

TRANSCRIPT/EXCERPTS FROM DR. PENBERA'S APPEARANCE ON THE RAY APPLETON SHOW OF JUNE 13, 2011. THE FULL BROADCAST MAY BE HEARD BY GOING TO: <http://www.kmj580.com/pages/rayappleton> AND CLICKING ON THE ARCHIVES BUTTON.



IF YOU WANT TO SEE AN ACTIVE MAP OF UNEMPLOYMENT IN THE U.S. WHICH IS A KEY BASIS FOR DR. PENBERA'S ASSESSMENT THAT WE ARE IN A DEPRESSION, PLEASE GO TO :

<http://cohort11.americanobserver.net/latoyaegwuekwe/multimediafinal.html>

RAY, WHAT I AM GOING TO HAVE TO SAY THIS AFTERNOON MAY BE SHOCKING TO MANY PEOPLE; I KNOW THIS BECAUSE MY PHONE HAS BEEN RINGING OFF THE HOOK.

THE FACT THAT ANY OF THIS WILL BE "SHOCKING" IS REALLY A TESTAMENT TO THE EXTREMELY POOR JOB THE MEDIA IS DOING IN CONNECTING THE DOTS AND ALERTING THE AMERICAN PUBLIC, PARTICULARLY AT THE LOCAL LEVEL. KMJ IS REALLY ONE OF THE EXCEPTIONS TO THE RULE. THERE ARE MANY FINE PEOPLE AT THE FRESNO BEE, BUT, AS I HAVE ALREADY REPEATEDLY CONVEYED TO THEM, THAT NEWSPAPER HAS DONE VIRTUALLY NOTHING TO CONNECT NATIONAL SPENDING AND DEBT POLICIES WITH THE DIRE SITUATION OF MANY OF OUR LOCAL COMMUNITIES, INCLUDING HIGH UNEMPLOYMENT, POVERTY, PUTTING CRIMINALS BACK ON THE STREETS AS SOON AS THEY ARE ARRESTED, REDUCTIONS THE NUMBER OF TEACHERS, AND THE LIKE.

I HAVE TO SPEAK OUT BECAUSE EVERYONE WITHIN THE SOUND OF MY VOICE IS NOW IN JEOPARDY, INCLUDING YOUR FAMILY AND MINE, AS WELL AS FUTURE GENERATIONS OF AMERICANS.

I KNOW THAT YOU BRING ME ON YOUR SHOW WHEN THINGS ARE BAD AND THAT I HAVE THE MONIKER OF "DEAN DOOM". BUT, AS YOU KNOW, THERE HAVE BEEN ECONOMIC CYCLES AND PERIODS -- LIKE IN MY REPORT IN 1999 FOR THE CCFI WHERE I FORECASTED A SHARP RISE IN HOME PRICES-- THAT I DO HAVE A POSITIVE ECONOMIC OUTLOOK. BUT, BECAUSE TODAY IS ONE OF THE DAYS THAT I WILL EARN MY MONIKER, I JUST WANT TO POINT OUT THAT I AM NOT ALONE OR SOME ALARMIST. I LEARNED JUST BEFORE I CAME IN TODAY THAT NYU NOBEL LAUREATE ECONOMIST, NOURIEL ROBINI, HAS ALSO STATED THAT THE U.S. AND WORLD ECONOMIES ARE NOW IN A "PERFECT ECONOMIC STORM".

BEFORE I GET INTO SPECIFICS, THERE ARE *THREE THINGS* THAT I WANT TO MAKE ABSOLUTELY CLEAR:

(1ST) *THE AVERAGE AMERICAN WORKER ALREADY PAYS ENOUGH IN TAXES AND FEES TO GOVERNMENT AT ALL LEVELS*; GOVERNMENT ALREADY HAS MORE THAN ENOUGH FINANCIAL RESOURCES IN THE SYSTEM TO GET US OUT THIS MESS; WHAT WE HAVE LACKED IS THE WILL AND LEADERSHIP, NOT THE RESOURCES.

