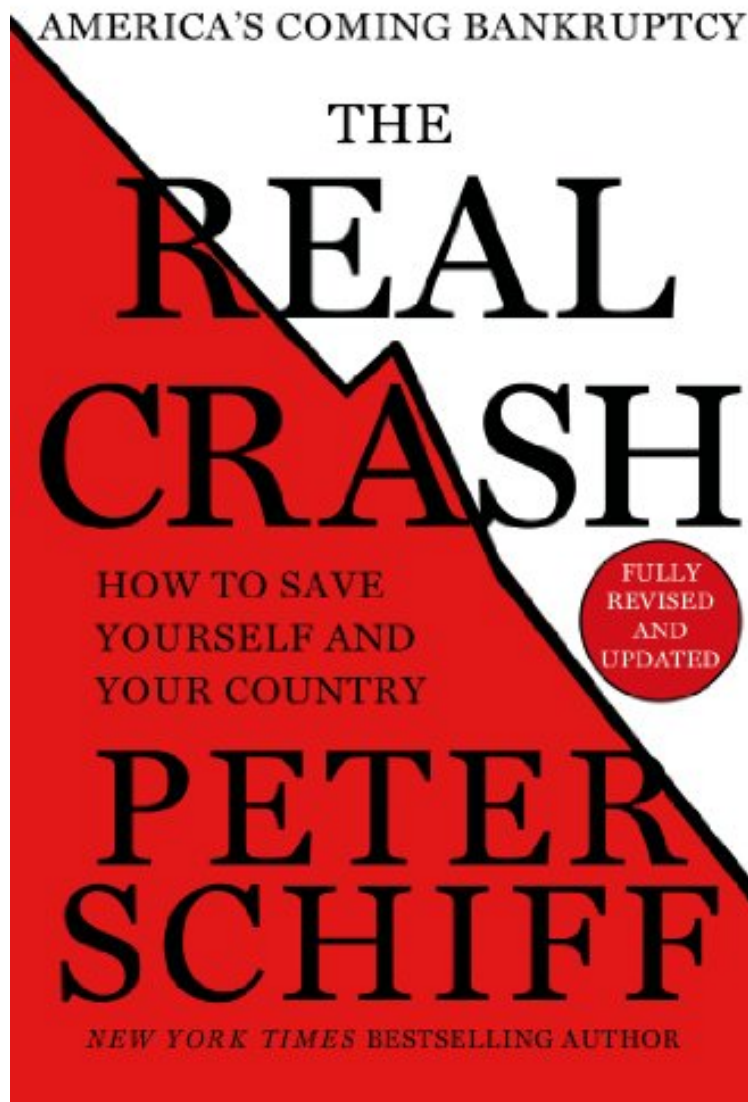


# The Real Crash: America's Coming Bankruptcy - How to Save Yourself and Your Country

*Peter D. Schiff*

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**Peter D. Schiff : The Real Crash: America's Coming Bankruptcy - How to Save Yourself and Your Country** before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Real Crash: America's Coming Bankruptcy - How to Save Yourself and Your Country:

4 of 4 people found the following review helpful. Our future is in our hands By lauraw An absolute must read. Schiff is one of the few economists involved in politics who tells the complete and unbiased truth about the U.S. economy and its leaders. Both the Democrats and the Republicans are bought and paid for by corporations, special interests, and

government dependents (not just "welfare" recipients, but the much larger percentage of Medicare, social security, and government paycheck recipients). Neither party is willing to prevent a Greece-like outcome (actually it will be much worse) because it would require them to relinquish votes, and therefore, power. Only when there is massive unemployment and rioting in the streets will we get serious about real reform. By then it may be too late. With no one to bail us out, we will be in danger of losing the standard of living that has set us apart from the rest of the world for the last 60 years. Schiff's book serves as a warning about the impending crisis, and gives recommendations about how individuals can save themselves, if not their country. 2 of 2 people found the following review helpful. Very well written book and an entertaining read

