



Shutdown Note:

Watson's Web has written extensively over many years about America's coming depression and its fiscal trajectory. I maintained a very popular series on the Coming Economic Depression that ran for many years running hundreds of pages in total. I have also produced many papers more recently on the ongoing Economic Crisis. I do not feel it meet to spend a great deal of time re-explaining the deep hole we are in and I refuse to play the childish left-right political recrimination game now being played on on Cable News. This \$17 Trillion in debt did not spring up overnight. A succession of Presidents, Speakers of the House and Senate leaders and their respective parties (Tea Party excluded as they have never held any of those posts) have created over the past three decades a mess so terrible and so gargantuan that it will be impossible, one day soon, for them to continue to pay retirees (Gov't, Social Security/ Military) and government employee's without very painful reform.

A Budget deal without reform is nothing to cheer about. Don't worry.. expect to deal with this whole issue again in January.

NATION BY THE NUMBERS

A Snapshot of The Government's Financial Position & Condition

billions of dollars	2012	2011
Gross Costs	\$ (3,844.9)	\$ (3,998.3)
Less: Earned Revenues	\$ 350.8	\$ 365.6
Gain/(Loss) from Changes in Assumptions	\$ (320.2)	\$ (28.1)
Net Cost	\$ (3,814.3)	\$ (3,660.8)
Less: Total Taxes and Other Revenues	\$ 2,518.2	\$ 2,363.8
Unmatched Transactions and Balances	\$ (20.2)	\$ (15.6)
Net Operating Cost	\$ (1,316.3)	\$ (1,312.6)
Assets:	\$ 2,748.3	\$ 2,707.3
Less: Liabilities, comprised of:		
Debt Held By the Public & Accrued Interest	\$ (11,332.3)	\$ (10,174.1)
Federal Employee & Veteran Benefits	\$ (6,274.0)	\$ (5,792.2)
Other	\$ (1,243.0)	\$ (1,526.4)
Total Liabilities	\$ (18,849.3)	\$ (17,492.7)
Net Position (Assets Minus Liabilities)	\$ (16,101.0)	\$ (14,785.4)
Sustainability Measures:		
Social Insurance Net Expenditures ¹	\$ (38,554)	\$ (33,830)
Total Non-Interest Net Expenditures ²	\$ (16,500)	\$ (6,400)
Sustainability Measures as Percent of Gross Domestic Product (GDP):		
Social Insurance Net Expenditures ³	-4.2%	-3.8%
Total Federal Government Non-Interest Net Expenditures	-1.7%	-0.7%

Budget Results

Unified Budget Deficit **\$ (1,089.4)** **\$ (1,298.6)**

¹ Source: Statement of Social Insurance. Amounts equal present value of projected revenues and expenditures for scheduled benefits over the next 75 years of certain benefit programs that are referred to as Social Insurance (e.g., Social Security, Medicare). Amounts represent 'open group' population (all current and future beneficiaries). These amounts are not considered liabilities on the balance sheet.

² Represents the 75-year projection of the Federal Government's receipts less non-interest spending as reported in the 'Statement of Long Term Fiscal Projections' in the Required Supplementary Information section of the Financial Report of the U.S. Government.

³ GDP values used represent the average of 75-year present value of nominal GDP for 2012 and 2011 from the Social Security and Medicare Trustees Reports.

Table 5: Assets and Liabilities

Net Position Dollars in Billions	2012	2011	Increase (Decrease) \$
Assets			
Cash & Other Monetary Assets	\$ 206.2	\$ 177.0	\$ 29.2
Loans Receivable and Investments, Net*	\$ 1,009.1	\$ 985.2	\$ 23.9
Inventories	\$ 299.0	\$ 296.1	\$ 2.9
Property, Plant & Equipment, Net	\$ 855.0	\$ 852.8	\$ 2.2
Other	\$ 379.0	\$ 396.2	\$ (17.2)
Total Assets	\$ 2,748.3	\$ 2,707.3	\$ 41.0
Less: Liabilities, comprised of:			
Federal Debt Held by the Public & Accrued Interest	\$ (11,332.3)	\$ (10,174.1)	\$ 1,158.2
Federal Employee & Veteran Benefits	\$ (6,274.0)	\$ (5,792.2)	\$ 481.8
Other	\$ (1,243.0)	\$ (1,526.4)	\$ (283.4)
Total Liabilities	\$ (18,849.3)	\$ (17,492.7)	\$ 1,356.6
Net Position (Assets Minus Liabilities)	\$ (16,101.0)	\$ (14,785.4)	\$ (1,315.6)

Source: [2012 Report from US Treasury](#) (2013 numbers are not officially released yet.)

