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January 15, 2010

## The Economic End of America?

Over the last century, frequently enough, many countries in Central and South America have had very high ratios of debt to GNP (Gross National Product), double and even triple digit inflation, have seen their currencies value drop to almost zero, have gone bankrupt, and have defaulted on all their loans. We in the USA have, rather derisively and unfairly, termed this an economic condition that only a Banana Republic could get into.

Due to all the incredibly high deficit spending that the Obama Administration and our Progressive Congress have enacted, our friends from the South will have the opportunity to turn the tables when all of the above happens to the USA, and call us the Banana Republic of North America.

Our debt to GNP ratio today is far worse than the average of all countries that went bankrupt, and worse than the average of all Central and South American Countries that went bankrupt.

The basic problem is that the US economy is X big, so with X amount of money in circulation, so each dollar is worth a dollar. By printing, for real or electronically, so much more money, as Obama has done, while the economy has not grown, we now have X + Y in circulation. There is nothing but hope to back up the value of the Y amount of money, so the value of each dollar will have to be reduced until the value of the dollars in circulation is back to the same value as the economy. This is econ 001. Each dollar might only be worth 50 cents, but with twice as many in circulation, the only one that loses is everyone.

Normally this is accomplished by inflation. As Andrea Merkel, Chancellor of Germany, told Obama, Germany was not going to spend its way back into the early 1920's again when a wheelbarrow full of money was good for one loaf of bread, and even less the next day. Warren Buffet is very worried about stagflation. Check back to the late 60's, 70's and early 80's for some real Jimmy Carter style stagflation. Double digit inflation with double digit interest rates. We may even have some triple digit inflation, with commensurate interest rates. If so, every American on a fixed incomes, mostly retired folks, will watch their pensions evaporate to zero value. I hope every student at SVSU is ready to have their parents, when they retire, and grandparents, move in with them.

The reason the value of Gold is skyrocketing, and the value of the dollar on the international markets is plummeting to new lows, is due to the concerns of real people who understand real world economics. They are deeply worried about the USA becoming a Banana Republic. Most Americans believe China will surpass us within 20 years.

Alternatively, inflation may stay low, for this could be a very long “recession”, just like the one in the 1930’s. However, in order to pay the interest on the debt, and pay off the additional Trillion dollars of debt the Obama administration is projecting for each and every year forever into the future, we will have to raise interest rates to attract investors (i.e. China). As our economy continues to stagnate, no one will want to buy our new debt offerings (securities), for they can read tea leaves too.

The full faith and credit of the USA may not be worth spit in the future.

Either way, the inflation, stagflation, or just very high (double digit) interest rates will kill any recovery and put the USA’s economy back into the tank. As an ever larger portion of the US economy is needed just to pay off the interest on the debt (\$154 Billion for just January, 2010), there will be less and less money to spend on anything else, such as National Defense for the Global War against Radical Islam.

In March of 1939, Henry Morgenthau, Franklyn D. Roosevelt’s Treasury Secretary during the 1930’s, stated: “We have tried spending money. We are spending more than we have ever spent before and it does not work. And I have just one interest, and if I am wrong, somebody else can have my job. I want to see this country prosperous. I want to see people get a job. I want to see people get enough to eat. We have never made good on our promises...I say after eight years of this Administration we have just as much unemployment as when we started....And an enormous debt to boot!”

What FDR did was a first time experiment that failed. Obama is repeating FDR’s mistakes, and has no excuse for doing so. Plus Obama has actually raised the level of unemployment.

If Obama, Treasury Secretary Geithner, Dale Kildee (D-MI, current 5<sup>th</sup> District Congressman, who voted for every single spending bill that Bush II or Obama put forward), and Michigan’s two US Senators, Stabenow and Levin, are honest, they will make the same statement as Henry Morgenthau did in the very near future.

Almost every college student (including those at SVSU) will not only have tens of thousands of dollars of student loans to repay when they graduate, but every working person will have an additional national debt of \$36,000 now, going up to \$120,000 or more in the next decade.

Or Obama and Kildee could just raise taxes by 50% or so to pay off the debt.

No matter which, anyone who voted for Obama and Dale Kildee voted for the economic end of America.

It is vital to the future of America, if we want to continue to be a great country, and not just a third world backwater, that we reverse this spending, pay off our debts, and balance our domestic budget. Winning Congress back by Conservative Republicans in 2010 is the only way to fix the bleeding so the USA can be healthy again.

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