By Cinquain Peter Schiff is an incredibly smart individual (although he might try to be humble and claim that he is not) and his brilliance shows in this book. It took me roughly five days to read this book and I have a full time job and off work projects but even with my tight schedule, I still found the book easy to read and addictive. In summary, this book is very educational and entertaining. Schiff educates the reader in the realms of economics, employment regulations, banking, taxes, investments, and even history. The insights and understandings I gained from this book are enormous. It was equivalent to a brain massage. As I was reading this book, I could hear Peter's voice speaking in my head because his style of writing is very similar to how he speaks. I have to admit, this book only spends one chapter covering method of investments. However, it is important to keep in mind that when it comes to investment advices, Schiff is limited due to regulations from big government (as he ironically mentions in his book as well). I highly recommend this book to anyone who is concerned about the economy and deeply interested in understanding how we got there, how can we fix it, and most importantly what can you do to avoid it and prosper. I also hope that Schiff continues to fight the good fight and producing good work such as this one. 2 of 2 people found the following review helpful. Be afraid

By Berl Kaufman Be afraid, be very afraid. This is not a book to "enjoy," as others have put it It is a book to heed, as with all of Mr. Schiff's books. Every politician needs to read this book. And every investor should read this book. Indeed, anyone who is concerned about the welfare of their family or their community needs to heed the warnings that Schiff writes about here. I have been listening to Schiff on his radio program since he began broadcasting. I have read all his books. In fact, I read his father's books when they first came out back in the seventies. The younger Schiff had a phenomonal mentor in Irwin. Irwin gave him a solid grounding in what I call "common sense" economics. There is no hocus-pocus "we can spend our way out of this mess" economic theory, as propounded by the likes of Paul Krugman. Everything Peter says is well thought out and grounded in reality. And he always returns to base principles and values whenever confronted with sticky situations. While he certainly promotes his company on the air and in his books, what he promotes politically and economically actually would counter his investment advice if those ideas would be followed. I haven't a bit of a problem with this self-promotion, as it represents the essence of the free-market. A truly free market, as presented by Schiff, enriches everyone, as opposed to socialist theories that makes everyone equal, but equally destitute. Schiff has three broad themes in this book: (1) Review of what is really wrong with the world and US economy today (2) How we can fix these problems by returning to common sense base principles, even it requires a little bit of compromise to make it acceptable to the masses (3) How to protect yourself financial when the inevitable crash occurs - Schiff assumes that no one in power is likely to follow his advice This is an important book for our time. I liken Peter Schiff to a modern day Nathan Hale: one of the great patriots of our time. We need more books like this, and we need more Peter Schiffs if our economy is to survive. So be afraid for our economy and for your financial health, but don't be afraid to buy this book as soon as possible.

You might be thinking everything's okay: the stock market is on the rise, jobs are growing, the worst of it is over. You'd be wrong. In *The Real Crash*, New York Times bestselling author Peter D. Schiff argues that America is enjoying a government-inflated bubble, one that reality will explode . . . with disastrous consequences for the economy and for each of us. Schiff demonstrates how the infusion of billions of dollars of stimulus money has only dug a deeper hole: the United States government simply spends too much and does not collect enough money to pay its debts, and in the end, Americans from all walks of life will face a crushing consequence. We're in hock to China, we can't afford the homes we own, and the entire premise of our currency is backed by the full faith and credit of the United States is false. Our system is broken, Schiff says, and there are only two paths forward. The one we're on now leads to a currency and sovereign debt crisis that will utterly destroy our economy and impoverish the vast majority of our citizens. However, if we change course, the road ahead will be a bit rockier at first, but the final destination will be far more appealing. If we want to avoid complete collapse, we must drastically reduce government spending; eliminate entire agencies, end costly foreign military escapades and focus only on national defense; and stop student loan or mortgage interest deductions, as well as drug wars and bank-and-business bailouts. We must also do what no politician or pundit has proposed: America should declare bankruptcy, restructure its debts, and reform our system from the ground up. Persuasively argued and provocative, *The Real Crash* explains how we got into this mess, how we might get out of it, and what happens if we don't. And, with wisdom born from having predicted the Crash of 2008, Peter Schiff explains how to protect yourself, your family, your money, and your country against what he predicts.

