Chapter 1

We Are in Deep Trouble and We're Not Alone

We are at a crossroads of immense proportions. Nationally, internationally, and globally, we are living in a manner that is absolutely, unconditionally, irrevocably unsustainable.

The United States and our fellow nations are facing an Armageddon of economic collapse as every nation slowly spins into a death spiral, pulled down by debt that appears impossible to repay.

As a global economic community, we are scrabbling for any toehold on a slippery rock face, clinging by our broken, bleeding nails from the very edge of a precipice as we peer down into the abyss.

We may fall unless we get a grip.

Today's Reality

As a nation, the United States has enjoyed many decades of growth where our main economic function was to consume. Over the last

10 years in particular, all the chickens have come home to roost. The seeds we have sown with our indulgent living and our toxic relationship with our planet have created severe and blatant problems, not only for ourselves, but for the world.

As a nation the United States can no longer fool itself, and the rest of the world, into believing that everything is okay; because everything is very much not okay. Below is a summary of just some of the challenges facing the United States, all of which put downward pressure on the U.S. dollar.

- Right now the United States has a negative $65 trillion net worth and is seriously underwater.
- Right now the United States imports $800 billion in oil every year.
- Right now the disparity in wages between the United States and the rest of the world makes it impossible for the United States to compete globally, and we are losing jobs and our economic edge to emerging nations.
- Right now we are digging a hole to China with unfunded debt.
- Right now we spend $2.4 trillion a year on health care and no one is getting any healthier!
- Right now our government is obligated to pay increasing amounts of social security benefits and Medicare entitlements.
- Right now we are damaging our life support systems and poisoning future generations.
- Right now we plow under our farmland and are net importers of food. We were once the breadbasket of the world and now we don't even feed ourselves.
- The food we do produce is saturated with toxins and hormones that act as endocrine disrupters and have been strongly associated with increases in reproductive problems and cancers in many species, including humans.

I'll get into detail on these issues in a bit, but the bottom line is that all of these things combined are pushing the U.S. dollar to collapse.

With so many challenges it is easy to feel ineffectual and to fall into despair. But with these momentous changes come momentous opportunities. That is what we must focus on.

We Are Not a Going Concern

We have a plague of overleveraged debt that is unsustainable. Right now the United States has a negative $65 trillion net worth and is seriously underwater. If you think of each U.S. dollar as a share of common stock in a company, then we can think of the United States as functionally bankrupt while the Board of Directors and the government tell lies to the shareholders, who are the taxpayers, you.

As a country we are not a going concern. We don't fuel our cars. We don't keep ourselves healthy. We don't feed our bellies. We don't make anything anymore! We don't make real things, real goods, or real services and earn real capital. We don't export things. We are not producing sufficient income. Yet the government trots out statistics that try to tell a different story, so that the next bond auction gets completed.

It has long been a tradition for American economic leaders to look to the Gross Domestic Product (GDP) numbers as a way to measure the health of our country. Economic leaders look at the numbers every quarter and the President trots it out at every State of the Union address.

Supposedly, the GDP denotes the country's economic growth. We are told that if our GDP grew by such and such a number then we are okay. As long as the economy is growing then we can have confidence that our system is sound. We are told that growth will inevitably bail us out of our pesky debt problems. We are told that if the statistics say that America is strong, that Europe is strong, and that Italy is strong, then we have no need to worry.

This fable has been around so long people have actually stopped questioning it. But every journalist, statistician, and politician knows that these numbers are subject to constant revision and can be manipulated to tell any story. What everyone doesn't know is that these GDP numbers are already flawed.

The gross domestic product (GDP) measures output generated through property-related business like rentals and production by labor that is physically located within a country's borders. It excludes income earned by U.S. citizens working overseas and so does not reflect income generated by companies with overseas operations. However, it does reflect trade within our own borders and among our own businesses and counts those transactions as product sales. This is not a true picture of our domestic production.

Trade within our own borders is not a product at all. Any retailer will tell you that moving a package from one counter to another counter doesn't mean it left the store as a sale. We are focused at looking at the GDP number as if it denoted the economic health and viability of our country, when in truth that number tells a distorted story.

Our GDP numbers don't show real exports; they are the results of an internal shell game where U.S. refineries sell to U.S. manufacturers, who sell to U.S. consumers. It's all self-dealing; it isn't new money coming into the country. Even so, you can see by the chart in Figure 1.1 prepared by ShadowStats that the GDP has been steadily falling over the past few decades. What is interesting is that the top line reflects the official statistics, while the bottom line reflects the more accurate statistics, having incorporated factors ignored by the government.

The real economic viability of any country should be based on its ability to sell things, to trade with the rest of the world, and to earn capital. That is what we used to do. If we look at the United States during the 1800s and 1900s, we were a rip-roaring growing economy. The real traders and consumers in the world were the Europeans, and the United States benefited. After Europe devoured its own lumber then devoured all the hardwoods and mahogany in the Caribbean, the United States exported American lumber. Our forests were our GDP,

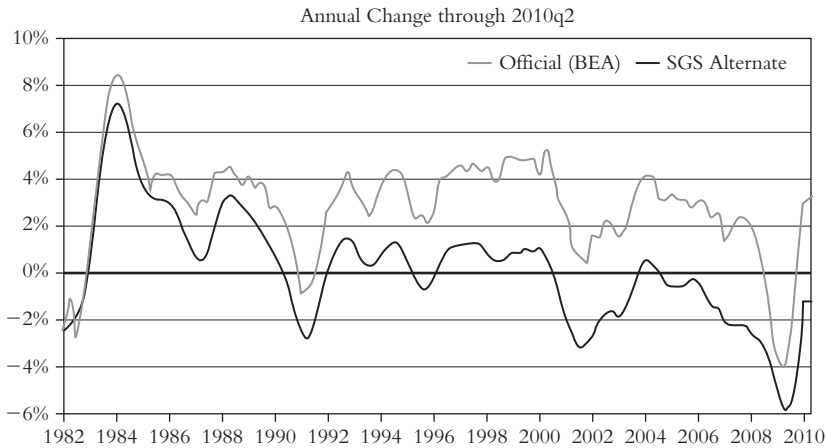

Figure 1.1 GDP Annual Growth—Official versus SGS
Source: Chart courtesy of ShadowStats.com. *Data Source:* SGS, BEA.

so we cut them all down and shipped them overseas and now we don't have them anymore. Already 97 percent of the U.S. forests have been cut down and the timber companies are lobbying to get to the last 3 percent!

Plus, we incur additional massive national debt by importing everything from construction machinery to Royal Bee Jelly, including oil. Right now the United States imports $800 billion worth of oil every year, which is money that leaves our borders.

The only real gauge of our worth is in what we export. Unfortunately, the main thing the United States exports is debt and its hollow promises in the form of derivatives and Treasury notes. And of the items we do export, we are seeing a growing imbalance as we import more than we export.

Our trade balance has steadily increased to the negative side for the past 20 years. To give you an idea of just how lopsided that ratio is, Table 1.1 is a summary of how a few of our manufacturing sectors are doing, according to the U.S. Foreign Trade Division of the U.S. Census Bureau.