(2ND) IF, AFTER HEARING THIS, YOU AND THE LISTENERS, GO BACK TO DOING NOTHING ABOUT IT, YOU ARE PART OF THE PROBLEM. WHEN SOMEONE SAYS THAT THEY “LOVE OUR COUNTRY”, THEY MUST DO MORE THAN STATE IT; THEY MUST SHOW IT. DOING SOMETHING ABOUT THE ECONOMIC AND POLITICAL SITUATION IN OUR NATION IS RELATIVELY EASY: MAKE YOURSELVES HEARD. PLEASE KEEP IN MIND THAT *POLITICIANS WILL DO THE RIGHT THING, BUT ONLY AFTER THEY HAVE TRIED EVERYTHING ELSE AND THE PUBLIC FORCES THEIR HAND*. THE CURRENT CALIFORNIA BUDGET MORASS WHICH HAS ACCUMULATED OVER A DECADE OR MORE IS A GOOD EXAMPLE OF POLITICIANS DOING NOTHING EXCEPT THAT WHICH IS SELF-SERVING.

AND (3RD) THE ECONOMY AS I SEE IT IS, AND ALWAYS HAS BEEN, AND ALWAYS WILL BE ALL ABOUT CREATING AND SUSTAINING PRIVATE EMPLOYMENT. *THE PROOF OF A HEALTHY ECONOMY IS JOB CREATION AND SUSTAINABILITY, PURE AND SIMPLE*.

BEFORE I GET TO THE “BOTTOM LINE”, LET’S DEFINE THE KEY TERMS THAT WILL BE USED THROUGHOUT TODAY’S PROGRAM, AND SEE WHAT THEY REALLY MEAN...

A Recession: This IS declared by the National Bureau of Economic Research (or NBER). A recession means that the economy has experienced 2 consecutive quarters of declining GDP; this decline is perceived as part of the NORMAL business cycle.

A Depression: This is NOT declared by the NBER; there is no standard definition, but there are DEFINITE ATTRIBUTES, including a substantial economic decline and, most importantly, DOUBLE-DIGIT UNEMPLOYMENT (I.E. MORE THAN 10%).

SO HERE ARE THE FACTS THAT NEITHER THE POLITICIANS AND THE MEDIA WANT TO FACE:

- ***FACT: CALIFORNIA IS IN A DEPRESSION***. CALIFORNIA’S “KNOWN” UNEMPLOYMENT RATE IS 11.9%. THE STATE IS AND HAS BEEN IN A DEPRESSION; IT IS LONG PAST TIME FOR THE LEADERSHIP TO DECLARE THIS. THE FACT THAT IT HAS NOT BEEN DECLARED IS IRRELEVANT TO PEOPLE IN THE KNOW, LIKE THE BOND RATING AGENCIES WHICH HAVE ALREADY DOWNGRADED THE STATE. OF THE 58 COUNTIES IN CALIFORNIA, ALL BUT 3 HAVE DEPRESSION-LEVEL UNEMPLOYMENT.
- ***FACT: THE CENTRAL VALLEY IS IN A DEPRESSION***. FRESNO, MADERA, TULARE, KINGS, MERCED, KERN, AND JUST ABOUT EVERY CENTRAL VALLEY COUNTY AND COMMUNITY HAS AN UNEMPLOYMENT RATE OF MORE THAN 16%, WELL ABOVE THE 10% THRESHOLD. THE ENTIRE REGION IS IN A DEPRESSION. OUR COMMUNITIES HAVE BEEN SUFFERING FOR A VERY LONG TIME, AND THE SOCIAL CONSEQUENCES OF THIS ARE ALL AROUND US. WHY THE LOCAL MEDIA AND OUR REPRESENTATIVES HAVE NOT DECLARED A “STATE OF EMERGENCY” AS WAS DONE IN APPALACHIA WHEN THEIR “TREMENDOUS UNEMPLOYMENT” WAS ONLY 7%, VERSUS OUR 16% PLUS, AND THEIR POVERTY LEVEL WAS “12%”, VERSUS OUR 30%, IS BEYOND ME. IT IS WHAT IT IS. COSTA, DENHAM AND ALL THE REST OUR REPRESENTATIVE NEED TO CALL THINGS AS THEY ARE AND GET OFF THEIR COLLECTIVE SOFTWARE.
- ***FACT: THE U.S. IS IN A DEPRESSION***. THE U.S. “KNOWN” UNEMPLOYMENT RATE IS 9.1%. WHAT IS NOT “KNOWN”, BUT WAS, FINALLY, MADE CLEAR LAST WEEK, IS THAT THE