“Peter Schiff sounded the alarm about the housing bubble created by the Federal Reserve and predicted the bubble's inevitable collapse, yet he was ignored by mainstream economists and ridiculed by the media. In *The Real Crash* he is at it again, illustrating how the financial crisis of 2008 is nothing compared to what is coming down the road. Peter Schiff is right again. I hope more people listen this time.” Ron Paul; Congressman (TX-14) and three time Presidential Candidate  
“Peter Schiff's new book *"The Real Crash; America's Coming Bankruptcy"* is written in the same blunt and punchy style that makes him a favorite guest on my Fox News show. It's not just what he says, but the fact that he lives what he says. Unlike some authors who talk about business as spectators, Peter doesn't speak from the ivory tower of academia or from the comfort of an anchor chair. He runs a real business and fights every day to make it a success in spite of all the government's tax and regulatory policies.” Mike Huckabee; Host of *The Huckabee Show* and former Arkansas Governor and Presidential Candidate  
“America's political leaders should have taken Peter's 2007 book, *Crash Proof*, to heart before they tried to borrow, print and bail us out of trouble. Today, they -- along with all Americans -- absolutely must take heed of *The Real Crash*. Peter Schiff understands the marketplace, and he understands the consequences that occur when government attempts to manage that marketplace. Pay attention, America!” Gary Johnson, Former governor of New Mexico and presidential candidate  
“In *'The Real Crash'*, the fearless Peter Schiff has written the most compelling argument against central economic planning and debt-financed consumption to come along since our present woes were exacerbated in 2008. His explanations of how unfettered free choices will produce prosperity, and how ending the Federal Reserve, abolishing the IRS, and returning to the gold standard will tame the federal beast are among the most forceful and cogent I have seen. He even explains how anyone can prosper from government stupidity in these perilous times. And he does all this in a breezy and readable format.” Judge Andrew P. Napolitano, Senior Judicial Analyst, Fox News  
“Peter Schiff is an original thinker, a man of startling insight and honesty, in many ways, a genius. I have learned that you disagree with him at your peril. He is one of the few men of finance of whom I wish I could say I had paid more attention to. Live and learn. Read and learn.” Ben Stein; author, actor, political and economic commentator  
“Peter Schiff says the Fed's bubble machine is destroying the American economy and he is right. Zero interest rates and QE are crushing savers, rewarding speculators and enabling the Washington politicians to issue endless debt. Every concerned citizen should read this.” David Stockman; Former OMB director under President Ronald Reagan  
“Peter Schiff has been painfully right about the downward spiral of the U.S. economy over the last four years. Easy money, rising tax rates, and unbridled debt are a prescription for economic disaster. Let's hope Barack Obama reads this.” Stephen Moore, Economist and Fox News commentator  
“While many of us have justifiably focused on how high taxes are economically corrosive, Peter Schiff does a great job of explaining why government spending and debt are even worse. As we continue grappling with the monster of a runaway federal government, this book is one of the best assets conservatives can turn to in making the case for fiscal responsibility and capitalism.” Grover Glenn Norquist; President of Americans for Tax Reform  
“Peter Schiff was one of the few pundits who predicted correctly the 2008 economic and financial collapse. Now, he makes a compelling case in a highly readable book that the day will come when the world stops trusting the dollar and the ability of the US government to pay its debts. I agree with him that 'Then we'll get the real crash'.” Marc Faber; Editor, *The Gloom Boom Doom Report*  
“You need to know his case whether he is right or not if you are going to be prepared for this decade.” Jim Rogers; Investor and Bestselling Author of *"A Gift to My Children"* and *"Investment Biker"*  
About the Author  
PETER D. SCHIFF is an American investment broker, author, and financial commentator, and was a candidate in the 2010 Republican primary for the United States Senate seat from Connecticut. He frequently appears as a guest on CNBC and Fox News, and is the host of the radio show and podcast *The Peter Schiff Show*. He is the author of the New York Times bestselling *Crash Proof* and *Crash Proof 2.0*, as well as *The Little Book of Bull Moves in Bear Markets*, which was also a Business Week bestseller.  
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Where We Are and Where We Are Headed  
AS I STATED IN THE introduction, the real crash I predicted in my first book is still coming. You see, before 2006, I had been predicting an economic catastrophe in the United States, with the burst of the housing bubble being the catalyst. Once that bubble burst and major banks went to the brink of failure, people began crediting me with “calling the crash.” But what we saw in 2008 and 2009 wasn't the crash. That was the overture. Now we have to sit through the opera. The economic unpleasantness of those days was definitely part of the real crash, but only because of the way our politicians responded—replacing one government-created bubble with another, thus putting our economy at even greater risk. The same bubble machine that fueled the last two boom-bust cycles—the Federal Reserve—is already back in high gear, and we must turn it off. The Fed needs to stop fueling inflation and start sucking dollars back out of the economy. It also needs to let interest rates rise. When the Fed does these two things, Washington's free ride will end—it will no longer be able to borrow at near zero interest. As a result, Congress will have to slash spending, fix our entitlements, and generally shrink government. These are the right things to do today—they were the right things to do ten years ago. But soon they will become inevitable. We will have no choice. My past books predicted the crash. This book goes a step further and lays out the steps we need to take in order to make this crash as painless as possible and to rebuild in the aftermath. We need to wind down entitlements, eliminate many government functions, and stop playing with the