We Are a Society Dependent on Entitlements

Part of our national debt can be laid at the door of our expectations. In addition to the $13 or $14 trillion the United States already owes, we've got another $60 to 80 trillion in unfunded liabilities for existing social entitlements and another $40 to $50 trillion in promises for new entitlements.

And the United States doesn't have the money to pay for these entitlements. It doesn't exist. We are already in debt. According to the ShadowStats statistics, we are currently experiencing between 16 and 20 percent unemployment, contrary to the 9 percent in the government's official reports. This means 20 percent of our population is not working and not paying payroll taxes into the Treasury. That translates to a diminishing tax base that will continue to diminish unless we get those people back to work or the government raises taxes. Which means the money won't be there to fund all these entitlements. Nor is it likely that we'll be able to convince other countries to buy any more of our Treasuries to fund these obligations.

Table 1.1 Examples of Exports for Selected Manufacturing Sectors

Imports	Exports	20-Year Change in U.S. Export/Import
Computer and Electronic Product Manufacturing		
The total imports in this sector in 2009 were about 4 times the 1989 total. Imports from China increased almost 90 times during those 20 years, from less than 2% to almost 40%. Imports also increased from Mexico (7 times) and Malaysia (5 times), while imports from Japan dropped about 40%.	Exports to China increased about 14 times, to Canada by about 3.5 times, and Mexico by about 3 times, while exports to the United Kingdom and Germany remained about the same.	–$105,984,506,807
Electrical Equipment, Appliance, and Component Manufacturing		
This is a similar story. Imports from China increased about 30 times over those 20 years while Japanese imports fell 21%.	Exports to China increased about 14 times, to Canada by about 3.5 times, and to Mexico by about 3 times, while exports to the United Kingdom and Germany remained about the same.	–$24,642,288,144
Transportation Equipment Manufacturing		
Other than Canada and Japan, Mexico became one of the biggest players in the imports of transportation equipment, an increase to 20% share of the total imports from 5% 20 years ago. In the same period, Canada and Japan lost the shares of 10% and 15%, respectively.	Again China took the lead, increasing its demand for U.S. goods by about 10 times since 1989. Mexico's demand increased by 4 times, Canada's increased by about 30%, and again, exports to the United Kingdom and Germany remained about the same.	–$14,837,319,678

This is a critical situation. In the face of this math and in the face of a quickly increasing population of aging and retiring Baby Boomers, we can see that something has to give. It is very likely many of those with expectations of entitlements will not see them. Or if they do, they will be reduced and payable in deflated U.S. dollars.

In 2009, the U.S. government paid Social Security benefits to 7.7 million people for a total of $46 billion. This included nonretirees with medical or mental problems or disabilities. Of this figure, over half of the recipients relied on their Social Security payments as their only reported income.

According to the 2004 Trustees to the Social Security Administration, 2009 began the decline in the amount of money coming into the funds and by 2018 the cost of the program will exceed the income tax. They went on to say that at that point the accumulated trust fund assets of about $2.3 trillion (in 2004 dollars) will start to be used to augment the tax income so that scheduled benefits can continue to be paid in full.

Table 1.2 will give you an idea of how well funded the Social Security benefits program is and how soon it is projected to be depleted. These estimates track the four main trust funds and are based on 2003 projections conducted by the U.S. Social Security Administration Division of Economic Research.

Supposedly, the money we take out of the Social Security fund is money that we paid into the system, or that people before us paid into the system. Many people feel we've earned this money and that may or may not be true. If we've worked hard and paid our taxes then perhaps we do deserve a bit of help when we're no longer able to do those things, but as a society we have come to believe that we deserve these things regardless of how hard we've worked or not worked.

The generation currently in power in the United States has never had to consider a future that didn't have these safety nets. Thus, we have not developed a proper respect for these things, nor appreciation of them. We have never given serious thought about how we would survive our golden years without them. As a result, most of us have not made other arrangements, and that is not good because the current system is not prepared to handle the coming demand as the Boomers retire and our population becomes frailer.

Table 1.2 Projected Trust Fund Exhaustion Dates under Assumptions of the 2002 Trustees' Report

Model	Low Range	Intermediate Range	High Range
Stochastic models			
CBOLT	2028	2037	2063
TL	2029	2037	2056
SSASIM	[a]	2037/2038	[a]
OCACT	2034	2041	2057
Standard model (Trustees' Report)	2029	2041	[b]

Note: For the stochastic models, the low-, intermediate-, and high-range results are for the 10th, 50th, and 80th percentile, respectively. For the Trustees' Report, the three ranges are for the low-cost, intermediate, and high-cost assumptions in the 2002 Trustees' Report.

[a] SSASM modeled only two variables—productivity and fertility—stochastically, so the range of outcomes should not be compared with those of the other stochastic models.

[b] According to the low-cost projections in the 2002 Trustees' Report, the trust funds are not exhausted at the end of the 75-year projection period.

This is already an unsustainable situation, yet now we've heaped another huge obligation on top of those in the form of our new Obama Care program. This is a nightmare that we can't wake up from. Already health care in this country is a staggering expense. The programs scheduled to start in 2014 will cripple us unless we take some drastic action.

Our Aging Population Is Expensive

The elephant in the living room is getting bigger. We have a huge bulge of Baby Boomers getting older and they are already taking a toll on the U.S. Treasury with their Social Security claims and Medicare claims. We can expect this population to require more and more health care as they grow older. To understand just how draining these needs will be, you need to understand the dynamics of this population.

The older population (65 years of age and older) increased 15 percent from 35 million in 2000 to 40 million in 2010 and is expected to increase another 36 percent over the next decade to 55 million in 2020 (see Figure 1.2 and Table 1.3).

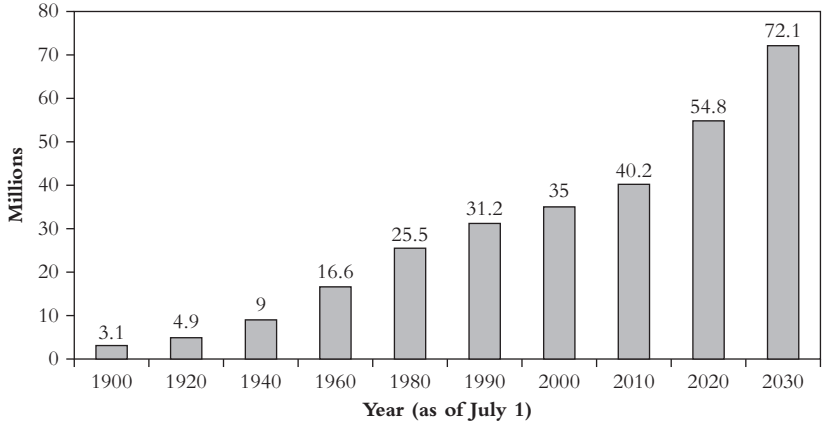

Figure 1.2 Number of Persons 65+ by 2030
Source: U.S. Census Bureau, Population Division.

