

Gold and Your Money – Insurance for Your Wealth During a Financial Meltdown Part III - What Would it Take to Start a Global Financial Meltdown?

To fully appreciate what it might take to ignite a financial meltdown, we need to get a clear picture of where we are today. If the economy was growing from a base of solid economics, this topic would be nothing more than speculative thinking. Morbid speculative thinking of which I would have no part. My faith would tell me to focus on what's good in life. It still does, but my experiences, skill sets, AND my faith, mandate that I write what I see and let you decide what it means for you.

Without going into pages and pages of detail (I do that in a forum discussed below), a quick survey of current economic conditions are warranted.

The stock markets and financial markets in general seem to be trying to hold up in spite of what is generally bad news. There is this sense that everything is on the edge....like it is waiting for something to push or pull it one way or another. Do you feel it? There is nothing anywhere on the near term horizon that looks strong enough to pull the market up with any real, continued, well supported recovery. Unfortunately, if there was a direction that the facts would be pointing to...it would be for a decline. This recovery really has no legs. There is not a stitch of evidence suggesting anything else. And there any number of ways a correction could start.

For example, let's say another wave of increased home foreclosures begins to show up. It has. In spite of the U.S. Government's 75 billion Home Affordable Modification Program, foreclosures rose again in April and is on course to exceed the 2.8 million initiated in 2009. Over 932,000 filed in the first three months of 2010. In addition, there are a great number of adjustable mortgages coming due this year. Add the same rate of foreclosure's in the commercial real estate market and we have the makings of an economic crisis knocking at our door.

The largest bankruptcy in the history of America recently happened when the huge commercial real estate-mall owner operating company General Growth declared bankruptcy – roughly 9.7 billion dollar bankruptcy...the largest in U.S. history. To begin to understand this, Wikipedia lists the GDP of over 191 countries – 69 of which are smaller than this one bankruptcy. See Wikipedia: [Global GDP](#)

There is much evidence that the only reason we have not seen this already is because the market is being artificially supported knowing that the combination of residential and commercial would crush the U.S. economy taking most of the world with it. Lenders are holding on looking for government bailout funds while hoping and praying for a turn around sufficient to get them back in the black.

On February 11, 2010, the Huffington Post ran an article titled: **Elizabeth Warren Warns About Commercial Real Estate Crisis, 'Downward Spiral' For Small Businesses and Local Banks.**

"There is a commercial real estate crisis on the horizon, and there are no easy solutions to the risks commercial real estate may pose to the financial system and the public," says a report issued Thursday by the Congressional Oversight Panel, the bailout watchdog led by Harvard Law professor and middle-class advocate Elizabeth Warren. It went on to report:

"Over the next five years, about \$1.4 trillion in commercial real estate loans will reach the end of their terms and require new financing. Nearly half are "underwater," meaning the borrower owes more than the property is worth. Commercial property values have fallen more than 40 percent nationally since their 2007 peak. Vacancy rates are up and rents are down, further driving down the value of these properties." You can read more on this article here: [Commercial Real Estate Looming Crisis](#)

There are many stories about this if you go looking for them. This may not be main stream quite yet...but it is widely known.

And by far the worst sign of all is our own government's complete denial of fiscal restraint with their wild and undisciplined spending via freshly printed fiat money at paces never witnessed in history. With every additional dollar they create and flood in the economy, the farther away we are from knowing what will happen next. It seems obvious to me that they do not know what to do and are just working month to month. In truth they have very few options left, most all have been spent.

And they are not alone. Virtually every economy in the world that had any semblance of stability printed billions of their own currency as a global stimulus ensued in the aftermath of the economic crisis of October 2008. From Viet Nam to Dubai to China, Europe and many, many more governments went to their Treasuries and Central Banks and authorized them to print more currency in an aggressive attempt stave off economic collapse. The world's economies are on edge.

If we were to add a political crises or two, that could be the last straw to break the camel's back. Lord knows there are enough options to qualify. Of course the wars the U.S. is fighting now could take a turn or grow in scope. Certainly Israel comes to mind. Iran seems to be hell bent to crash one way or another – into Israel, or the rest of the world as we all tire of annihilation as an agenda. Throw in an earthquake in a major financial center... Think that a little crazy – did you ever think a volcano could do what it did to much of Europe? We are all so tied together today that it is like a big house of cards. If we learned anything in late 2008 it has to be that.

