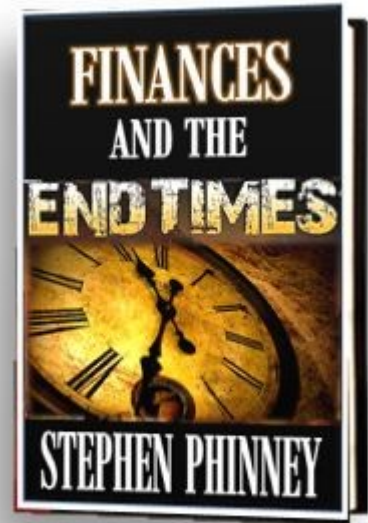


SECURITY REPORT & FINANCIAL INFOGRAPHICS

Rense: This report will be one of the most important and timely pieces of information you have ever read. It is alarming, but not speculative nor intentionally sensational for the purpose of selling. When I returned to the States a year ago after being overseas for two years, I noticed an escalation of debt in this country. The danger signs present today are nothing short of incredible. After a lot of research on my part, I found that not only were my personal fears correct, but there are a lot of finance wise people who see the same thing coming -- people who are getting out of harm's way. Our economy is in DEEP DEEP TROUBLE, and that means your investments, your pensions, and your savings are exposed to incredible risk.



I. THE OVERALL ECONOMIC PICTURE

The Forerunner

Consider Reading: [Click Here](#)

Early Tuesday morning Oct. 29, 1929, the stock market opened as usual. The only difference on this particular day was that all the trading activity on the floor was to sell, not buy. Not only did the "crash" that followed affect multitudes of Americans, it affected people and economies all over the world. Thousands of people lost their jobs; their homes; and their life savings. The middle class was wiped out. By the end of the year, commodity markets lost an unbelievable sum of 40 billion dollars in equity. Four years later, at the depth of the depression, the national income fell by 50% and 5000 banks had closed their doors.

>From the very beginning, our founding fathers had always advocated that the federal government should not interfere with the free enterprise system. However, due to the suffering induced by the depression, the American people wanted relief and allowed the new President Roosevelt to take action with programs that had been considered illegal up to that time. The President boldly initiated his socialistic "New Deal", and for the first time in history, the U.S. government intervened in the affairs of private business with helps called "entitlements." The stage was set for the federal government to dominate American business, banking, commerce, and the economy as a whole.

Not only did this "New Deal" allow for more government control in private enterprise, it also was the beginning of the cancerous government debt that will eventually be financially perilous to our economy. This country saw a great depression in 1929. We are dangerously close to repeating history but with much more devastation.

The America that you and I grew up to know and appreciate is a thing of the past. The upcoming crash is going to make the crash of 1929 look like a mild recession in comparison. Your job, your company and your industry is much more dependent on other industries today than it was in 1929. If our government continues to spend more than it takes in, with 100 percent certainty, it will go broke. A time of rectification is certain, it's only a matter of when.

The Problem Defined

Our government has the ability to generate \$1.2 Trillion in taxes. It spends \$1.4 to \$1.5 Trillion per year. The U.S. government is spending more money each year than it raises in taxes. How does it do that? It borrows the money to make up the difference. In 1992, it had to borrow about a quarter of all the money it spent. This amount borrowed is called the deficit. The government has been operating this way since the 1960's. The accumulation of yearly deficits is called the National Debt. By 1992, the National debt was estimated at over 4 Trillion dollars.

The government has given up on trying to pay back the national debt and is struggling to just keep up with the interest payments. Right now, interest payments is one of the top three expenditures in the National budget each year. In just a few years, it will be the largest expenditure. In 1980 the percentage of income tax used to pay the interest of the debt was about 30%. In 1992, just 12 years later, that had doubled to 60%. Experts project that within just a few years, the interest payments alone will absorb all of the taxes collected. At this point, there will be no money to run the country and America will be bankrupt.

Even if our budget was balanced, we would still be in trouble because we don't have the cash flow left over to pay the interest on our existing debt. This means we borrow to pay the interest which means the existing debt is compounding. It doesn't take an expert to realize the eventual results of that. If we continue to spend more than we take in, the U.S. government is heading for an eventual collapse.

In the beginning of our country, the only time it borrowed money was during time of war. This changed in the 1960's. When John F. Kennedy was inaugurated as President, federal revenues and spending was less than \$100 Billion per year. The deficit was \$3 Billion per year. After 1963 when Kennedy was assassinated, President Johnson made some drastic changes in this country's economic policies. Johnson declared war on poverty, war on Viet Nam and began borrowing money to achieve these goals at record rates.

By 1981, Federal spending had increased to \$500 Billion. By the time Ronald Reagan left office, federal spending was up to about \$1 Trillion per year. Federal debt, which was \$914 Billion in 1981, had increased to 2.8 Trillion in 1989. By the end of the Bush presidency, the debt was 4.2 Trillion.

IOM Fact Finding:

The Federal Budget, 1994-2014

IN BILLIONS OF 2014 INFLATION-ADJUSTED DOLLARS

Fiscal Year	Mandatory Spending	Discretionary Spending	Net Interest	Total Spending	Total Revenue	Surplus/Deficit
1994	1,052	793	297	2,143	1,845	-298
1995	1,061	782	333	2,176	1,940	-235
1996	1,109	751	340	2,199	2,047	-151
1997	1,122	757	338	2,217	2,187	-30
1998	1,175	755	330	2,260	2,355	95
1999	1,216	773	310	2,299	2,468	170
2000	1,259	813	295	2,367	2,680	313
2001	1,302	839	266	2,407	2,573	166
2002	1,406	933	217	2,557	2,357	-201
2003	1,476	1,029	191	2,695	2,224	-471
2004	1,507	1,090	195	2,792	2,289	-503
2005	1,558	1,143	217	2,918	2,542	-376
2006	1,614	1,162	259	3,036	2,752	-284
2007	1,614	1,160	264	3,038	2,859	-179
2008	1,740	1,238	276	3,253	2,753	-500
2009	2,257	1,334	201	3,792	2,269	-1,523
2010	2,045	1,440	210	3,695	2,312	-1,383
2011	2,124	1,412	241	3,777	2,415	-1,362
2012	2,092	1,325	227	3,644	2,524	-1,120
2013	2,062	1,220	224	3,506	2,817	-690
2014	2,080*	1,153*	271	3,504	3,021	-483

* Heritage estimates Highest spending level First year of Budget Control Act

Sources: Congressional Budget Office, "Monthly Budget Review: Summary for Fiscal Year 2014," November 10, 2014, <http://www.cbo.gov/publication/49759> (accessed November 10, 2014), and U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 23-25, Table 1.1, and pp. 150-151, Table 8.1, <http://www.whitehouse.gov/omb/budget/historicals> (accessed September 17, 2014).

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The Federal Budget, 1994-2014

IN BILLIONS OF 2014 INFLATION-ADJUSTED DOLLARS

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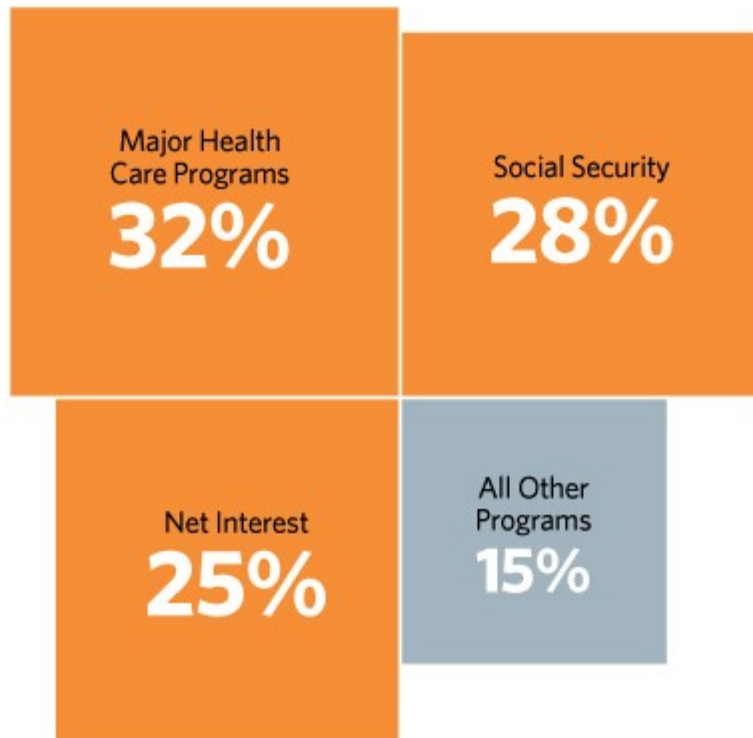
* Heritage estimates Highest spending level First year of Budget Control Act

Sources: Congressional Budget Office, "Monthly Budget Review: Summary for Fiscal Year 2014," November 10, 2014, <http://www.cbo.gov/publication/49759> (accessed November 10, 2014), and U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 23-25, Table 1.1, and pp. 150-151, Table 8.1, <http://www.whitehouse.gov/omb/budget/historicals> (accessed September 17, 2014).

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Entitlements and Interest on the Debt Account for 85 Percent of Spending Growth Through 2024

PERCENTAGE OF TOTAL INCREASE IN OUTLAYS, 2014 TO 2024



Source: Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2014 to 2024," August 2014, <http://www.cbo.gov/publication/45653> (accessed September 17, 2014).

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Where Does All The Money Go?

- Forty-nine percent, or almost half of all spending, paid for Social Security and health care entitlements (primarily Medicare and Medicaid).
- In 2003, the entitlement share of the budget was 44 percent, compared with 49 percent today. Without reform of these massive and growing programs, Washington will have to borrow increasing amounts of money, piling debt onto younger generations and putting the nation on a dangerous economic course.
- Social Security is the largest federal spending program and has held this position since surpassing defense spending in 1993.
- Medicare is one of the largest and fastest-growing programs in the entire federal budget.

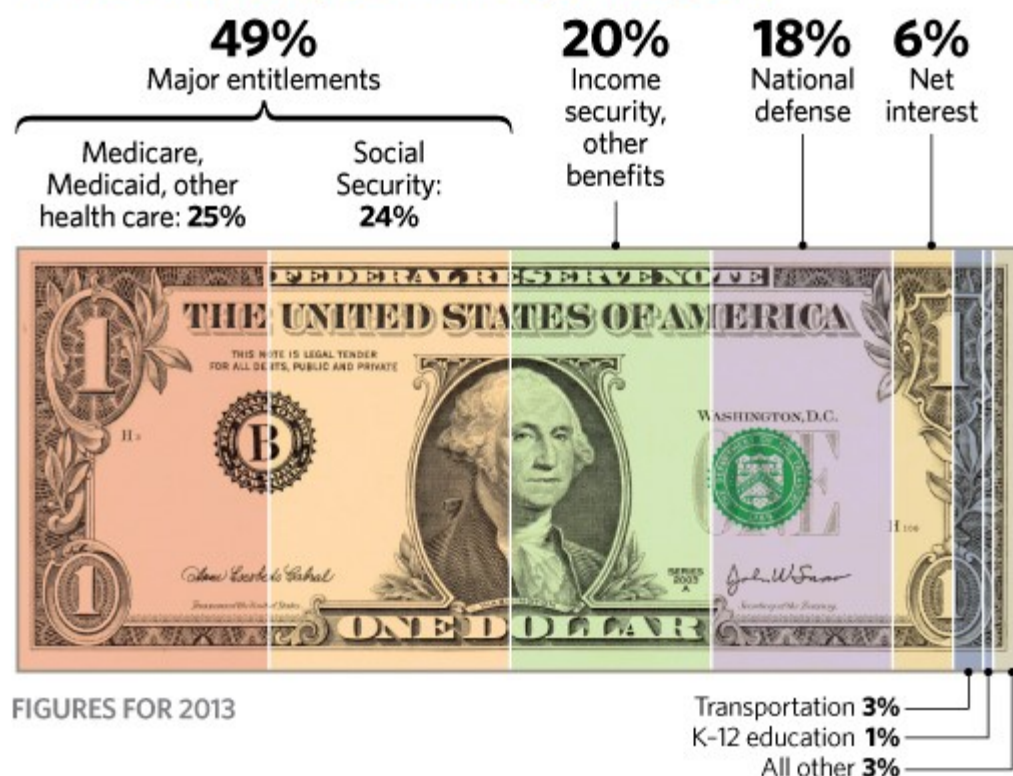
Where Does All the Money Go?

