



FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

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Living at the Expense of Others

Everyone wants to live at the expense of the state. They forget that the state lives at the expense of everyone. ~ Frederic Bastiat

As I write this, between five and twelve House Republicans are threatening to vote against the Senate version of Trump's Big Beautiful Bill. At around 940 pages long, it includes many provisions. I suspect that one of the biggest problems the GOP holdouts have with the bill is the fact that it would increase the debt limit by \$5 trillion. That alone confirms that the majority plans to live—to a significant degree—at the expense of others.

This is nothing new. Economist Thomas Sowell wrote, "The first lesson of economics is scarcity: There is never enough of anything to satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics." Since the creation of the Federal Reserve in 1913—and especially in recent decades—the federal government has been living at the expense of others by issuing debt, much of which is purchased by the Fed using dollars it creates out of thin air. (When small-time criminals do this using a printing press, it's known as *counterfeiting*.)

Former Fed chairman Ben Bernanke once marveled at the potential of this digital printing press technology. Finally, it seemed, Man would be able to pull himself out of the muck of

poverty, filth, ignorance and disease by conjuring up digital fiat currency from the ether. At last, scarcity would be banished from the Earth, allowing everyone—including the tens of millions of people who showed up here from around the world—to become satiated in a veritable cornucopia.

But is it possible to get too much of a good thing, as Bill Bonner wrote about in [Hormegeddon](#)? Although the Fed can print as many dollars as it wants and can keep the two benchmark interest rates it controls pinned close to 0%, the market sets all other interest rates, including the rates for U.S. Treasuries. In recent months and years, most of the term structure of U.S. Treasury debt has generally been north of 4.2%, which is abnormally high since The Great Financial Crisis, but not so longer term.

As I've mentioned before, the problem with FedGov's \$37+ trillion of outstanding debt is its term structure is very short, since about a third of it has to be rolled over (refinanced) every year at then-prevailing interest rates, regardless of how high they are. This leaves it vulnerable to a sudden loss of confidence by lenders, the same problem that caused Bear Stearns, Lehman Brothers and the government of Greece to suddenly collapse. And remember that about half of all dollars and much of U.S. Treasuries are held by foreigners who have been looking for ways to de-dollarize (for various reasons).

Like the character in the Hemingway novel, the federal government will go bankrupt “slowly, then suddenly.” When that happens, no amount of currency printing, Fed interest rate cuts, Congressional bailouts, presidential executive orders or storytelling by the Legacy Media will be able to stop the financial and economic devastation. The fallout will be shocking and brutal. Suddenly, FedGov will be unable to pay its bills (at least with money that has any value), and all of the programs that USAID had been funding will be seen as the perverse waste that they were.

Trump is a remarkable political figure, and has made many excellent (and much-needed) changes. But as someone who has spent his entire business career borrowing money from others, he's an Easy Money guy who wants (artificially low) interest rates so he can borrow a lot now to finance his legacy. However, that will contribute to the much larger and longer-term legacy of a mountain of unpayable debt that was created by politicians from both parties over the last century.

By the way, the fundamental difference between Trump and Elon Musk—which also explains why they've been feuding—is that they have different time horizons. Trump wants to bask in a near-term Golden Age (which he could create without going further into debt), whereas the much-younger Musk will live to see the inevitable financial collapse.

Of course, much (or most) of the blame for this lies with Congress, which has to approve all spending bills. Basically, only a handful or two of House Republicans threatened to vote against the Big Beautiful Bill because it increased the debt limit by \$5 trillion. And I'm sure virtually every House Democrat would have voted to do so if the money would have been spent in ways they favored. So only about 2% of House members are willing to take a stand on going further into debt. People who can't vote (including the unborn) are the easiest to steal from.

I know of no other organization that goes deeper into debt year after year, much less at the rate of trillions of dollars. Stein's Law (after economist Herb Stein) states, "If something cannot go on forever, it will stop." Eventually (probably sooner than most people think), this borrowing absurdity is going to come to a screeching halt. Those who are still around will be left with a Big Bill, but it won't be Beautiful.

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