



PAUL B. FARRELL

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20 reasons Global Debt Time Bomb explodes soon

Commentary: Which trigger will ignite the Great Depression II?

By [Paul B. Farrell](#), MarketWatch

ARROYO GRANDE, Calif. (MarketWatch) -- Retire? You can fuggetaboutit if the new Global Debt Time Bomb is detonated by any one of 20 made-in-America trigger mechanisms.

Yes, 20. And yes, any one can destroy your retirement because all 20 are inexorably linked, a house-of-cards, a circular firing squad destined to self-destruct, triggering the third great Wall Street meltdown of the 21st century, igniting the Great Depression II that George W. Bush, Ben Bernanke, Henry Paulson and now President Obama have simply delayed with their endless knee-jerk, debt-laden wars, stimulus bonanzas and bailouts.

Wow, what an epic Hollywood blockbuster this will make: You know the drama, can't miss the warnings. The financial press is flooding us with plot lines ... a Forbes cover story focuses on a "Global Debt Bomb: How It Could Wreck Your Life" ... Leaders at the World Economic Forum on Swiss Mt. Davos fear another global meltdown will trigger mass rebellions ... The Economist calls the plot a "Global Asset Bubble," with cheap money fast driving up asset prices.

Deficit as national-security threat?

WSJ's Jerry Seib previews his column in tomorrow's Journal in which he writes the federal budget deficit has become so large, it's time consider it a natural-security threat. Plus, the News Hub provides a February market outlook and also discusses the findings of a new autism study.

Plus, Bloomberg BusinessWeek is adding jet fuel to the ticking time-bomb in: "After the Stimulus Binge, a Debt Hangover: Trillions of dollars have been spent keeping the global economy afloat. But now fears about the Great Recession are giving way to worries about something else: The Great Reckoning" when massive debts come due. Then the debt bomb explodes "and the results won't be pretty for investors or elected officials."

Forbes discovered the trigger mechanism in "This Time Is Different: Eight Centuries of Financial Folly," by economists Carmen Reinhart and Kenneth Rogoff: The "90% ratio of government debt to GDP is a tipping point in economic growth." For 800 years "you increase it over and beyond a high threshold, and boom!" Well guess what? "The U.S. government-debt-to-GDP ratio is 84%." Soon, Ka-Booom! Depression. Kiss your retirement goodbye.

Who knows? Forbes? Bloomberg BusinessWeek? The Economist? Davos-World Economic Forum? True, they're all looking at the same plot line for a Hollywood blockbuster about the "Global Debt Time Bomb."

But the financial press navigates in a fog. There's not just one, but many triggers, all linked in a lethal network. We've reported on it for years. Now you tell us: What triggers this firestorm?

Poll: 20 economic weapons of mass destruction triggering ticking Global Debt Time Bomb

1. Federal Budget Deficit Bomb. The Bush/Cheney wars pushed America deep into a debt hole. Federal debt limit was just raised almost 100% with Obama's 2010 budget, to \$14.3 trillion vs. \$7.8 trillion in 2005. The Congressional

Budget Office predicts future deficits around 4% through 2020. Get it? America's debt at 84% of GDP will soon pass that toxic 90% trigger point.

2. U.S. Foreign Trade Bomb. Monthly deficits actually dropped from \$50 billion per month to roughly \$35 billion. But the total continues climbing as \$400 billion is added each year. Foreigners now own \$2.5 trillion of America, with China holding over \$1.3 trillion in Treasury debt.

3. Weakening U.S. Dollar as Foreign Reserve Currency Bomb. Fear China and other currencies will replace dollar as main foreign reserves. The dollar's fallen: The main index measuring dollar strength has gone from 120 at the Clinton-to-Bush handoff to below 80 today.

4. Cheap Money Bomb: Credit Ratings Down, Rates Up. Economists at S&P, Fitch and Moody's were totally co-conspirators of Fat Cat Bankers, misleading investors before meltdown: Soon, debt up, ratings down, interest rates soar.

5. Global Real Estate Bomb. Dubai Tower, new "world's tallest building" is empty. BusinessWeek warns that China's housing collapse could be worse than America's. Plus the U.S. commercial real estate bubble is now \$1.7 trillion, a "ticking time bomb" bloating 25% of bank balance sheets.

6. Peak Oil and the Population Bomb. China and India each need 500 new cities. The United Nations estimates world population exploding 50% from 6 billion to 9 billion by 2050: Three billion more humans demanding more automobiles, exhausting more resources to feed their version of the gas-guzzling "America Dream."