OUTLAYS, IN MILLIONS OF 2013 INFLATION-ADJUSTED DOLLARS	2003	2013	% Change	Share of 2013 Spending
650 Social Security	594,481	813,551	36.85%	23.55%
050 National Defense	506,880	633,385	24.96%	18.33%
600 Income Security	419,087	536,511	28.02%	15.53%
570 Medicare	312,385	497,826	59.36%	14.41%
550 Health	274,949	358,315	30.32%	10.37%
900 Net Interest	191,706	220,885	15.22%	6.39%
700 Veterans Benefits and Services	71,366	138,938	94.68%	4.02%
400 Transportation	83,996	91,673	9.14%	2.65%
500 Education, Training, Social Services	103,430	72,808	-29.61%	2.11%
Other (371, 373, 376)	7,384	-81,360	-1201.84%	-2.36%
750 Administration of Justice	44,259	52,601	18.85%	1.52%
150 International Affairs	26,549	46,418	74.84%	1.34%
300 Natural Resources and Environment	37,154	38,145	2.67%	1.10%
250 General Science, Space, Technology	26,088	28,908	10.81%	0.84%
800 General Government	29,010	27,755	-4.33%	0.80%
450 Community, Regional Development	23,607	32,336	36.97%	0.94%
350 Agriculture	28,174	29,492	4.68%	0.85%
270 Energy	-908	11,042	-1316%	0.32%
372 Postal service	-6,474	-1,839	-71.59%	-0.05%
950 Undistributed Offsetting Receipts	-68,107	-92,785	36.23%	-2.69%
Total Outlays	2,705,019	3,454,605	27.71%	

Source: U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 156-157, Table 8.4, <http://www.whitehouse.gov/omb/budget/Historicals/> (accessed September 17, 2014).

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Where Did Every Dollar in Spending Go?



Notes: Income security includes federal employee retirement and disability, unemployment compensation, food and housing assistance, and other federal income security programs. Figures have been rounded. National defense includes overseas contingency operations.

Source: U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 156–157, Table 8.4, <http://www.whitehouse.gov/omb/budget/Historicals/> (accessed September 17, 2014).

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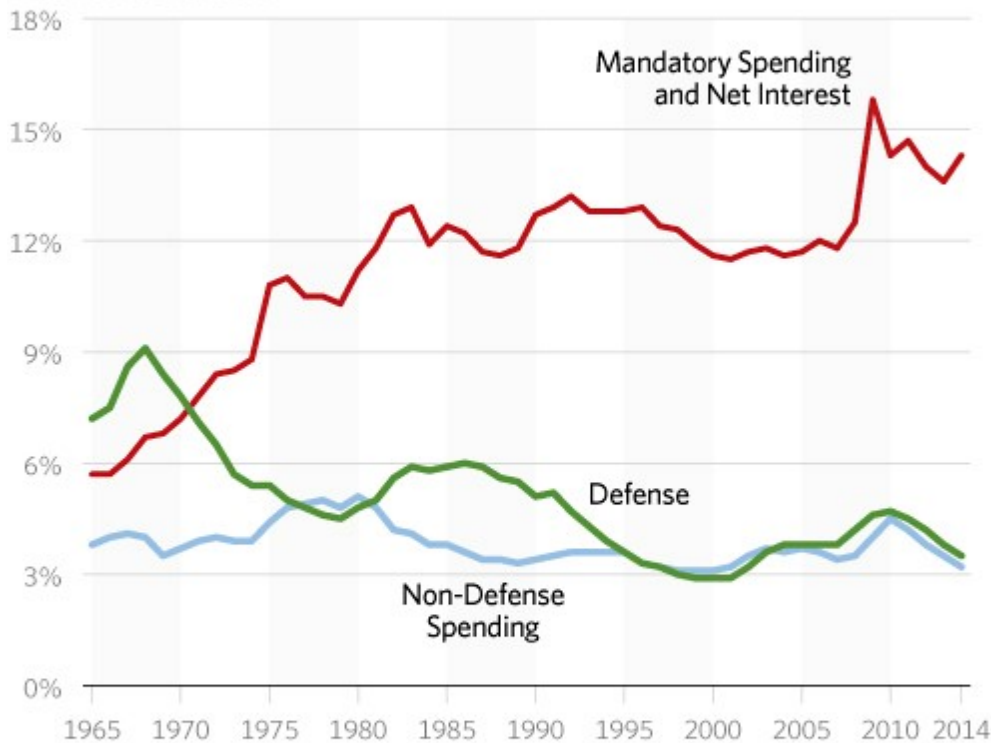
Budget Trends

- In 1965, defense spending was 7.2 percent of GDP and mandatory spending on entitlement programs and net interest was 5.7 percent of GDP, one-third lower.
- In 2014, spending on defense is 3.5 percent of GDP, or less than half of what it was in 1965, and falling, while mandatory spending (including net interest) is reaching 14.3 percent of GDP and growing.
- Total *annual* spending will increase by \$2.3 trillion in nominal terms, growing from \$3.5 trillion in 2014 to \$5.8 trillion in 2024.
- Social Security, Medicare, and Medicaid make up 77 percent, or more than three-fourths, of mandatory program spending in 2014 and have no budget limits.
- Discretionary spending, the part of the budget that Congress budgets each year, will increase by 29 percent over 10 years, but only if lawmakers enforce sequestration.
- Discretionary spending as a share of the budget will fall from two-thirds in 1964 to less than one-quarter in 2024, as entitlements grow uncontrolled.

- Mandatory spending will grow from one-quarter of the budget in 1965 to 63 percent by 2024. When net interest is added, this spending would consume three-fourths of the budget.

Mandatory Spending More Than Doubled as a Share of the Economy

PERCENTAGE OF GDP

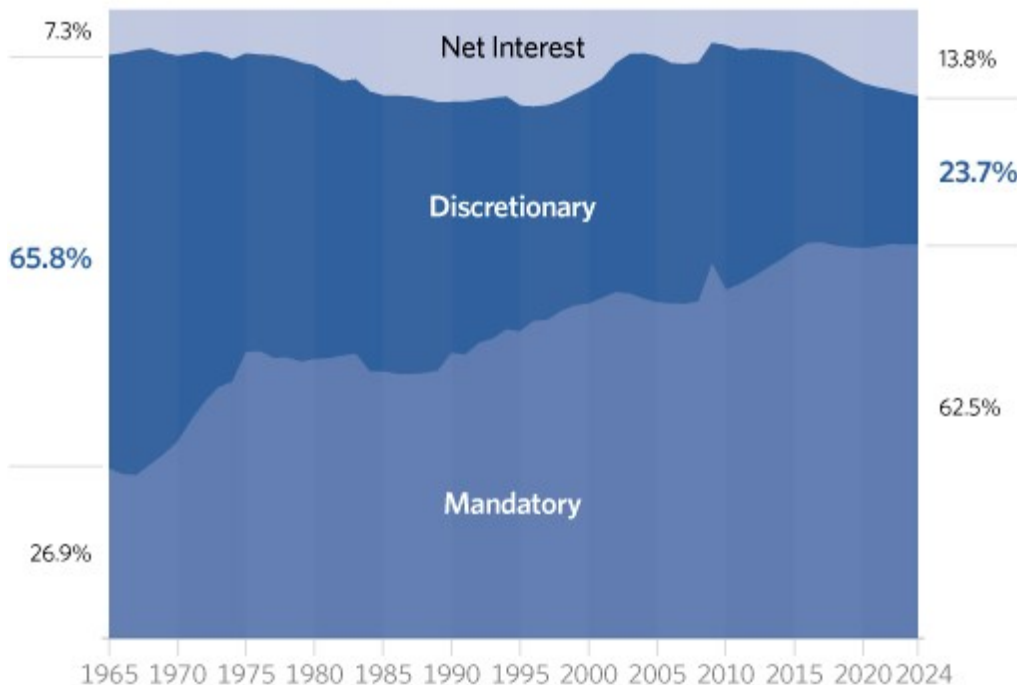


Source: U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 156-157, Table 8.4, <http://www.whitehouse.gov/omb/budget/Historicals/> (accessed September 17, 2014).

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As Entitlement Spending Grows, the Discretionary Share of the Budget Falls

SHARE OF TOTAL FEDERAL SPENDING



Sources: U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 158-164, Table 8.5, <http://www.whitehouse.gov/omb/budget/Historicals/> (accessed September 17, 2014), and Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2014 to 2024," August 2014, <http://www.cbo.gov/publication/45653> (accessed September 17, 2014).

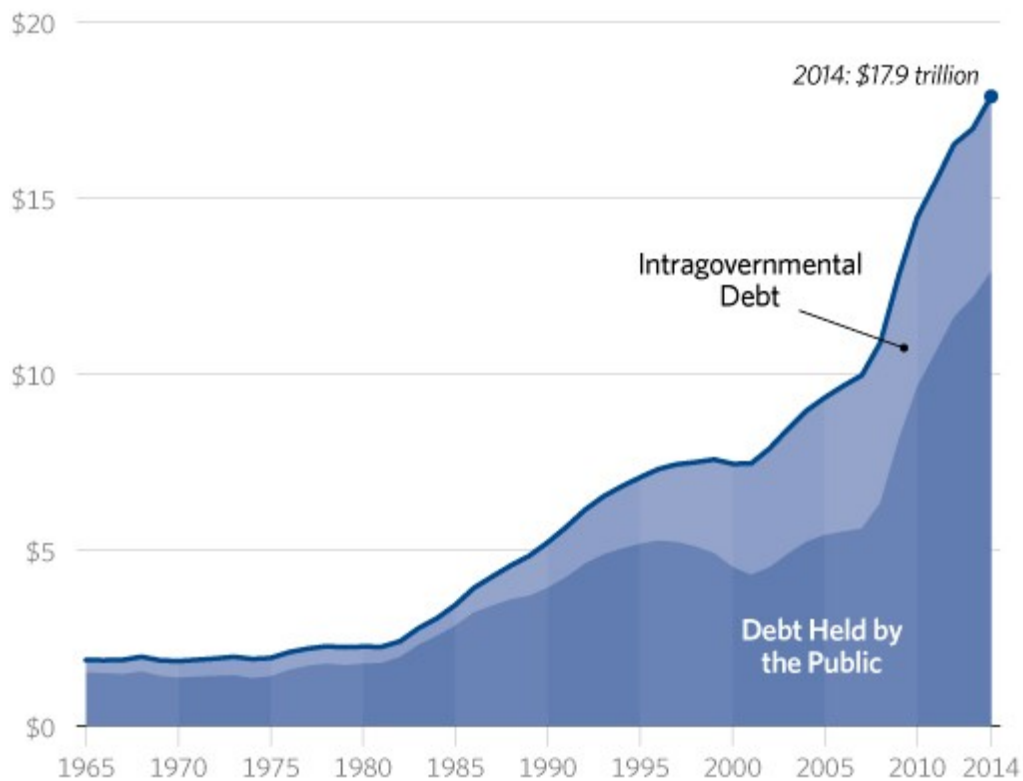
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Debt Is Too High, and Growing

- Federal gross national debt consists of the publicly held debt (borrowed from credit markets) and intragovernmental debt, such as the Social Security Trust Fund.
- Publicly held debt exceeded \$13 trillion in 2014, and together with nearly \$5 trillion in intragovernmental debt, drove the national debt to nearly \$18 trillion.
- In 2014, the national debt exceeds \$145,000 per American household.
- In 2014, publicly held debt reached 74.4 percent of GDP. The historical average is about 38 percent.
- Baseline budget projections assume that Congress will allow a host of tax provisions to expire, an unlikely proposition. If Congress also ignores future sequestration cuts and continues the "doc fix" (reversing a scheduled payment cut to physicians who serve Medicare patients), publicly held debt would surge to 86 percent of GDP by 2024—the largest share since 1948.

