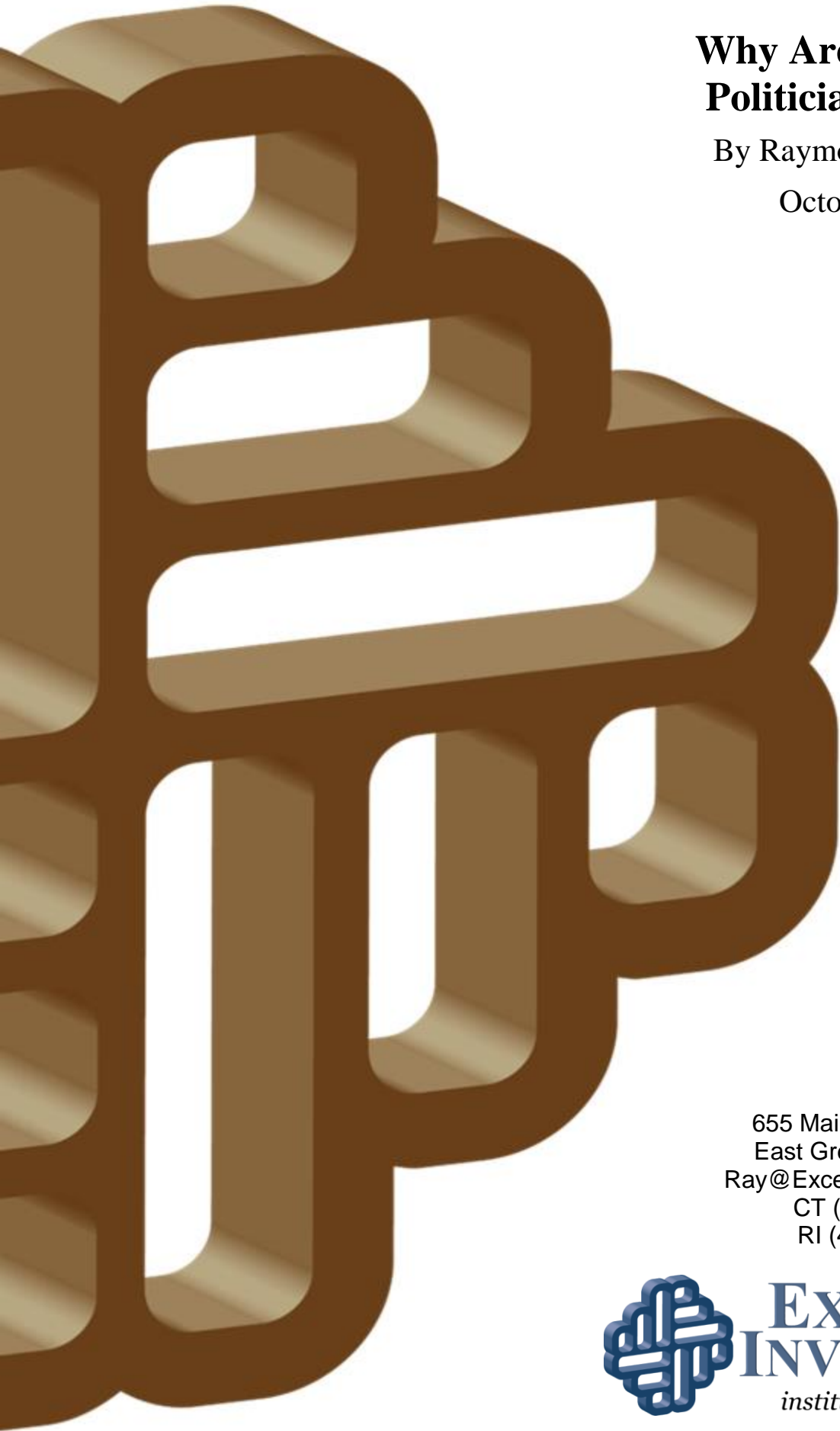


Why Are Washington Politicians Fighting?

