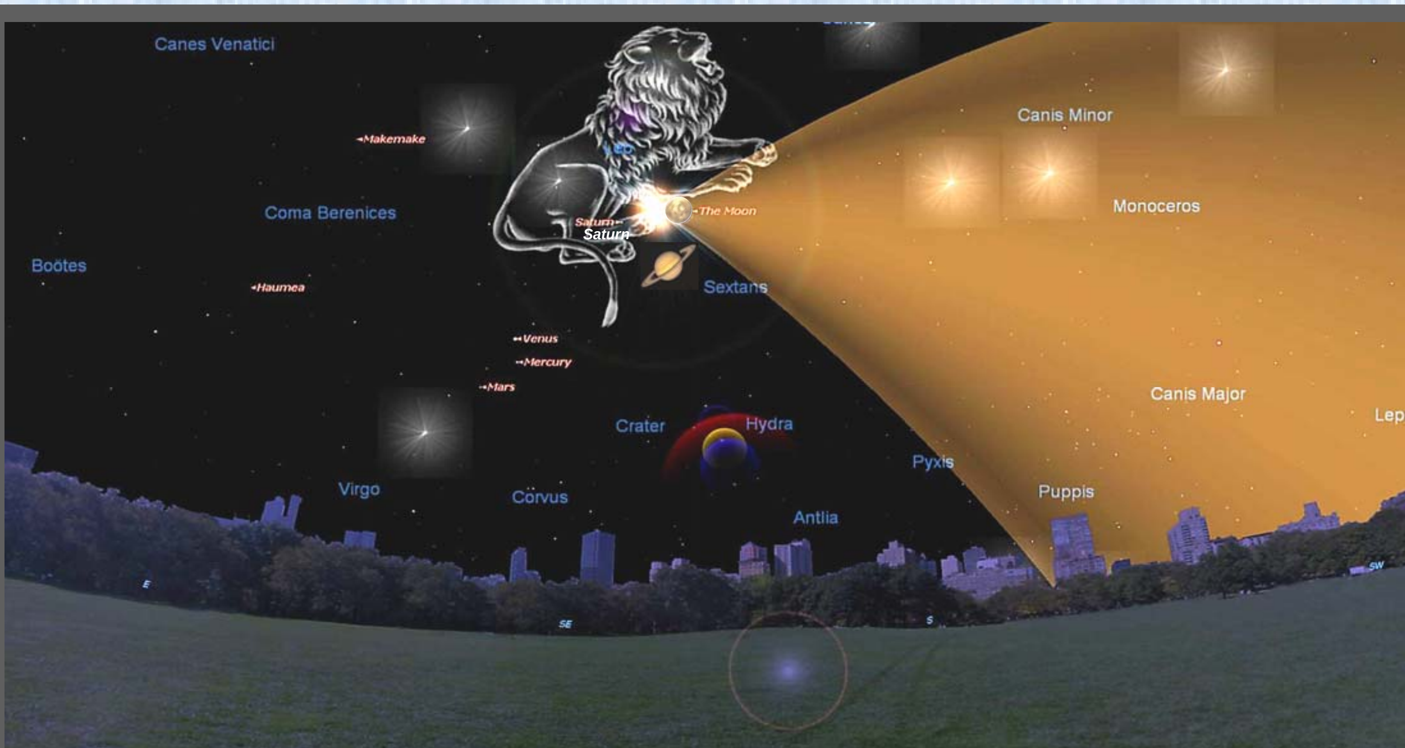
CHAPTER 9: FINANCIAL CRISIS – 2008

*W*ill we see the hand of the Lord working to turn this nation back to God? This country has turned its back on its Creator and sustainer. Could that be the reason for the Financial Crisis in 2008? In the New York Times on January 25, 2011, it makes the following statement: "*The 2008 financial crisis was an "avoidable" disaster caused by widespread failures in government regulation, corporate mismanagement and heedless risk-taking by Wall Street, according to the conclusions of a federal inquiry.*" Before we move on to the Financial Crisis in 2008, let us take a look at the heavens for signs. We can see the second judgment on this United States of America is from God. It can be clearly seen in the heavens. The first time was in 2001 with the loss of 1.4 trillion dollars in the U.S. Stock Market in one week of trading. With over fifty years of denying that God imparts wealth into the United States, it must be time for God to clearly send a message to this wicked nation for a second time. Does America hear or listen to God?



August 30, 2008 the sun coalesced with the moon and Saturn– Leo, the Lion – Sign of God's Wrath and Judgment

This heavenly sign is packed with numerous heavenly objects, including four planets. The moon radiates sunlight westward and down to the earth. It should also be intuitive that this sign relates to God's Wrath, since the Constellation of Leo surrounds the entire eclipse. Notice, that the degree of the eclipse becomes more extensive with each judgment until a total eclipse will occur in 2017. This is a partial solar eclipse which includes the planet of Saturn as part of the heavenly sign. In ancient Roman times, Saturn was a major god presiding over agriculture and harvest time. It was considered the god of the land, unlike Neptune that is considered the god of the sea.

Astrological Saturn has always been associated with the letter of the law. Early religions have identified Saturn with the god of Early Scripture, whom they regarded as a tyrannical father, obsessed with rigid enforcement of the law. There is a symbolic link between Saturn and the God of Early Scripture through the use of Saturday. Saturn's Day, the seventh day of Scripture, which is the holy day of rest. Saturn is often associated with a father's authority figure. In childhood, the discipline, rules, and regulations imposed by authority. *From Wikipedia*

Saturn is the ruler and father figure. It is also associated with the law. In ancient Roman religion and myth, Saturn (Latin: Saturnus) was a major god presiding over agriculture and the land. Therefore, this can be used to represent trees and all green vegetation on the earth. However, in this case it represents just land and the ownership of property. This symbolizes in today's terms real estate, which was consider a secure investment.