money supply and interest rates. America needs to start making things again, and the government needs to stop taking. As individuals and as a nation, we need to get out of debt. And ultimately, we'll have to face up to the fact that we can't pay off all our debts. The later chapters spell out the solutions, but these first two chapters describe the problem. Our economy today is once again built on imaginary wealth. Like the proverbial house built on sand, it will collapse. When that happens, when America's tab finally comes due, it will probably be as bad, or worse, than the Great Depression. You'd better be ready for it. From a Dot-Com Bubble to a Housing Bubble to a Government Bubble. To understand how bad things are and where we're headed, let's quickly go back a decade or so, and retrace the steps that brought us here. Throughout the 1990s, the Federal Reserve injected tons of money into the economy, which fueled a stock bubble, focused particularly on dot-com companies. In 2000 and 2001, when the stock market turned down and unemployment started to creep up, that was a correction. Assets that had been overvalued (such as stocks) were returning to a more appropriate price. The dot-com and stock market bubble had misallocated resources, and while investment was fleeing the overvalued sectors, inevitably the economy shrunk and unemployment rose while wealth became more rationally allocated around the economy. Readjustments in the economy involve short-term pain, just as the cure to a sickness often tastes bitter. Short-term pain, however, was unacceptable to the politicians and central bankers in 2000 and 2001. Federal Reserve Chairman Alan Greenspan manipulated interest rates lower. This made borrowing cheaper, inspired more businesses to invest, and softened the employment crunch. But the economy wasn't really getting stronger. That is, there weren't more businesses producing things of value. As there were few good business investments, all this cheap capital flowed into housing. As housing values skyrocketed, Americans were getting richer on paper. This made it seem as if things were okay. In other words, Greenspan accomplished his goal of forestalling any significant pain. By the same token, he also kept the economy from healing properly, which would have laid the foundation for a stronger and lasting recovery. When market realities started to bear down on the economy, and the housing bubble popped, with the broader credit bubble right behind, the government was running out of things to artificially inflate. So the Fed and the Obama administration decided to pump money desperately into government. I'll explore this "how-we-got-here" story in more depth in Chapter 2, but for now, I'll make this point: Just as the housing bubble delayed the economic collapse for much of last decade on the strength of imaginary wealth, the government bubble is propping us up now. The pressure within the bubble will grow so great that the Federal Reserve will soon have only two options: (a) to finally contract the money supply and let interest rates spike—which will cause immensely more pain than if we had let this happen back in 2002 or 2008; or (b) just keep pumping dollars into the economy, causing hyperinflation and all the evils that come with it. The politically easier choice will be the latter, wiping out the dollar through hyperinflation. The grown-up choice will be the former, electing for some painful tightening—which will also entail the federal government admitting that it cannot fulfill all the promises it has made, and it cannot repay everything it owes. In either case, we'll get the real crash. The National Debt As a professional investor, when I study the American economy today, I see debilitating weaknesses. Most obvious is the debt. As this book went to press, the national debt was \$17 trillion. That works out to approximately \$140,000 per taxpayer. Let's talk a bit about what this means. Whenever the government wants to spend money it doesn't have, it borrows. Our