Only serious talks between the President and the House to reduce spending and raise revenues can hope to save probably at most 50 cents on the dollar of your current benefit check... and that is very optimistic because there are still food stamps, disability, medicare (skyrocketing) as well as all of the Military Industrial Complex's nearly half a trillion dollars of programs every year to pay for. None of this includes the \$415 Billion a year just in interest payments we must make on existing debt or the DHS, CIA, Education, Commerce, Energy... you get the picture. If you think I am just talking about vague 'economic conspiracy theories'... let this nation go past that Oct 17 deadline... The Treasury has already made its payment prioritization list. I will tell you who is not going to get paid or will get very little, in the outside chance they do get anything.

1. Government employees (except perhaps certain security people)
2. Retiree's (Military, Social Security, government, etc)
3. Food Stamp recipients
4. Medicaid/Medicare recipients
5. Disability and unemployment recipients

What is going to be paid? Foreign bond holders. In short, just about everyone who is on some kind of government program is going to get screwed. But remember, the Chinese are going to get paid as they are one of the two principle bondholders (aka, slavemasters, [Prov 22:7](#)). Why are so may Americans

about to get this harsh dose of reality? We don't have the money. I cannot stress this enough, Americans have been some of the most willfully ignorant and criminally irresponsible voters on earth who continually put these politicians in power who borrowed this much money year in and year out and set us on a course that has put us in this horrible mess. The voters did not even demand that these deficits become a major issue during our political campaigns. So if you want someone to blame, every one of you who put these two parties in power over the years need to do a fact check and a political reflex check because this applies to you.. no exceptions. Who screwed up Americans finances? You did.

The only thing this debt ceiling debate has done is to lay bare America's finances so that anyone with an IQ equivalent with their shoe size can see it (this criteria excludes most economic and financial bloggers). That is all it has done and that is why the business as usual political machinery in DC are spinning out of control. The underbelly of our national debt disaster was something they have worked very hard to keep from you.... with decades of continual, utterly irresponsible borrowing. Anyone who tries to be fiscally responsible is called 'extremist' and is 'holding a gun' to the nations head. Anyone who wants to keep us heading into national bankruptcy with more borrowings and more interest payments on our already gargantuan debts is called 'responsible'. This is kind of inane debate is why granny isn't going to get her check. I think our debt limit should remain where it is until both sides can come up with a workable, detailed and verifiable plan that entails the major pain upfront (rather than delaying it 10 years in the future when it can be changed just before it is felt) that puts us on a real, verifiable by every known measure of economic solvency, towards that solvency.

Once that plan is in place that ceiling should be raised but only so much as is needed to get us back on track towards fiscal solvency. Will it mean that Granny is going to get less in her check? Yes. Will major DOD weapons systems have to be canceled or delayed? Yes. Will it mean that granny will still get a check in 10 years? Yes. One answer that I think would work for Social Security is means testing. No one wants to do that. But if you want to keep the program solvent, just CPI controls and raising the retirement age isn't going to cut it. We need MEANS testing. If you are already raking in 70k in retirement without your social Security check... give it up. You will still have the insurance in case your retirement fund goes belly up (quite possible in todays world). It will be there if you need it. In other words, it puts the word Insurance back in the SSI. Anyone who proposed that of course, would commit political suicide and that is why Granny isn't going to get her check next week. No one wanted to believe the truth about the 'Trust Fund'... well, they will when Granny has to run to the food shelter to get some grub.

The real problem I see is that the word sacrifice is never mentioned in our political debate. The Democrats don't want to admit that the GOP and Tea Party are Americans too, with real Americans who voted for them. The same goes for the GOP's contempt of the Democrats. We are way beyond the point where fixing this problem is not going to hurt... a lot. But, we are all Americans and we sink or swim together. Both sides are just going to have to do a few things neither really wants to do, not just the politicians but the voters as well, perhaps the voters in particular.