DEFINITION OF FULL EMPLOYMENT NEEDS TO BE RAISED BY 2% OR MORE TO ACCOUNT FOR THE STRUCTURAL UNEMPLOYMENT NOW BAKED INTO THE ECONOMY. THE TRUE UNEMPLOYMENT RATE IS WELL IN EXCESS OF 11%. THIS IS ABOVE THE 10% DEPRESSION THRESHOLD. BOND RATING AGENCIES HAVE ALREADY DOWNGRADED U.S. BONDS FROM "STABLE" TO "NEGATIVE". WITH THE EXCEPTION OF CERTAIN PORTIONS OF THE MID AND UPPER MIDWEST, VIRTUALLY ALL REGIONS OF THE U.S. ARE IN A DEPRESSION.

WHAT IS VERY PUZZLING IS THAT THERE IS ACTUALLY ECONOMIC AND POLITICAL ADVANTAGE TO USING THE TERM DEPRESSION, AND ENORMOUS DOWNSIDE IN NOT DOING SO. IN OUR NATION'S HISTORY, PAST PRESIDENTS HAVE DECLARED DEPRESSIONS IN ORDER TO BOTH TACKLE THE PROBLEMS HEAD ON, TO RALLY THE COUNTRY IN A TIME OF CRISIS, AND ALSO TO STOP THE BICKERING ACROSS PARTY LINES. THE PRESIDENT CANNOT CHANGE ANYTHING BY BEING IN DENIAL OF THE DEPRESSION, OR, WORSE, GETTING INVOLVED IN THE POLITICAL ORTHODOXY OF THE POLITICAL PARTIES.

THE FIRST U.S. PRESIDENT TO DECLARE A DEPRESSION WAS JAMES MONROE DURING THE PANIC OF 1819; ULYSSES S. GRANT DID SO DURING THE PANIC OF 1873. HERBERT HOOVER WAS CREDITED WITH DECLARING "THE GREAT DEPRESSION", BUT THE TRUTH IS THAT HOOVER DID SO ONLY AFTER THE HORSE WAS OUT THE BARN DOOR, AND AFTER THE COUNTRY WAS IN THE MIDST OF THE 2ND AND MOST SEVERE WAVE OF THE DEPRESSION. IT WASN'T UNTIL 1934 THAT LIONEL ROBBINS, THE BRITISH HISTORIAN, ACTUALLY POPULARIZED THE TERM THAT HOOVER TRIED TO AVOID --"THE GREAT DEPRESSION". IN MY OPINION, THE COUNTRY IS ABOUT TO ENTER THE 2ND WAVE; *PRESIDENT OBAMA HAS THE CHOICE OF EITHER BEING A HOOVER OR A JAMES MONROE; TO SHOW REAL LEADERSHIP OR SOMETHING FAR LESS.*

I HAVE FAITH THAT THE AMERICAN PUBLIC GETS IT EVEN WHEN THEIR LEADERSHIP DOESN'T OR WON'T. LET'S TAKE A LOOK AT THE FACTS WHICH MAKES ME THINK THAT WE ARE IN A DEPRESSION THAT HAS THE POTENTIAL TO BE FAR DEEPER AND FAR LONGER THAN ANYTHING IN OUR NATION'S HISTORY. IF WE HAVE THE TIME TODAY, I WOULD LIKE TO ALSO TALK ABOUT THE TWO MAIN CHOICES THAT WE HAVE, THE LIKELY CONSEQUENCES OF EACH, AND WHY THE NEXT FEW MONTHS ARE CRUCIAL. THE FACTS....

