and educated technicians to transition AI for the next generation. Another reasonable question is whether the US will be able to effectively compete? That sounds like a no-brainer, but won't talent go to the highest bidder? These are just a few important questions to start thinking about. Surely, there will be many more questions than answers, and most will not know what is even coming for some time.

New National Security Risks and Rewards – Could AI be used to launch or even to defend against cyber-attacks and other national security threats? Obviously, the US Government, as well as other foreign governments, could use AI to open a new set of national security opportunities and challenges and maybe even lead to another arms race. Imagine military grade above-ground and underwater drones that can detect enemy targets or personnel, with precision, Or, using unmanned ground vehicles to fight without risking human lives. AI is used for counter-drone systems, optimize military logistics and supply chain management. The whole nature of warfare for air, sea, land, and space, using unmanned weapon platforms seems a bit on the incomprehensible side of thinking for the average person. Less expensive drones with AI are widely used in modern conflicts as we are currently witnessing. They are being used

to travel far distances to hit critical energy targets with their saddled bombs, causing enormous damage to refineries (higher oil prices). How about robotic soldiers?

New Technologies Just Keep Coming; They Can't Be Stopped – Upcoming technologies will include blockchain, quantum computing, and biotechnology. Each should have wonderful new benefits, but they also come along with new risks, like money laundering, fraud, breaking encryption, new biological weapons, and maybe even new engineered viruses, like Covid19? Blockchain technology is used for crypto-currencies like Bitcoin for peer-to-peer digital transactions (without banks) where digital identities are secured without centralized authority oversight. The lack of transparency increases money laundering and the financing of illicit criminal transactions risks without the ability to identify the parties to a financial transaction. It can also be used to send cross-border payments, healthcare data management, real estate transactions, and even voting systems. Quantum computing is a cutting-edge technology to perform complex calculations well beyond the capacity of regular computers. Quantum computers can accelerate machine learning algorithms and enable the development of even better AI systems. It uses quantum mechanics, which is part of physics that deals with atoms and electrons particles, called 'qubits.' What? Yes, atoms. All this gives the notion that these technologies are advancing at exponential speed. Where does it stop, or can it even stop? Before it gets out of hand, will there be so many cybersecurity attacks that society will have major disruptions? It should affect the job market as quantum computers may even replace entire industries as things evolve – that's the concern. Can the US even keep up with China, or other countries? Biotechnology deals with living organisms by combining biology, chemistry, and engineering to create innovate solutions in healthcare, agriculture, and environmental protection. AI is also used for biometric identification that can analyze and recognize faces, fingerprints, eye (iris) scans. In healthcare, it is used to create new drugs, therapies, diagnostics, and medical devices, including vaccines, insulin for diabetes, regenerative medicine to repair or replace damaged tissues and organs. Agriculture applications include modifying crops to be resistant to pests and diseases, drought-tolerant or high-yielding crops, or to produce biofuels and renewable energy sources. It all sounds good, but will the US be able to effectively manage these risks to protect its interests and national security? How disruptive will this be? And, at what cost? You hear of the billions of dollars being spent on these technologies, but how much of it is simply deficit spending?

Will Careers in Science, Technology, Engineering, and Math be at Risk (Disrupted)?



Consider These Warnings – "A Nobel Prize-winning economist is sounding the alarm about the future of science, technology, engineering, and mathematics (STEM) careers amid the rapid development of artificial intelligence, arguing that many of the currently in-demand jobs could soon be obsolete. 'The skills that are needed now - to collect the data, collate it, develop it and use it to develop the next phase of AI, or more to the point, make AI more applicable for jobs - will make the skills that are needed now obsolete because it will be doing the job,' said Christopher Pissarides, a professor of economics at the London School of Economics, in a recent interview, according to a report from Time. 'Despite the fact that you see growth, they're still not as numerous as might be required to have jobs for all those graduates coming out with STEM because that's what they want to do.' The comments come as 2023 became a breakthrough year for AI technology, which has rapidly developed and gained increased mainstream applications. But some have feared that such technology will make many current jobs obsolete, causing a major disruption to the world's labor markets. Despite the current high demand for young students to enter STEM fields, Pissarides says that could also change as AI continues to improve. 'This demand for these new IT skills, they contain their own seeds of self-destruction,' the award-winning economist said. Samuel Mangold-Lenett, a staff editor at The Federalist, told Fox News Digital that AI can benefit STEM workers by doing much of the 'grunt work' that takes its human counterparts more time to complete, but he warned there is a danger in becoming too reliant on the technology. 'It can process data and run simulations in a fraction of the time that students, or even experts, are able to. It can also allow for more complex problem-solving purely by the sheer amount of information it can process and the speed at which it can process it,' Mangold-Lenett said. 'We need to be careful, however, not to become over-reliant on AI. It could ... eliminate thousands of jobs and eliminate the demand for people to master skill sets that enabled us to become an advanced civilization.' Jon Schweppe, the policy director of the American Principles Project, echoed a similar sentiment, telling Fox News Digital that there is a risk in allowing AI to do too much of the work for us. 'There's a serious risk in the rush to improve AI technology that we lose sight of what this is all for. Do we really want to live in a society where AI is directing our civilizational progress and we are simply slaves to its inhuman whims and impulses? Of course not,' Schweppe said. 'AI can certainly increase what we are capable of, but it should be viewed as merely a tool to further humanity's desired ends, not as something divine to which we must subordinate ourselves.'" (Economist warns new tech could make wide range of high-skilled jobs 'obsolete', Michael Lee, 01/05/2024)

