

## **Memo To The Donald - 10 Great 'Deals' To Save America Before It's Too Late**

By David Stockman, via Zerohedge, 10 August 2016

Unfortunately, it is too late to reverse the tidal wave of system failure that has been brewing for three decades now. **It will soon end in a speculator implosion.**

Whether that crisis commences before November 8th or soon thereafter is largely immaterial. **If the Trump campaign has the good sense to focus on the gathering economic storm clouds, it's the one thing that could catalyze an out-with-the-bums uprising across Flyover America on Election Day.**

So let us reiterate our thesis even more vehemently. **The idea that the American economy has recovered and is returning to an era of healthy prosperity is risible establishment propaganda.** It's the present day equivalent of the Big Lie. It's the reason why Hillary Clinton's campaign to validate and extend the current malefic Wall Street/Washington regime is so reprehensible.

**In fact, the natural post-recession rebound of the nation's capitalist economy has already exhausted itself after 84 months of tepid advance.** Now, the massive headwinds of towering public and private debts, faltering corporate investment and productivity, Washington-based regulatory and tax-barriers and the end of an unsustainable central bank fueled global credit, trade and investment boom are ushering in a prolonged era of global deflation and domestic recession.

Indeed, the **only thing that has really recovered from the epochal breakdowns of 2008-2009 is the stock market averages** which are now at levels 3X the March 2009 bottom. But as detailed in Chapter 3, the market's current lofty valuation is an utterly artificial fiction of Bubble Finance.

In fact, the market would be heading for a hefty correction in any circumstance after being fueled for seven years with free money and massive liquidity injections by the central bank. But at a nosebleed **25X** reported GAAP earnings, and after an **18% decline** from their September 2014 peak already, the broad stock market is more over-valued than any time in history, including the peaks before 2008, 2000 and 1929.

**So in the face of the fast oncoming domestic recession and deepening global deflation, Wall Street is set-up for the mother of all crashes.** And what makes it so wicked is that the casino gamblers have been rescued by the Fed so many times since 1987 that they have no clue that the nation's monetary central planners are out of dry powder.

The reasons are numerous, but **suffice it here to say that when the stampede for the exits gets underway this time, and there are no monetary fireman at the ready, sheer bedlam will quickly ensue on Wall Street.**

Likewise, there will be no possibility of a fiscal rescue, either. That's because during 84 months of the weakest recovery in history Washington has whiffed entirely on the fiscal front. Not a single thing has been done about the structural deficit and the fast approaching insolvency of the nation's massive social insurance system.

Indeed, when the \$150 billion per year disability trust fund ran out of cash, the cowardly men and women of Capitol Hill merely authorized a raid on the soon to be insolvent OASI trust fund for retirees and their dependents.

Accordingly, as the eventuality of the next recession becomes impossible to deny, the updated budget projections will show a swift return to trillion dollar annual deficits even without any new "stimulus" programs. The Washington fiscal fireman will be hog-tied, and the insouciant

breast-beating by Barack Obama about how he has tamed the Federal deficit will be reviled by his successors for decades to come.

It can be said with not inconsiderable certainty, in fact, that under current bipartisan policy and realistic economic forecasts at least \$15 trillion will be added to the nation's current \$20 trillion of public debt during the next 10 years.

That is, under economic projections for the world economy as it is, not as the latter day Keynesian devotees of Rosy Scenario who inhabit the Washington budget offices fantasize it to be, the Federal debt ratio will approach 150% of GDP during the next decade. That means, in turn, that when interest rates eventually normalize—as they must if the monetary system of the world is to survive—debt service will soar to \$1.5 trillion per year.

That happens to represent more than 6% of a prospective nominal GDP that has only grown at 3% annually for most of this century. Another description for that unsustainable equation would be a fiscal doomsday machine.

So there is a perfect storm of calamity brewing, and the rumbling sounds of its arrival are being heard by the plain people of America, even if the bicoastal elites remain clueless in their temporary world of bubble finance prosperity. Even as they harrumph and remonstrate against Trump's bombastic and politically incorrect style, they are missing entirely the profound economic grievances which have brought Flyover America to the political barricades.

*To be sure, The Donald could readily turn into every bit of the scorched earth marauder that the ruling elites are now shrieking about. If he manages to avoid being Goldwatered and actually takes up residence in the White House, we may end up with more of the police state demagogue who harangued the nation during the Republican convention and less of the capitalist insurrectionist who has given hope to tens of millions of voters left behind in Flyover America.*

At this late hour, however, it is not even a case of paying your money and taking your chances. There is no chance at all if Hillary Clinton is elected.

There will be war. There will be a crash. There will be fiscal and monetary bedlam.

But there will be no recovery or anything which passes for real capitalism and honest democracy in America—ever again.

### **Ten Great Deals For The Donald**

*But there is a sliver of hope.* If Donald Trump is elected, eschews a law and order crusade and does not capitulate to the destructive policies of the Wall Street/Washington/bicoastal establishment, there is a way forward. The political outlaw who considers himself to be the world's greatest deal-maker would need to do just that.

To wit, a President Trump determined to rid the nation of its mutant regime of Bubble Finance at home and failed interventionism abroad would need to make *Ten Great Deals*.

A **Peace Deal** with Putin for dismantlement of NATO, cooperation in the middle east, strangulation of ISIS by the Shiite Crescent and a comprehensive worldwide agreement to end the arms trade and pave the way for general disarmament.

A **Jobs Deal** based on slashing taxes on business and workers and replacing them with taxes on consumption and imports.

A **Sound Money Deal** to repeal Humphrey-Hawkins, end the Fed's war on savers and cash, abolish the FOMC and limit the Fed's remit to passively providing liquidity at a penalty spread over market interest rates based on sound commercial collateral.

A **Glass-Steagall Deal** to break up the giant financial conglomerates, limit the Fed's liquidity window to "narrow banks" which only take deposits and make loans and deny deposit insurance to any banking institution involved in Wall Street trading, derivatives and other forms of financial gambling.

A **Federalist Deal** to turn back most of Washington's domestic grant and welfare programs to the states and localities in return for a mega-block grant with a 30-year phase-out.

A **Regulatory Deal** based on an absolute 4-year freeze on every single pending regulation, and then subjecting every existing statute to strict cost-benefit rules thereafter.

A **Liberty Deal** to get Washington out of the war on drugs, criminal law enforcement and regulation of private conduct and morality.

A **Health Care Deal** based on the repeal of Obamacare and tax preferences for employer insurance plans and their replacement with wide-open provider competition, consumer choice and individual health tax credits.

A **Fiscal Deal** to slash post-disarmament defense spending, devolve education and other domestic programs to local government and to clawback unearned social security/medicare entitlements benefits from the affluent elderly.

And a **Governance Deal** to amend the constitution to rescind Citizens United, impose term limits and establish public finance of all Federal elections.

America is fast heading toward ruin under the existing policy regime, and **these ten deals could establish the charter for a new way forward.**