We are beyond the point of entering the so-called "2nd dip" of a double dip of a recession; this second dip will be very severe if things unfold this summer as they are now shaping up, AND IF REAL LEADERSHIP IS NOT EXERTED, there will be no doubt that we are already in a Depression. Mr. Bernanke HAS ALREADY ADMITTED THAT HE WAS WRONG: there is no natural growth in the economy for the 2nd half of the year; the jobs and housing data definitively show this. Although economists like Nobel economists Joseph Stiglitz and Paul Krugman, or past Fed chairs, like Paul Volcker and Alan Greenspan, may not be using the term "Depression" because the GDP data don't technically signal it, I think that they will all move to a more common sense conclusion that we are already in a Depression by interpreting the following

FACTS:

- Wage growth has increased less in the last 10 years than at any time in the last 6 decades. Unemployment among minority groups is at its highest since the 1940s. Only 66% of American men had jobs, the lowest level in recorded history. There are 5.5 million Americans who are

unemployed and have exhausted their unemployment benefits. For every job opening, there are 5 people unemployed. The bailouts went to big institutions with no provision for hiring, and, thus, created little job stimulus and even more problems for the lower and middle class worker.

- Housing prices on a percentage basis have fallen more than they did during the Great Depression. Roubini and Schiller and others have already stated that housing has begun its second dip and that this condition will extend for several years, not months.
- 1.2 million households have disappeared since 2008. People moved in with relatives and friends as they did in the Great Depression.
- States and cities are in the worst shape since the Great Depression. California is issuing IOUs. State and local debt is now 22% of GDP. The situation will get worse.
- 1 of 7 Americans now rely on food stamps. Jimmy Carter's so-called "Misery Index" (which combines unemployment with inflation) is now so high that it is off the historical charts.
- Despite what elderly citizens are routinely being told by government officials, the truth is that in 2010 Social Security did, in fact, run its first deficit since 1983. The Medicare Trust fund is running out of money. Local hospitals are being forced to shut down their Emergency rooms because of the number of persons who don't pay. Today, 1 out of every 6 Americans is on Medicaid; in 1965, it was 1 in about every 60 Americans.

Here is why I think that this Depression can be of a far greater magnitude than anything that the nation has experienced in the past:

- In the 1930s, there was little state debt: now we have horrendous public debt at the State level. For example, the 50 states collectively are now *\$3.2 trillion short* of what they need to pay their pension obligations.
- At the federal level, during the Great Depression, federal debt as a percent of GDP was small, but today most of our calculators can't even display all the digits in *\$61.3 trillion in federal debt*. The annual interest burden alone is almost \$500 billion, and interest on the federal debt will exceed \$1 trillion by 2020. Standard and Poor's downgrade of U.S. government bonds from "stable" to "negative" could be the first of several downgrades.
- Household debt was a very small percent of GDP during the Great Depression. Today, *consumers have \$14 trillion in debt*, and the federal deficit alone represents more than \$500,000 for every U.S. household. It is estimated that about 3 out of every 5 Americans receives money in some form from the federal government.
- During the Great Depression, the U.S. was in the midst of building a manufacturing powerhouse; today, many of these valuable jobs and salaries have been exported overseas. *We have lost, on average, 50,000 manufacturing jobs per month since China was admitted to the WTO in 2001*. Today, more than 40% of U.S. jobs can be classified as low-paying. The bailouts to big banking institutions had no provision for loans to businesses creating jobs or even to businesses or sectors which were extremely credit

worthy. As a result, although large manufacturers output and exports have increased slightly, the overall manufacturing sector continues to shrink in terms of capital invested and the number of jobs created.

