

### **FOR WHAT WE ARE ABOUT TO RECEIVE ...**

The year 2013 will be remembered by history as being the longest 12 months to which the human population of the world has ever been held a captive witness.

That which held the world in a state of formication was The United Nations's failure to act, decisively, in order to stop the slaughter of tens of thousands of innocent Syrian civilians by their own government; and, to an even larger degree, to the failure of the largest and most-powerful, democratic government of the world to come to grips with its fiscal problems, fiscal problems that had been permitted to plague the country for more than a decade.

The mass slaughter of civilians in Syria will soon, relative to the nagging fiscal problems of the world's largest democratic government, be forgotten, no doubt, because it is an established, historical fact that humankind enjoys the killing of his neighbour.

Sadly, the world has come to live with this human trait and oftentimes enjoys, and even praises wars, with man, saluting and honouring those brave soldiers who died in great battles where as many as 50,000 men lost their lives within a very short space of time.

But, in respect of the United States of America and its multiple failures to solve plaguing fiscal problems, the country has lost a great deal of kudos, kudos that will take eons to be forgotten – if ever.

Legal murder by soldiers in times of war is condoned and is considered an act of bravery, but the refusal, or inability, to pay one's debts is entirely something else and it is given multiple nomenclatures, from misfeasance, to malfeasance, to obtaining an advantage by deception, to outright theft.

It is highly unlikely that the world will ever be able to forget the near fiscal tragedy of the US Government, during the watch of the country's first black President, Mr Barack Hussein Obama.

The Government of the People's Republic of China (PRC), today, is closely monitoring the many machinations of US Government because, among other things, the PRC, which is the world's second-largest economy, is, also, one of the largest creditors of the US.

Further, the US dollar – once referred to as the '*mighty greenback*' – has lost, and is continuing to lose, a great deal of its former lustre.

### **The Deadline**

Tomorrow (October 17) is the deadline whereby the US debt ceiling has to be raised if the country is determined to rescue itself from the fiscal hole into which it has fallen – by its own incompetent hand, one should recognise.

If the US Government cannot obtain a consensus between the Democrats and the Republicans of The Congress of the United States of America whereby the debt ceiling shall be raised, The Treasury could run out of money.

The big question, of course, is when, exactly, will The Treasury find itself without funds.

One cannot recall that such a thing has ever happened in the history of this great country that is, still, the hope of the free world.

The problem of the US economy is, simply put, that, over the years, it has been in the habit of spending more than it has been earning.

The repercussions of the inability of the US Government to deal, effectively, with its imbalance of payments, internationally, are going to stay with the country for many years to come in a similar manner as the very idea that Lehman Brothers Holdings Incorporated could fail just before it declared bankruptcy in 2008 was, in that year, considered an impossibility.

Today, the US is staring at the probability that its failure to deal with its present fiscal problems could cascade round the world, with its international reputation, being sorely – and, perhaps, irreparably – tarnished.

A number of European banks are, today, trying to ascertain the likelihood of a financial default by the US Government. That is to say that the country would have insufficient cash in the kitty, being unable to pay its financial commitments as they fell due.

If this should come to pass, it would be catastrophic, both economically and electorally.

### **On The Road To Socialism?**

As it is, in the south of the US, it is a widely held belief that President Barack Hussein Obama is trying to take the country down the road to socialisation.

*'And that ain't our way of doin' things,'* according to Mr Bobby Bourgeois of Lafayette, Louisiana.

While the probability of a financial default on the part of the US Government might appear slim, today, one belief is that the mere likelihood of such a default could well be the *'tonic'* to cause members of the two feuding political parties of the need to come together in order to reach a consensus if only as a stopgap measure and little more.

If not, The Treasury could find itself bereft of money to pay bills ... at any time.

However, some of the gamblers within the ranks of the Democrats and Republicans might well take the stance that going past Thursday's (Washington time) deadline could result in their respective political party, making political capital.