U.S. National Debt Approaches \$18 Trillion

IN TRILLIONS OF 2014 INFLATION-ADJUSTED DOLLARS

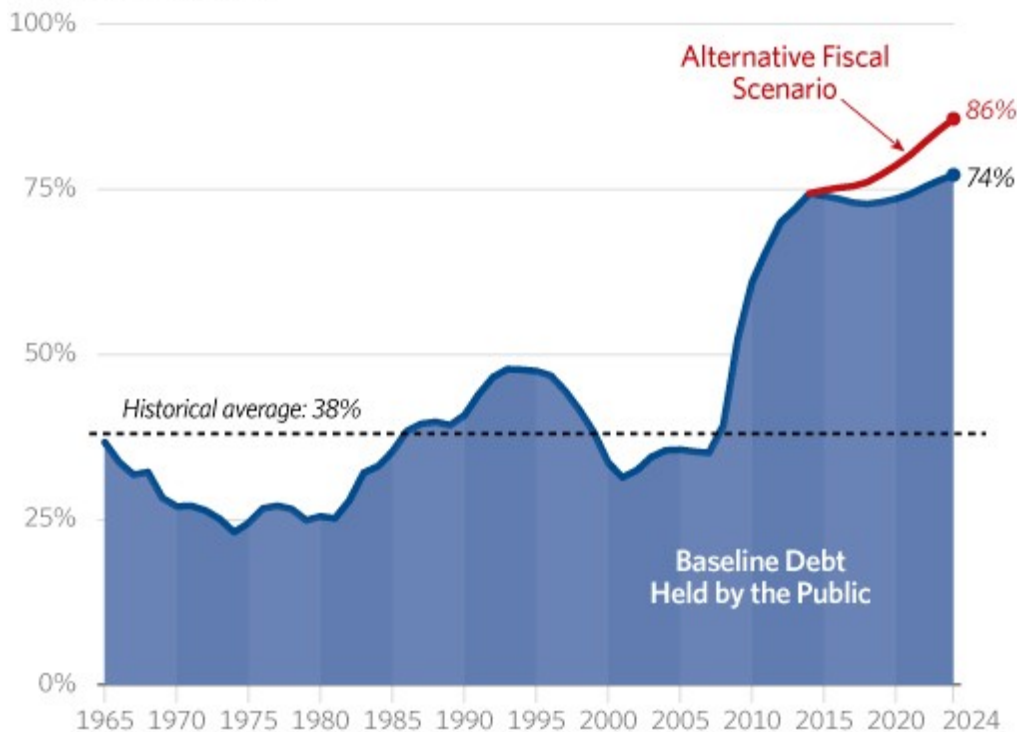


Source: U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 144–145, Table 7.1, <http://www.whitehouse.gov/omb/budget/Historicals/> (accessed September 17, 2014).

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Debt Borrowed in Credit Markets At 50-Year High

PERCENTAGE OF GDP



Sources: U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 144-145, Table 7.1, <http://www.whitehouse.gov/omb/budget/Historicals/> (accessed September 17, 2014), and Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2014 to 2024," August 2014, <http://www.cbo.gov/publication/45653> (accessed September 17, 2014).

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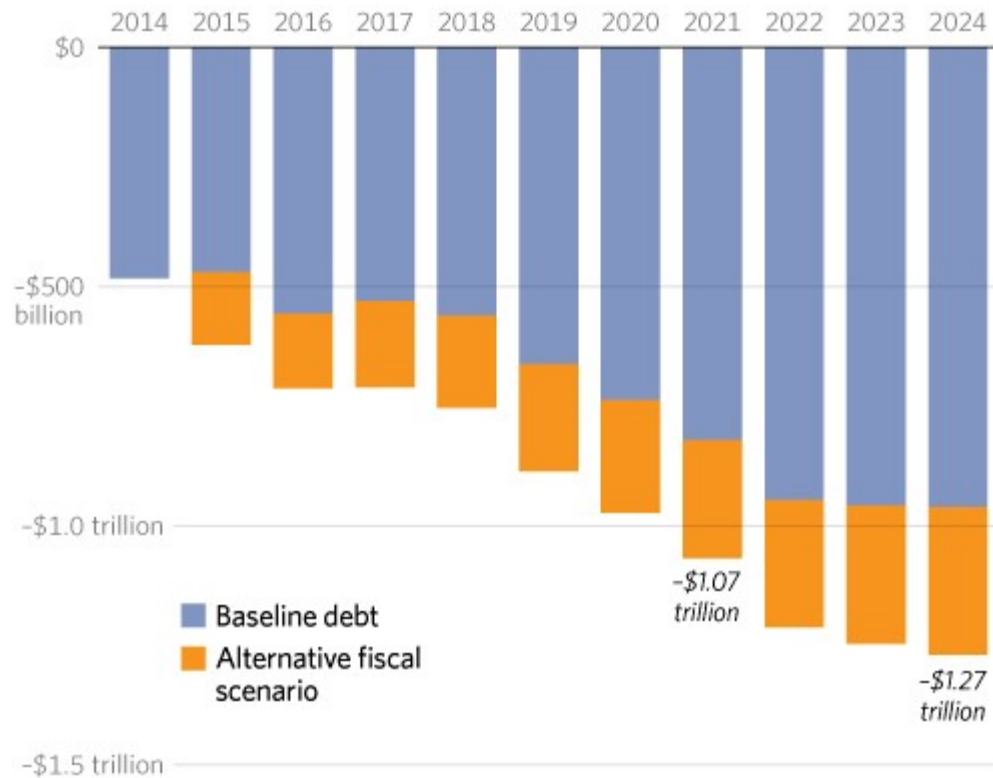
Deficits and Interest on the Debt Grow

- Budget deficits occur any year that Congress spends more than it collects in taxes.
- In 2014, Congress borrowed 14 cents of every dollar it spent.
- The deficit is projected to grow from \$486 billion in 2014 to \$1.270 trillion by 2024, a 151 percent increase under the more realistic alternative fiscal scenario.
- Despite tax revenues returning to normal levels, the federal budget will have large deficits in each year because spending is projected to continue to grow.
- The amount the federal government pays on interest payments depends primarily on interest rates and the amount of debt held by the public. Other factors, such as inflation and the maturity structure of outstanding securities, also affect interest costs (for example, long-term bonds generally carry higher interest rates than do short-term bills).
- As the publicly held debt grows, net interest payments will increase dramatically, even assuming that rates rise only moderately.

- Every single penny that goes toward paying interest on the debt is a penny that is no longer available to fund federal government priorities, such as national defense.

Deficits Return to Trillion Dollar Levels by 2021

IN CURRENT DOLLARS



Source: Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2014 to 2024," August 2014, <http://www.cbo.gov/publication/45653> (accessed September 17, 2014).

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Net Interest Cost Will Double in Five Years, Nearly Triple in Eight

IN BILLIONS OF CURRENT DOLLARS



Source: Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2014 to 2024," August 2014, <http://www.cbo.gov/publication/45653> (accessed September 17, 2014).

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The Major Entitlement Programs

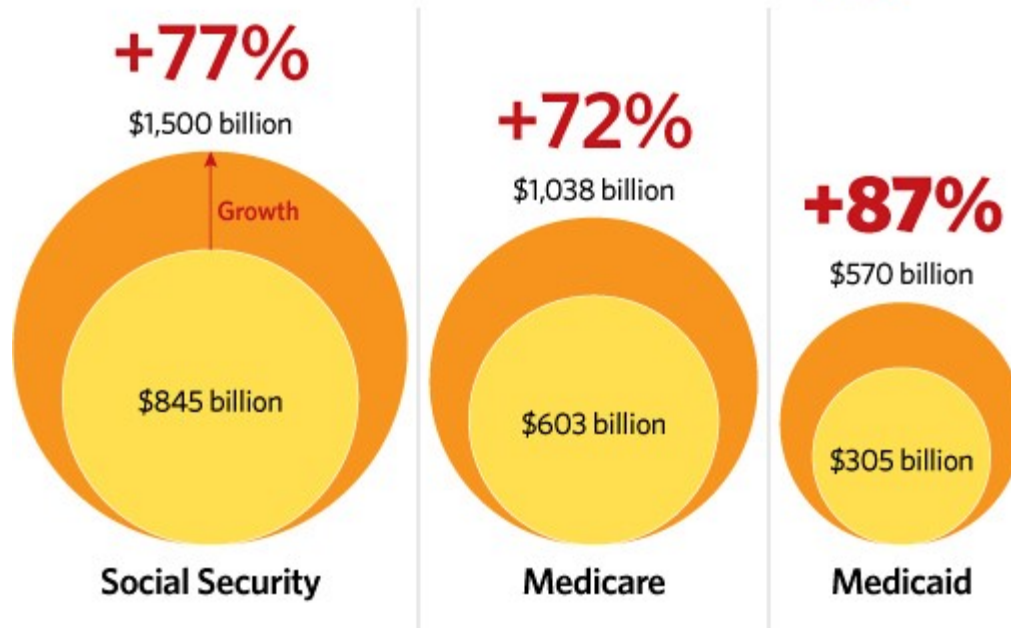
- Federal spending on health care programs will more than double over the next decade, growing by \$1 trillion—from \$962 billion in 2014 to \$1.9 trillion in 2024.
- Spending on Social Security, the largest federal program today, will surge by 77 percent, from \$845 billion in 2014 to \$1.5 trillion in 2024.
- Medicare is the largest health care program and its spending will surge by 72 percent, from \$603 billion in 2014 to \$1.04 trillion in 2024.
- Medicaid is the fastest-growing entitlement program and will grow by 87 percent over the decade, in no small part due to Obamacare's Medicaid expansion. Medicaid needs reform, not expansion. This program provides health care to more than 60 million Americans and consumes a growing portion of state and federal budgets.
- Forty-four percent of the projected growth in major entitlement spending over the next decade is due to Obamacare's subsidies and Medicaid expansion. Rising health care costs

are projected to drive 13 percent of the increase; 43 percent of the spending growth in Social Security and the major health care programs will be due to population aging.