What's more, we are seeing people live much longer than in the past. The 85 years of age and older population has increased 36 percent since 2000 and is projected to increase another 15 percent in the next decade from 5.7 million in 2010 to 6.6 million in 2020.

According to census data, as of 2009, people age 65+ totaled about 33 percent of the U.S. population. This is already a huge number.

In the U.S. Census chart shown in Figure 1.3, you can see the growth of this demographic. Think of all the costs associated with aging and it is clear that we have hostaged our future and the future of our children to pay for a Social Security system and a Medicare system that are already gargantuan Ponzie schemes that make Bernie Madoff's trick look like a carousel ride.

Table 1.3 Number of Persons 60+

Age Group	1990	2000	2000–2009
60 & Over	11.9%	12.8%	18.0%
65 & Over	8.0%	8.5%	12.9%
85 & Over	1.5%	1.2%	1.8%

SOURCE: U.S. Census Bureau, Population Division.

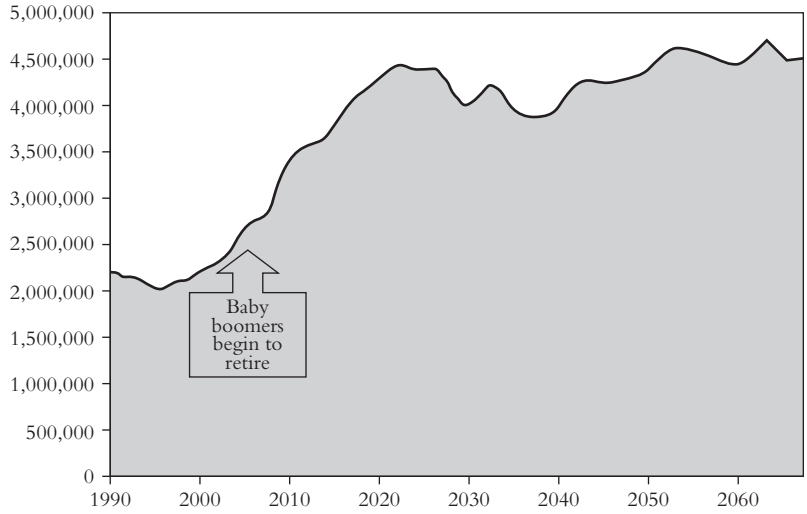

Figure 1.3 The Baby Boomers Began Retiring in 2008
Note: The number of Baby Boomers retiring each year will increase 60 percent over the next 20 years.
Source: U.S. Census Bureau.

I'm not political, but I am analytical. When we add the anticipated costs associated with the Obama health care program to this already heavily over-leveraged system, it is clear that we have created a monster that will devour several generations to come, provided it can even survive.

The United States is not the only country with this problem. The demographic impacts on France, Greece, Spain, Portugal, Italy, and several other European countries, as well as Canada, are just as immense. Like the United States, these are mature economies with aging populations. Like the United States, they will struggle to meet the demands of an aging population.

According to the Department of Economic and Social Affairs, the number of people worldwide over the age of 60 has tripled over the last 50 years and will more than triple again by 2050 (see Figure 1.4). By then, 33 countries are projected to have more than 10 million people over 60. China, India, The United States, Brazil, and Indonesia are projected to have more than 50 million people in that group.

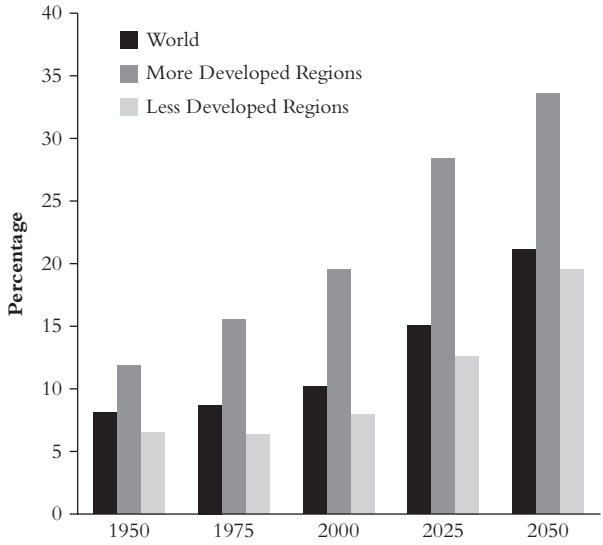

Figure 1.4 Proportion of Population Age 60 or Over (World and Developing Regions, 1950–2050)
Source: Department of Economic and Social Affairs.

These mature economies are confronted with the need to provide for the social needs of their growing populations. Those social needs include food, shelter, medical care, and in many cases jobs as retirees find they still need to generate income. These populations have been led to expect a certain standard of living and quality of life and they believe they are entitled to them. We can expect more upheaval as people realize these entitlements are not arriving on schedule, or they are told that the retirement age is being moved to 70.

As the pressure to meet these expectations increases, countries will find their options lessening. Options include going to war to get more resources from other countries, reducing those expectations by cutting benefits, or adopting a one-child policy to deal with the reality of too many people and not enough food and jobs to go around. The first option would be disastrous, the second option is probably likely, and the third is too little too late since a one-child policy will simply reduce the size of the working population and further skew the ratio between the number of people paying into the treasuries and the number of people draining the treasuries.

We Are Digging a Hole to China with Unfunded Debt

The world is choking on debt. Every month the United States has to raise money to pay for our lifestyle by selling bonds at auctions. The problem is that there isn't enough demand for our bonds on a global basis. When China and other countries balked at recent bond auctions, the Fed simply printed more money and the U.S. government bought its own debt. When this happens, we tell the world that the debt auctions were oversubscribed two-to-one.

It's a whopping lie! Everyone knows it's a lie and it makes us look incompetent. Printing money is the Fed's solution to the problem of other countries' lost confidence in the value of our securities. We print our own money to buy our own paper because no one else wants in the game. This kind of self-dealing is absolutely unsustainable and positively incestuous.

How much money are we talking about? It is difficult to get accurate numbers on how much money the Fed has printed. The government tracks the money supply using a measurement called M3. The ups and downs of this M3 measurement are a pretty good gauge of how much money is pouring into the economy. But the Fed has been printing money and adjusting interest rates to manipulate the money supply for so long that these tools don't work very well anymore. In fact, in March of 2006 the Federal Reserve stopped reporting the M3 entirely. I don't think they even know how much money is in the system anymore.

But the Fed's practice of printing money and controlling interest rates is not new. According to The Money Masters (www.themoneymasters.com), the Federal Reserve stopped the 1993 recession by printing money at an annual rate of 13 percent. The flood of money helped fuel the stock market frenzy in the late 1990's. Then as the market was hitting the ceiling in 2000, the Fed hit the brakes and we saw the market bubble collapse two years later (see Figure 1.5).