The New York Times statement: "*The 2008 financial crisis was "avoidable."* This appears to be an over simplification of the cause of the Financial Crisis. There is no understanding that this event was caused by God's Judgment of this nation. For, God takes our securest investment vehicles and destroys their value. Real estate had been considered a solid financial investment for centuries. How could it become so volatile? It is similar to the stock market crash the week following 9/11. There is a lack of understanding that God blesses a nation which keeps God's Laws and does not abandon Him, but fears Him. There is no recognition as God is the Creator of all things including this nation's wealth. This nation needs to understand the financial collapse was God's Judgment

Deuteronomy 8:18 ***"But you shall remember the LORD your God, for it is He who is giving you power to make wealth ……."*** [122]

Beside the heavenly signs, God's Word tells us that it is He, who gives us the "*power to make wealth*." This must be another forgotten fact since Bible reading and prayer were taken out of the schools some fifty years ago in 1963. It was through the wisdom of the Supreme Court that made this law. It is man's pride which believes that it is himself who has created the wealth. One only needs to compare the separation of God to the U.S. National Debt to see that there is a direct correlation. Will the United States completely fail, once a large enormous debt continues to accumulate with no sign of being repaid? When it comes to this realization that it cannot be repaid, then there will be no nation that will loan money to this bankrupt country. However, God has shown us signs to fear Him. Maybe, it is due to the fact they don't understand heavenly signs.

Deuteronomy 8:20 "***Like the nations that the LORD makes to perish before you, so you shall perish; because you would not listen to the voice of the LORD your God."*** [121]

It is scripture which tells us that we will perish because we will "*not listen to the voice of the Lord*." So, many of the citizens of this nation do not seek the Lord. Nevertheless, God provides us with worldly signs but, man refuses to see them as well. We need to understand the Word of God to hear his voice through His Spirit.

Real Estate

In the same New York Times article by Swell Chan the report makes the following statement: "*The greatest tragedy would be to accept the refrain that no one could have seen this coming and thus nothing could have been done,*" the panel wrote in the report's conclusions which was in The New York Times. "*If we accept this notion, it will happen again*." This article goes on to say "*The crisis was the result of human action and inaction, not of Mother Nature or computer models gone haywire.* This report states the following: "*The captains of finance and the public stewards of our financial system ignored warnings and failed to question, understand and manage evolving risks within a system essential to the well-being of the American public. Theirs was a big miss, not a stumble*." It was a failure by the captains of finance to ignore the warnings that were present in their financial system. They ignored the risks which ultimately deceived the American public in a sense of false security. How could this happen? [123]

Let us take a further look at this Financial Crisis. The crisis has its roots in real estate and the sub-prime lending crisis. Commercial and residential properties saw their values increase rapidly in the real estate boom that began in the 1990s. It increased uninterrupted for nearly a decade. Increases in housing prices coincided with the investment and banking industry lowering lending standards to market mortgages to unqualified buyers allowing them to take out mortgages. This was while at the same time government deregulation blurred the lines between traditional investment banks and mortgage lenders. Real estate loans were spread throughout the financial system in the form of collateralized debt obligations (CDO) and other complex derivatives in order to disperse the risk. However, when home values failed to rise and home owners failed to keep up with their payments, banks were

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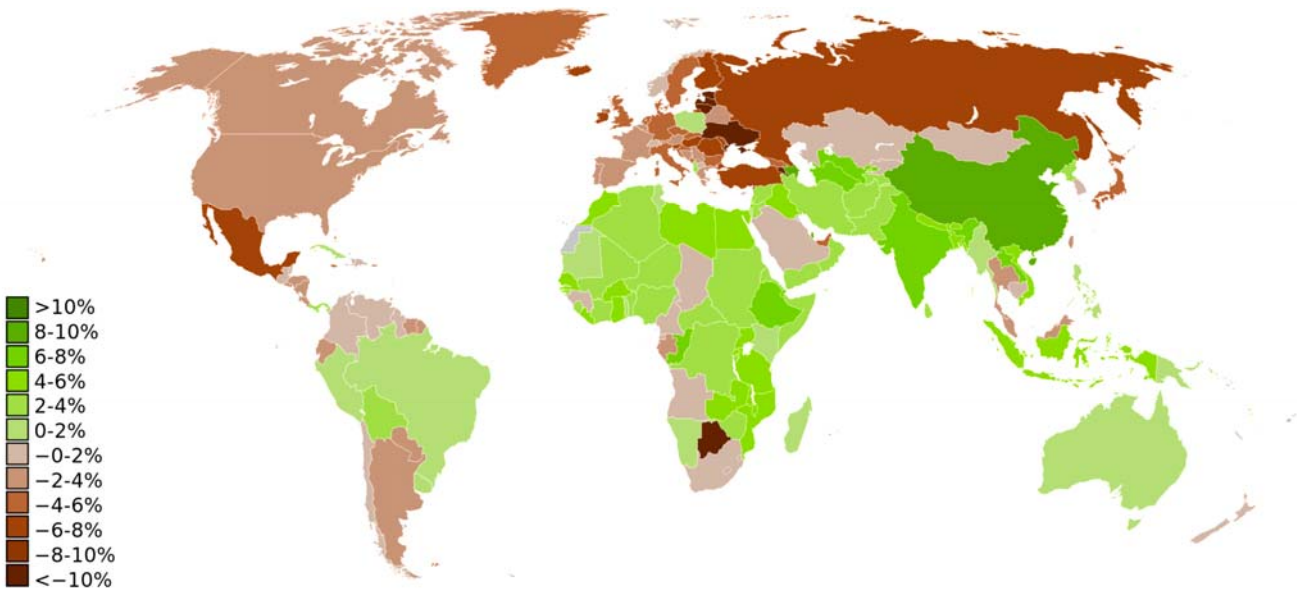
[122] New American Standard Bible: 1995 update. 1995 (Dt 8:18, Dt 8:20). LaHabra, CA: The Lockman Foundation.

