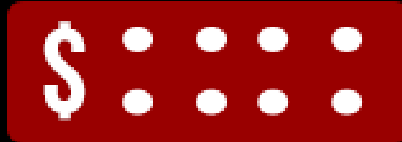
U$D DOMINO SURVIVOR



Chapter 2

THE TRUTH BEHIND THE ELITE 1%

The introduction laid the broad groundwork. It outlined for you HOW the current banking and international financial system got built. The framework which it rests upon.

It is this framework that has allowed the 1% to systematically plunder the planet, creating war and chaos when it suited their purpose, inflating various asset bubbles to entice those less knowledgeable and experienced in the world of investing to pony up their hard-earned money, only to pop the bubble at the right moment, robbing millions of their life savings and further enriching themselves in the process.

Now, you might ask why.

Why would anyone who isn't a sociopath DO such a thing?

The answer, unfortunately, is simple greed. For some people, there is no such thing as enough, and they do not care how many hopes and dreams they demolish. How many lives they destroy so that they can have more.

"More" is all that matters to these people.

Albert Einstein is credited with once saying that "compound interest is the most powerful force in the universe," and he's not wrong. The wealthy know and understand this. They use it to their advantage, just as they have for literally centuries.

Every "get rich quick" book ever written uses the same basic idea – the same basic principle. Spend less than you make, do it consistently, and invest your money over the long term so that compound interest will work for you. Of course, what they do not tell you is that if you have a fat salary to begin with, then it is worlds easier to actually DO this.

Now, we are not saying you can't make use of the same principles – you very definitely CAN, and we will show you how to not only do that, but also, by informing you about the specific mechanisms that make it possible for the rich to abuse the system, we will show you how to minimize your risk of being caught up in one of their games.

The Dual Nature of Money

Money serves two masters. It serves two purposes at the same time, but the central problem is that those two purposes are inherently at odds with each other.

Think about it for a moment. When you buy a computer, does it gain, or even retain value over time? If you sell your computer a year after you buy it, will you get something close to what you initially paid for it? Of course you won't. You will be lucky to get twenty bucks for it at a pawn shop or yard sale.

The same is true of almost everything. Now, some people will point out specific things like classic cars, or old coins that DO increase in value over time, and sure, there are occasional exceptions, but think about the car you drive right now.

The moment you drove it off the lot, it lost half its value. If you bought a Chevette Scooter the last year they were made, or a Yugo, or any number of other vehicles, the same thing applies. It loses about half its value the moment you drive it off the lot, and when you resell it later, you won't get much for it.

That's because physical goods wear out over time. They go obsolete. In the case of perishable goods, they just plain go bad. Sure, you could get a sweet deal on, say, bread, if you could buy all the bread you could eat in your entire life in one shot (bulk buying), but that would never work in practice, because of course, after about a month, it would go bad and you'd lose all the money you spent.

You know what doesn't go bad over time?

Money.

Unlike every other good in existence, money retains its value over time, if properly invested. In fact, money will actually MULTIPLY over time. That's how the rich get richer, after all.

What we are describing here is money as a STORE OF VALUE. This is the first master it serves. Being a store of value.

Money's second master is that it is the juice which makes the economy run. The more that money circulates through an economy (ANY economy), the better that economy functions. Note

here that we are talking about the speed at which money circulates (its velocity) not necessarily the quantity. Too much money circulating in the system will just create inflation, but not enough money circulating will choke off growth.

There have been some countries that have suffered from having too much money circulating in the system. World War Two Germany is one, and more recently, Zimbabwe was another. This, however, has NEVER been a problem in the United States. Our problem, since the 1980's, has been just the opposite. We have too little money circulating through the system. No matter how fast it flows around, there is just not enough of it to foster a real, dynamic, permanent cycle of growth.

Think about what happened in the 80's.

Prior to that time, when companies made productivity gains by investing in technologies, those gains were pretty evenly shared between the owners of the corporation (capital) and the workers (labor). What you saw from the end of World War II to about 1980 was that middle class incomes grew at roughly the same pace as the upper class.

SINCE 1980, that has changed. The owners of the nation's corporations have kept most of the increased profits due to increased productivity for themselves. That is how and why CEO salaries jumped from being roughly 12x the salary of the average American to more than THREE HUNDRED times.