Medicaid Is the Fastest-Growing Major Entitlement

CHANGE FROM 2014 TO 2024,
IN CURRENT DOLLARS

EXPENDITURES

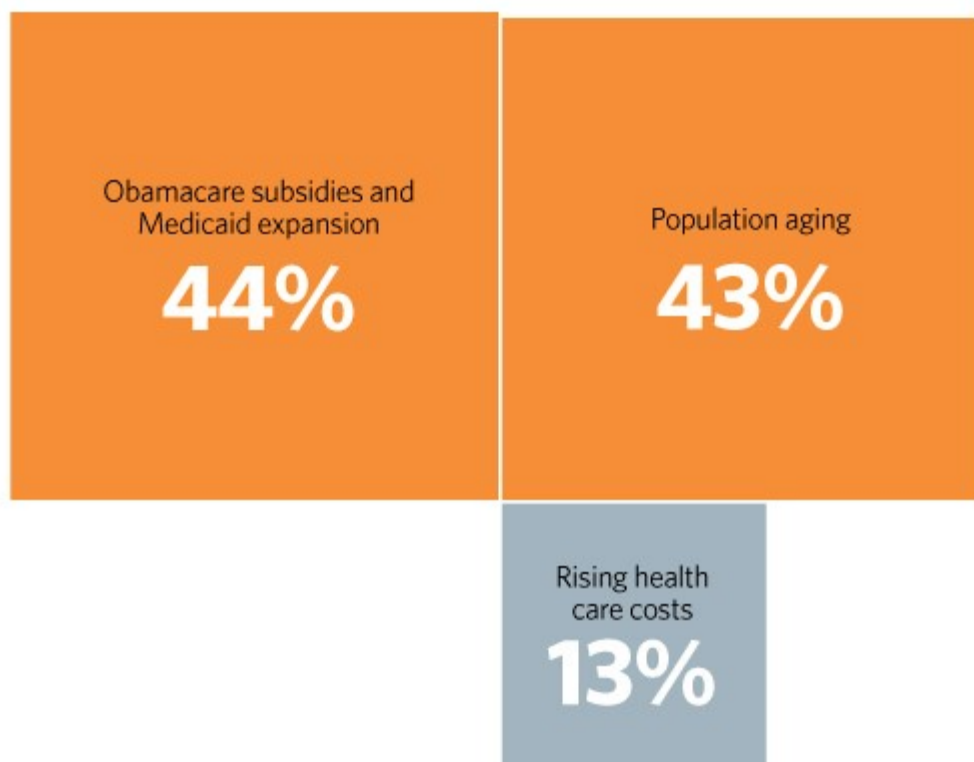


Source: Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2014 to 2024," August 2014, <http://www.cbo.gov/publication/45653> (accessed September 17, 2014).

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What Is Driving the Growth in Entitlement Spending?

PERCENTAGE OF PROJECTED GROWTH



Source: Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 15, 2014, <http://www.cbo.gov/publication/45471> (accessed September 25, 2014).

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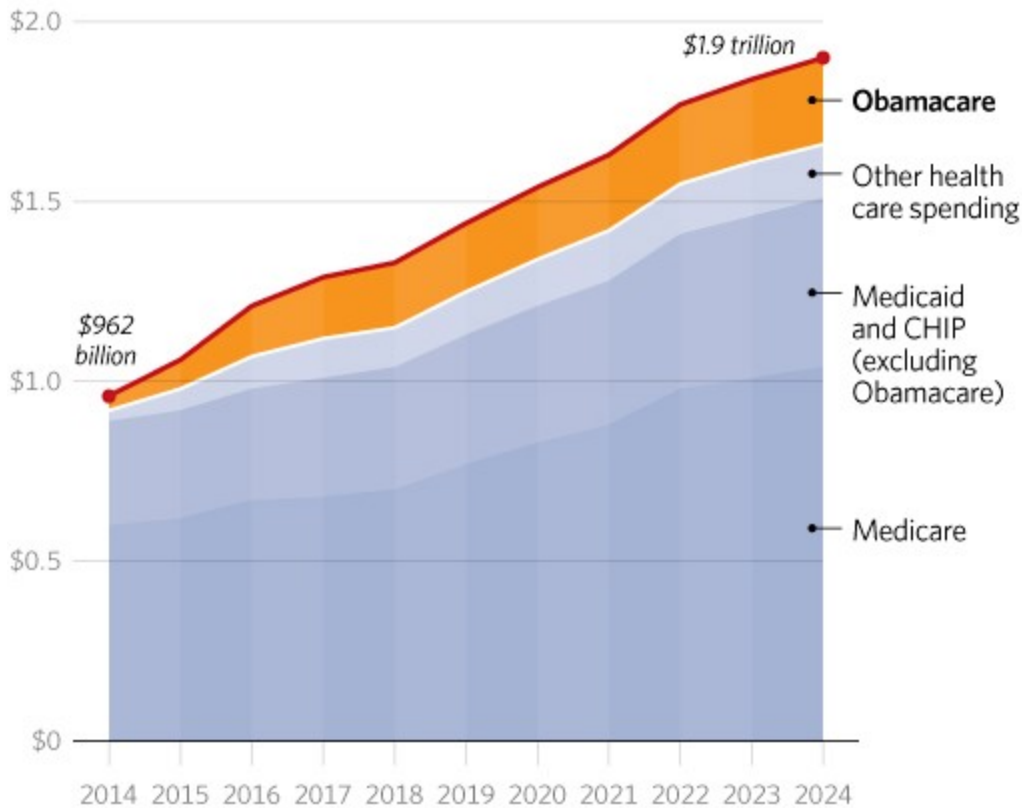
Obamacare

- Obamacare's new spending will cost more than \$1.8 trillion over the next decade for its massive expansion of Medicaid and subsidies for those purchasing health insurance in the new exchanges.
- There are 36 states currently relying on the federal exchange to facilitate their enrollment, for which the federal government has spent an estimated \$800 million. The 14 states and the District of Columbia that are operating exchanges have received over \$4 billion in grant money to help build them. However, the long-term costs of operating the Obamacare exchanges rest squarely on the states.
- One of Obamacare's many failures is the temporary small business tax credit, which has been largely unsuccessful in enticing small employers into offering expensive health coverage. Only 7 percent of potentially eligible employers claimed it in 2011. Beginning in 2014, the credit is only available to businesses purchasing coverage on the Small

Business Health Benefits Option Program (SHOP) exchange and can only be claimed for a maximum of two years.

Obamacare Increases Federal Health Care Spending

IN TRILLIONS OF CURRENT DOLLARS

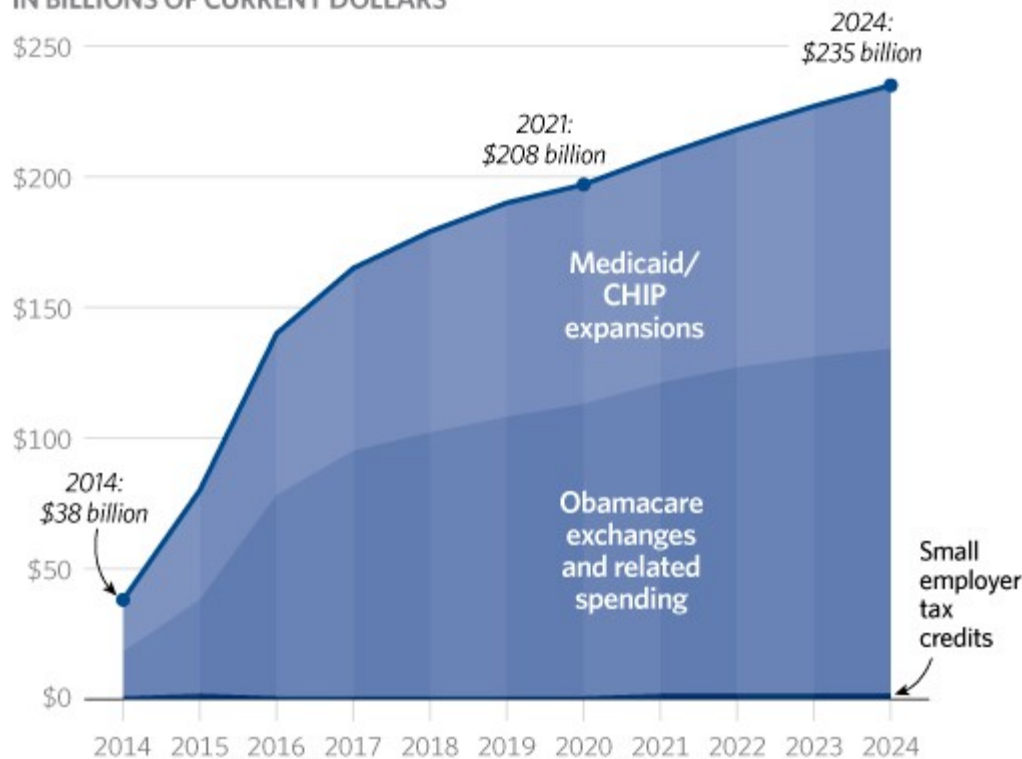


Source: Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2014 to 2024," August 2014, <http://www.cbo.gov/publication/45653> (accessed September 17, 2014).

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Obamacare's Annual Spending Exceeds \$200 Billion by 2021

IN BILLIONS OF CURRENT DOLLARS



Source: Congressional Budget Office, "Insurance Coverage Provisions of the Affordable Care Act—CBO's April 2014 Baseline," April 2014, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43900-2014-04-ACATables2.pdf> (accessed September 20, 2014).

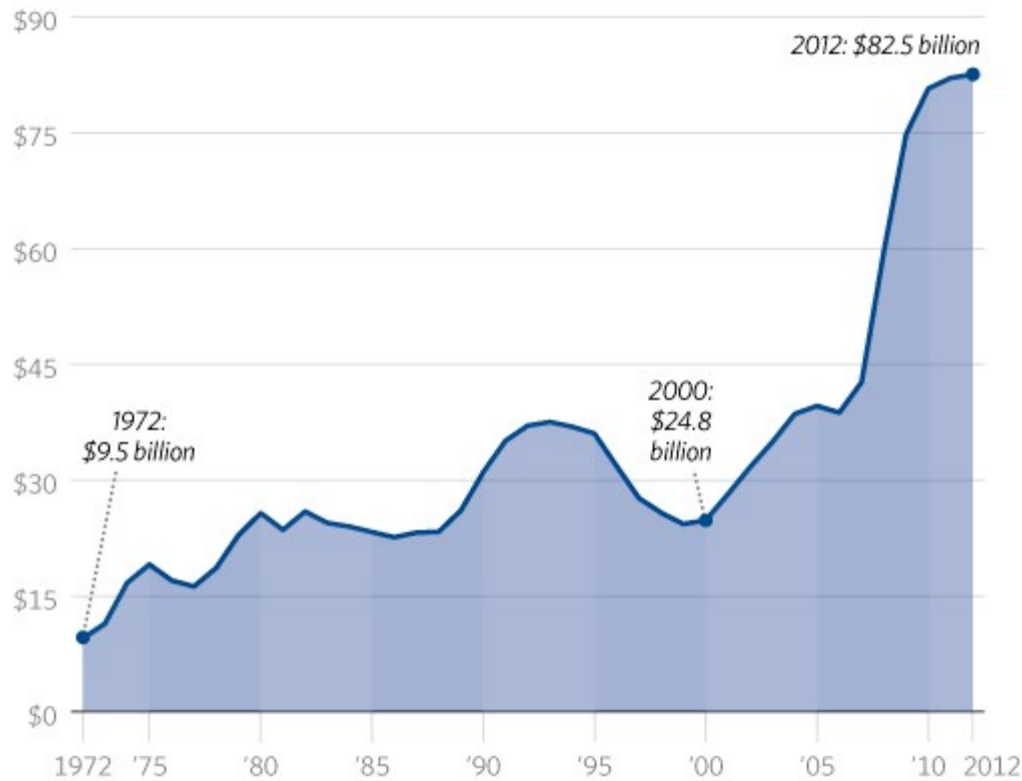
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Welfare Spending

- In FY 2012, the total cost of federal and state means-tested welfare programs reached nearly \$950 billion, an all-time high. Welfare spending has increased 16-fold since the federal government began the "War on Poverty" in the 1960s and is projected only to increase. This does not include spending on Social Security or Medicare.
- Today, there are roughly 80 federal means-tested welfare programs, including major programs like Medicaid, food stamps, the refundable Earned Income Tax Credit, public housing, Supplemental Security Income, and Temporary Assistance for Needy Families.
- Food stamps are one of the largest and fastest-growing means-tested welfare programs. Costs have doubled in inflation-adjusted terms since 2008. In 2012, more than 46 million Americans received food stamps every month.
- Total welfare spending should be rolled back to pre-recession (FY 2007) levels once employment rates recover, and, similar to the welfare reforms of 1996, work requirements for able-bodied adults should be inserted into welfare programs.