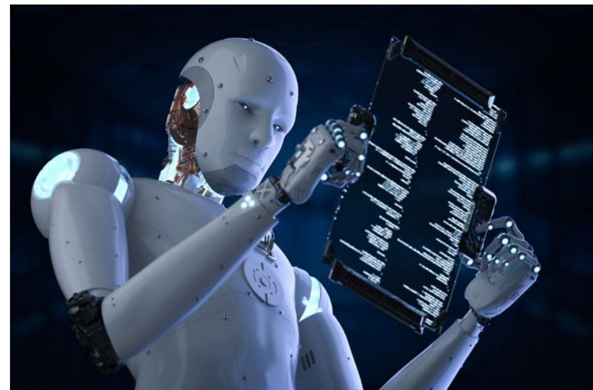
A Disruptive Technology Coming After 300 Million Jobs? – "The International Monetary Fund warned that nearly 40% of jobs across the globe could be affected by the rise of artificial intelligence, with high-income economies facing greater risks than emerging markets and low-income countries. IMF chief Kristalina Georgieva urged policymakers to tackle this 'troubling trend' and to proactively take steps 'to prevent the technology from further stoking social tensions.' 'We are on the brink of a technological revolution that could jumpstart productivity, boost global growth and raise incomes around the world. Yet it could also replace jobs and deepen inequality,' Georgieva said. The IMF noted that about 60% of jobs could be impacted by AI in high-income nations, and roughly half of these may benefit from AI integration to boost productivity. Comparatively, AI exposure was estimated to come in at 40% in emerging markets and at 26% in low-income countries, respectively. The IMF also flagged that AI could affect income and wealth inequality within countries, warning of 'polarization within income brackets.' It

said workers who are able to access the benefits of AI could increase their productivity and salary, while those who cannot are at risk of falling further behind. Goldman Sachs has previously warned generative AI could impact as many as 300 million jobs worldwide, although the Wall Street bank acknowledged the technology could spur labor productivity and growth and boost gross domestic product by as much as 7%." (IMF warns AI to hit almost 40% of jobs worldwide and worsen overall inequality, Sam Meredith, 01/15/2024)

Election Disruption from AI

AI Risks for the Upcoming Elections – "As around half of the world's adult population heads to the polls in a bumper year of elections, concern over the role of artificial intelligence in disrupting outcomes has topped the list of the biggest risks for 2024, according to a new report. Concern over the impact of artificial intelligence in disrupting election outcomes has topped the list of the biggest risks for 2024, according to a new report. The World Economic Forum's 'Global Risks Report 2024' ranked AI-derived misinformation and disinformation ahead of climate change, war and economic weakness. The report's authors said that the combined risks are 'stretching the world's adaptative capacity to its limit,' and called on leaders to focus on global cooperation and building guardrails." (Election disruption from AI poses the biggest global risk in 2024, Davos survey warns; Karen Gilchrist, 01/10/2024)

CONCLUSION – SO WHAT, WHEN, HOW IT AFFECTS YOU?



Unforeseen Events with AI and New Technology Risks Will Increase – What can one even say, right? First, the world is changing and is going to change even more. Jobs, elections, will be at risk. AI and new technologies will change the world we live in, with most people not knowing what hit them. Perhaps the most concerning part is everybody knows that bad actors (individuals, groups, governments) will use these wonderful tools in evil and nefarious ways. They will use them to get power and control over others at any cost. Which means, most certainly, the US will have to spend countless billions of dollars to defend and protect its national security interests. Military applications will obviously become more enhanced, thanks to the billions being spend on national defense. The problem is that the US doesn't have the 'dry powder' or 'room on the national credit card limit' it needs to spend without jeopardizing a default on its debt and the subsequent debt crisis. AI and new technology risk will also be disruptive in 2024-25 and beyond. Those countries that have funding and access to new technologies will be in a superior position to take advantage of the same. Regardless, AI-powered solutions will be used to streamline operations and increase productivity in healthcare, transportation, manufacturing, retail, and finance. The concern of how AI is governed will increase as policymakers and other organizations try to come up with guidelines, standards, and even regulations. Overall, it will be difficult to catch your breath as transformative changes through every job marketplace and in society will take place. If you like change, you're in the right spot. Untold billions will be spent on AI, and the US Government will spend more than its fair share in producing AI tools for national security, deficit spending to be put atop the national debt pile. Nobody knows, but anyone can guess, that the price tag will be very high. Unforeseen events with AI and new technology risks will increase and add pressure on never-ending deficit spending. Can you smell a debt crisis yet?

ADDENDUM (Dedication, Mission Statement, Principal/Founder)

DEDICATION

To everyone, everywhere, who is experiencing (or may yet experience) the heavy burden of debt; those that are searching for debt repayment solutions, financial peace of mind, and well-being.

MISSION STATEMENT

To do good business, share good fruit, build true friendships

PRINCIPAL / FOUNDER

Jerry Staker founded the following companies:

- National Credit Awareness and Resolution Association, Inc. (NCARA.org) for small business, in 2020
- Tunabudget LLC (tunabudget.com) for individuals and families, in 2020
- Credit Risk Management Advisory, LLC (CreditRMA.com) for creditors, in 2023

The following points may be of interest:

- Birth: 1960
- Residency: Rhode Island, Arizona, Kentucky, Utah, and Hawaii
- Family: Married, four children, five grandchildren
- 40+ Year Career: 28 years in commercial banking at community and regional banks: Workout Loans, Credit Review, Director/Credit Management Group; 12 years Bank Supervision & Regulation (Commissioned Bank Examiner – Federal Reserve Bank of San Francisco
- Interests: Walking, traveling, gardening, writing, music, family, service, journal writing, family history work, fishing
- Hobbies: Earthquakes, volcanos, tornados, solar, water, wind, astronomy, consumer finance, politics, personal life histories, sunny beaches
- Ambitions: Sing, play Ukulele, under 200 lbs.