By Raymond M Mullaney

October 2, 2013



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**EXCEPTIONAL
INVESTING, LLC**

institutional investment research

Dear Reader,

Naturally you want to invest with great confidence. However, because America has amassed \$17 trillion in debts *and* the government needs to borrow about \$1 trillion each year to keep operating, the risks to stocks, bonds, to insurance companies and even to banks, is very high.

Politicians, Wall Street, and the mass media tell us that everything will be fine, all that is required to “rebuild America” are more loans. Frankly, I do not know how to “fix” America. However, greater and greater debts will not fix America; greater debts weaken America and make a financial meltdown more likely.

Thank you for reading the enclosed report. You’ll find additional reports at RayMullaney.com

We cannot promise you that our investment ideas will protect you; we see risks in all investment strategies. We’re doing our best to find the safest and most reliable long-term strategies to protect our client’s assets. At this time in America’s history, this is a very serious challenge.

We welcome your calls and questions.

Raymond M. Mullaney
President

WHY ARE WASHINGTON POLITICIANS FIGHTING? AND HOW WILL WASHINGTON POLICIES AFFECT YOU?

Politicians, like everyone, fight about money; who gets more and who gets less. The US has borrowed \$17 trillions of dollars to pay its bills, there is only one explanation why, because it has run out of its own money. When a country (or a family) runs out of money, internal conflicts increase. Washington politicians are fighting about how they will spend the money that they have borrowed from banks, pension plans, IRAs and foreign governments. (*Do you know where your bank invests your savings?*)

Since Feb 26th 2002, Washington has added \$11 trillion to our children's debt.

Intelligent Americans are asking 4 questions about this debt:

- 1) Was the past deficit spending necessary?
- 2) Will present deficit spending continue?
- 3) What are the consequences of the debt buildup?
- 4) Does, or will, America have the ability to pay-off these debts?

There are other important questions, but I will briefly address these 4 today.

As to the first question:

1. **WAS THE PAST DEFICIT SPENDING NECESSARY?** Current and previous politicians borrowed money to spend it for one reason, to please voters. America ran up deficits, now amounting to \$17 trillion, because the majority of American voters wanted more things than they could afford to buy themselves. We have deficits (and debt) because Americans failed to act and vote prudently. Every politician in the past 30 years used emotional arguments to justify borrowing more and spending more. It started out innocently enough; years ago politicians borrowed relatively small amounts of money to improve our infrastructure. That was reasonable.

Today, Washington borrows and spends an amount equal to nearly 6% of the entire economy, therefore, they tell us, if we don't authorize further borrowing and spending, the entire US economy will collapse, and they are right. We are now hostages to the borrowing and spending.

Let's briefly review the actual numbers. If Washington had raised taxes by \$1 trillion for each of the past 10 years, in theory, we wouldn't have had to borrow the \$10 trillion. Today, we would have a \$6 trillion in federal debt rather than the \$17 trillion we now have. Unfortunately, it is impossible to know the consequences of economic policies that were not taken. If Washington raised taxes by \$1 trillion per year, even if only on wealthy people, the US economy would be radically different today. Since tax bills can only be paid by depleting savings or selling assets, Americans would have been forced to deplete their savings or sell assets to pay taxes. Therefore, it is very likely (but not certain) that tax increases would have had a very negative impact on real estate values, banks, the prices of stocks and the standard of living of nearly everyone. Job creation and new business startups may have declined significantly. Maybe the money that has been used to loan to Washington would have been used to grow the economy. Maybe not. We know money cannot be in two places at once, so if Washington had taxed \$10 trillion dollars out of the economy, rather than borrow it, we *might* have had much slower economic growth. Slower growth would have caused much higher unemployment, and consequently much lower total income tax revenues to Washington. That would have caused even larger federal deficits! If you are getting the impression that our economic system is ... broken beyond repair, you're not wrong at all. Clearly, the politicians we have elected to solve these problems are completely over their heads; since 1951 they have done nothing but add to the problem. Borrowing more is not the solution to our economic problems; it just creates greater problems for future Americans (our children). I have studied and written about the economy for 30 years, I have no idea what the solution is. I suspect that politicians (who created this mess) that tell us they know how repair our economy

may be exaggerating about their capabilities. We can only speculate on how different things may have been, if, if, if.... Let's look at what \$10 trillion in deficit spending probably "gave" us over the past decade.