[123] The New York Times, January 25. 2011, by Sewell Chan "Financial Crisis was Avoidable, Inquiry Finds."

forced to acknowledge their bad debt. This resulted in huge write downs and write offs on these products. These write downs found several institutions at the brink of insolvency with many being forced to raise capital or to go bankrupt without additional financing.

The Financial Crisis of 2008 was also known as the global financial crisis and it was considered by many economists to be the worst financial crisis since the Great Depression of the 1930s. It resulted in the threat of total collapse of large financial institutions, the bailout of banks by national governments, and downturns in stock markets around the world. In many areas, the housing market also suffered, resulting in evictions, foreclosures and prolonged unemployment. The crisis played a significant role in the failure of key businesses, declines in consumer wealth estimated in trillions of U.S. dollars, and a downturn in economic activity leading to the 2008–2012 global recession and contributing to the European sovereign-debt crisis. [124]



GDP Real Growth Rate in 2009 (CCASA)

Remember, both of the top two nations in the number of aborted babies per year are Russia and the United States. Russia's entry into a recession occurred early in 1998. The U.S. started into a deep recession in 2008 and is still slow to recover from the Financial Crisis. Russia is still in a deep recession more than ten years later. These two nations were considered at one time the strongest military forces and countries on the earth. Could this be a sign of God's hand at work? All the countries in brown were in a recession in 2009. To a great extent the European effect was caused by the United States. It was through the marketing abroad of its complex derivatives investment products. These products were considered by investment adviser as being highly secured investment vehicles rated AAA. However, God was to provide proof that this was not true through these circumstances. God controls wealth. Many in this country believe God wouldn't judge this nation, since we are living in the dispensation of grace. But, this is contrary to God's attributes, and He must judge greed and unrighteousness.

The immediate cause or trigger of the crisis was the bursting of the United States housing bubble which peaked in approximately 2006. Already rising default rates on sub-prime and adjustable-rate mortgages (ARM) began to increase quickly. As banks began to give out more loans to potential home owners, housing prices began to rise. This resulted in artificial stimulation of the real estate market, which created increase in pricing. Easy availability of credit in the U.S. was fueled by large inflows of foreign funds. This occurred after the Russian debt crisis and Asian financial crisis of 1997-1998. This led to a housing construction boom and facilitated debt financed consumer spending. Loose lending standards and rising real estate prices also contributed to the real estate bubble. Loans of various types including mortgage, credit card and auto loans were easy to obtain and consumers assumed an unprecedented debt load. It is amazing to see how easy it is for a college student to get credit cards.

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124 Haidar, Jamal Ibrahim, 2012. "Sovereign Credit Risk in the Eurozone," *World Economics*, vol. 13(1), pages 123-136, March

As part of the housing and credit booms, the number of financial agreements called mortgage-backed securities (MBS) and collateralized debt obligations (CDO) were created. These investment vehicles derived their value from mortgage payments and which furthered the housing price increases. Such financial instruments as MBS and CDO enabled institutions and investors around the world to invest in the U.S. housing market. As housing prices declined it resulted in substantial losses. The major global financial institutions that had borrowed and invested heavily in sub-prime mortgage-backed securities ended up reporting significant losses. [125]

Falling real estate prices resulted in homes being valued at less than the mortgage loans. This provided a financial incentive to enter into a foreclosure. The ongoing foreclosure epidemic that began in late 2006 in the U.S. continues to drain wealth from this nation. It resulted in consumer losses and erosion of the financial strength of banking institutions. Defaults and losses on other loan types also increased significantly as the crisis expanded from the housing market to other parts of the economy. Total losses are estimated in the trillions of U.S. dollars globally. God's hand can easily wipe wealth from this nation in a fraction of the time it takes for man to make it. It was through man's greed that these financial instruments were created and engineered in the first place.