1. Shut your mouths
2. Open your ears to what the other guy has to say.
3. Open you mind up (and TV channels) to more that your usual dose of partisan political foolishness.
4. Even if your IQ is not up to par, at least try and behave like it is. I have heard it said that it is better to sit quietly and be considered a fool, than it is to open your mouth and prove it. Before you repeat what you heard on MSNBC or Fox, know that if they put it on their show, someone probably paid for it to be there to keep you as dumb, emotionally driven and politically

controllable as possible.

5. Don't be part of America's 'infantile paralysis' problem, be part of the solution!

No one has all the answers. I don't and neither do you. The Tea party does not, neither do the Democrats or the GOP. The alternative to real debate is all of us going down in the SS America in a sea of debt, with life rafts that won't inflate and sharks from China ready to eat us all alive because if you really want to know who has a gun to our heads, its the Chinese who own the lions share of our debt. Every year we borrow more money, we give them a weapon... a fiscal 'gun to our heads'. Last year it was a .38, next year it will be a .45, the following year, a shotgun. This, in a nutshell, has been the DC establishment's budgetary plan - arm China today so they can blow our brains out tomorrow.

Up until now, the politicians just did what you asked them to do. Borrow and spend for America's benefits, her Military, wars and other programs. Borrow but let the future pay for them, just gimme my money! So the Bush's, Clinton's and Obama's of the world in many respects are off the hook because they were doing what every elected politician does and is supposed to do. Give the people what they want. You wanted all the benefits and to let the 'future' pay for it. Well, go look and the mirror because you have just been renamed 'future'.

I know many folks surely don't want to hear that. But in our democratic system, the voters bare ultimate responsibility for the actions of their government... at least when they are aware of that governments actions. Our deficits were out there for anyone to see.. again there is no excuse. You have been the primary source of fiscal trouble and this disaster in the House of America.

Now many of you are crying about maybe not getting your checks on time. I cannot cry with you. I pity you, but am not sorry for you (for those of you who have served God Faithfully and honorably... FEAR NOT!). A person who charges up his Visa card beyond his ability to pay knowing he can't pay it, deserves the pain that follows and often that means bankruptcy and perhaps even jail time for fraud. I am not unsympathetic towards those who are worried. But I am very disgusted that it has to take this kind of situation to get the nation to at least start thinking about moving in the right direction. Even then, the political guns on TV (Cable News) have been turned on those who are forcing the nation to take a harsh look at its finances. Political guns on those shows, by the way, also want to continue business as usual because they have their hands out in ways that dwarf the entire budgets of some US governmental agencies!!. They want business as usual (bailouts hidden from you to continue) and 'borrow and spend(bailout)' is their mantra and arrange their news to give support to that irresponsible view.

I can already hear the Social Security crowd crying about having paid into it all their lives with tears running own their cheeks. Well your politicians stole the money in the trust fund. It isn't there. I know I have told this to my readers many times and provided many links showing you who stole it, when, how and why. Still no one paid even the slightest attention. So please, don't send me your emails telling me of your troubles because of this shutdown. I know its hard.

Hard lessons usually are.

There is still a faint hope of a deal being reached but that will only be a delay because any deal will come at the cost of more borrowing. That means that instead of getting at most 50 cents on the dollar of your future benefit check, expect .45 cents on the dollar because all we are doing is borrowing from the future (remember who I told you that was?) to pay for the present.

I know such harsh messages are not the way to 'win friends and influence people'. But truth is a harsh thing and it is always the most unwelcome guest at a feast full of liars and their deceived 'hangers on'. I often feel like a guy who has to walk into a party and go to the back of the room where there is a beautifully painted canvas taking up the whole back wall on which is painted a gorgeous landscape is. My job is to go in and take a butcher knife to that canvass, tearing it away to reveal about 20 armed men standing behind it with machine guns locked and loaded, ready to fire on the guests. He may not get much thanks while he's cutting down the canvass, but he may save a few lives because he did. He's been screaming at you since the party started that those guys were back there, while you drank yourself into a stupor. You just laughed at him and said, "shut that dude up, he's wrecking the party!" There are times when I know how Jeremiah, Isiah and Ezekiel felt. They did not just foretell of economic discomfort but of fire, famine, the sword, war, foreign invasions, rape and death to the whole political establishemnt, as well as to large swaths of the population.. How welcome did you think his message was back then? Face all crinkled up in anger at me? Whose fault is that?