Food Stamps Is One of the Largest Welfare Programs

SPENDING, IN BILLIONS OF 2013 INFLATION-ADJUSTED DOLLARS

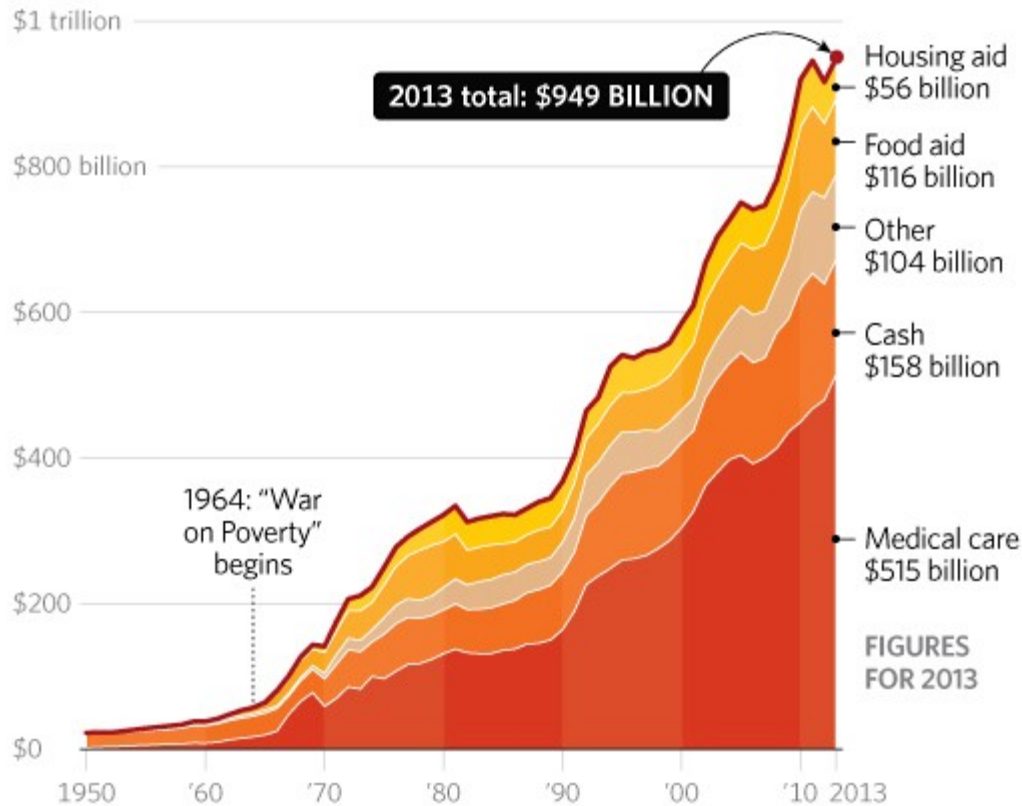


Source: U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 231-257, Table 11.3, <http://www.whitehouse.gov/omb/budget/Historicals/> (accessed September 17, 2014).

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Total Welfare Spending Reaches \$949 Billion

COMBINED FEDERAL AND STATE WELFARE SPENDING,
IN 2012 INFLATION-ADJUSTED DOLLARS



Source: Heritage Foundation research using data from U.S. Office of Personnel Management and other official government sources.

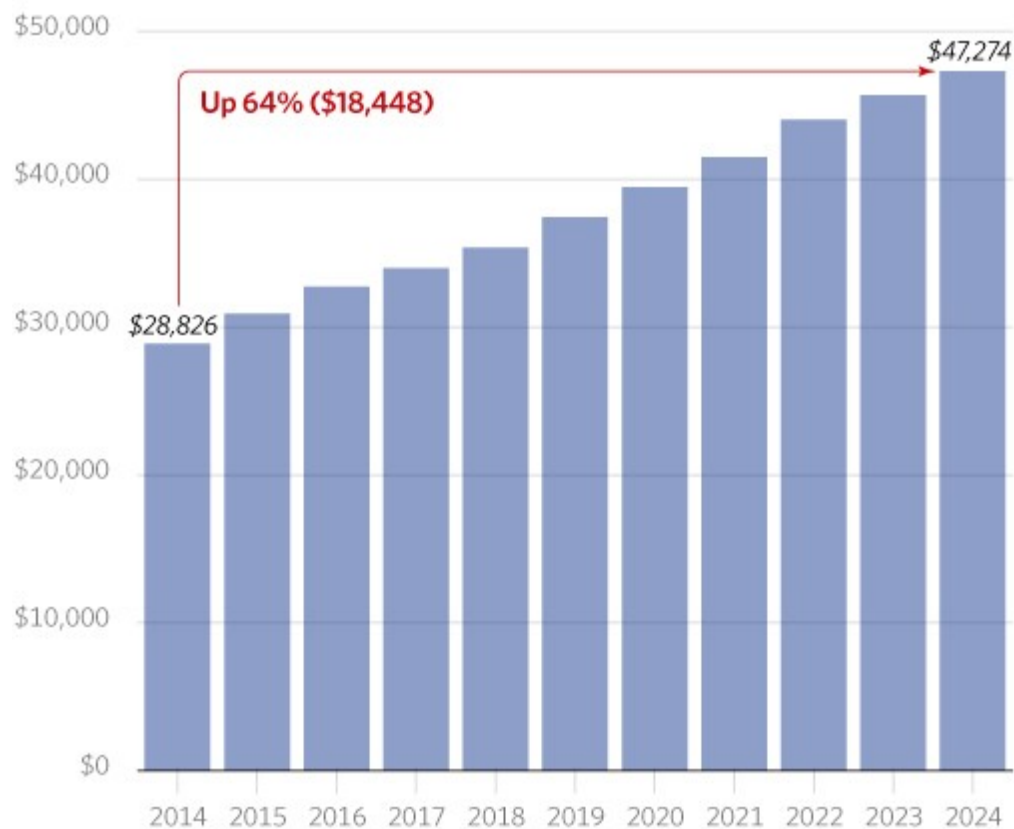
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The Household Burden

- In 2014, the federal government spent more than \$28,800 per household and still racked up a \$4,000 deficit per household. In 2024, spending per household will be \$47,300.
- The federal government borrowed 14 cents of every dollar it spent in 2014.
- The national debt in 2014 exceeds \$145,000 per household.
- In 2014, a median-income family will earn about \$52,000. If a typical family followed the federal government's lead, it would spend nearly \$60,400 and put \$8,400 on a credit card. This family would have already racked up more than \$308,800 in credit card debt—like a mortgage, only without the house.

Federal Spending per Household On the Rise

IN CURRENT DOLLARS



Source: Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2014 to 2024," August 2014, <http://www.cbo.gov/publication/45653> (accessed September 17, 2014).

Federal Spending by the Numbers 2014 📄 heritage.org

What If a Typical Family Spent Money Like the Federal Government?

IN 2014 DOLLARS

The median family income in the U.S. is **\$52,000.**

If they spent money like the federal government, they'd spend **\$60,400** a year ...

... which would mean they'd put **\$8,400** on the credit card every year ...

... despite already being **\$308,800** in debt.



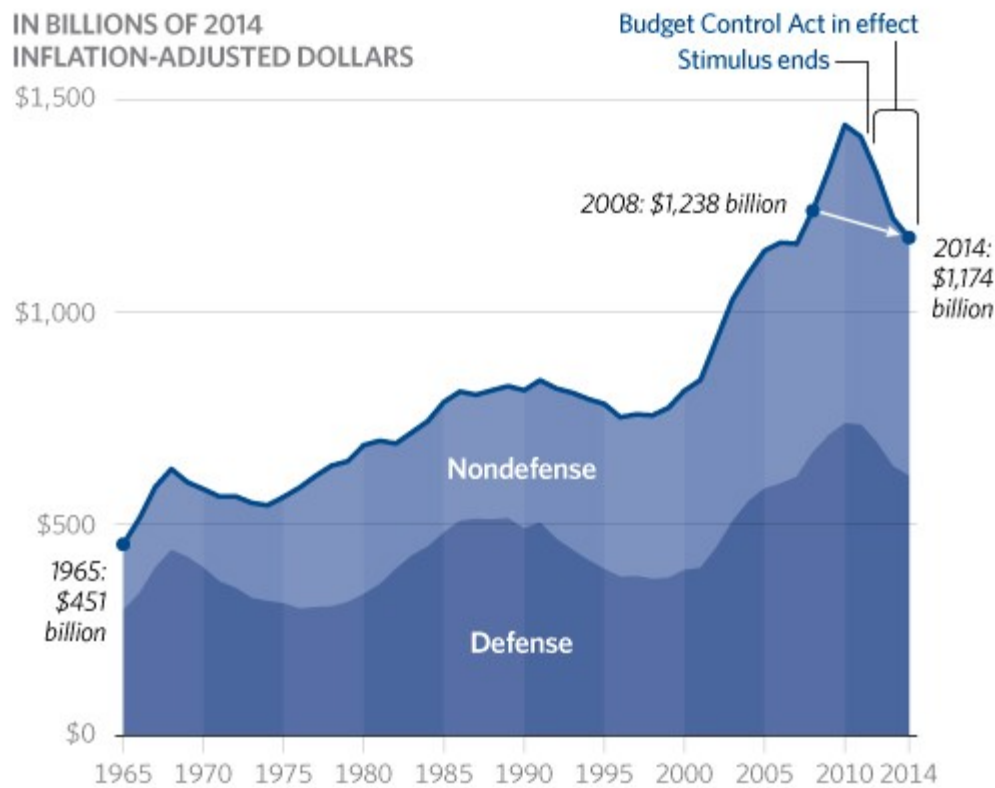
Source: Congressional Budget Office, "Monthly Budget Review for September 2014," October 8, 2014, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/49450-MBR.pdf> (accessed October 8, 2014).

Federal Spending by the Numbers 2014 📄 heritage.org

Discretionary Spending

- Congress determines discretionary budgets annually through appropriations.
- Discretionary spending is 34 percent, or one-third, of total spending.
- Discretionary spending grew by 48 percent after adjusting for inflation over the past two decades, from about \$793 billion in 1994 to more than \$1.17 trillion in 2014.
- The 2008 stimulus bill drove discretionary spending to record highs from 2009 to 2011. After the temporary stimulus ended, the Budget Control Act succeeded in returning discretionary spending to below its pre-stimulus level, after adjusting for inflation.
- National defense accounted for roughly two-thirds of discretionary spending in 1965. Today it is about half.
- The Budget Control Act caps, and sequestration cuts reduce, discretionary spending over 10 years, beginning in 2012 through 2021. Congress should adopt spending caps beyond 2021.

