

**U.S. TREASURY TO SELL MORE DEBT
TO ADDRESS SHORTAGES
WEB BUZZ 2008.10.13**

Oh my, what a difference between now & yesterday! For years and years, the consensus in the marketplace has been don't buy government bonds. Alan Greenspan has called the strength in the price of long government bonds a conundrum. No one can tell you why. It's a mystery. Bond buyers must be mispricing debt instruments. Why would one buy a 30-year government bond when inflation is running at 4-5%?

The answer, of course, was easy to see if one knew where to look. The Federal Reserve, through its Z.1 Flow Of Funds Quarterly Report has had the answer all along. Alan should have looked at his own organization's data compilations. Just what did this report reveal? Please note the flowing table depicting debt growth:

Observations

1. 7 Years 2001-2007..... \$7,011.4B to \$13,839.7B \$6,818.3B97%
2. 1 Year 1Q08..... \$13,839.7B to \$13,959.9B \$120.2B less than 1%

To be specific, the answer is no one, we mean no one, can survive when this much debt has been incurred. Maybe it takes an Ivy League MBA to dream up new financial debt products, but it takes only a common man with common sense to understand that it won't work. The only thing that can take place now is *debt liquidation*. That, my friends, is deflationary.