Initially the companies affected were those directly involved in home construction and mortgage lending such as Northern Rock and Countrywide Financial, as they could no longer obtain financing through their credit markets. Over 100 mortgage lenders went bankrupt during 2007 and 2008. Concerns that investment bank Bear Stearns would collapse in March 2008 resulted in its fire sale to J.P. Morgan Chase. The financial institution crisis hit its peak in September and October 2008. Several major institutions either failed or were acquired under duress or were subject to government takeover. These included Lehman Brothers, Merrill Lynch, Fannie Mae, Freddie Mac, Washington Mutual, Wachovia, Citigroup, and AIG. [126]

U.S. Government policy from the 1970s onward had emphasized deregulation. This was to encourage business, which resulted in less oversight of activities. This resulted in less disclosure of information about new activities undertaken by banks and other evolving financial institutions. Policymakers did not immediately recognize the increasingly important role played by financial institutions such as investment banks and hedge funds, also known as the shadow banking system. Some experts believe these institutions had become as important as commercial depository banks in providing credit to the U.S. economy. Nevertheless, they were not subject to the same regulations. [127]

U.S. homeowners had extracted significant equity in their homes in the years leading up to the crisis which they could no longer do once housing prices collapsed. Cash used by consumers from home equity extraction doubled from 627 billion dollars in 2001 to 1,428 billion dollars in 2005 as the housing bubble built. This was a total of nearly 5 trillion dollars over the period. U.S. home mortgage debt relative to GDP increased from an average of 46% during the 1990s to 73% during 2008 reaching 10.5 trillion dollars. [128]

The U.S. Stock Market peaked in October 2007 when the Dow Jones Industrial Average index exceeded 14,000 points. It then entered a pronounced decline which began to accelerate markedly in October 2008. By March 2009, the Dow Jones average had reached a trough of around 6,600. It has since recovered much of the decline. It exceeded 12,000 during most of 2011 and finishing above 13,000 in 2012. It has recently exceeded the 15,000 level in early 2013. The market will recover before it reverses in 2017. It is probable that the Federal Reserve's aggressive policy of low interest rates for banks spurred the partial recovery in the stock market.

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[125] Lahart, Justin (December 24, 2007). "Egg Cracks Differ In Housing, Finance Shells". *The Wall Street Journal.*

[126] Roger C. Altman. "Altman – The Great Crash". Foreign Affairs. Retrieved February 27, 2009.

[127] Financial Crisis Inquiry Commission – Press Release – January 27, 2011

[128] Barr, Colin (May 27, 2009). "Fortune-The $4 trillion housing headache". CNN.

Global Effects

Both mortgage-backed securities (MBS) and collateralized debt obligations (CDO) were purchased globally by corporate and institutional investors. Derivatives such as credit default swaps (CDS) also increased the linkage between large financial institutions. Credit default swaps were in fact an insurance agreement that would payback on the failure of these loans becoming insolvent. It was AIG that sold many of the swaps. The de-leveraging of financial institutions resulted in assets being sold back to payoff obligations that could not be refinanced in the frozen credit markets. This again further accelerated the solvency crisis and caused a decrease in international trade to occur. The continuing development of the crisis had prompted many nations to fear a global economic collapse. However, there was no fear of God for the lack of understanding. There were many prominent financial sources that remained negative during this timeframe. The financial crisis would ultimately result in the U.S. biggest bank shakeout. UBS stated on October 6 that 2008 would see a clear global recession, with recovery unlikely for at least two years. Nevertheless, the world started to make the necessary actions to fix the crisis. This included capital injection by governments and interest rate cuts to help borrowers. The United Kingdom had started systemically injecting capital into its country and the world's central banks were now cutting interest rates.

UBS emphasized that these fixes would solve the financial crisis. UBS quantified their expected recession durations on October 16. It was the Eurozone's would last for two quarters, the United States' would last three quarters, and the United Kingdom's would last four quarters. This was the optimistic view by the investment community. Nevertheless, by the end of October, UBS revised its outlook downwards to the forthcoming recession would be the worst since the early 1980s recession. It was with negative 2009 growth for the U.S., Eurozone, U.K. and it was followed by very limited recovery in 2010. [129]

This resulted in the creation of the Europeans for Financial Reform (EFFR). It is a coalition dedicated to reforming the financial and banking sectors. EFFR was created in Brussels on September 21, 2009, which was just over a year after the collapse of Lehman Brothers and a year after the Financial Crisis. EFFR has been pursuing a campaign called "*Regulate Global Finance Now*." The goal of this campaign is to get governments to adopt reforms to regulate speculative funds, such as hedge funds and private equity funds and to protect consumers from toxic financial products and predatory lending.

During this same timeframe, U.S. Federal Reserve and central banks around the world had taken steps to expand money supplies to avoid the risk of a deflationary spiral. This occurs when there is lower wages and higher unemployment lead to a self-reinforcing decline in global consumption. The governments have enacted large fiscal stimulus packages by borrowing and spending to offset the reduction in private sector demand caused by the crisis. The U.S. executed two stimulus packages that totaling nearly 1 trillion dollars during 2008 - 2009. [130]

Great Recession

According to the U.S. National Bureau of Economic Research, which is the official arbiter of U.S. recessions, the recession began in December 2007 and ended in June 2009. But, we all know that is untrue. It has now referred to as the *Great Recession*, the *Lesser Depression*, the *Long Recession*, or the *Global Recession of 2009*. It was a marked global economic decline that began in December 2007 and took a sharp downward turn in September 2008. The active part of this crisis manifested itself as a liquidity crisis. It can be dated back to August 7, 2007 when BNP Paribas terminated withdrawals from three hedge funds citing "*complete evaporation of liquidity*." The bursting of the U.S. housing bubble, which peaked in 2006, caused the values of securities tied to U.S. real estate pricing to plummet which resulted in damaging financial institutions globally. The global recession affected the entire world economy with higher detriment in some countries than others. It was a major global recession characterized by various financial imbalances which all begun in the Financial Crisis of 2008. As of December 2012, the economic side effects of the European sovereign debt crisis and limited prospects for global growth in 2013 and 2014 continue to provide obstacles to full recovery from this *Great Recession*. [131]

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[129] UBS AG. "Recession". There is no alternative. Daily roundup for October 6, 2008

[130] "BBC – Stimulus Package 2009". BBC News. February 14, 2009.