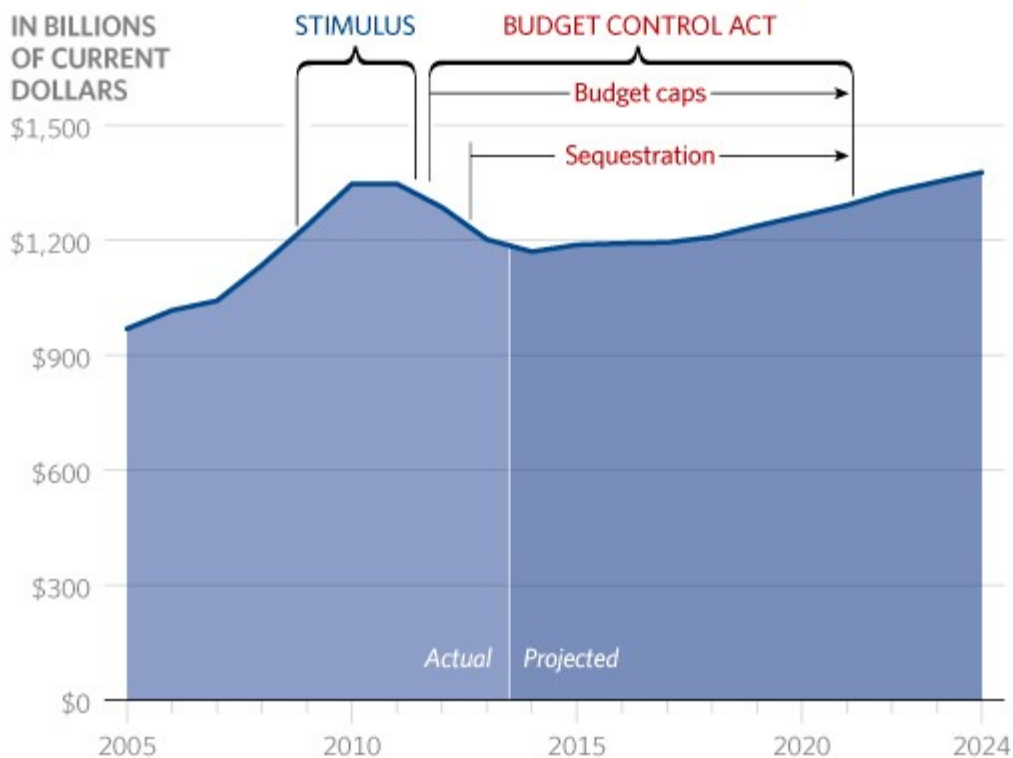
Budget Control Act Reduces Discretionary Spending to Pre-Stimulus Levels



Source: U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 172-178, Table 8.7, <http://www.whitehouse.gov/omb/budget/Historicals/> (accessed September 17, 2014).

Federal Spending by the Numbers 2014 📄 heritage.org

Budget Control Act Lowers Discretionary Spending After Stimulus Ends, but Only Temporarily



Source: U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 172-178, Table 8.7, <http://www.whitehouse.gov/omb/budget/Historicals/> (accessed September 17, 2014), and Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2014 to 2024," August 2014, <http://www.cbo.gov/publication/45653> (accessed September 17, 2014).

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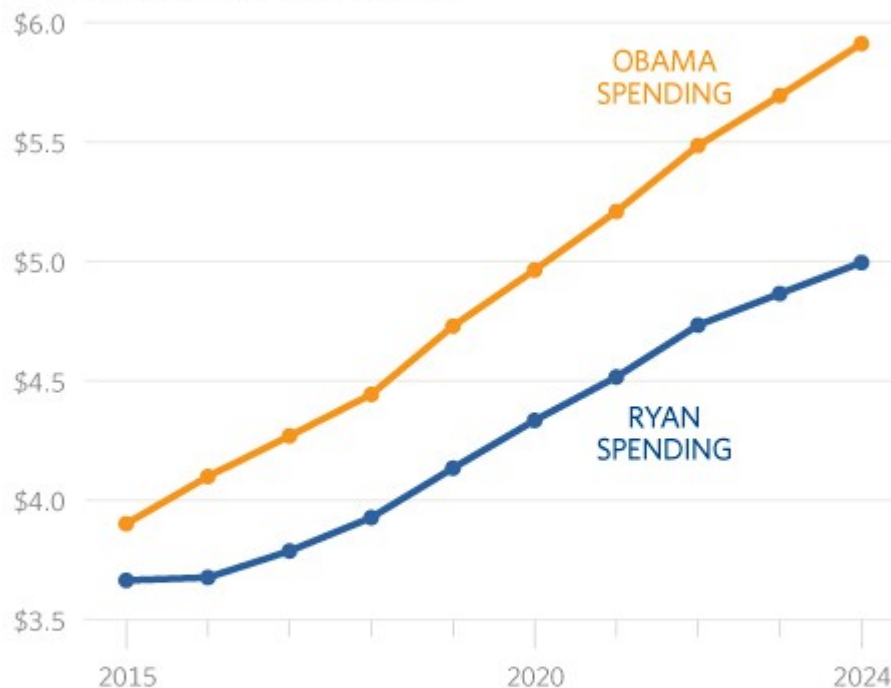
Battle of the Budgets: President Obama vs. House Budget Committee

- The House budget balances the budget in 10 years by cutting discretionary spending and reforming health care entitlements and welfare programs.
- The House budget reduces spending with reforms to Medicare and Medicaid and, significantly, repeal of Obamacare.
- In 2024, the House budget would spend \$1 trillion less than President Obama's budget.
- President Obama's budget never balances, despite a more than \$1 trillion tax increase over 10 years.
- The President's deficit-reduction claims rely on budget gimmicks and tax increases. The proposal increases taxes by about \$1.2 trillion, raising tax receipts to 19.9 percent of GDP in 2024—just short of record levels. Yet the budget still does not balance.
- Many of the President's budget's spending cuts are unrealistic, such as cancelling war spending that was never planned and then claiming savings.

- As the President's budget adds billions for discretionary programs, it makes no significant reforms in entitlements—the largest contributors to spending and debt. The daunting spending explosion in Social Security, Medicare, and Medicaid is not addressed.

House Budget Saves Taxpayers \$6 Trillion Compared with President Obama's Budget

IN TRILLIONS OF CURRENT DOLLARS

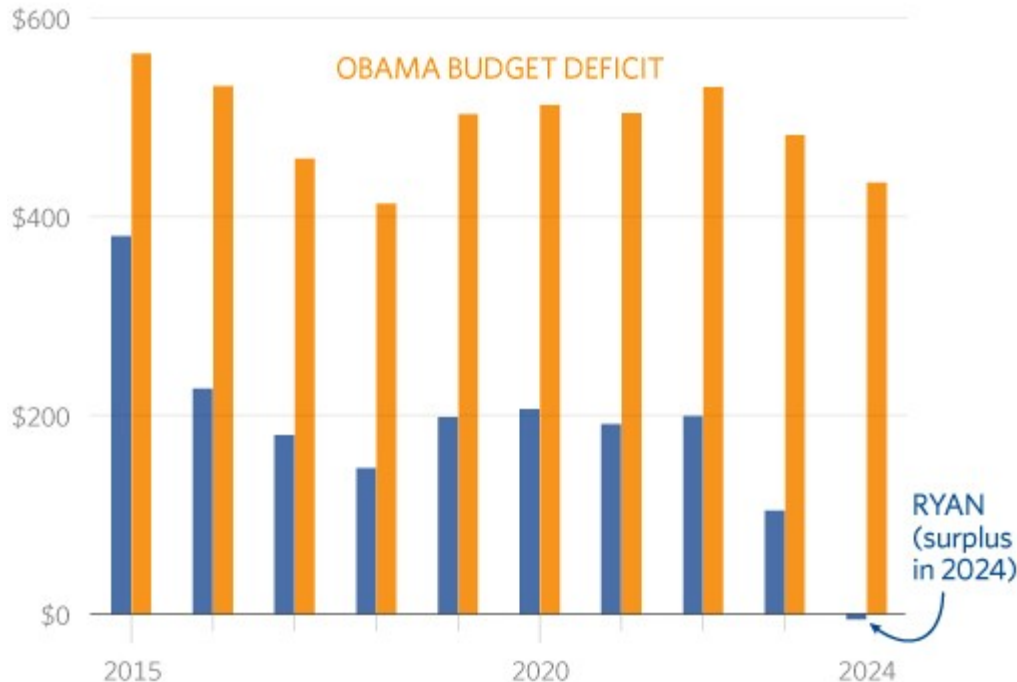


Sources: House Budget Committee, *The Path to Prosperity: Fiscal Year 2015 Budget Resolution*, April 2014, http://budget.house.gov/uploadedfiles/fy15_blueprint.pdf (accessed April 1, 2014), and U.S. Office of Management and Budget, "Opportunity for All: The President's Fiscal Year 2015 Budget," March 4, 2014, <http://www.whitehouse.gov/omb/budget> (accessed April 1, 2014).

Federal Spending by the Numbers 2014 📄 heritage.org

House Budget Balances in 10 Years, but President Obama Makes No Attempt

IN BILLIONS OF CURRENT DOLLARS



Sources: House Budget Committee, *The Path to Prosperity: Fiscal Year 2015 Budget Resolution*, April 2014, http://budget.house.gov/uploadedfiles/fy15_blueprint.pdf (accessed April 1, 2014), and U.S. Office of Management and Budget, "Opportunity for All: The President's Fiscal Year 2015 Budget," March 4, 2014, <http://www.whitehouse.gov/omb/budget> (accessed April 1, 2014).

Federal Spending by the Numbers 2014 📄 heritage.org

51 Examples of Government Waste

Mismanagement

1. Medicare Part B paid nearly six times more than Medicare Part D for the same drugs and equipment to treat cancer. Medicare Part B paid **\$132.9 million** for the same medical supplies for cancer treatment for which Medicare Part D paid **\$22 million**.
2. Two federal projects, one concerning the creation of a facility to produce fuel for nuclear reactors, and the other concerning a building to dispose of liquid waste from the first facility, remain incomplete. The National Nuclear Security Administration has already spent nearly **\$7 billion** on these two unfinished projects, which were supposed to cost only **\$4 billion** overall.
3. The construction of the Department of Homeland Security (DHS) headquarters was supposed to be complete in 2003. It is nowhere near completion and has already cost taxpayers nearly **\$4.5 billion**.

4. **\$2.4 million** intended for cotton subsidies was misused by Department of Agriculture employees to purchase laptops, two Ford Explorers, and office artwork, among other items.
5. The Department of Defense is set to destroy **\$1.2 billion** worth of ammunition because it does not have an effective inventory system to track supplies across the military services. The services each use different inventory systems, preventing proper data sharing and leading to excess materials.
6. The Department of the Treasury spent **\$112.7 million** on a public relations firm to raise domestic and international public awareness of the new dollar bill's minor design changes.
7. The Drug Enforcement Administration (DEA) paid an informant working for Amtrak **\$854,460 over 20 years** to disclose passenger names. The DEA could have received this information *free* since the Amtrak Police Department, which has access to passengers' names, is willing to share information with law enforcement partners.
8. After Hurricane Sandy, the National Oceanic and Atmospheric Administration (NOAA) spent **\$500,000** to completely replace equipment that was not damaged beyond repair. Instead of repairing the equipment at lower cost, NOAA used the opportunity to purchase brand new equipment.
9. The Internal Revenue Service will reportedly pay Microsoft **\$500,000** for one more year of custom support for Windows XP after failing to meet a deadline that would have secured its operating systems. The IRS is still paying for support for the outdated Windows XP, because it failed to complete the software move to Windows 7.
10. The Metropolitan Washington Airports Authority (MWAA) has been accused of multiple cases of fraud in the development of the Washington, D.C.-area's light-rail line to Dulles International Airport in northern Virginia. This includes nearly **\$139 million** in purchases for which the MWAA cannot provide documentation.
11. The Department of Defense spent nearly **\$500 million** to purchase military transport planes for the Afghan Air Force, which have since been scrapped. The planes did not meet operational requirements, and the maintenance of the planes was too expensive for the Afghan Air Force.
12. The Defense Department overpaid by **\$3.3 million** for radios for the Afghan Army because the Defense Department did not follow contracting procedures, which would have prevented overpayment.
13. The Department of Homeland Security has one of the largest vehicle fleets of any federal government agency, but according to a recent report by the DHS inspector general, 59 percent of the vehicles are driven less than 12,000 miles a year. In 2012 alone, these underused vehicles cost taxpayers **between \$35 million and \$49 million** overall.
14. The Postal Service lost or cannot confirm receiving 37 trailers from a leasing company. The Postal Service continued to pay the lease for the trailers—despite the fact that they were missing—for two years before deciding to buy the titles for the missing trailers. The leasing and the titles purchase cost **\$287,000** for trailers that remain missing.
15. The IRS bought **\$11.6 million** worth of computer software that remains unused because the IRS did not have the space for it. This happened because the IRS did not have an effective way of keeping inventory for computer software.
16. For more than **\$6 million annually**, the Social Security Administration (SSA) is renting office spaces that remain largely unused or are being misused as storage spaces.