With global economies on shaky ground, and investors around the world hyper nervous just waiting to push the panic (sell), button, any combination of economic – political – environmental situations could trigger fear which moves to selling which moves to panic and a global crash like 2008 or worse.

It may in fact have already started. Smaller western style economies are already failing.

Iceland led the group. Next it was Greece. This does not take into account money the International Monetary Fund has given to countries on the brink of economic collapse. Well respected Roubini Global Economics (RGE), commented on April 20, 2010:

“Public debt sustainability has exploded as a serious issue in advanced economies, most notably in the eurozone’s “PIIGS”—Portugal, Italy, Ireland, Greece and Spain—but also in many larger OECD economies, including the U.S. These issues within the Eurozone stem primarily from a loss of competitiveness, high wage growth and labor costs which outstripped productivity, undisciplined fiscal policies and, crucially, the appreciation of the euro between 2002 and 2008.”

You can read the synopsis here as well as signing up for his free daily summaries: [RGE](#)

The International Monetary Fund and the Eurozone countries have come under increased criticism by the markets and it’s own citizens around their inability to deal with the continued debt sustainability. They target Spain, which is not yet in the minds of many typical citizens still focused on Iceland and Greece as the next country with potentially worse economic and labor market problems needing international help and strategic economic and political reform not likely to happen. Its citizens would have to willingly accept a greatly reduced standard of living. They won’t do this on their own. No matter – they will be forced to in the near term as will so many countries trying to live so very far from their means.

So follow the progression...the worlds economies were on the brink of economic collapse in late 2008. They all printed large amounts of un-funded money and infused their economies with it artificially stimulating economic growth. This debt is still out there and the support it provided is now moving through the system and losing its affects. From a balance sheet perspective, all of these economies, the US included, are worse off than ever before...and we are approaching that same place...again. Is another round of stimulus funding an answer? It cannot go on forever. Sooner or later, spending or own money that we are borrowing from ourselves beyond what we can ever pay back just can’t work. It is not wrong to flatly state that we have never been here before. We have not. This is all a grand experiment and I am certain we will have our answers sooner rather than later. One to three years is my guess.

These countries share similarities to the US economy. They all of course had run up so much debt, that it became apparent to the rest of the world that they would never see their money so they stopped lending. These economies were so far underwater, that without additional loans to fund their debt, they collapsed. Social programs and other free spending habits of politicians who had no idea what the word ‘no’ meant bankrupted these countries. These politicians had the power to protect their citizens to be sure, but the citizens themselves shoulder a fair amount of the blame. Many apparently believe(d) that the government was a source of unlimited funds that would never circle back and hurt them individually. Sure.

You ever get an underlying sense...a gut feeling or a spiritual knowing that things are not

right? Often these feelings are supported by subconscious gathering of data...a cumulative affect of bits of information over time. I am there now – are you? If so, perhaps much of what you and I feel today fits into this category, or, maybe God is allowing us to see ahead of time that everything has a reckoning.

What is the point you ask? The point is we are being offered some time to take some steps none of us had probably even considered up until 2007 or certainly 2008. Real value will become paramount. Unfunded, inflated, fiat “systems” will be exposed to steep losses. You need to transition your thinking. Thinking more about what holds value when everything we thought about value changes. Then you need to quietly acquire as much of this as you can. And, if you are smart about it, you focus on things that minimize losses should we be wrong about all of this and an economic miracle takes place and we get back on a solid track in the next few years.

This represents a time to implement a solid plan B. I have studied what should be a part of your plan B. I will talk more about this in the next article in the series. **Gold and Your Money - Insurance for Your Wealth During a Financial Meltdown; Part IV – What are Reasonable Precautions I Can Take to Protect Myself Without Being an Alarmist?** Copies of this article as well as the early releases in the series and other related articles can be accessed on my site mentioned below.

Conclusion: I want nothing more than to be wrong about this. I can't tell you badly I want this to correct without real serious pain. If it got that bad like it did in the fall of 2008, and stayed that way for some time, it would get very ugly. People who had things others valued would have some control of their level of pain. Items needed to survive top the list of course. After some time, a form of economy would start to take shape. Start at least thinking about how you could participate in that economy while taking steps today that minimize your risk if this never happens.

About the Author: Steve Peters has spent 24 years in the equities, international business and gold broker experience to help new or uncertain precious metals buyers avoid the mistakes so many make.

Visit the site to read earlier editions of this series and more:

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