[131] Larry Elliott, economics editor of *The Guardian* (August 5, 2012). "Three myths that sustain the economic crisis.

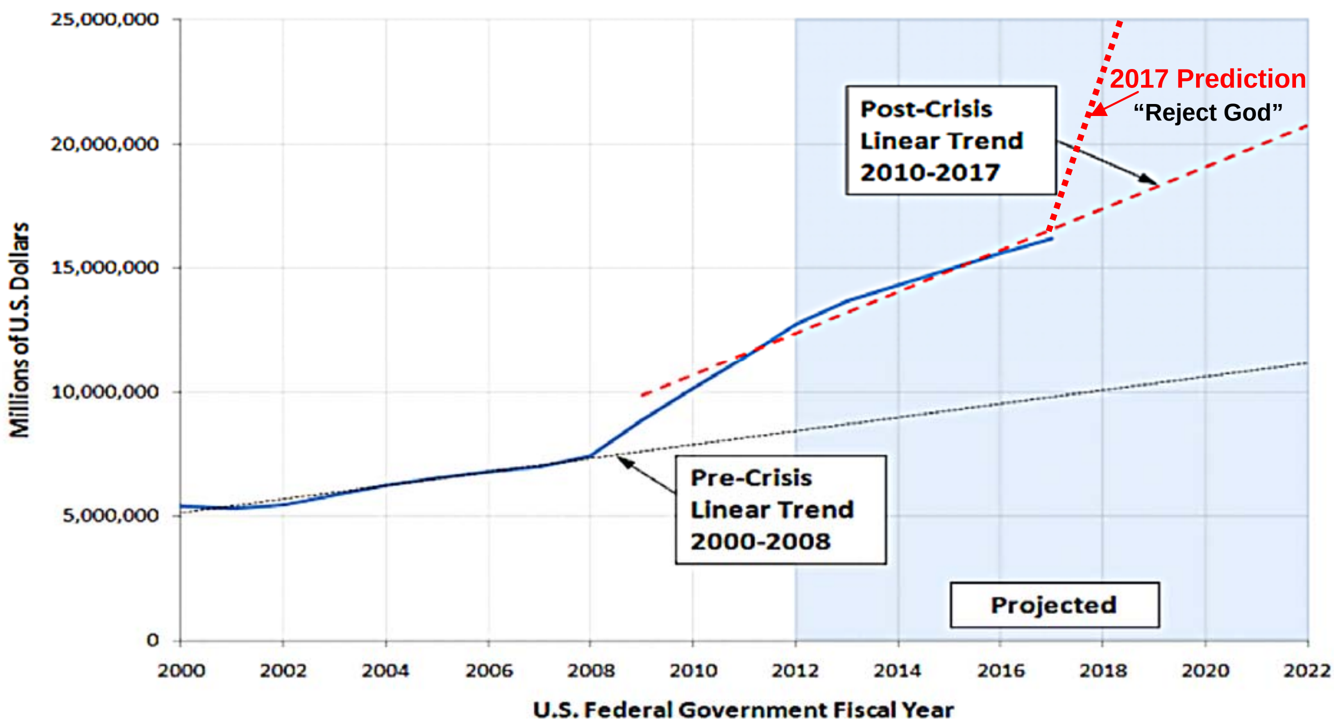
Fiscal Cliff

The term "*fiscal cliff*" been used in the past to refer to various governmental fiscal issues. It started being used in the context of the expiration of the Bush tax cuts in 2010. In late February 2012, Ben Bernanke, chairman of the U.S. Federal Reserve, popularized the term "*fiscal cliff*" for the upcoming reduction in the deficit. It was before the House Financial Services Committee that Bernanke described "*a massive fiscal cliff of large spending cuts and tax increases*" would take place the beginning of 2013. [132]

The U.S. fiscal cliff is the sharp decline in the budget deficit that would have begun in 2013 due to increased taxes and reduced spending as required by previously enacted laws. The deficit which is the amount by which government spending exceeds its revenue was projected to be reduced by roughly half in 2013. The Congressional Budget Office (CBO) had estimated that the fiscal cliff would have likely led to a mild recession. It was thought to result in higher unemployment in 2013 followed by strengthening in the labor market with increased economic growth. The American Taxpayer Relief Act of 2012 largely eliminated the fiscal cliff by increasing taxes less than they would have under a fiscal cliff scenario. Adjustments to spending were expected to be hashed out in early 2013. Intense debate and media coverage about the fiscal cliff drew widespread public attention during the end of 2012 because of its projected short-term fiscal and economic impact. The American Taxpayer Relief Act of 2012 was signed into law by the President on January 2, 2013 and eliminated much of the tax side of the fiscal cliff. The Congressional Budget Office (CBO) was projecting 8.13% increase in revenue and 1.15% increase in spending for fiscal year 2013. However, this didn't address the sequestering in March 2013. [133]

National Debt

The United States public debt is the money borrowed by the federal government of the United States through the issue of securities by the Treasury and other federal government agencies. The red dotted line below is a prediction line based upon the prior 2001and 2008 crisis trend and the upcoming judgment in 2017.



Historic and Project U.S. National Debt 2000-2017 (White House Office of Management and Budget, 2013)

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[132] Kurtz, Annalyn (December 12, 2012). "Bernanke warns of fiscal cliff as Fed lowers forecasts"

[133] Geoghegan, Tom (November 14, 2012 Last updated at 22:39 ET). "Who, What, Why: Who first called it a 'fiscal cliff?"