According to an Office of the Inspector General report, several of the SSA's offices are less than 50 percent occupied.

17. Federal agencies paid nearly **\$50 million** to the Department of Commerce's National Technical Information Service for information that is mostly available free online.
18. During the last few days of the 2014 fiscal year, the State Department purchased a **\$24,969** LED HD TV for the U.S. embassy in Kabul, Afghanistan.
19. According to an Environmental Protection Agency (EPA) Inspector General report, employees at the EPA had used government credit cards to purchase **\$79,300** worth of "prohibited, improper, and erroneous" goods and services. Included in the purchases were gym memberships for EPA employees and their family members, DVDs, and academic memberships.
20. The Mark Twain National Forest in Missouri received up to **\$100,000** from the U.S. Forest Service to add a 23rd bike trail to the park.
21. The Denver Museum of Miniature Dolls and Toys was awarded **\$40,810** from the federal Institute of Museum and Library Services to create a digital inventory of its items.
22. Grandiose oil portraits of former government agency heads continue to cost taxpayers roughly **\$20,000** for each new painting.
23. U.S. Marshals Service wasted **\$2 million** on "swag" gifts, like golf balls, mine-footballs, police-car-shaped stress toys, golf towels, and poker chips in order to build cooperation and camaraderie within the office.
24. According to the Government Accountability Office, duplication of federal programs and services costs taxpayers **\$45 billion annually**.
25. Paralegals at the Patent Trial and Appeal Board were paid **\$5.1 million over four years** as they watched Netflix, shopped online, and used social media while on the clock.
26. The National Endowment for the Humanities provided **\$47,000** for undergraduate classes that teach students about laughing and the nature of humor. The classes will focus on how humor differs between cultures and how it can be used to deal with tragedies.

Corporate Welfare

27. The Department of Agriculture's Market Access Program provided **\$400,000** to the liquor lobby, which used part of those funds to transport foreign journalists to different breweries and distilleries in the southeastern United States.
28. The International Trade Administration spent **\$284,300** to send American indie music executives on an international tour to promote the "independent" music industry.
29. The U.S. Enrichment Corporation received **\$60 million** from the federal government despite the company announcing plans to declare bankruptcy.
30. One coffee plantation in Hawaii received a **\$25,000** grant from the Department of Agriculture to use solar power to dry coffee beans. Coffee bean farmers have been using the sun, in one way or another, to dry their beans for centuries.
31. The Department of Agriculture awarded a **\$37,475** grant to teach northern Nevada farmers what kind of fruits and vegetables the Hispanic community enjoys and how to market them to Hispanics.

32. The Department of Agriculture awarded a **\$50,000** grant to “Mary’s Alpaca,” an alpaca farm in The Plains, Virginia. This grant came from the Agriculture Department’s “rural development funds” and is intended to support the farm’s business of packaging, selling, and marketing alpaca manure.
33. In an attempt to create more jobs in butterfly farming, the Department of Agriculture granted **\$500,000** to the Euchee Butterfly Farm to train Native American members of the Thlopthlocco Tribal Town in butterfly farming.

Questionable Federal Research

34. In an attempt to fight childhood obesity and type II diabetes, the National Institutes of Health has granted more than **\$10 million** toward the creation of video games that they hope will encourage children to eat healthier and exercise more. One of the games, “Escape from Diab,” is about five children who must get healthy enough to escape from a town full of obese people and their evil king.
35. The National Institutes of Health spent **\$466,642** to research whether a lack of social skills is the reason why obese girls are asked on fewer dates, yet engage in more risky sexual behaviors than slimmer girls.
36. The National Institutes of Health spent more than **\$2 million** to study how singing in a choir affects the health of “minority elders,” including how choir singing promotes body strength and reduces falling incidents among the elderly.
37. In an effort to understand whether gay men in Peru test positive for syphilis after treatment due to treatment failure or re-infection, the National Institutes of Health spent **\$330,000** to study the lifestyle and health of men who have sex with men and transgender persons in Peru.
38. The National Institutes of Health spent **\$374,000** to study whether preschoolers will eat more vegetables after watching a puppet show about fruits and vegetables.
39. The National Science Foundation granted more than **\$200,000** to a Yale University research project that is trying to determine how and why Wikipedia has a systematic gender bias. Researchers believe this is a step toward understanding and addressing gender disparities in academia.
40. The U.S. Army awarded a **\$91,318** grant to the Virginia Department of Conservation and Recreation to count and determine the population of “little brown bats” in and around Fort Belvoir, Virginia. The Army hopes this survey will determine whether the bats should be added to the endangered species list.
41. The National Institutes of Health spent **\$484,000** to study whether hypnosis can reduce the number and intensity of hot flashes in postmenopausal women and breast cancer survivors.
42. The National Science Foundation spent **\$300,000** to study how bicycles work and how humans interact with them. The goal of the study was to find a way to make bike riding a more attractive method of travel in order to reduce society’s carbon footprint.
43. NASA spent **\$360,000** for people to stay in slightly declined beds for 70 days to test the effects of gravity on humans over long durations of time. NASA had already conducted this experiment many times since the 1960s.

44. NASA gave two grants totaling **\$237,205** to the University of Washington to study how rainfall effects the red crab's annual migration to Christmas Island. Researchers hope this study will help them better understand the potential consequences of climate change for the red crabs.
45. The Department of Agriculture's Sustainable Agriculture Research and Education program awarded a **\$15,000** grant to the Rich Earth Institute in Vermont, which specializes in using human urine as fertilizer. This specific grant was to study if human urine could be a fertilizer for hay fields.
46. The National Science Foundation granted **\$2.9 million** to Butler University to create arts, dances, and poems at specific waterways in Indianapolis. The goal of the project is to educate citizens about their city's urban waterways through artistic expression.
47. The National Institutes of Health's Center for Complementary and Alternative Medicine spent **\$387,000** to study the healing effects of Swedish massage on rabbits.
48. The Department of the Interior's U.S. Fish and Wildlife Service spent **\$10,000** to monitor the growth rate of saltmarsh cordgrass in an attempt to better understand how cordgrass should be treated and how it can be used to protect marshes.
49. The National Institutes of Health's Center for Research Resources spent **\$371,026** for a study to determine if mothers have the same neurological reaction when looking at pictures of their children and their dogs.
50. The National Science Foundation spent **\$856,000** to study the wildlife habits of mountain lions through a scientific collar. The study included teaching mountain lions how to walk on treadmills and monitoring the amount of energy used in a mountain lion's pounce.
51. The National Institutes of Health spent **\$1,552,145** on the development of a smartphone game called "Kiddio: Food Fight." The game is intended to teach parents how to convince their children to eat healthier foods.

Source information on file with The Heritage Foundation.

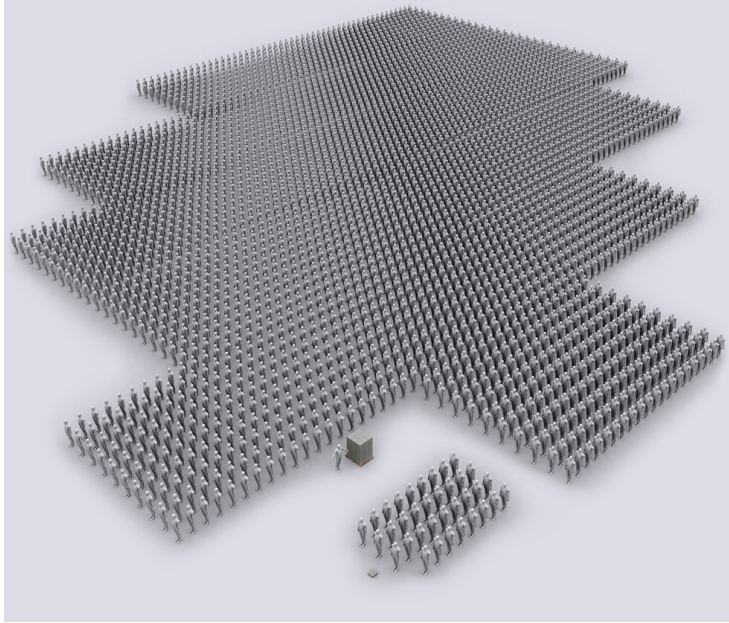
America owes (on-budget) 18+ Trillion dollars. It must borrow \$4,506,849,315 (4 Billion, 506 Million dollars) every day in order to maintain the pretense of prosperity. For a number of years, the U.S. has not only been using up its capital -- that's all gone now -- but it has also been using up its borrowing power. When its borrowing power is all gone; when no one like Japan, Germany, etc., will be willing to invest into the American economy, then that will be the "breaking point" -- and the breaking point is upon us.



Above: US Budget in 1 Second: \$121,067



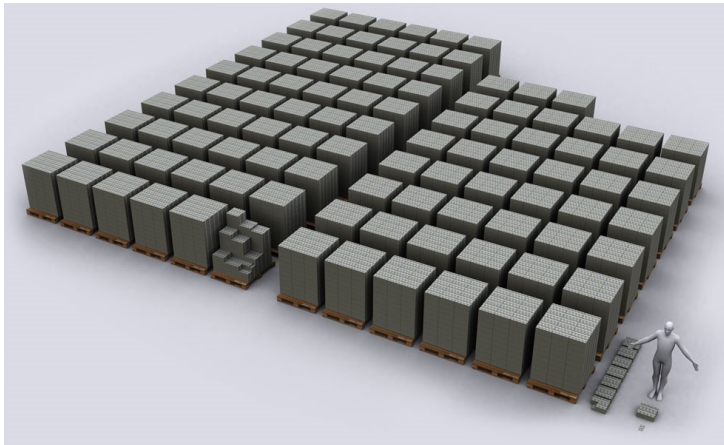
Above: US Budget in 1 Minute \$7,264,020



\$100 Million Dollars = 1 year of work for 3500 average Americans

It takes 3500 Americans 1 year of work to make \$100 Million dollars. The 155 million Americans who worked with earnings in 2005 on average made \$28,567 / year.

In front of the 3500 people is the \$100 Million pallet that they all have to work for 1 year to earn. Look carefully to see a stack of \$1 Million and the 35 average Americans required to earn that \$1 Million in 1 year.