The problem with money serving these dual purposes is that they are diametric opposites. Money can't both be hoarded to preserve value AND circulate to drive the economy. Any given dollar can only do one or the other. It can never do both.

That's why the middle class is dying.

Marginal Propensity To Spend

Think about it like this: Let's say that a guy walking home from his minimum wage job at McDonalds finds a twenty dollar bill on his way home from work. What do you think he's going to do with that sudden, unexpected windfall?

He's going to spend it, right? On food, a new pair of shoes, a new shirt…SOMETHING.

Why?

Because at his salary, he's not making enough money to see to his basic needs, much less anything extravagant where entertainment or education is concerned. He's got bills and expenses that need paying RIGHT NOW, and that money is going to be put to immediate use. In economic terms, we describe this person as having a high "marginal propensity to spend." Every dollar he makes or finds, he's very motivated to spend, because he's got basic needs that he's struggling to meet.

Now, same situation, but let's say that a member of the Walton family (owners of Wal-Mart) finds a twenty lying on the ground. They're going to pick it up, sure, because it is free money. And they'll probably shuffle it off to one of their offshore accounts. In economic terms, we describe this person as having a very low "marginal propensity to spend," because he doesn't have basic needs that he's struggling to meet.

In the first case, that twenty dollar bill gets circulated through the economy. It helps the minimum wage worker in an immediate and tangible way, and it helps the economy as a whole, because that dollar circulates.

In the second case, the money is sidelined. It is taken out of the economy. Sure, it gains interest, most often by loaning that money at interest to China or India or some other developing nation to build another giant factory there to suck more jobs out of the United States, but as far as helping US…nope. It doesn't. At all.

A billionaire could buy thousands of iPads, but why would he? He may get one or two. He may even be extravagant and get one for every day of the week, but beyond that, there is just no point in buying gazillions of the things. He would simply never use them. That's a simple example, but it serves as a good case in point.

Money in the hands of people with a high marginal propensity to spend WILL be spent, and that spending will drive the economy to new heights. Money in the hands of those with a low marginal propensity to spend will be sucked out of the economy and used to help foster growth (for a tidy profit) in other parts of the world.

Now, I know what you are thinking. Probably some variant of, "Yes, but what about people who invest in the stock market? They're helping fund American companies, right?"

Nope. Overwhelmingly, this is not the case.

If an investor buys stock at an IPO (Initial Public Offering), that money goes to the company direct, but that is a tiny fraction of the total trades conducted daily in the stock market. Nearly all the stock purchased by investors, day traders, Hedge Fund Managers, 401-K managers, and the like are bought in the secondary market.

The companies themselves do not see any of that money…it just moves from one investment account to another. It is not building anything and it is not creating jobs. It is not actually helping the economy at all. Well, it probably helps some broker earn an eight figure bonus, but see the point above about iPads. It is just not helping.

Money was designed (on purpose) to serve two masters. Guess which master it serves better?

You do not need to guess, because you already know the answer. Money serves the needs of the rich first, and everyone else gets what crumbs are left over. In case you hadn't noticed, those crumbs are getting smaller and fewer in number, and in the next section, we are going to describe for you how the rich are gobbling up what few crumbs remain.

Dirty Tricks of the 1%

In this section, which will occupy the rest of this first chapter, we will talk about various "dirty tricks" that the richest among us use to siphon more and more wealth from the hands of the rest of us, to further line their own pockets. Again, we are not sharing this information with you to depress you (although it may wind up doing just that), but so you can be more mindful of HOW they do what they do, so as to be better able to guard against these tactics! With that said, let's take a closer look at them:

Asset Bubbles

Asset bubbles are a particularly nasty "dirty trick" that the uber-rich play on the rest of us. Bubbles can occur in any investment category. In 2001, we had the "Dot-Com" bubble, which centered on the stocks of hot, young internet companies. In December of 2007, the bubble was in real estate. In any case, the mechanism is always the same, as is the eventual economic impact.

Bubbles form because there is too much money chasing too few good investment opportunities. It really is that simple. In the case of the "Dot-Com" bubble, there were only so many good internet companies to invest in. The wealthy could have bought those companies lock, stock, and barrel many times over had they been up for sale, but since they weren't, the next best thing was to buy stocks in the secondary market.