A potential financial meltdown spooked the Fed, so they started printing money again. This money was so available and cheap the low interest rates encouraged a massive increase in consumer spending

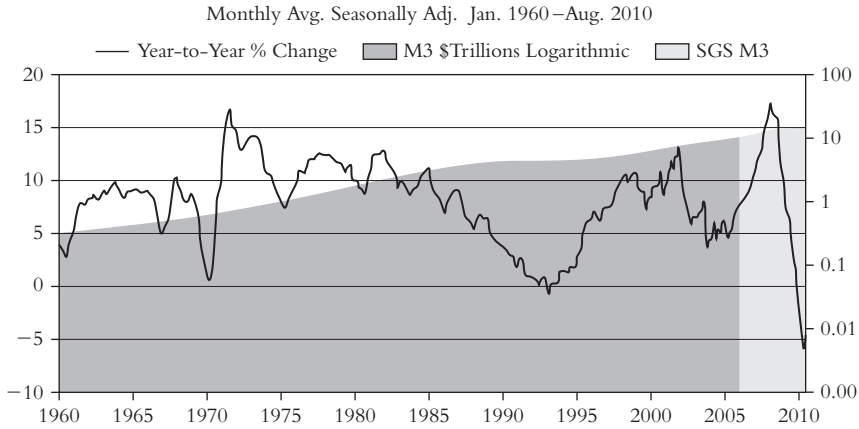

Figure 1.5 M3 Money Supply with SGS Continuation
The 2010 downward slope reflects year-over-year statistics through the 2nd quarter of 2010; it doesn't necessarily mean the money supply is shrinking as a whole.
Source: ShadowStats.com. SGS extended data provided through other sources in the absence of official Federal Reserve statistics.

and home loans. This fueled a strong stock market and the real estate bubble that started in 2002 and ended with a thud in 2007, overleveraging everyone and resulting in the meltdown in 2008.

Between 2005 and 2008, the U.S. money supply increased from $10 trillion to $14 trillion dollars. That is a whopping 40 percent increase. Now if you just use the rate of increase in the money supply chasing as an indicator of inflation, the actual rate of inflation between 2005 and 2008 is nearly 13 percent per year.

As of 2010, the Fed is still printing money, although not as much as during their peak press operations in 2008. They are trying to fight deflation, which adds to my belief that the U.S. dollar will continue to decline and force a restructuring of our currency.

So our money is cheap, our interest rates low, and the reality is that we are hostage to foreign nations who own our bank. The United States no longer controls its own money. China. Saudi Arabia. India. They buy our bonds. They buy our bundled mortgages and the hundreds of derivatives that are still floating around out there. They own the future of our children.

The good news I have to offer in the face of this disturbing picture is that other countries do not want to see the U.S. dollar collapse because that would destroy the value of their investments. We can expect other countries to continue to prop up their debt and the dollar's value, which could possibly soften the fall. But fall it will. At some point some unseen hand will shake this house of cards and we will likely have some predictable outcomes.

We Export Our Consumer-Oriented Lifestyle to the Rest of the World

As a nation, the United States has enjoyed nearly 50 years of growth where our main economic function has been to consume. Over the last decade in particular this obsession with acquiring material possessions and our indulgent living have created severe and blatant problems not only for us, but for the world.

The 1990s saw tremendous growth in the United States. Hundreds of companies went public: Starbucks, Cisco, and the whole tech boom. We had a bull market! That growth changed the world and when it began running out of steam in 2003, banks added fuel to the fire by encouraging people to borrow against their home equity to buy more stuff.

Our consumer-based society of the United States became the economic model for most of the Western world, and now Greece, Portugal, Spain, England, France, and dozens of other countries are dealing with unsustainable debt right along with us.

So, what can we do?

Well, we can't fix the problems of those other countries, but we can fix our own. Most people by now have figured out that depleting our personal assets for short-term indulgences leaves us in a very uncertain situation. If you haven't already tapped all your assets, don't. For your peace of mind alone, you need to have a buffer and it only makes sense to keep something back for potential financial drains. If you are already flat-out busted, start to build a buffer. It comes down to day-to-day choices about what you need versus what you want. We can't possibly expect our government to get their financial house in order if we as individuals can't do it first.

We Cannot Compete Globally Due to the Disparity in Wages

We are already seeing the results of the disparity in wages between the United States and other nations. Compared to the rest of the world, the wages paid in the United States are humongous. Grand Canyonesque.

Production labor in China, India, East Asia, Eastern Europe, or Mexico costs a fraction of what it costs in the United States.

As of 2008, the hourly cost of producing a product in China was 9.48 yuan per hour, which is the equivalent of $1.36 USD per hour (see Table 1.4).

As of 2005 the hourly cost of producing a product in India averaged 20.06 rupees, which was the equivalent of $0.91 USD per hour (see Table 1.5).

Data through 2008 indicates that what costs $30 per hour to produce in the United States costs around $15 per hour in East Asia, about $10 per hour in Eastern Europe, and around $5 per hour in Mexico (see Figures 1.6, 1.7, and 1.8).

As you can see from the charts, the United States simply cannot compete on price alone. That's because most other countries don't carry all the baggage of health care costs, oil costs, and the entitlements

Table 1.4 China: Hourly Compensation Costs of Manufacturing Employees in China versus United States, 2002–2008

Year	(Chinese Currency: Yuan)	(US$) Equivalent
2002	4.74	0.57
2003	5.17	0.62
2004	5.50	0.66
2005	5.95	0.73
2006	6.44	0.81
2007[2]	8.06	1.06
2008	9.48	1.36

The accumulated evidence to date, including China's First National Economic Census, supports the general validity of the BLS annual calculations on China's manufacturing employment and labor compensation.

SOURCE: U.S. Bureau of Labor Statistics, available at www.bls.gov/fls/china.htm.

Table 1.5 Hourly Compensation Costs of Employees in Manufacturing in India, 1999–2005

Year	Mean Hourly Earnings in Rupees (hourly pay for time worked) [1]		Total Compensation Ratio [2]		Hourly Compensation in Rupees [3] = [1] × [2]		Exchange Rate: Rupees/ USD [4]	Hourly Compensation in USD [5] = [3] ÷ [4]	
	All Employees	Production Workers	All Employees	Production Workers	All Employees	Production Workers		All Employees	Production Workers
1999	20.68	15.97	1.423	1.423	29.43	22.72	43.06	0.68	0.53
2000	22.54	16.97	1.406	1.406	31.68	23.86	44.94	.70	.53
2001	23.77	17.57	1.416	1.416	33.65	24.88	47.22	.71	.53
2002	24.95	18.22	1.417	1.417	35.36	25.83	48.63	.73	.53
2003	26.58	18.98	1.417	1.418	37.68	26.91	46.59	.81	.58
2004	27.57	19.46	1.398	1.398	38.55	27.21	45.26	.85	.60
2005	29.10	20.06	1.375	1.376	40.02	27.60	44.00	.91	.63

SOURCE: U.S. Bureau of Labor Statistics, available at www.bls.gov/opub/mlr/2010/05/art1full.pdf.