- In the 1930's, the U.S. was actually an oil exporter; *now we pay OPEC more than \$1 trillion annually for its oil.* In the 1930's, the U.S. had a positive trade balance; today the U.S. is running a *trade deficit of more than \$6 trillion dollars.*
- In the 1930's, our currency was a backed currency; *today the dollar it is backed by nothing.*

WHAT ARE OUR CHOICES AND WHAT ARE THE LIKELY CONSEQUENCES OF EACH?

I feel that the next 12-18 months represent a very crucial period in American history. In my opinion, there are two possible economic scenarios that will unfold each with starkly different results in terms of the future of the country and the future of the average American.

Scenario 1- We face the music (THE FACTS):

What competing foreign governments, various oligarchies, and smart money managers know is that all of the facts presented above paint a picture of the U.S. facing an annihilation of its currency and a major reduction in the quality of the average American's life. If the situation is addressed with a serious plan, the following things should happen:

- interest rates will be allowed to rise in the short-run, but stabilize in the intermediate term
- the money supply will be limited through a hard cap
- banks will bear the immediate pain of having made bad loans by a graduated interest reduction plan to save homes and neighborhoods and the local tax base, but the banks will be able to offset this effect by a stabilization of the housing sector
- about 20% of the federal government workforce will be privatized or let go
- almost all of U.S. troops will be pulled out of foreign bases and wars, and those that remain in-service will be deployed to assist in cyber-security, infrastructure rebuilding, defending our borders, and to defense projects which can, for the most part, be domestically based and can utilize technologies in limited engagements
- many taxes at all levels of government will be eliminated, and diverting funds from Social Security will be prohibited
- of the large bureaucracies, only the ones that have huge technical resources will remain and receive further investment of public funds. (For example, rather than scuttling NASA, it will be re-focused on producing alternative energy through connecting satellites which beam solar energy from outer space, or produce rare earths used in large magnets.)

What are the likely political effects of facing the music that leadership will have to deal with?

- massive protests from entrenched interests such as are now going on in Greece

- extraordinary payoffs to government officials and political party candidates by corporations, banking, and social interest oligarchies that have near-bankrupted the nation, and incessant lobbying and “purchased news” news stories and scare tactics emanating from these entrenched interests
- a rise in interest rates, but a stabilization after about 12-18 months as private capital formation and investment picks up and government competes less for capital
- wild swings in the DOW, perhaps declining to between 5,000 to 7,000 as the entrenched interests and market manipulators try to figure things out and the public reacts to the austerity measures
- the dollar is devalued during the period of initial reaction and turmoil, but bottoms out at about 75% of its current value after an initial free fall, and, then, rises rather precipitously against all currencies, particularly the Euro
- Social Security deficits are eliminated by getting rid of future promises, lengthening the retirement age, and eliminating borrowing from the fund for general purposes
- a generation of college students and recent graduates will need to be put into company-run training programs, not government run or trade school mills; for receiving this retraining, particularly in the manufacturing and math and science education sectors, student debt burdens are forgiven in order to lay the foundation for a greater expectations among the current and future generations
- On the surface, China will scream bloody murder because it holds lots of dollars and would not like the turmoil that the initial actions will signal, but that screaming will be somewhat for show since they have been selling dollars for more than 2 years and encouraging a new “basket” of currencies to replace the dollar as the world’s reserve currency. The long-term effect on China is somewhat neutral: they will have a renewed U.S. market to sell to, but the slowing or reversal of their leadership in manufacturing will prove difficult and lead to massive unemployment in China in the long-run.
- *Timeline for return to re-growing the real capital base of the U.S.: almost immediately.*

Scenario 2-We don’t face the music (the FACTS), and keep on doing what we have been doing because we believe that a better day is coming and without any pain.