\$10 trillion in deficit spending may have created 10 million jobs that paid \$100,000 per year for 10 years, or it may have created 40 million jobs that paid \$25,000 per year. This spending assured the politicians who spent our money they would get many more votes from those who received their generosity (with taxpayer money). Should you be more cynical about our political processes? One cannot possibly be cynical enough! The only thing we know with certainty is that NOW we owe \$17 trillion. The consequences cannot possibly be possibly be positive. I suspect that at some point, taxes will rise significantly. That will not be good for anyone. What is next for America and your money?

2. **WILL PRESENT DEFICIT SPENDING CONTINUE?** There are two ways to close the deficit:

- 1) Raise personal income taxes by \$800 billion or about 70%, or
- 2) Cut spending by \$800 billion, which is 23% of total Federal spending.

If we follow either course the US economy would immediately shrink by 5% to 10%. Neither political party has ever shown a willingness to make serious changes in our tax policies or our spending. **It appears the US will continue to borrow and spend until there is no one who will loan us money.** This will likely have very negative long-term implications for the majority of Americans. I am not optimistic. Since the future will be determined by events that have not yet occurred, as well as past events, we cannot be certain of the future. Prudent individuals will prepare for the worst, closely monitor economic and market changes and have large amounts of cash for exceptional opportunities in the future. **Remember, a stock market crash is a gift to those who have cash to invest. We advise clients to hold lots of cash for far better opportunities in the future.**

3. **THE REAL COST OF PAYING INTEREST ON TODAY'S DEBT.**

- 1) We have \$17 trillion in federal debt
- 2) The average interest rate for US bonds over the past century has been about 4%
- 3) Therefore, if the US were required to pay interest on our debt **in cash** (*like every other debtor*), rather than simply issue more debt, our annual interest payments would be \$17 trillion X 4% = \$680 billion per year.

4. **DOES OR WILL AMERICA HAVE THE ABILITY TO PAY-OFF THESE DEBTS?**

In every year since 1951, **America has paid interest in debt, not with cash but with more debt.** It is clear, America does not have the ability to pay interest on its debts **with cash**, so we issue more debt instead of cash. Since we cannot pay the interest on the debt, with cash, how can we possibly pay the principal on the debt with cash? Is there any way to pay off debt, other than with cash? **Neither political party has a plan to stop going deeper into debt.** In the absence of an actual economic plan to stop going deeper into debt, is it prudent to assume that the same politicians who buried America in debt will rebuild America with more debt? Can America keep borrowing any amount it wants? I do not believe or trust Washington or Wall Street to solve America's economic problems. Maybe the people who disagree with my analysis are right. Maybe politicians can borrow endless amounts of money and build the greatest welfare state in history. Politicians and Wall Street economists assure us that, Washington and Wall Street will rebuild America if your bank savings are exchanged for US government bonds that do not pay interest. That is what is happening today. Maybe they're right, but if they're wrong, America will collapse like Rome.

HOW WILL WASHINGTON ECONOMIC POLICIES AFFECT YOU?

I have read that, “if something **must** stop at some time, it will stop.”