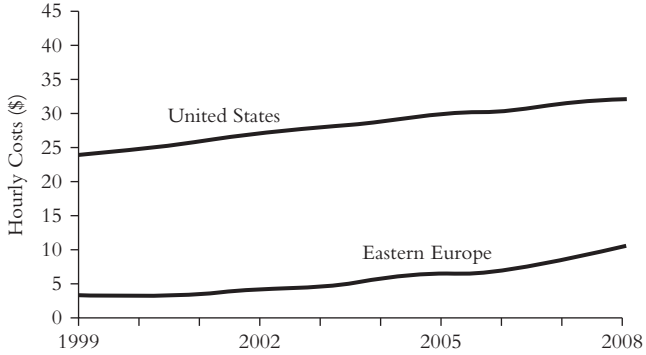

Figure 1.6 Hourly Compensation Costs in U.S. Dollars for All Employees in Manufacturing, Compared to Eastern Europe
Source: U.S. Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs in Manufacturing, 2008," August 26, 2010, available at www.bls.gov/news.release/pdf/ichcc.pdf.

the United States hands out to workers. Workers in emerging countries don't expect entitlements; they just get to work and produce.

Let me tell you a true story. I met a guy named Hanz, who is a billionaire in the pharmaceutical industry. We were talking about a product he wanted to produce—a leg brace that makes it easier to walk without crutches. Hanz told me how he wanted to go into production

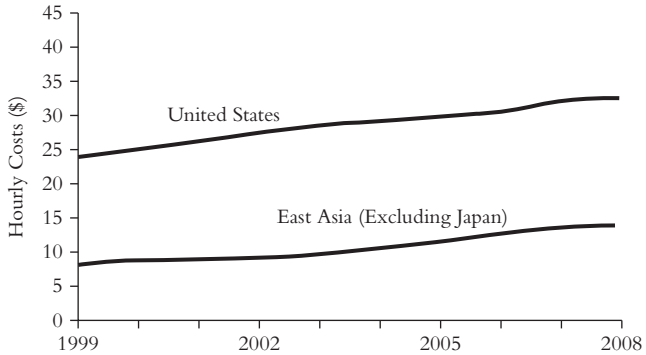

Figure 1.7 Hourly Compensation Costs in U.S. Dollars for All Employees in Manufacturing, Compared to Republic of Korea, Philippines, Singapore, and Taiwan
Source: U.S. Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs in Manufacturing, 2008," August 26, 2010, available at www.bls.gov/news.release/pdf/ichcc.pdf.

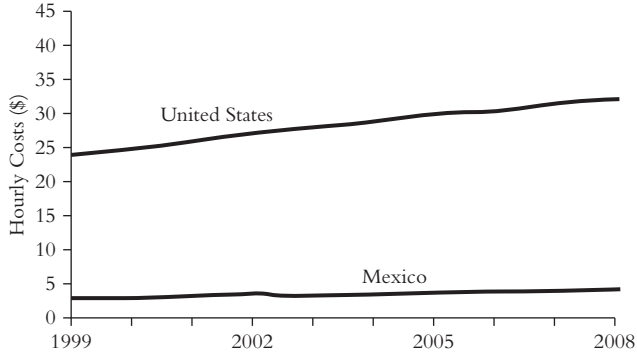

Figure 1.8 Hourly Compensation Costs in U.S. Dollars for All Employees in Manufacturing, Compared to Mexico
Source: U.S. Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs in Manufacturing, 2008," August 26, 2010, available at www.bls.gov/news.release/pdf/ichcc.pdf.

and so I suggested he look into setting up a factory in Detroit. I said, "You'll have lots of labor; people there are eager for jobs."

He wouldn't even consider it. He instantly jumped to the end game and was looking at Vietnam, the Philippines, China, India, and Bangladesh because he could hire people there and not worry about health care, employee benefits, sexual discrimination, or liability insurance. In those countries the workforce was ready, willing, and able to do the job and would be grateful for it.

Even if Hanz did manufacture in the United States, it would be economic suicide. He knew that once his product hit the market, someone else would start manufacturing the same product in one of these emerging countries. Hanz needed to start out competitive in order to remain competitive.

That is the current economic and manufacturing climate we find ourselves in. These emerging countries have massive manufacturing capacity and are happy to produce things for a fraction of what production would cost in the United States. This giant disparity makes it impossible for America to currently compete in the global marketplace and therefore we are losing jobs that won't come back.

The good news is that Americans have always been innovators and have access to technology and have the brainpower to build new industries and jobs.

The good news is that Americans have an inbred entrepreneurial spirit and where there are no jobs now, we can create new jobs and new industries to meet new needs.

We Have Used Up Our Grace Period

The iPhone is one of the greatest ideas in the last five years, maybe even the last 50 years. This amazing advance in how we communicate and exchange information is transforming people's lives. It carries a label saying "Made in China."

It used to be that when there was a technological breakthrough in the United States, whether it was the automobile, television, or airplane, there was a grace period where we had handled the manufacturing. We had time to create jobs and build prosperity. Then Japan overtook our automobile and television industries and those U.S. industries eroded. Next it was microwaves and small electronics. It happens over and over again. We would have the lead in manufacturing for a little while then production would go overseas. That lead no longer exists for the United States and it won't come back.

Over the years wages and health care costs have risen in the United States and increased the cost of production. Meanwhile China opened up with plenty of cheap labor and even inexpensive engineering and jobs went. Business margins improved and stockholders were happy.

No one really knows how many jobs have been outsourced outside of the United States, because companies are not required to disclose this information and so they never talk about it. Most economists agree that although the majority of the jobs are low-tech and production jobs, engineering and creative work is also going overseas. Here's what the Council for Foreign Relations has to say about the scope of this issue:

> Most estimates of U.S. jobs lost come from consulting companies or industry groups directly involved in outsourcing. Boston-based consultancy Forrester estimates that 400,000 service jobs have been lost to off-shoring since 2000, with jobs leaving at a rate of 12,000 to 15,000 per month, says John McCarthy, the company's director of research. Other estimates

> say up to 20,000 jobs a month may be moving overseas. This is in addition to the 2 million manufacturing jobs that are estimated to have moved offshore since 1983.
>
> (www.cfr.org/publication/7749/trade.html)

To give you an idea of just one industry that has been impacted, take a look at Figure 1.9, which appeared in the July 2010 issue of *BusinessWeek* in conjunction with an article by past Intel CEO Andy Grove.

As you can see, Figure 1.9 compares employee numbers for some well-known American technology corporations with those of Chinese technology corporation Foxxconn. Incidentally, in addition to producing its own products, Foxxconn produces items such as the Apple iPhone for these American tech firms.

When the next bright idea comes about, when the next Hanz wants to produce a product, those jobs will immediately go overseas. The United States won't even get the juice of that economic prosperity. We are quickly merging into one global economy, and if Americans expect to survive, we need to have a global clientele and some kind of parity in wages and realistic expectations.