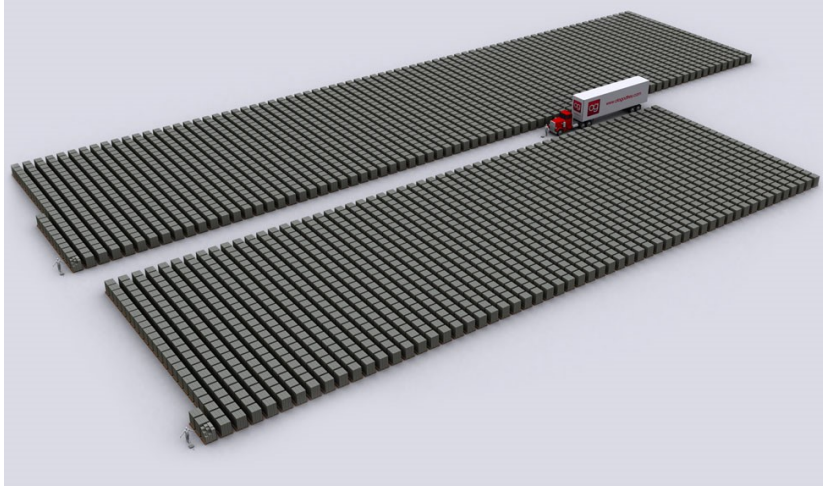
Above: US Budget in 1 Hour: \$435,841,200

For the year 2011: Remember that the little "square" in front of the man is \$1 million dollars. .

- The US Government spends \$435,841,200 (~\$435 million) per hour (both portions)

- Of the total money shown above, the US Government borrows \$187,785,388 (187 million) each hour-- shown on the right portion.

No problem filling up a UPS/Fedex truck each hour, full of cash. The mail-man will never be out of a job processing all those payments..

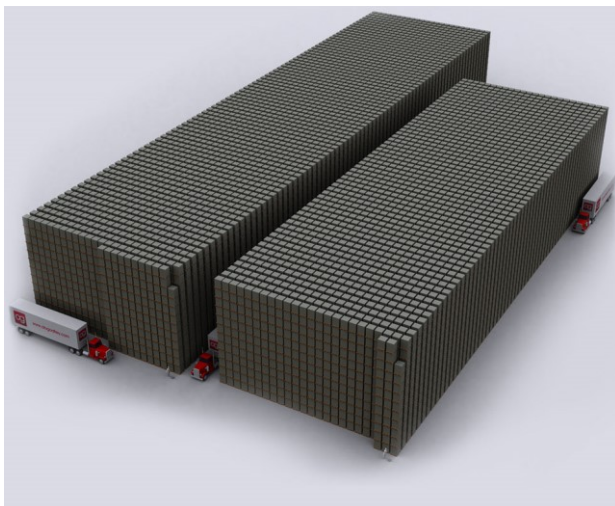


Above: US Budget in 1 Week: \$73,221,917,808

For the year 2011:

- The US Government spends \$73,221,917,808 (~\$73 billion, 221 million) per week (both portions)
- Of the total money shown above, the US Government borrows \$31,547,945,205 (31 billion, 547 million) each week-- shown on the right portion.

You can say Booyakashaa when this is your weekly allowance.



Above: US Budget in 1 Month: \$318,166,660,000

For the year 2011:

- The US Government spends 318,166,660,000 (~\$318 billion, 166 million) per month (both portions)
- Of the total money shown above, the US Government borrows \$137,083,333,333 (137 billion, 83 million) each month-- shown on the right portion.

Remember that the little "square" in front of the man is \$1 million dollars. .

A Little History

Rense: No one officially attempted to examine the problem until President Ronald Reagan appointed a special group of American businessmen to do an independent study of the trends in government spending. It was called "The President's Private Sector Summary on Cost Control." It was headed by businessman Jay Peter Grace and became widely known as the "Grace Commission." The Grace Commission was privately funded. They raised about \$70 Million from public sources for the project. They enlisted 160 top executives and hired some 2000 employees. The Grace Commission found over \$500 Billion of waste, and offered over 2000 recommendations on how this amount could be trimmed out of government spending on an annual basis without changing a single program. The government didn't have to cancel any of the "entitlements" that were strictly guarded by certain Senators (i.e. welfare, Medicare, or social security, etc.). All they had to do was go in with standard business practices and trim out the waste (over spending, double billing, etc.).

At the time, people didn't take the Grace Commission's analysis seriously. They were considered alarmists. But if you go back and look at the projections they made for 1986, 87, and 88, you will find that their projected figures were quite accurate.

The Grace Commission came to the conclusion that if the government didn't make some sort of substantial change in the direction of the economy and substantial reductions in the deficit, eventually the government will reach a point where they will be unable to fund themselves through taxes or borrowing.

The Commission also found that when the growth of U.S. debt is compared with other countries, it is higher and growing faster than any other industrialized country in the world. If the tracking record of the Grace Commission continues to be accurate, in just a few short years the country will be bankrupt.

The Warning

It was this startling revelation that prompted the co-chairman of the Grace Commission, Harry Figgie Jr. to co-author a book to alert the nation's leaders as well as the citizens at large, to make needed changes. It became a New York Best Seller entitled Bankruptcy 1995 - The coming collapse of America and how to stop it.

Despite the warning, Congress continues its irresponsible trend of overspending, contributing to the dangerous growth rate of the National debt. The Graham - Rudman Act of 1985 made it mandatory that the U.S. government be able to live within its means by 1991. The Grace Commission tracked the discrepancies between the estimated budgets and actual spending. Despite the legal mandate, the discrepancies soared to new heights by 1991. According to the Grace Commission, the government had been using creative ways of circumventing the law.

Stopgap Measures

The government has become very creative in designing measures to postpone the inevitable. The only problem with that is that with each implementation of their creativity, the more extreme the final debacle will be.

One loophole Congress regularly uses is to apply for temporary budget extensions. These extensions were designed to be used only in emergency cases. It has now, however, become common practice. Another method of deception is to siphon off funds from the social security trust fund. This allows them to reduce the annual deficit numbers presented to the public. We've been paying into the Social Security fund for a long time, but it doesn't have a dime in it. The government takes the money out, spends it in the general budget, to give the appearance of lower deficit numbers, and substitutes an I.O.U. in the form of a zero coupon bond from the government.

Another method is to transfer budget over-runs or excess spending into the next fiscal year. It's the illusion of reduced spending without the pain of making cuts. A fourth method of deception is to shift projects off budget. One example is the Post Office. It's not on the balance sheets. Another example was the Persian Gulf War. The scariest example are entitlements. Many of the entitlements have been taken off the balance sheets. If you did this in business, you'd go to jail for fraud.

The appearance in politics is that the budget is being dealt with because it is talked about in every political campaign. The truth is that very few have been bold enough to confront or even address the issue of the impending financial crash.

The most recent desperate attempt to offset the results of the debt is to create a New Currency. Actually, the new currency has been printed for a long time. The government has just been waiting for the right time to implement it. The stated rationale for the new currency and the actual purpose are two different things.

The New Currency is promoted as an effort to find drug dealers, terrorists, and counterfeiters, and to preserve the stability of the dollar. However, the actual purpose is to drive out tens of billions of dollars out of the underground economy; track, audit, and tax, (or re-tax in some cases) billions of dollars of cash in hand; render worthless billions of dollars that will never be turned in thus creating a giant windfall for the U.S. Government; facilitate electronic tracking of money; and usher in U.S. foreign exchange controls. How the U.S. government intends to accomplish these exchange controls, and the ramifications thereof, can most certainly cause serious repercussions in foreign and domestic markets.

Addiction

The government isn't blind, they know what is happening, they just aren't willing to face the reality of the problem and they don't want to give up their spending. The government is not going to attempt to balance the budget because the cure is too tough to swallow. It's like smoker saying he wants to reduce his usage. What he is really saying is he wants to maintain the right to smoke. This is what Congress is doing. They say they want to balance the budget, but the fact is they don't want to pay the price of giving up their spending habits.

Other Problem Areas

America's debt is only the most visible element that can cause economic calamity. There are other facets of our economy that can equally bring the country to bankruptcy. Government regulations, declining industry, health care costs, litigation, and a reducing number in the working, tax paying population are just a few of the things, that in their own right, can weaken our economy beyond recovery possibilities. Indeed, our economy is in a very serious situation.

Government regulations, taxes, and fines are choking industry right out of business. This is causing a decline in industry and is going to bring our economy to its knees. More and more businesses are shutting their doors. Some are even leaving the country to get away from regulations, taxes and fines. Health care costs have grown to an alarming height and with the new health care package, it will grow even higher. Litigation in this country is at an all-time high and is out of control. The declining tax base is another serious problem. We have less people working and more people receiving benefits than ever before in the history of the United States. Last but not least, the trade deficit disparity is widening at alarming rates. This is another area contributing to our overburdened economy.

Lost Leverage

Just a decade and half ago we were the leading creditor nation. Today, we are the leading debtor nation. The economic peril that we are in right now is eroding our leverage on the world scene. Thirty percent of our debt is foreign held. Already our policies are increasingly dictated by the creditors of that debt. The U.S. dollar is the worst investment on the market. Who wants to invest in an economy when its own government isn't responsible enough to balance the budget?

The End Result

What is going to happen when the government can't pay its bills? There are several theories for what might happen.

1. The stock market could collapse bringing on another depression much more badly than in 1929.
2. A hyper-inflated economy.

A depression is the result of not enough money and productivity and growth comes to a standstill. Hyper-inflation, on the other hand is the result of too much money (induced by uncontrolled printing to pay off the creditors). Both situations would yield catastrophic results. There are good arguments for either scenario, however, more than likely, the temptation and pressure of the situation will cause the government to do what every other country has done when faced with this dilemma. They will start printing money to pay their bills and postpone the inevitable. This will start a vicious cycle of hyper-inflation. The more they print, the less it is worth and the less it is worth, the more they will print, etc. (Germany did this when they had taxed the people as much as they could.) They started printing money and within 3 years, the marc had devalued to 2.4 Trillion marks per \$.

Once you hyper-inflate the dollar, it doesn't matter how much you have in the bank, it will be worthless. Fifty years ago, Argentina was one of the richest nations in the world. They went into hyper-inflation that badly damaged their economy. Within a six month period the inflation rate was 500% per year. Before they got it stopped, it was 5000% per year.

When the government induces hyper-inflation by printing extra money, two things happen:

1. Wages fall 2. Savings and investments are wiped out.

A person could have \$20,000 in the bank and within just a short period of time, it could be worth only \$10,000 or 2,000. This is where the middle class gets wiped out. All investments (stocks, bonds, mutual funds, Keoghs, 401k's, everything), insurance companies, savings accounts, etc. go right down the tubes. The Government will have to default on their FDIC guarantee.

Jobs will fall like dominoes. Sooner or later, the majority of the work force will lose their job. You will not be able to depend on the government or large corporations for employment. There will be massive defaults and people will be losing their houses, their businesses, and everything they have owned.

A catastrophe such as this will lead to anarchy. There will be large riots like what we experienced in Los Angeles. A large segment of the population will be unemployed and out of work, and probably unemployable due to loss of industry. You will have the makings of major civil unrest.

If the police can't contain law and order when an unpopular verdict is passed (Rodney King trial), how are they going to keep the peace when the government has destroyed the economy? What happened in L.A. is possible in any large city across the country if they have the reason to do so. One of the reasons could be if they are unable to feed their family.

These are sobering times. We need to know what is coming and how to get out of harm's way.

Summary (Debt)

The economic debacle we face will either be a depression or hyper-inflation. Either of which will have catastrophic results. If we are facing a depression, it's going to be tough to find a buyer on Wall Street when the economy begins to collapse and everyone is selling. If we face a more probable hyper-inflation situation, the value of your investments and the dollar are going to go down the tubes. Savings accounts are going to be wiped out (be it in a bank or home in a shoe box).

When you look at all these indicators (the National Debt, Consumer Debt, Business Debt, the Trade Deficit, government regulations out of control, health care costs, declining industry, litigation, reduced work force, reduced tax base, etc.), it doesn't take a rocket scientist to realize we are facing immediate problems of astronomic proportion.

Our economy is in grave danger of collapsing. It would be prudent to notice the indicators and heed the warning.