No matter if the prediction is correct or not, this country is headed for an economic disaster and misfortune. It is just a matter of timing. Independent of the slope of the curve continuing on a linear trend from 2008 or on an accelerated prediction of 2017, there is no relief in site. There is no sign of repayment of this country's debt. This acceleration in debt is anticipated to occur when this country will again be at war in 2017 based upon signs in the heavens (page 107). If you can remember that before 2001 this country was running on a budget surplus. This nation refuses to call upon the name of the Lord. It must be man's pride to think that he can overcome God. This will mark the fall of this nation. It will be by this government not calling upon God in a time of need. You can see God's hand working based upon the Secretary of Defense nomination in 2013. Things must get worse before we will turn from our wicked ways. The United States currency will eventually become highly inflated and about worthless due to this government's extensive spending. The U.S. currency is no longer backed by precious metals such as gold or silver. What was the forecast prior to God's Judgment of this nation? The Congressional Budget Office (CBO) did summarize the cause of the change between its January 2001 which was estimated at 5.6 trillion dollars cumulative surplus between 2002 and 2011 and the actual 6.1 trillion dollars cumulative deficit. This occurred as an unfavorable "*turnaround*" which resulted in the debt increasing by 11.7 trillion dollars. The reason given was this was due to tax cuts and slower-than-expected growth. This reduced revenues by 6.1 trillion dollars and spending was 5.6 trillion dollars higher. Of this total, the Congressional Budget Office (CBO) attributes 72% to legislated tax cuts and spending increases and 27% to economic and technical factors. The economic factors accounted for 56% increase occurred from 2009 to 2011. Did God slow the growth? [134]

Let us begin to take a look at the current debt. On 10 January 2013, debt held by the public was approximately 11.577 trillion dollars or about 73% of GDP. Intra-governmental holdings stood at 4.855 trillion dollars giving a combined total public debt of 16.432 trillion dollars. As of July 2012, 5.3 trillion dollars or approximately 48% of the debt held by the public was owned by foreign investors. The largest foreign investors were China and Japan at just over 1.1 trillion dollars each. [135] Will foreign countries end up owning America? Historically, the U.S. public debt as a share of GDP increased during wars and recessions, and subsequently declined. For example, debt held by the public as a share of GDP peaked just after World War II which was 113% of GDP in 1945. It then fell over the following 30 years. In recent decades large budget deficits and the resulting increases in debt have led to concern about the long-term sustainability of the federal government's fiscal policies. [136]

Debt Ceiling

The debt ceiling was increased on February 12, 2010, to 14.294 trillion dollars. On April 15, 2011, Congress finally passed the 2011 United States federal budget, authorizing federal government spending for the remainder of the 2011 fiscal year, which ends on September 30, 2011, with a deficit of 1.48 trillion dollars without voting to increase the debt ceiling. But, what happens when Congress disobeys its own laws? On September 8, 2011, one of the complex mechanisms to further increase the debt ceiling took place when the Senate defeated a resolution to block a 500 billion dollar automatic increase. The Senate's action allowed the debt ceiling to increase to 15.194 trillion dollars as agreed upon in the Budget Control Act. This was the third increase in the debt ceiling in 19 months, the fifth increase since President Obama took office, and the twelfth increase in 10 years. At midnight on Dec. 31, 2012, a major provision of the Budget Control Act of 2011 (BCA) was scheduled to go into effect. The crucial part of the Act provided for a Joint Select Committee of Congressional Democrats and Republicans, the so-called "*Super-committee,*" to produce bipartisan legislation by late November 2012 that would decrease the U.S. deficit by 1.2 trillion dollars over the next 10 years. If no other deal was reached before Dec. 31, 2012, then the massive government spending cuts would take effect. This included the tax increases by returning to tax levels prior to the Bush Administration. These were the elements that made up the United States fiscal cliff. [137]

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[134] NYT-Bruce Bartlett-The Fiscal Legacy of George W. Bush-June 2012

[135] United States Department of the Treasury, Bureau of the Public Debt (December 2010).

[136] "Federal Debt Held by the Public as a Share of GDP (1797-2010)"

[137] Spetalnick, Matt (February 12, 2010). "Obama signs debt limit-paygo bill into law". Reuters.

Social Security

Social Security is primarily funded through dedicated payroll taxes called Federal Insurance Contributions Act tax (FICA). Tax deposits are formally entrusted to the *Federal Old-Age and Survivors Insurance Trust Fund*, *the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund*, or *the Federal Supplementary Medical Insurance Trust Fund* which comprise the Social Security Trust Fund. [138]

By law, Social Security may not spend money that it does not have in its trust funds. It is impossible for Social Security to incur a deficit over the long term, since it can only spend money it already collected. Dean Baker, an American economist, made the following statement.