I am not here to make anyone feel good and there are times when what I say may sound insulting. It isn't meant to insult but to rebuke and sometimes folks just need a cold slap in the face and a cold bucket of water to deliver them from their daydreams and delusions. Too many Americans are more akin to spoiled and immature children than adults. Like those kids, they are addicted to the toys, games and playtime and don't want to deal with 'adult matters'. Take this 'slap in the face' like an adult because a body blow, followed by a two-by-four laying you out on the floor is on its way and it may already be to late for you to get out of the way. You may survive its blow and you may have some scars and other permanent damage when it gets done with you. All of my previous 'slaps' in all of my other economic writings were only meant to get you to turn around, take a good look at that two-by-four and that 800 pound gorilla who is ready to deliver the blow and to help YOU get out of the way.

But only YOU could make that decision.

I strongly most STRONGLY urge you jettison your willful ignorance, stupidity and childish partisan recriminations as soon as possible because I am out of the slapping business and will watch with sadness people getting hit by that proverbial piece of wood and will only mutter to myself...

I told you so. You were begging for it and now you got it.

You know what one 20+ year career intelligence official told me last week? He said that over 11,000+ foreign entities have been putting money into political coffers in America. the Chinese, Germans, Indonesians, Malaysians, Russians Saudi's, Mafia, Drug cartels. How did it come to this? The key was Citizens United and the Treason committed by Justices on the Supreme Court who knew this is what would happen. That is the view of this official who has seen the money trail from certain entities to key Supreme Court Justices who have been bribed on this and other major decisions. Then he laid some heavy stuff on me that I cannot share. Then he told me that those politicians who have not already been bought off will be by the next congressional elections. He then said this and repeated it, twice..."This is not our country anymore". What kind of person is this that told me this? One who to this day and probably throughout this three-day weekend is working without pay (by choice) to secure this country from forces that 99% of Americans never thought were lethal threats to the nation. Then he said this. If this thing goes the distance I can give you two words only... 'Marital Law'. So those of you out there thinking there will be blood in the streets when Granny's check stops coming... well, I can only say that they have a plan for that too. A couple weeks without paychecks and people are going to be worried about food, gas, heat, you name it. I hope I am making myself clear... and that is even if they come up with a temporary debt ceiling solution, we will be right back to this again soon because America is

soon to approach her credit limit, not this year, probably not the next one ... but it is fast approaching.

During this crisis, I exhort all of you to do what you can to stay out of crowded places. I think that there is some concern that what happened in that mall in Kenya could happen here. America's myriad enemies are lining up and chomping at the bit for some payback for all of the crap we have done to them. So be careful, this is one of those threats that any group that has a martyr complex can perpetrate anywhere in the US.

*He that troubleth his own house shall inherit the wind: and the fool shall be servant to the wise of heart.
(Pro 11:29)*

M.

How Much Longer?

Its hard to say how much longer this shut down will last. Its difficult to give anyone high marks in this battle. I think the President has been utterly infantile, the Tea Party unreasonable and Harry Reid typifies everything that's wrong with 'business as usual' Washington. The only one who I think has shown some sense is Boehner. I am not a republican. But Boehner has been stuck behind a rock and a hard place and his speakership is on the line. He has been forced to move with the Tea Party when that is not where his heart lies. He also knows that the nation cannot continue on the fiscal course its on. Obama, on the other hand, at one time [\(2006, 2007\) opposed a debt limit increase](#) and now is in favor of it. He wants a clean bill and wants to keep Obamacare unaltered, at just about any cost... **including national default.**

The Tea Party is doing its job. I am not a fan of them but they are doing what the voters sent them to Washington for. **That is to end business as usual.** When Harry Reid calls them 'anarchists', I know they are probably doing something right for a change. But let me make this clear, I don't like to see the government shut down. I don't want to see that. I don't want to see people go without pay when they have bills to pay. I know folks (friends) who make great sacrifices for this nation who right now are working very hard... without pay. But is the only answer to continue to be the most fiscally irresponsible nation on earth, borrowing over a trillion dollars a year just to pay our bills? You tell me who is being more responsible - the folks who want to talk or the ones who want to continue to borrow and spend and not change a thing? How much did we pay in interest last year?

