

**From Martin Weiss, Author of *The Ultimate Money Guide***

### **A Massive 40-Year Deterioration In America's Financial Stability**

Back in the 1970s, Martin Weiss and his father predicted three primary dangers ahead in that decade:

- The likely collapse of thousands of savings & loan associations and banks.
- The possibility of a dollar devaluation.
- And, ultimately, the greatest danger of all — a collapse in the ONE key market that we felt should have NEVER been allowed to collapse: United States Treasury bonds.

All those events came to pass! And today, a similar series of dangers is upon us, albeit with six shocking changes ...

### **Six Shocking Changes**

#### ***Shocking Change #1***

#### **Hundreds of Cities and States on the Brink**

Back in 1971, only a few cities were financially weak, and it still caused serious pain for hundreds of thousands of Americans.

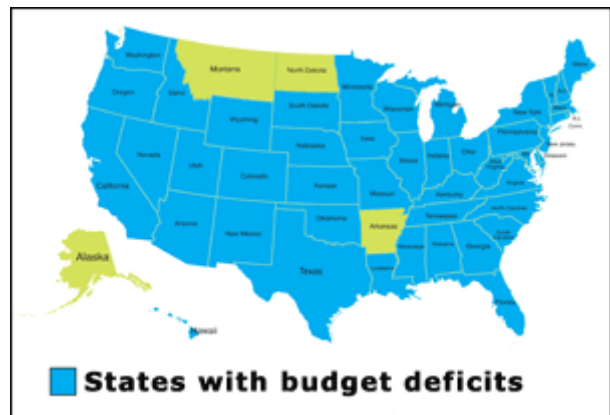
So if you had predicted that, in the year 2011, hundreds of cities — and *even entire states* — would be on the brink of financial ruin, Dad and I would have stared at you in disbelief.

*Never could we have imagined anything that bad in the United States of America!*

And yet, that's what we have today.

#### ***Shocking Change #2***

#### **Federal Deficit Near 10 Percent of GDP**



In the early 1970s, our nation's federal deficit was usually less than 2 percent of GDP, and still it was a cause of grave concern.

So if you had said that 40 years later, it would hit 10 percent of GDP — FIVE times worse — we would have been incredulous.

*Never could we have imagined that the deficit would be that big in the United States of America.*

And yet, here we are with a deficit that's in that danger zone — not just for one year, but two, three, even four years or MORE.

### ***Shocking Change #3*** **Social Security Fund in Shambles**

Back then, the Social Security Trust Fund was sacrosanct — with healthy surpluses.

Yes, we saw those surpluses diminishing in the future, but still staying in the black as far as the eye could see.

So if you had told us that before I turned 65, the trust fund would be deep in the red and sinking further into the hole for many years, we would have said flatly:

"No!

*"Sure, many of our politicians are irresponsible, sometimes even downright stupid. But they'll never let THAT happen in the United States of America."*

And yet, that's precisely what's happening today. The Social Security Fund is \$130 billion in the hole — THIS year, with future deficits as far as the eye can see.

### ***Shocking Change #4*** **2,673 U.S. Banks and Thrifts Weak**

Back in 1971, Dad and I felt the nation's banking problems were mostly in the S&L industry — not the big commercial banks.

So if you had told us that, 40 years hence, over TWO THOUSAND commercial banks — holding MOST of the assets in the U.S. banking system — would be in a weakened condition, we would have said you're nuts.

Worse, if you had said that the nation's largest banks — including JP Morgan Chase, Citigroup, and Bank of America — would be using depositors' money to speculate with over \$200 TRILLION in derivatives, our answer would have simply been:

"Never!

*"It could never get that bad in the United States of America."*

And yet, that's precisely what we have today.

### ***Shocking Change #5*** **Federal Reserve Running Amuck**

Back then, the Fed wasn't exactly the bastion of conservative monetary policy.

Whenever the economy sank, they fought back, of course.

They lowered the discount rate. They eased money. And they even made some "radical" changes, like letting banks compete freely for hot money deposits.

But slamming interest rates down to ZERO!?

Doubling and tripling the monetary base in two years flat!?

Running amuck with the most massive money printing since the Weimar Republic!?

Even in our wildest imagination, *we never dreamed that could happen in the United States of America.*

And yet, that's exactly what Ben Bernanke has done — and is pursuing — right now.

### ***Shocking Change #6*** **Rapidly Running Out of TIME**

In February 1971, we had time.

It wasn't until six months later that Richard Nixon devalued the dollar. And it wasn't until years later that thousands of S&Ls went bust, inflation surged, and Treasury bonds collapsed.

Today, we do not have the luxury of time. We may have a temporary market lull this week, this month, or even a while longer. But behind the scenes, events are unfolding quickly:

- The established ratings agencies are getting ready to finally downgrade a raft of municipal bonds and their issuers.
- The U.S. dollar is sinking.
- Key commodity prices are soaring.

- And perhaps most ominous of all, the decline in long-term bond prices — along with the rise in long-term interest rates — is accelerating.