"*Social Security is prohibited from spending any money beyond what it has in its trust fund. This means that it cannot lawfully contribute to the federal budget deficit, since every penny that it pays out must have come from taxes raised through the program or the interest garnered from the bonds held by the trust fund.*" [139]

Social Security taxes are paid into the Social Security Trust Fund maintained by the U.S. Treasury which is technically, the "*Federal Old-Age and Survivors Insurance Trust Fund*" that was established by 42 U.S.C. § 401(a). The current year expenses are paid from current Social Security tax revenues. When revenues exceed expenditures, as they did between 1983 and 2009, the excess is invested in special series, non-marketable U.S. Government bonds. Therefore, the Social Security Trust Fund indirectly finances the federal government's general purpose deficit spending and budgets. In 2007, the cumulative excess of Social Security taxes and interest received over benefits paid out stood at 2.2 trillion dollars. [140]

There is always the argument over whether the returns on Social Security contributions should be compared to returns on private investment instruments. But, nonetheless, there is money in the current fund even though it could have been more wisely invested than in U.S. Government bonds. Although Social Security is sometimes compared to private pensions, the two systems are different in a number of respects. It has been argued that Social Security is an insurance plan as opposed to a retirement plan. Unlike a pension, Social Security pays disability benefits. A private pension fund accumulates the money paid into it, eventually using those reserves to pay pensions to the workers who contributed to the fund. However, Social Security cannot "*pre-fund*" by investing in marketable assets such as equities, because federal law prohibits it from investing in assets other than those backed by the U.S. Government. As a result, its investments to date have been limited to "*special*" non-negotiable securities issued by the U.S. Treasury.

It is easy to realize that this fund is being paid for by our children. It really is not a retirement pension as many of us depend on it for during our elderly years. Is this truly sound financial investment of our paid in Social Security taxes? In comparison, the country of Singapore invests every dollar of each individual into a separate retirement fund, which is ultimately owned by the individual. The more money an individual contributes to the fund the more money he will have to retire with during his elderly years. This seems to be just too fair for implementation by the U.S. Government. We have borrowed on our future to pay today's needs. That really doesn't seem to be a sound business practice. Again, this reflects not only on the national debt, but how we have decided to pay for our elderly. What happens when our younger generation population declines? It is bound to occur were a nation is no longer blessed by God, because of its wicked ways. We will take a look at these wicked ways in the next chapter of how this can occur. Marriages of same-sex couples have not been recognized by Social Security for spousal benefits because the federal Defense of Marriage Act (DOMA) September 21, 1996, (1 U.S.C. § 7 and 28 U.S.C. § 1738C) law excluded them from federal recognition. This law was appealed and over-turned by the Supreme Court on June 2013 as being unconstitutional. The elderly population is growing older before they die. This is backed by statistics as well. If only our government had wisdom before structuring Social Security and its fundamental foundation. It has worked up to now because God had richly blessed this country. [137]

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[138] Historical Background and Development of Social Security, Social Security Administration

[139] The Baseline Scenario, November 28, 2012, by James Kwak

[140] The 2012 Long-Term Projections for Social Security *Congressional Budget Office* October 2012

Ponzi Comparison

Critics have drawn parallels between Social Security and Ponzi schemes. The vast majority of the money paid into Social Security taxes is not invested in anything. Instead, the money you pay into the system is used to pay benefits to those "*early investors*" who are retired today. When you retire, you will have to rely on the next generation of workers behind you to pay the taxes that will finance your benefits. The analogy is that Ponzi schemes and Social Security have similar "*structures*." In particular, it has a sustainability problem when the number of new people paying in is declining. In the case of a Ponzi scheme, the fact that there is no return generating mechanism other than contributions from new entrants whereas Social Security payouts have always been openly funded. They are underwritten by incoming tax revenue and the interest on the Treasury bonds held by or for the Social Security system. The sudden loss of confidence will result in the collapse of a conventional Ponzi scheme once the scheme's true nature is revealed. Private sector Ponzi schemes are also vulnerable to collapse because they cannot compel new entrants. However, participation in the Social Security program is a condition for joining the U.S. labor force. But, what happens when the new generation claims to have lost confidence in the Federal Government? Is this bound to happen in the future? [141]

Running out of Money

The real question is what happens when the trust funds run out of money, which is currently expected sometime in the 2030s. In each year since 1982, Social Security tax receipts, interest payments and other income have exceeded benefit payments and other expenditures, for example by more than 150 billion dollars in 2004. As the "*baby boomers*" move out of the work force and into retirement, however, expenses will come to exceed tax receipts and then, after several more years, will exceed all system income, including interest. At that point the system will begin drawing on its Treasury. In 2005, this exhaustion of the Trust Fund was projected to occur in 2041 by the Social Security Administration or 2052 by the Congressional Budget Office. Thereafter, however, the projection for the date of this event was moved up by a few years after the recession worsened the system's financial picture. [142] The 2011 Trustees Report made the following statement.

Annual cost exceeded non-interest income in 2010 and is projected to continue to be larger throughout the remainder of the 75-year valuation period. Nevertheless, from 2010 through 2022, total trust fund income, including interest income, is more than is necessary to cover costs, so trust fund assets will continue to grow during that time period. Beginning in 2023, trust fund assets will diminish until they become exhausted in 2036. Non-interest income is projected to be sufficient to support expenditures at a level of 77 percent of scheduled benefits after trust fund exhaustion in 2036, and then to decline to 74 percent of scheduled benefits in 2085.

In 2007, the Social Security Trustees suggested that either the payroll tax could increase to 16.41 percent in 2041 and steadily increased to 17.60 percent in 2081 or a cut in benefits by 25 percent in 2041 and steadily increased to an overall cut of 30 percent in 2081. [143] What will happen when things get worse in 2017? What will the cut be?

However, under the current law, benefits would be automatically cut to the level of incoming payroll taxes. This is estimated to be about 25 percent cut in Social Security benefits with no impact on government borrowing. Nevertheless, if Congress amends the law, it may require additional government borrowing and an increase in the national debt. This is not a good outlook for this country that has turned its back against God. Is it man's pride to believe he is able to solve the financial problems without the blessing from God Himself?