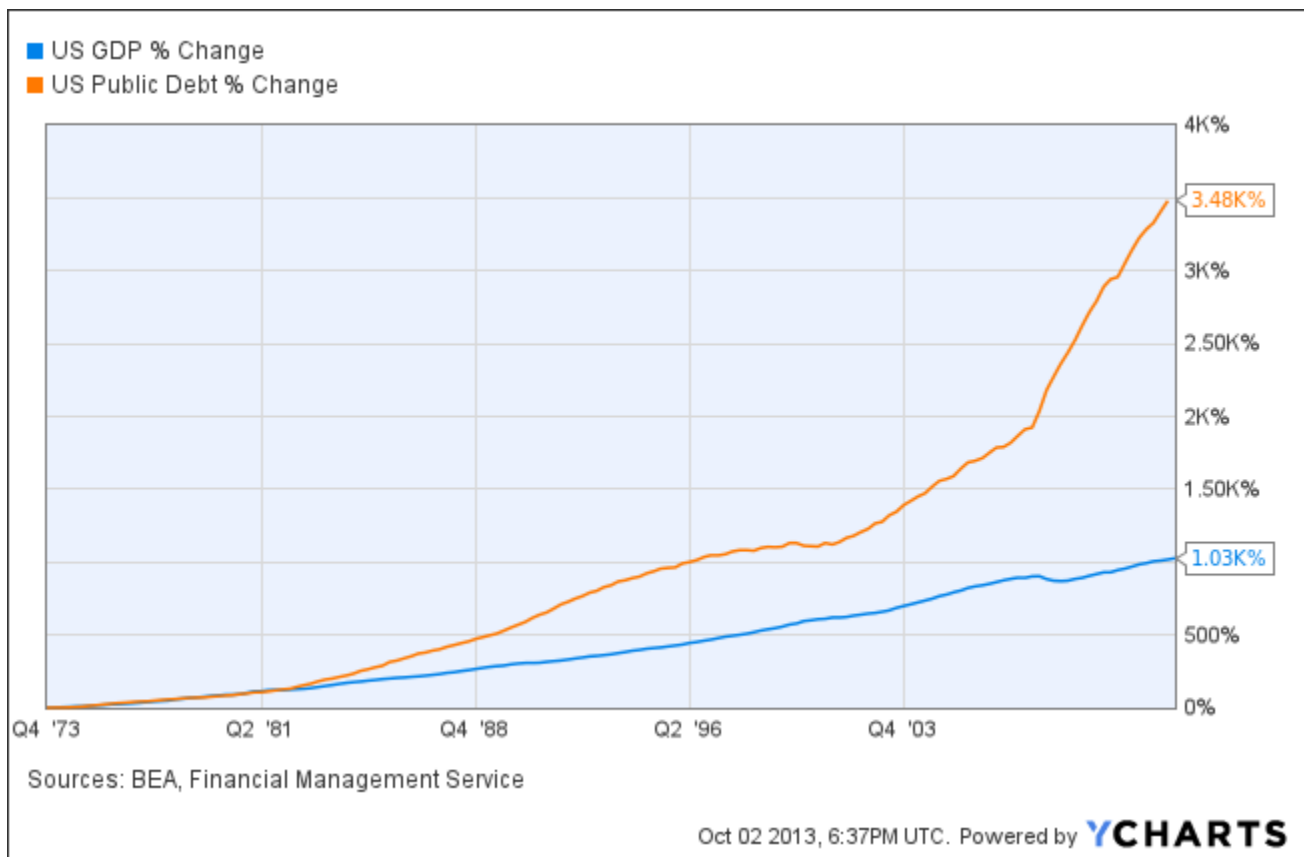
Our borrowing must end someday, and therefore, our borrowing will stop.

When investors decide to loan much less of their savings to the US government, or investors demand much higher interest rates for making these loans or investors demand to be paid interest on their bonds in cash:

- The stock and bond markets will experience great declines,
- Financial institutions will be under great stress, many will fail, and
- We may have hyper-inflation or deflation, at least for some period of time.

At Exceptional Investing, LLC, we focus on finding the safest investment approaches that may withstand the stresses of a serious financial crisis. We focus on preserving the purchasing power of our client’s savings.

Please contact us for a personal review of safe investment options for you and your family.



Over the past 40 years, the nation's economy has grown about 1000%. Federal government debt has grown at a far faster pace.

If politicians didn't spend (with borrowed money) as much as they have, perhaps our economy would have grown at a much slower pace. It seems Washington borrows and spend to create jobs and that's what voters want. But now we are strapped with \$17 trillion in debts. These debts appear to be well beyond our capacity to repay.