After all, one cannot say with any assuredness as to the exact date or time that the money in The Treasury's coffers would run dry.

It is accepted that the first material interest payment with regard to honouring commitments in respect of US Government scrip must be made by Thursday, October 31, 2013.

The Congress cannot permit a default on any material interest payment because the results of such a situation could well be calamitous.

Such a scenario would be felt far and wide, without question.

The Congress, however, could miss an interest-payment deadline by a day or so and, prior to defaulting, officially, on any payment, come to terms with the ticklish situation with few (if any), long-term implications.

But one must ask: Is it a risk worth taking?

One thing is certain, however: If it is seen that the US has defaulted on any material interest payment, it is akin to stepping into a proverbial black hole where one cannot know of the likely depth of the financial abyss.

For a day or so, a material interest-payment delay would have little impact on anything, but beyond a certain period of time, one could liken this to staring down the barrel of a shotgun, not knowing when somebody would squeeze the trigger.

The failure of meeting a material interest payment raises the possibility of a large-scale, global liquidation of the US dollar. If that should transpire, it is likely that it would be chaotic, internationally.

The US dollar is the currency that is widely used for international transactions and it has long been considered the most-respected, reserve currency of the world.

Failure of the US dollar to be seen as a continuing and viable reserve currency, toppling it from its present pedestal, could lead to all kinds of global turbulence, resulting in the very real **probability** of an international recession.

One may imagine that many fragile banks would find themselves, teetering on the horns of dilemmas of that unmentionable, horrible affliction: Bankruptcy.

Such a situation could never be permitted and one could imagine, as ridiculous as it may sound, today, that The Deutsche Bundesbank, The International Monetary Fund, the People's Bank of China, etc, etc, etc, would step up to the plate, offering to prop up the economy of the United States with money in their coffers, looking for a home.

An unbelievable scenario? Perhaps not so unbelievable.

After all, many seemingly unbelievable scenarios have come into being and far too many of them have been forgotten with the passage of time.

It is too difficult for many a man to learn from the mistakes of history.

Who still remembers the 59 year-old, Detroit-built, luxury Packard motor car, the 38 year-old, British-built, Hillman Minx, and the 36 year-old, Rolls Razor?

All gone and all, today, but distant memories.

If the US greenback is seen, no longer, as a safe haven for international funds, what could be its replacement?

### **How Much Money Has To Be Raised?**

The US debt limit has to be raised from its present level of about \$US16.70 trillion or The Treasury will run out of money. The deadline is this Thursday (Washington time).

Raising the debt limit would make it possible for the US Government to execute payments of its bills as they fall due.

In May, this year, The Treasury was, already, in a bit of a bind, but it simply delayed payments into pension funds and the like in order to keep the home fires burning.

The Treasury cannot, however, consider such steps indefinitely and, for all intrinsic purposes, October 17 will see such measures, having been completely exhausted.

The Treasury has published a timetable of upcoming payments that have to be met within the next month or

so:

<u>Date</u>	<u>Event</u>	<u>Payment</u>
October 23, 2013	Social Security Payments	\$US12 billion
October 31, 2013	Interest Payments	\$US6 billion
November 1, 2013	Medicare, Social Security, Military Pay and Benefits	\$US58 billion
November 14, 2013	Social Security Payments	\$US12 billion
November 15, 2013	Interest Payments	\$US29 billion

When Lehman Brothers went belly up in 2008, nobody could have imagined that the seemingly relatively small sum of \$US20 billion in the shape of a US Government guarantee could have saved this once huge Wall Street bank from going to the knackers' yard.

When the US Government declined to come to the assistance of Lehman Brothers, the unmentionable happened: The failure of this bank triggered a recession, the deepest recession since the end of Second World War.

And that recession in the US triggered reverberations in many other parts of the world.

Who can accurately foretell the dire consequences of a financial failure of the largest, single economy of the world when it is confirmed that it is seen to be unable to pay its debts as they fall due.

It is too draconian even to imagine: It boggles the imagination.

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