The more uber-rich investors who were drawn to these fast-growing up-and-coming companies, the higher their stock prices went, until the stock prices of all of these companies became totally disconnected from the earnings potential OF those companies.

As the stock prices of those companies rose to meteoric heights, more and more little investors bought into the hype, and invested in those companies, seeking to cash in on the boom.

401-K's and pension funds began investing heavily in them, hoping to capture some of the huge returns that the 1%ers were seeing, but the game was rigged from the start, as it always is.

Once the little guys were lured in, and had a substantial portion of their wealth tied up in these hot stocks, the rich began dumping their shares, sending prices into a tailspin.

The little guys panicked, and started selling their shares at fire sale prices, hoping to preserve at least a little bit of their meager wealth, and those same rich investors swooped back in, capturing their shares for a song, further consolidating the nation's wealth in just a few hands.

The same thing happened in 2007, although in the case of the real estate bubble, it was even more insidious. See, in 2007, it wasn't actually real estate that was the problem…at least not directly. It was a thing called a CDO.

CDO's have been around since the 1980's, but in 2000, the rules governing CDO's were subtly changed, creating a loophole. What mortgage companies began doing was, they would buy up tens of thousands of mortgages.

They would group them into "tranches" which described what kind of mortgages they were. There was a AAA Tranche, a AA Tranche, a BBB Tranche, a BB Tranche, and so on.

These "Tranches" were essentially bundles of mortgages that people could invest in, and the higher the Tranche rating, the "safer" the mortgages (the AAA Tranche was supposedly filled with mortgages from people with excellent credit ratings, AA was mortgages from people with "good" credit ratings, and so forth).

But that word "supposedly" is key.

The people bundling the mortgages…lied. Just outright lied.

They grouped "sub-prime" mortgages (those from people with poor to bad credit ratings) in with the AAA mortgages, but still called the whole package AAA.

The ratings agencies, who were supposed to serve as watchdogs to make sure this kind of funny business didn't happen either weren't watching at all, or were totally in on the scam. They did NOTHING.

Once again, pension funds bought these up, worldwide, because after all, real estate has always been seen as a safe investment, so why not? And the companies selling them were offering attractive terms (of course they were! They KNEW they were selling total garbage!).

Eventually, the economy slowed down, and some people at the bottom of the economic heap started defaulting on their mortgages. Not many, but a few.

The problem though, wasn't that people started defaulting. That happens all the time. Banks expect it. No, in this case, when those people started defaulting, the pension funds that had bought these CDO's started losing money. "How can this be?" They asked, "Given that we bought AAA Tranches?"

It soon became apparent that the AAA Tranches were anything but, and since these instruments had been sold worldwide, we saw a worldwide panic. Suddenly, nobody knew if they were holding a "Real" AAA CDO, or if they were holding one filled with poison.

They started dumping them, which broadened the panic, and we all know what happened next.

YEARS of financial misery for the 99%, and boom times for the 1%.

With millions of homes suddenly going into foreclosure, the rich stepped in and snapped them up for pennies on the dollar. In 2012, in the city of Atlanta, Georgia, an investment group came to down and bought more than 6,000 foreclosed homes IN A SINGLE DAY.

What did they do with them?

They turned around and rented them back to their former owners, of course, which further indentured millions to the 1%. That's' what they do every time. EVERY. SINGLE. TIME.

Currency Abuse

This is a "fun" game that the wealthy like to play, or get governments to play at their behest. The idea here is that you pick a country, and buy up tons of its currency. Supply and demand says that the less there is of something, the more its value rises. It is the same basic idea as the "bubbles" we described above, but it can have catastrophic effects on nations.

As a nation's currency increases in value, exports become more expensive on the global market, while imports become cheaper. This causes jobs to be exported overseas, where better value can be found (sound familiar?).

Then, and here's the kicker. Once ENOUGH of a nation's currency is held by foreigners, if that currency were to be "dumped" on the open market, it will destroy its value almost overnight, utterly crashing that nation's economy.

There are many people who believe that this is what's happening to the US Dollar right now. TRILLIONS of dollars are being held by China and Japan alone. Russia also holds big dollar reserves.