7. Social Security Bomb. We have no choice; eventually we must either cut benefits or raise taxes. Politicians hate both, so they'll do nothing. Delays worsen solutions. Without action, by 2035 Social Security and Medicare benefits will eat up the entire federal budget other than defense.

8. Medicare: A Nuclear Bomb. Going broke faster than Social Security. Prescription drug benefit added an unfunded \$8.1 trillion. In 5 years estimates rose from about \$35 trillion to over \$60 trillion now.

9. Health-care Insurance Bomb. Burden increasingly shifted to employees. Costs rising faster than inflation. Recent Obamacare plan would have cost \$90 billion annually, paid to Big Pharma and insurers.

10. State and Local Government Budget Bombs. Deficits of \$110 billion in 2010, \$178 billion in 2011 on top of more than \$450 billion in underfunded state and municipal employee pension funds.

11. Underfunded Corporate Pensions Bomb. From \$60 billion surplus in 2007 to \$409 billion deficit in 2009. And a whopping 92% of the pension plans of companies are now underfunded. Defaults are guaranteed by taxpayers.

12. Consumer Debt Bomb. Americans are still living beyond their means. Even with a downturn, consumer debt rose from about \$2.3 to \$2.5 trillion. Fat Cat Bankers love it -- yes love making matters worse by gouging cardholders and mortgagees, blocking help in foreclosures and bankruptcies.

13. Personal Savings Bomb. Before the 2008 meltdown savings rate dropped from about 10% in the early 1980s to below zero. Now it's increasing, slowing retail recovery. Today, government's the big "unsaver."

14. War and Military Defense Deficits. Costs of Iraq and Afghanistan wars -- \$200+ billion annually, \$3 trillion minimum, with massive long-term costs for veteran medical care, equipment renewal, recruitment.

15. Homeland Insecurity Bomb. Security at airports, seaports, borders, vulnerable chemical plants all increase budgets.

16. Fed/Treasury Bailout Bombs. Tax credits, loans, cash and purchase of toxic assets from Wall Street banks estimated at \$23.7 trillion as new debt was shifted from too-big-to-fail Fat-Cat banks to taxpayers.

17. Insatiable Washington Lobbyists Bombs. Paulson, Goldman, Geithner, Morgan and Wall Street banks, through their lobbyists and former employees working inside now have absolute power over government spending. Democracy and voters are now irrelevant in America's new corporate-socialism.

18. **Shadow Banking: The Derivatives Bomb.** Wall Street wants no regulation of this \$670 trillion, high-risk, out-of-control casino that's highly leveraged versus the \$50 trillion total GDP of all nations. We forget that derivatives almost destroyed global economies in 2008-09, finally will by 2012.

19. **Dysfunctional Two-Party Political Bomb.** Polarized partisanship increasing: Every day both parties show zero interest in cooperating for the public good. Instead they fight viciously, resisting everything and anything proposed by opponents. Only goal: Score political points, make the other side look bad.

20. **The Coming Populous Rebellion Bombs.** Nobody trusts anyone in authority. For good reason. So immediate gratification, short-term betting and a lack of long-term perspective wins for individual investors, consumers and taxpayers as well as Washington, Wall Street and Corporate America CEOs. Today: "Doing what's right for the common good and country" is just empty political rhetoric.

Forbes. The Economist. Davos-World Economic Forum. Bloomberg BusinessWeek. All one voice, one loud, lonely chorus echoing that famous Beatles tune: "Head in a cloud ... The fool on the hill, sees the sun going down ... a thousand voices talking perfectly loud. But nobody ever hears him, or the sound he appears to make ... And the eyes in his head, see the world spinning 'round ... ooh, round and round and round."

Historians and behavioral economists tell us most investors are blind optimists. Investors cannot see bubbles from inside their bubble. Nor Fat Cat Bankers from inside their mega-bonus-bubble. Nor politicians from inside the beltway bubble.

Why? The optimist's brain filters out bad news. They know their dreams of prosperity will come true. Then, when they finally do see that the proverbial light at the end of the tunnel is an oncoming train, it's always too late.

I will say it again, gently: A new meltdown is coming. The Great Depression II is coming, soon. And yet, I know your mental filters are working, blocking warnings of a bomb. I can even hear you calling me "the fool on the hill who sees the sun going down, the world spinning round" ... sees you kissing your retirement goodbye.

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