Politicians raise the debt limit every year and spend more every year. This cannot bring America prosperity, just greater debts.

The masses demand and vote for benefits without costs. Politicians heed their call and pay Wall Street, very well, to find investors for the bonds. The risks of these bonds is greatly underestimated by the public.

This growing debt threatens our standard of living as well as the investment markets. Investing is very dangerous. Our focus is on protecting your capital.

Raymond M. Mullaney

SUNDAY Sun-Times

DICHER, JULY 11, 1988 \$1.00

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PENSION INVESTMENT REPORTER

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When deciding whether to lease, consider who will profit, you or the lessor

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The Stock Market: One Year Later

USA TODAY Money

USA TODAY

NORTH SHORE BUSINESS MAGAZINE

November 1988



In Appreciation to
Raymond M. Mullaney
Delegate
For Outstanding Contributions to
THE WHITE HOUSE CONFERENCE ON SMALL BUSINESS
August

United States Senate
Attachments Transportation Building
15 Senate Plaza - Room 2228
Boston, Massachusetts 02116-0949
(617) 552-4212
November 21, 1988

Mr. Raymond Mullaney
Capital Planning Services
15 Senate Plaza
Boston, Massachusetts 02116

Dear Mr. Mullaney:

It was my pleasure to join you and the other Massachusetts delegates to the White House Conference on Small Business for lunch at the Phoenix Tavern.

I want to extend my appreciation to you for your contributions to the Small Business Conference. I look forward to the 1989 conference because I am confident it will move forward into the recommendations from the conference.

I am planning to conduct a series of focus groups on the state working paper from Massachusetts' small businesses. I hope your comments will provide you to help me and I will notify you when the focus has been finalized.

Please do not hesitate to contact me at Hill Station 66 my Massachusetts office if you check I can be of assistance.

Sincerely,
John F. Kelly
John F. Kelly
United States Senator

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Mr. Ray Mullaney
Fax No. 410-380-2028

Dear Mr. Mullaney:

I am writing to confirm our phone conversation yesterday and to reiterate the scope of your September 29 and October 4, 2000 letters relating to your potential misleading earnings statements by Citicorp Systems and transfers of large dollar amounts from business subsidiaries of General Electric to G.E. Capital. The Securities and Exchange Commission ("Commission") represents receiving information from sources of the public concerning possible violations of the federal securities laws and will give serious consideration to the information you have provided.

However, as I informed you, the Commission conducts investigations in alignment of violation of the federal securities laws on a non-discretionary basis. Therefore, the staff does not comment on whether the information provided to it will give serious consideration to the information you have provided.

Let me know if I can be of further assistance.

Sincerely,
John A. Mathews
John A. Mathews
Senior Counsel
202-492-4737

Nation's Business

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SMALL BUSINESS REPORT

Planning Woes of Closely Held Firms



The daily pressure of the business owner is to keep the business running smoothly. This is often done by focusing on the immediate needs of the business and neglecting the long-term planning that is essential for the success of the business.

One of the most common planning mistakes made by small business owners is the failure to plan for the future. This can result in a business that is unable to meet its long-term goals and is ultimately forced to close its doors.

There are several key areas that small business owners should focus on when planning for the future:

- **Financial Planning:** This involves creating a budget and monitoring the business's financial performance. It is essential to understand the business's cash flow and to have a plan in place for managing any potential financial challenges.
- **Succession Planning:** This is the process of identifying and training a successor to take over the business in the event of the owner's death or disability. It is a critical component of long-term business planning.
- **Legal and Tax Planning:** Small business owners should consult with legal and tax professionals to ensure that the business is structured in the most favorable way possible. This can include issues such as estate planning, liability protection, and tax optimization.

By taking the time to plan for the future, small business owners can increase their chances of long-term success and ensure that their business is able to weather any potential challenges that may arise.

MESSAGE FROM THE PRESIDENT - DECEMBER 21, 2007

When I think about how Americans see their own history, I am reminded of that line, powerfully delivered by Jack Nicholson, "You can't handle the truth!" While his character was despicable, the message described a certain mindset: a mindset of complacency, passivity and ignorance towards the world around them.