If all three were to suddenly "dump" their dollars, they'd suffer a financial loss, sure, but the pain they feel in doing that would be NOTHING to the decades of economic misery it would create in the United States. It is a ticking time bomb, and when it happens, you can bet that the 1% will be right there, ready and waiting to swoop in and buy the remaining assets of the middle class, again, for pennies on the dollar.

Debt and Deficit

This, in many ways, is the "other side of the currency games coin." The 1% owns our Federal government lock, stock, and barrel. They own every member of congress, and the President (no matter which political party he's in). If you doubt that, you are deluding yourself.

By driving the nation to ever-expanding deficits, it causes the government to issue more T-bills (Treasury Bills), many of which are held by the 1%ers, and many more are held by foreign governments, adding to the nation's total debt.

The debt is so vast at this point that it can literally never be repaid. Make no mistake, this is the means by which the currency games will be played out (as described above) that will spell the utter economic ruin of the United States of America. It is a blow from which we may NEVER recover. If we ever do, it will take literally decades, and of course, in that time, the rich will have gotten what few crumbs they've missed in their previously engineered crises.

Bad Accounting Practices

This is a "trick" that all 1%ers and their immediate lieutenants use. You see it in the tax returns of Fortune 500 companies (many of which pay almost no taxes at all), and of course, in the tax returns of the 1%ers themselves, who typically pay a lower percentage of taxes than you and me.

The old saying is true. “He who has the gold, makes the rules,” and they do. Of course, WHEN they make the rules, especially as they relate to taxation, they make sure that they get all the nice perks and kickbacks.

There are plenty of loopholes to ensure that they can hide the greater bulk of their income so that the percentage they actually pay works out to be the lowest rate of any industrialized nation. On paper, our rates are among the highest, but of course “on paper” doesn’t really matter. What counts is the EFFECTIVE tax rate. The rate which is actually paid in.

Quantitative Easing

Okay – pop quiz time: What does the law of supply and demand say happens to the price (or value) of something when there is more of it? It drops, right? It decreases in value.

So what happens when you start a multi-year process of pumping an average of $85 BILLION dollars a year into the economy? You guessed it – the value of those dollars plummets. The other thing that happens is that the “Velocity of Money” decreases, the more money you pump into the system.

We’ve talked about this before. The faster money circulates in an economic system, the healthier and more vibrant it is. Conversely, the more slowly money circulates in that system, the weaker that economy is. Here’s a chart showing the historic “Velocity of Money.” Notice anything frightening?

That’s right – the Velocity of Money is currently slower NOW than it was during the worst part of the Great Depression.

Know what’s causing that?

In large part, Quantitative Easing.

Historical trends – the past informs the future

So what does the future hold for the US economic system?

Well, so far, we’ve shown you two charts that map out (broadly) the shape and direction of the economy over the long term. You see the “Velocity of Money” chart just above. We will put the “Value of the Dollar” chart here again (from the introduction).

When you look at these two charts together, you begin to get a pretty good idea of what the future holds, and it is neither good, nor pretty. Our once mighty currency…the primary driver of the world economy since the Second World War, is dying.

Unmistakably dying. It has lost more than 95% of its value, and the velocity of money is lower now than it was during the Great Depression, and we are being told that the danger has passed. That the recession is OVER.

If it is really over then why is our dollar worthless? If it is over, then why is the velocity of money value so low? Again, you already know the answers to those questions. Everything is NOT okay. Our nation is in deep, SERIOUS trouble, and everybody is pretending that it is all good. That there is nothing to worry about.

These charts, by the way, are publicly available. Everyone can see them, including the leaders of foreign nations, who, as you will remember, hold literally TRILLIONS of our dollars. It is becoming increasingly, painfully apparent that their investment in those dollars was a very bad one.

When you make a bad investment, do not you cut your losses at some point?

Do not you sell off the non-performing investment and move on to something else, rather than riding the express elevator all the way to the basement?

Of course you do, and if that's what you would do, what makes you think that the leaders of foreign countries would behave any differently?

THAT is why the crash is coming.

That is why it is a foregone conclusion, and ultimately, that's why you are now reading this book. Because before you even bought this course, you knew deep in your bones that something was terribly wrong. You may not have known the particulars, but you still sensed it, and now…now you know the full extent of the problems we face, and why a crash is inevitable.

The rest of this book will be dedicated to you, and to showing you how to not just survive the coming crisis, but to actually thrive in it.