If the situation is not immediately addressed by a serious plan as above, the following things will happen and, in fact, are already in process:

- The government will print more money and continue to buy its own debt
- oil prices will skyrocket with or without any real economic growth
- the dollar will lose its place as the world’s reserve currency which, in and of itself, will have devastating political, economic, and social consequences
- The DOW will decline gradually and take out the historical support levels from as far back as the 1980s, which would mean a DOW of 2,500 or less

- politicians will blame OPEC and the Islamist extremists for everything that they must do, including and, especially, sending in more ground troops, spending more militarily, expanding the scope of military actions, and, inevitably, engaging in all-out war
- the U.S. will need to occupy certain oil fields, which will lead to greater local insurgencies, and guerilla and even nuclear weapons attacks against U.S. troops and institutions
- government will put price controls on hyper inflating commodities, including food
- government will raise taxes
- Mexican cartel gangs will increasingly cross U.S. borders and inner-city crime will rise because the resources that should have gone to state and local government intervention are being used in international interventions
- Social Security goes bankrupt
- the productive middle class loses assets as well as incentive as real and hidden unemployment skyrockets and it becomes obvious that “leadership has no plan and no clue”
- the very large corporations and large investors holding cheap dollars buy stock with dollars that are worth less which causes a short-term mini-rise in the stock market (I believe that this has *already happened and has accounted for the rise in the U.S. stock market over the last two years*)
- China doesn’t scream much because it has planned for this eventuality by reducing its holding of dollars, and because it, and a host of other former allies, believe that they can take sector leadership away from the U.S. ranging from car manufacturing to film and entertainment without any push-back from America. More importantly, the new economic giants which depend upon cheap labor will be able to extend authoritarian controls through the political power that their centralized wealth conveys. China will militarize directly by building a new Navy and ground forces to employ more of its citizens, and will indirectly equip regimes to protect its market dominance.
- The Fed leadership, and various politicians and public officials, will continue to feed the media “the story”- “better times are coming: the economy has bottomed; DOW to hit 20,000.”
- Timeline: Now. We are in the midst of this reality.
 Again, we just had our mini stock market rise.
 We are engaged in conflicts around the globe.
 The Fed embarked on QE2 to put money into the country’s debt, and is thinking about a QE3.
 There is no stability in world economies: the Euro is on the precipice because many of its members also lack fiscal discipline, and the world’s economies are interconnected.
 State and local governments, particularly in California, can’t afford essential services. Cuts in public safety are inevitable. Sacramento’s recently cut in its police force; gang killings in the U.S. by Mexican gangs are now commonplace.
 There is a slow bleed out of jobs from the public sector, especially in education, but there are even larger bleed outs from the private sector, even the technology sector.

WHICH OF THESE TWO APPROACHES IS MORE HUMANE?

Is it the slow bleeding approach of Scenario 2 which we are now in that NUMBS THE PUBLIC and allows a few people and institutions to amass enormous wealth, dooms institutions, families, individuals, and leads to chaos and war (all of which occurred in and around the first Great Depression); OR is it Scenario 1 which AWAKENS THE PUBLIC to broad-based pain and swift transformation of the economy which causes some initial turmoil, even chaos, but relatively quickly restores the economic vitality of the nation?

The answer to this question rests, principally, on whether or not one believes in the precepts of capitalism and democracy espoused by Adam Smith in The Wealth of Nations which so greatly influenced the values of the nation's founders as they drew up plans for American institutions, including and especially government. Fixing our economy means re-thinking government's role in it. If history shows us anything, it is that one should not assume that democracy will survive without a strong underlying economy. We are in the midst of one of the biggest crises in America's history. As a guiding principle, the only government programs that can and be supportable are those that assist the domestic economy, create jobs, and reward individual hard work. We have more than enough financial resources to renew our economy; we have just had a period of bad choices. If people really do "love America", they will insist that America's leadership makes the right choices, and make sure that the pain that we need to endure to get back on track is shared by everyone.