When Nicholson said those words to Tom Cruise, he may as well have been directing them towards the men on Wall Street and our Congress; and even directly at the American citizen. Despite the baloney you hear from politicians, bankers and Wall Street brokers, America is in big trouble. Moreover, so is our stock market.

While politicians and brokers have never been known for their honesty and courage, today, they have reached new levels of duplicity and darn right dishonesty. Throughout the 1990s and into 2000, these ever-present parasites proclaimed, "all was well," and that our economy was in for decades of prosperity and budget surpluses.

Then, from the spring of 2000 until September 10, 2001, the US stock market fell nearly 70%. Did Wall Street or any politician warn you to sell? Did the wise-men and soothsayers at the Federal Reserve Bank warn you? They're the guys that caused the bubble in real estate, they created the low interest loans. Did the national association of financial planners put out press releases warning that the stock market had reached irrationally high levels and was bound for a fall?

The above "advisors" are the same men that most Americans seek out for professional financial advice. Americans also still trust the regulators of banks to remedy the problems of our economy, yes, the same problems that these men caused. Americans still trust the same guys who sold new fancy mortgages. Americans still trust the men who put their trust in derivatives, not in cash balances. Maybe we should change the words on our currency; it could read; "In Derivatives We Trust". Americans still trust the men who told them that that real estate and stocks would always be solid investments.

Where do we go from here? It is true that in the past decade the US has created millions of new jobs resulting in record low levels of unemployment. It is also true that since about 1985, the American standard of living and the financial solvency of the average household, corporation and the state and federal governments has been in a steep and nearly steady decline. Perhaps you remember a time when blue-collar American jobs afforded both self-sufficiency and self-respect. That is no longer the case. In the past two decades the savings rate for Americans has plunged to zero, or less.

Today' reading from the US Department of Commerce informs us that the personal savings rate in the US in November of 2007 was a negative \$48.4 billion. US Census figures show that half of all American households have a liquid worth of less than \$2,800. This is not progress; this is not "good jobs at good wages". When America suffers a recession, and we will someday, how long will \$2,800 last for a family?

Today, the largest banks in the US have turned to foreign countries to survive. A few weeks ago Citibank had to pay 11% to borrow \$7.5 billion from the Abu Dhabi Investment Authority. No one in the US would/could come forward with the cash, to keep Citibank from bankruptcy. Would the board of directors at Citibank agree to pay the Arabs 11% per year for "special terms stock", merely to "strengthen" their balance sheets? Clearly, CitiBank acted out of desperation. Does CitiBank pay its US shareholders 11%?

Just a few days ago, one of America's largest, oldest and "preeminent" investment banking firms, Bear Stearns, had to borrow money at junk bond rates to stave off bankruptcy. China is only charging Bear Stearns 9%. What does this say about the creditworthiness of Bear Stearns? Today, Merrill Lynch is rumored to have had to go to bed with the men from Singapore; the terms are still being negotiated.

Why could Citibank, Bear & Merrill, heretofore, three of the oldest, richest and most powerful companies in America, NOT find any US lenders/investors? How could the smartest men from Harvard, Yale, Stanford etc., the men who control all of the trillions in America's pension funds, have to go begging to foreign men to save their businesses? Have you noticed, these companies are still paying out tens of billions in bonuses to their "executives"? And Americans still entrust these guys with their life savings; Americans actually rely on these same guys for "investment advice". I couldn't make this up!

The reality of the situation is that the men on Wall Street and in Congress and the owners of the largest mortgage companies in the world had the rule-makers, in this mismatch of intelligence, in their pockets. The biggest losers were the shareholders of these companies. The men on Wall Street are indeed some of the smartest men on earth; they are also the slimiest men on earth. Americans are just too sheepish, greedy, and either stupid and/or ignorant to figure out, that they have again, trusted the wrong men. Americans have been swindled, again.

My dad was right; "the rich get richer and the poor have babies". Are you pregnant? Or have you had it with these bums?