So, how did our country get into debt? It was through the U.S. Constitution. The modern debt ceiling is an aggregate limit which applies to nearly all federal debt. It was substantially established by Public Debt Acts passed in 1939 and 1941. The process of setting the debt ceiling is separate and distinct from the Federal budget

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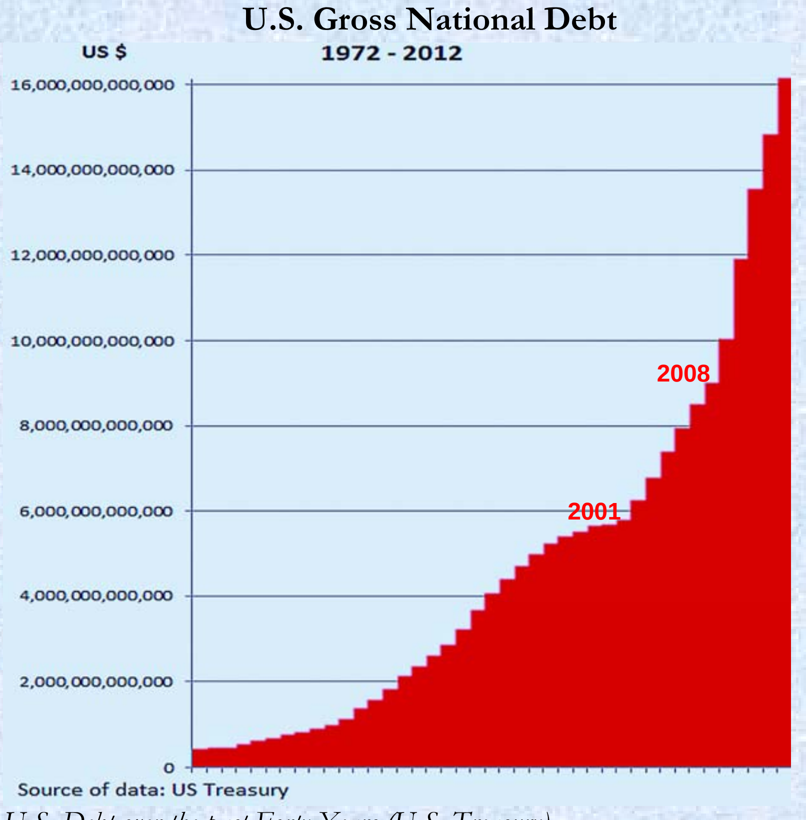
[141] Laursen, E. (March 12, 2010). "Is Social Security Really a Ponzi Scheme". 1967 Newsweek column by Paul Samuelson:

[142] Samuelson, Robert J. (January 14, 2005). "It's More Than Social Security". *The Washington Post*.

[143] "2007 OASDI Trustees Report Conclusions". Social Security Administration. April 23, 2007.

process, and raising the debt ceiling does not have any direct impact on the budget deficit. The U.S. President proposes a federal budget every year. This budget details projected tax collections and outlays. If there is a budget deficit, then the amount of borrowing needs to submit as part of the proposal. Congress creates specific appropriation bills which authorize spending, which are signed into law by the President. [144]



U.S. Debt over the past Forty Years (U.S. Treasury)

United States Constitution:

Under Article I Section 8 of the United States Constitution, Congress has the sole power to borrow money on the credit of the United States. From the founding of the United States until 1917, Congress directly authorized each individual debt issuance separately. In order to provide more flexibility to finance the United States' involvement in World War I, Congress modified the method by which it authorizes debt in the Second Liberty Bond Act of 1917. Under this act Congress established an aggregate limit, or "ceiling," on the total amount of bonds that could be issued.

It has been forty years, since the Supreme Court ruled on abortion and fifty years from taking prayer out of the schools. The debt has grown in relationship to the evil laws that have been instituted by this country. Could this be a measure of the extent of the cup of iniquity being filled up? When will it become full? It seems to be in direct proportion to the debt. We continue as a country to make it lawful to do evil in the eyes of God. What does the Bible say about debts?

Proverbs 22:26 ***"Do not be among those who give pledges, Among those who become guarantors for debts. "*** [145]

It is clearly stated that we should not become guarantors of debt. So, how can we separate ourselves from this indebted nation of ours? Believers must tell this nation to turn away from its unlawful ways. If as a country it will turn from its evil and wicked ways, God said He will heal this land. But, this nation who says it "*Trusts in God*" shows no forgiveness in its evil prideful ways. It is why God forewarned us through the destruction of the Twin Towers and the Stock Marker crash in 2001. It was to give mankind the message and a sign from God. The second warning of judgment comes with wealth being removed from this land. There is no bright outlook on this nation based upon it fundamental principles. For, this nation believes it is the rights of each individual to pursue happiness but not pursue God. The founding fathers didn't want a nation that rejected God. They wanted separation of church and state so that they could choose to worship God the way they thought best. It was not to make this country into an atheistic form of government. The U.S. Senate opens in prayer. Do Senators truly believe God can provide them with wisdom? What will happen to this nation when God's blessing is removed?

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[144] "A Brief History of the U.S. Federal Debt Limit". Freegovreports.com. 2010-01-28.

[145] *New American Standard Bible: 1995 update.* 1995 (Pr 22:26). LaHabra, CA: The Lockman Foundation.