The good news is that our wealth of technological know-how, entrepreneurial spirit, and intellectual resourcefulness gives our country an advantage when it comes to creating solutions to some of the

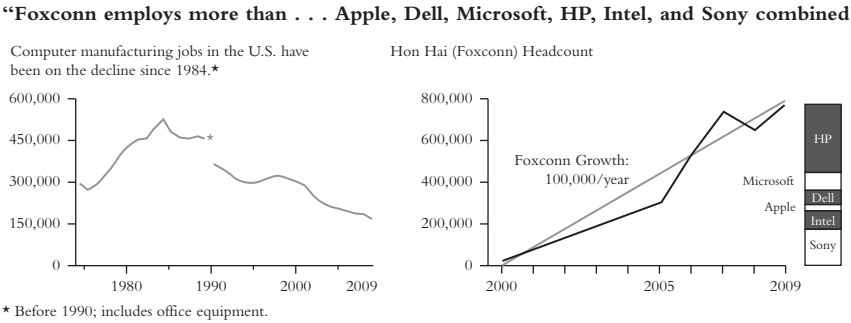

Figure 1.9 China Takes the Lead in Computer Manufacturing
Source: Bloomberg, *BusinessWeek*, July 2010. *Data Source:* Bureau of Labor Statistics; Thompson Financial Extel company reports.

most pressing challenges facing this planet. We've leapt ahead before and we can do it again.

We Produce Food That Impairs Our Health and Depletes Our Treasury

We were once the breadbasket of the world and now we are net importers of food. The food we do produce is saturated with toxins, antibodies, and hormones. This food is produced mainly by huge agriculture conglomerates and factory farms.

The agriculture conglomerates grow genetically altered grains that flourish under heavy doses of petrochemical fertilizers, which end up in the food that we eat and feed to our children.

The factory farms raise poultry, cows, pigs, and sheep on feed that is rich in hormones and antibiotics. According to the Union of Concerned Scientists, as much as 70 percent of all the antibiotics used in the United States are fed to healthy farm animals. (This information is taken from the Antibiotics section of "Sustainable Table," updated at www.sustainabletable.org/issues/antibiotics in October 2009.) I don't like to use the "conspiracy" word, but it seems the factory farms are generating big business for pharmaceutical companies.

Maybe these farms consider antibiotics preventative medicine, but it makes no sense to me. It's fairly common knowledge that when your body gets constant doses of antibiotics, it builds up resistance and then you need larger doses or stronger drugs to have any effect.

The synthetic hormones consumed by this livestock are also dangerous. An organization called MILK recently estimated that 30 percent of the milk cows in the United States may be treated with rbGH, which is a growth hormone (statistic from "Hormones in Food" by Rutuja Jathar). Furthermore, according to the National Cattlemen's Beef Association (NCBA), today more than 80 percent of U.S. cattle are raised using artificial hormones to increase their growth rate and body mass. In the larger feedlots, that figure is 100 percent (see www.buzzle.com/articles/hormones-in-food.html).

In addition, these artificial hormones, especially synthetic estrogen, showing up in our food, are also used entirely too casually in many

over-the-counter products, and the effect on living creatures is not good. Here is a very simplified version of how these synthetic endocrine disrupters work.

Your body has receptors for lots of hormones including testosterone and a variety of estrogen hormones. Synthetic hormones mimic the real hormones; when they enter the body, they block the receptors so the natural hormones can't be absorbed. This negatively impacts your immune system by making it hard for your body to fight off viral and bacteria infections. It also has a serious impact on the reproductive ability of many creatures.

These endocrine interrupters have been associated with aberrations in reproductive organs of birds, otters, endangered Florida panthers, alligators, fish, and mollusks. Up and down the food chain, animals are exhibiting hermaphrodite features, low testosterone and low sperm count, and a general reduction in the number of their offspring. This information is documented in many publications such as the *Toxicology Letter, Journal of Clinical Endocrinology, Biochemical Pharmacology,* and *Environmental Health Perspective*. National speaker and author Betty Kamen, PhD, has also written extensively on the impacts of artificial hormones.

Now, as if the load of hormones we consume wasn't alarming enough, most of our food processing plants also seal up your cans and bottles of soup, beverages, baby food, and juice with a plastic resin sealant that contains Bisphenol A (BPA). While there is no direct evidence that BPA exposure adversely affects reproduction or development in people, hundreds of laboratory studies using rodents show that exposure to high dose levels of BPA during pregnancy and/or lactation can reduce survival, birth weight, and growth of offspring early in life. The test animals also showed earlier onset of puberty and an increased risk of obesity compared to unexposed animals. There is also significant evidence that even low doses correlate with negative effects (see http://cerhr.niehs.nih.gov/evals/bisphenol/bisphenol.pdf).

This isn't just a problem in the United States. In a separate report from the Food Standards Agency/Committee on Toxicity in the United Kingdom, BPA was shown to enlarge the prostate gland in laboratory mice, advance the onset of puberty in the females, and reduce fertility in rats. This agency also reported that the use of BPA is very

widespread; BPA was found in nearly two-thirds of the canned foods tested, which included tuna, baked beans, and fruit cocktail. It is no wonder people are having problems with fertility and I won't even go into the impact of this stuff on the libido.

You need to understand that these fertilizer chemicals, antibiotics, and growth hormones do not break down. They are cumulative. They are stored in the environment, in the flesh of the animals we eat and then in our flesh. They are stored in the urine and manure that gets drained into our water supply.

We are seeing an epidemic of obesity and fertility problems as well as a significant rise in prostate and breast cancer. Most of these problems correlate with our increased consumption of chemicals, antibiotics, and hormones in our food. With so much of our food making us sick, it is no surprise that we are seeing an increased demand for food produced organically.

We Are What We Eat, Breathe, and Drink—and It Is Costing Us a Fortune

This nation spends $2.4 trillion on the concept of health and no one is getting any healthier! We're a nation of sick people. We are not only sick in our bodies, but we also are sick in our minds and sick at heart.

I believe that our health is a vital part of our wealth. Yet, we pay more attention to our investments and cars than to what we put in our bodies. We are doing so many things to undermine our health it's no wonder we have so much disease and that our health care costs are soaring. If we want to reduce our medical costs, we need to be accountable for our own health and treat our bodies with the same respect, if not more, that we give our car or our money.

The way we eat and the poor quality of our food sends us to the doctor for multiple problems from diabetes to obesity to vitamin deficiency. Our food is loaded with heavy metals, chemicals, and hormones that have been traced to any number of diseases and reproduction problems. All those problems cost money, which weakens our economy, depletes our treasury, and destroys the value of the dollar!

We are a culture that consumes fatty fast food as if it were air. It is ruinous to our health. Presently we spend more money in the United States on burgers than we spend on our space program to launch satellites and send rockets to the stars. It's a fact. NASA's 2009 fiscal year budgetary resources totaled $17.782 billion. In 2000, Americans spent over $110 billion on fast food. As of 2009, there were more than 25,000 fast-food chains, an increase of more than 1,000 percent since 1970, and now Americans spend more than $140 billion each year on fast food. The rise in obesity in this country correlates with this increased consumption of fatty fast foods. Add this to the general lack of nutrition in our food and we open the door to many medical problems and their related costs.