government borrows by selling T-bills and Treasury bonds, or "Treasuries." The buyer gets an IOU, and the government gets cash. So, various bondholders—individual investors, U.S. banks, the Chinese government, the Federal Reserve, even parts of the U.S. government—hold in aggregate \$17 trillion in IOUs. These bonds and bills come due all the time, and typically, the Treasury pays them off by borrowing again. Every day, the debt grows. First, it grows because it accumulates interest. In 2010, taxpayers paid \$414 billion in interest on the national debt, but that wasn't enough to keep the debt from growing. Another reason the debt keeps growing: our government keeps borrowing more in order to spend more. Barack Obama's \$800 billion stimulus in 2009, for instance, was entirely funded by borrowing. In Fiscal Year 2011, the U.S. Government spent \$3.6 trillion, but brought in only \$2.3 trillion in revenues. The extra \$1.3 trillion—the budget deficit for the year—was paid for through borrowing. As a businessman or the head of a household, if you spend more than you earn in a given month, you're doing one of two things: you're either spending down your savings, or leaving a balance on your credit card. But the federal government has no net savings. That leaves only one option: every dime of deficit is added to our national debt—plus interest. State governments are in the red, too. Nearly every state ran a deficit in 2010, and the aggregate of state debt is about \$1.3 trillion. Local governments owe a combined \$1.8 trillion. Add that \$3.1 trillion in state and local debt to Uncle Sam's \$17 trillion, and our public debt tops \$20 trillion. Much worse, when off-budget and contingent liabilities are thrown in, total government debt tops 100 trillion! State of Bankruptcy In some ways, our state governments are in worse shape than the federal government. While most states don't have huge ticking time bombs like Medicare, they have just as much—or more—trouble breaking even. For Fiscal Year 2012, more than forty states were in the red. Twenty-seven states (a majority of states and a vast majority of the country) were running deficits of 10 percent or more, according to data from the Center on Budget and Policy Priorities. California is probably the most famous of the insolvent states because of the massive size of its annual shortfall: more than \$25 billion in 2012. To poison the fiscal waters so completely, it took a special brew of big-

government liberalism, anti-tax-hike ballot measures, powerful public employee unions, and ridiculous public pension laws. These factors created what Manhattan Institute scholar Josh Barro calls "California's permanent budget crisis." Indeed, since 2005, the California state legislature has been fighting an annual "crisis." Barro explains: "California's permanent budget crisis stems from institutional failures. Ballot measures have made it nearly impossible to raise taxes or cut spending, and have cemented the idea in voters' minds that they can get government services without paying for them. The state has repeatedly failed to reform its inefficient tax code (which relies too much on highly volatile taxes on high-income people, and not enough on property taxes) or to tackle the problem of runaway public employee compensation. California is special in many regards. (For instance, no other state has city managers paying themselves nearly a million dollars a year, as the folks of Bell, California, were caught doing.) But many of the problems with California are present elsewhere. One is the tendency of states to go wild during boom years in revenue. Many individuals who did well during the boom years bought McMansions with huge mortgages on the assumption that every year would be just as good. Many states did the same thing. Nevada is a classic example. Nevada enjoyed faster population growth than any other state in the 1990s and most of the 2000s. This coincided with the nationwide housing bubble, and sent home prices through th...