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## A Terrible Foreboding

By Carl F. Worden  
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4-17-4

Ladies & gentlemen...

Most of you familiar with my writings know that I am a financial consultant involved in just about every aspect of economic and financial proceedings, and I must tell you I have a terrible feeling of foreboding regarding the future of American prosperity. The threat is imminent, and much closer than most Americans can possibly foresee.

My associates from every corner of America have consistently confided to me that the primary driving force in the American economy right now is people refinancing their homes at low interest rates, and withdrawing the equity to make purchases like cars and appliances, and to pay off credit card debt.

Those of you old enough, and those of you who are younger, but cognizant of the historical events leading up to the crash of 1929, will recall that people were buying stock on credit credit that became immediately due and payable when those stocks lost their value. Thousands of people lost their homes put up as collateral in the ensuing catastrophe, and wound up living in cars and on the streets and in soup lines.

That is exactly what is going on right now. Further, there are sharp increases in home purchases in various areas of the United States, driven not by people buying homes to live in, but to purchase a home on pure speculation that they will reap a huge profit by re-selling the home a month or two later often to another speculator. Economically, it is a disaster waiting to happen, and these home speculators are playing a reverse game of musical chairs in which you do not want to have a seat

(read overpriced home) when the music stops as in when the buying frenzy suddenly ends and prices drop. All it will take is a Federal Reserve announcement of an interest rate increase, and I see that coming very soon.

Couple this trend with the fact fuel prices are soaring, making the price of everything from groceries to basic household goods, jump substantially due to transportation costs.

This trend cannot go on without harsh economic consequences, including double-digit, runaway inflation -- and the inevitable rise in interest rates. If interest rates jump just one or two percent, the entire basis for our existing economy through refinancing of homes will come to a screeching halt. If the Federal Reserve refuses to raise interest rates, inflation will explode unchecked. It's a no-win situation, no matter how you look at it.

What's going on right now isn't very different from the events leading up to the crash of 1929. People were betting on the come line that stock values would keep on rising forever, just like people of today are betting their home's equity will keep rising forever, but this cannot continue without a drastic correction that can be brought about by any number of unforeseen events. It's like a house of cards in a high wind, and you never know when the breeze will bring the whole delicate structure to ruin.

I do not understand why the Bush Administration is not trying to do something about these exploding fuel costs. \$2.00 + per gallon for diesel?? Diesel is just about the most cheaply produced fuel, yet its cost at the pump is equal to or higher than regular grade gasoline here in Oregon! Clearly, the oil companies are profiteering and cooperating in illegal acts of trust with one another, yet the Bush Administration is taking no hard federal action to even investigate, let alone bring prosecutions that send a strong message. I don't get it, and I don't understand why there has been no massive media or public outcry for action.

Foreclosures and bankruptcies all across America are already spiking, despite government assurances that we're all enjoying a growing economy and a promising job market. Those government assurances are all a big, fat lie! The unemployment figures are completely unreliable, since those dropping off the unemployment compensation rolls are no longer counted, even if they remain unemployed after their benefits run out. It's all a big, fat lie, and I have a terrible sense of foreboding of

what is to come, because this economy is not built with underpinnings that can withstand even the slightest breeze.

Carl F. Worden

Comment

From Don Stacey

4-17-4

As you read Mr. Worden's message, think about:

1. Americans in aggregate are spending 120% of their income!
2. We are more in debt than at any time in history and borrowing more at a furious rate!
3. The savings rate in America is almost nil.
4. The Federal Reserve is printing huge amounts of new dollars, creating them from thin air. The new dollars contribute to rising inflation.

How will we handle bad times? I am afraid not well at all.

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