We Are Jeopardizing Our Life Support Systems

We are a planet with finite resources. Beyond the obvious mineral resources already used as global bartering chips, we have limited farmland, forests, wildlife, clean air, and clean water. Demand for these raw resources and for the basic necessities of life already outstrips supply. This adds to the tensions in the world, tensions that will continue to grow as more countries develop an appetite for our Western lifestyle.

The earth has only so much land and, barring some natural disaster, we aren't going to get any more. That makes what we have especially precious, but instead of treasuring the earth we abuse it. In our nation we plow under our farmland and build housing subdivisions and shopping malls we don't need. Then we string our houses and stores together with concrete roads that block rain from seeping into the ground, lowering our water tables, and affecting people and animals everywhere.

Huge agriculture conglomerates abuse massive tracts of land with assembly line farming and saturate the soil with fertilizers and pesticides that destroy natural organisms and threaten the health of people and wildlife.

We pollute our air. Companies and vehicles around the world literally spew tons of carbon dioxide from fossil fuel emissions into our atmosphere every day (see Table 1.6).

Table 1.6 U.S. Energy-Related Carbon Dioxide Emissions by Fossil Fuel

	Million Metric Tons Carbon Dioxide			
	Petroleum	**Coal**	**Natural Gas**	**Total**
1990	2,178	1,797	1,026	5,007
1995	2,206	1,894	1,186	5,296
2000	2,458	2,141	1,234	5,844
2001	2,469	2,084	1,185	5,740
2002	2,468	2,094	1,242	5,817
2003	2,513	2,131	1,209	5,864
2004	2,603	2,158	1,191	5,963
2005	2,620	2,161	1,179	5,972
2006	2,585	2,131	1,158	5,885
2007	2,568	2,154	1,234	5,967
2008	2,413	2,130	1,247	5,802

SOURCE: Energy Information Administration.

Between deforestation and the use of fossil fuels, carbon dioxide in the atmosphere has increased by 35 percent. Figure 1.10 is a chart of the increase of CO_2 in just the past 50 years.

Thousands of people end up dealing with respiratory diseases. A RAND study found that California's failure to meet federal clean-air standards cost $193 million dollars from 2005 to 2007. These costs are associated with 30,000 hospital admissions and emergency room visits.

An extra bonus from all this excess carbon dioxide in the air is a dramatic increase in acid levels in the ocean, due to the fact that the ocean acts as a huge sponge. Research and reports from several reputable sources show that in just the last 100 years our oceans have seen a 30 percent decrease in pH, about 100 times faster than any changes in ocean acidity in the last 20 million years; the current level of acidification is expected to more than double in the next 40 years, making it unlikely marine life will be able to adapt. This change in pH levels is already destroying marine life and our food chain. In Washington state we are reading about oyster beds that are no longer producing due to a decrease in pH levels in the water.

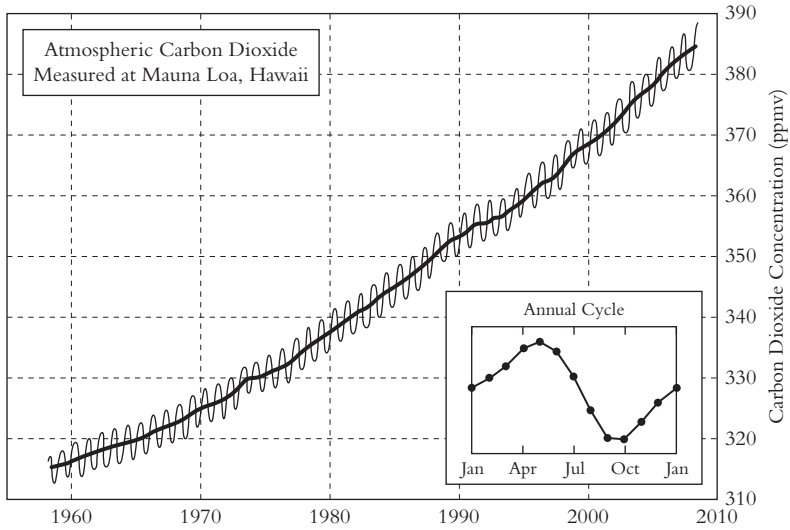

Figure 1.10 Changes in Atmospheric Carbon Dioxide
Source: Energy Information Administration.

We pollute our aquifers. Here's a good example: On the Potomac River in Washington, D.C., there are no fewer than seven cities and no fewer than seven sewage plants and no fewer than seven water uptake systems. They suck that water out of the river then use it for drinking and whatever and then expel it back into the river. The next town downriver sucks it up, drinks it, and expels it. And the next town does the same thing. And the next. And the next. All the way down the Potomac River. Lovely.

As if this wasn't enough, in 2005, Congress passed the Energy Policy Act, championed by then-Vice President Dick Cheney, which exempted a particularly destructive drilling practice called hydraulic fracturing from numerous long-held environmental regulations such as the Safe Drinking Water Act. Hydraulic fracturing, or fracking, is used in natural gas exploration.

This process involves pumping a cocktail of over 600 toxic chemicals and dozens of known carcinogens along with salt and sand into drilling holes. The mixture causes the shale to fracture and release natural gas. The big problem with this is that that chemical cocktail is ending up in the regional aquifers.

As I write this, a news clip video is playing on my computer that shows a man from northeast Pennsylvania turning on his kitchen faucet and then setting his water on fire with his lighter. Seriously! Gas was coming out of the faucet and big flames were burning right off the water. Do you want to drink that water? Do you want your hot water heater full of stuff that could blow up? This process is very widespread and YouTube has videos from Texas, Wyoming, Pennsylvania, and beyond. In September 2010, the EPA began holding hearings about the process and they expect massive public turnout. (For more information, see http://gaslandthemovie.com.)

Globally, we are racing to deplete our resources. We have emerging third-world countries crippled with debt that clear-cut and export their forests then use the barren land to grow poppies. This destroys habitat for thousands of creatures, erodes the barren land, and makes the population even more vulnerable and reliant on the drug trade. This is both irrational and unsustainable.

When we look around for ways we can transform the world economically, we have to take a serious look at how we treat our food sources, water sources, and our air, both globally and locally. It is in our national interest to be able to feed ourselves and in our global interest to ensure that people everywhere are able to lead healthy, productive lives and contribute to the world's wealth and happiness.

The good news is that, as citizens of the world, more of us are waking up to the damage we are doing to our life support systems and are becoming aggressive advocates for changes in practices that demean our planet.

Glenn Beck and Me, Talkin' 'Bout a Revolution

I want to tell you a story. In the spring of 2010, I was vacationing in Hawaii when I got a call from Glenn Beck asking me to join him on his television show in Los Angeles. He wanted to interview me. He'd heard me talk during an interview on CNBC and had invited me onto his show to ask me some questions.