Interest Expense Fiscal Year 2013	
September	\$19,843,542,012.01
August	\$25,487,831,947.93
July	\$25,076,777,459.95
June	\$93,031,790,187.97
May	\$24,378,480,861.09
April	\$35,951,751,963.63
March	\$23,472,400,737.30
February	\$16,901,310,565.17
January	\$17,816,590,831.57
December	\$95,736,594,801.52
November	\$25,068,968,472.99
October	\$12,922,741,407.27
Fiscal Year Total	\$415,688,781,248.40

** Due to a change in the accounting method for the Department of Defense (DOD) market-based securities, a one time adjustment of \$75 billion decreased the Interest Expense on the Public Debt for the month of July.

Note those astericks... I have reason to believe that what is happening with those market based securities is that the Treasury is borrowing money from the [Military Retirement Fund](#) to keep our interest rate expense down below Half a Trillion a year... just in interest payments.

I hear people talking in the malls and grocery stores, everyone is distracted by the political hot air machine coming out of the cable news networks. No one wants to deal with fundamental issues... that we spend too much money and live far beyond our means and are on our way to a train wreck at full speed.

Frankly, I have a hard time listening to Obama, Reid and Boehner because no one is really talking about reality. Government employees are blinded by the fact that they are dependent on all that borrowing so they don't want to deal with it. The millions of beneficiary of government programs don't want to deal with it because it's their checks too. Contractors in the government and defense related corporations don't want to deal with it it because they too have their hand open. **They all just want their money** so they can continue happily down financial delusion street. Today both parties... they are all trying to make an impression in the minds of voters by ignoring the key issues. So they pick a hot button issue like Obamacare and who gets the blame for all those poor tourists who can't visit this or that national monument during the shutdown. It's the typical childishness that put us in this mess.

The real problem you are not going to hear about on your Sunday Morning News shows or on the nightly news? That we spend far, far too much money. Me? I say, lets get our house in order and if it takes a genuine debt default to bring it about, lets have it... now. Lets fix what wrong so that the nation has a future, the next generation has a future and we are not sold out by politicians who have to give

real hard assets inside America to its enemies in order to borrow more money. If it takes the banks closing and ATM's empty to get folks to fix our real situation and these childish and ignorant Americans to figure out that this is a crisis that is going to mess up much more than next Sunday's football game, then default may be the best medicine the nation has had in a long time. Regular medication isn't working on healing America's fiscal dementia, it's time for shock treatment... before we get the fiscal 'flat line' with that long monotonous beep.

Don't bother trying to explain the reality to Americans yet. They are with a very few exceptions, mentally incapable of grasping these facts. They may make the proper noises, but they don't want to do anything about the real problem, their minds have been trained to switch gears from harsh fundamental realities to the political potions and polarizing nonsense that surround issues like Obamacare, Keystone or people's general impression of the Tea Party, or Liberals, Conservatives....

I am not afraid of default. **I think default is the medicine our nation's current bout of infantile paralysis needs.** I think the House would be irresponsible to pass a 'clean' continuing resolution. Obama said the same thing when he was in the Senate. So lets get real. The shoe is on the other foot now and like usual, this chameleon Americans put in the White House has a new stance to fit the occasion and his political and personal (swollen) coffers.

Perhaps this is all theater and both sides are playing a game in public so that we can negotiate with our creditors **after** a default. A kind of bankruptcy reorganization by stealth after a phantom political battle.

Who knows..

I wish I could give you all some kind of deep spiritual commentary. I don't have it. The only thing I see is what the wise man said about correcting children. Sometimes they need a rod of correction. I think the American people and their mentality need a serious correction and the "me, now"... "give it all to me now" mentality is what is destroying the nation. It is typified in our 'borrow and spend' federal government... Everyone wants to let someone else pay for their indulgences. This sickness is killing the nation. In the past, men and women built and saved **for** the future. Today we borrow and spend **from** the future.

Well, there are two paths to correction - we can do it, or we can let someone else do it for us.

*He goeth after her straightway, as an ox goeth to the slaughter, or as a fool to the correction of the stocks;
(Pro 7:22)*

*Correction is grievous unto him that forsaketh the way: and he that hateth reproof shall die.
(Pro 15:10)*

*Foolishness is bound in the heart of a child; but the rod of correction shall drive it far from him.
(Pro 22:15)*

*Withhold not correction from the child: for if thou beatest him with the rod, he shall not die.
(Pro 23:13)*

If the nation is to survive we must have a course correction.

Note: This is actually two posts written in early and mid October 2013.

By,

Mark S Watson

www.markswatson.com