So, Glenn flew me into Los Angeles and as I'm riding to the studio in the back of this luxury town car, driving past all these palm trees on

these eight lane boulevards and seeing these huge hundred-foot billboards featuring *American Idol* hopefuls, I felt like I was on a different planet. I mean, it was very surreal. I'm a New York boy transplanted to Seattle and the whole California ambiance feels like a fantasy anyway, and here I am riding in a limousine to a television studio where I'm going to be interviewed by Glenn Beck. I literally felt like I was living in someone else's movie and that someone was going to jump out any minute and shout, "Cut!"

Anyway, I'd talked to Glenn on the phone before and seen his show. I knew his brain fired like a machine gun and that he'd be firing questions at me from every conceivable direction, and some unconceivable directions as well. I knew I'd have to be in hyper-drive to keep up with him.

I'd done plenty of radio shows, but I wasn't even going to pretend to myself that I was going to be able to keep pace with him. I was praying to be able just to keep up! Well, I also hoped that I'd be able to give a respectable account of myself, but I was willing to settle for surviving whole.

At any rate, I'm riding in the back of this limousine and scribbling like a maniac in a notebook, trying to capture every possible idea that might come up during my interview with Glenn. I'd been writing since I'd boarded the plane in Oahu and only had a few pages left in my notebook. I was on my second pen.

I was seriously mining every corner of my mind for everything I knew about the global economy and the American experience and Wall Street and society and change and current events and mob mentality and mob behavior and fear and greed and politics and flood and famine and hurricanes and earthquakes and the oil spill in the Gulf and our endangered environment and our endangered health and our endangered food and our endangered children and . . . well just about everything that might possibly relate to the mess the world is in.

I remember thinking particularly about Greece and about the building concern in the international community about how that country was going to extricate itself from imminent bankruptcy. This trip to Los Angeles was at least a full week before the riots in Greece and I, like many other people on the planet, was seriously concerned about what would happen in Greece, and then what would happen in all the other countries that were in similarly precarious economic

situations due to their overwhelming debt. At that point in time, Greece looked like the first in a whole row of dominos just waiting for a breeze. Anyway, I was filling pages and pages of this stuff and it was . . . well, it was simply overwhelming.

Finally my brain just stopped. My pen just stopped. Time just stopped.

I just hovered. The surreal feeling expanded and I remember looking out the window and seeing yet another 200-foot billboard full of *American Idol* hopefuls flash by. Then a series of images flashed through my mind: Fire in the streets. People rioting. Gunfire. Bloody faces covered with bloody hands. Bloody bodies lying on the sidewalks. Cars overturned. Police in riot gear. Rifles. Smoke from tear gas. My images had no sound, but I could feel the sound of chaos. And I felt fear.

The pictures were as clear as any of the images that were beamed across the planet via satellite from the streets of Greece a few days later. But on that day, during my peaceful ride to the studio, Greece was just bubbling. None of those images had happened yet.

I'm not sure how long I sat, caught up in the images, but eventually I shook myself free and my pen attacked the page. I wrote one word. I wrote it in skyscraper-big capital letters at the bottom of the page. After sheets and sheets of notes I came to a single conclusion and I wrote one word. The word was REVOLUTION.

That was my conclusion. That was where I thought the world was headed. Revolution.

Don't think that idea didn't scare me, because it did. It would scare any sane person. But after processing everything I knew and projecting what I thought were likely outcomes, after recalling those images that had flashed through my brain, I concluded that we, the world, the economic system as we know it, was heading toward some kind of revolution. And that was what I wanted to say on Glenn's show.

I closed my notebook and put it away in my briefcase and enjoyed the rest of the ride through the surreal Los Angeles landscape.

A short time later the driver pulled into the studio lot and I was escorted past security and into the sound stage where Glenn would tape his show. Glenn's producer, Joe Kerry, greeted me and gave me a tour. He introduced me around to the crew and gave me a run down on what I might expect. At least, what he thought I might expect.

As Joe toured me through the studio I could hear Glenn calling out to his crew and the members of his team. Glenn is involved in every aspect of his show and if you've ever been in a television studio you know that there are a lot of things to be involved in. Glenn was all over the place and I could hear him calling out instructions about the lights, the props, the blackboards, the guests, the seating. He knew everything that was going on around him. Everything. I wouldn't be surprised to learn he could see through walls.

At one point he was talking to one of his crewmembers and I heard his voice rising as he talked about Greece. Then I heard him yelling, "It's all about Revolution! It's a revolution!"

I know it's a cliché, but I can't describe the feeling I had other than to say I literally felt a shiver run down my spine. A moment later I yanked my notebook out of my briefcase and flipped through the pages until I found what I wanted. I held the page up in front of Joe, pointing to the word I'd written after my montage of images. Glenn and I had reached the same conclusion. Revolution was on the horizon.

I don't recall much of the actual interview, but I do remember one point when Glenn held my notebook up to the camera for the viewers to see and pointed to my one-word conclusion to help him make his point. A few days later Greece experienced its meltdown and all those images I'd imagined during my limousine ride were flashed around the world on prime time television.

I can't believe that Glenn and I are the only people reaching this same conclusion. I mean, I'm smart and Glenn is smart, but there are a lot of smart people on the planet and I'm sure a lot of them are seeing the same writing on the same wall that Glenn and I saw.

But at the time of that show, no one was talking about Revolution. It was like the "F" word and not fit for prime time viewing. No one would talk about the New World Order either. Now, I listen to talk shows and it's like people are finally coming out of denial and seeing what is really happening. That is a good thing. We can't do anything about finding solutions to our problems if we don't even acknowledge the problems. So, on that day, Glenn and I talked about Revolution. And now in this book I'm talking about the New World Order. And just last week, I heard a prime time, mainstream CNN talk show host

interview a British economist who actually spoke the words, "New World Order." So the dialogue is now open to the public and we need to talk about it to make it happen the way we want it to happen.

And that, my friend, is why I wrote this book. The Revolution doesn't necessarily require that we have blood and fire in the streets, but it does require that we deal with reality, accept that we are seeing a total game change in the world and take action to make sure that world is one we want to live in.

We Can Be an Ostrich or a Hero

As a nation we've never been in this place before; economically, ethically, morally, and spiritually, we are at a crossroads. As a nation, as a society, as part of a global community, as citizens of the world, we have a moral obligation to do everything we can to reclaim America and this earth for ourselves and the generations of all life to come.

It's immoral to pass the problems we've created on to future generations. The ONLY moral action we can take is to face the consequences of our past choices and change how we make our decisions. Those decisions must be guided by our moral compass that demands that we be fair to our fellow travelers on planet Earth.

The choices we make in the next days, in the next few months, in the next year will leave a legacy for generations to come. It's up to each one of us to decide how we want to be remembered. As a generation, as a society, we can go down in history as the self-indulgence generation that bankrupted the most powerful nation on earth.

Or we can be remembered as the generation that stepped up to the plate when things got tough and did whatever it took to correct the unsustainable consequences of poor past choices. We can be remembered as ostriches that lived in denial and refused to be accountable for the problems we created, or we can become heroes of the age.

The best news is that most people want to do the right thing. Hopefully, this book will provide you with plenty of ideas about what those right things are.