

EMAIL BLAST

An Ongoing Dialogue from

The Delta Group

REVENGE OF THE 1% LOAN: Part XI

July 29, 2011

*I hear the train a comin'
It's rolling round the bend
And I ain't seen the sunshine since I don't know when,
I'm stuck in Folsom prison, and time keeps draggin' on
But that train keeps a rollin' on down to San Antone..*

Folsom City Blues, 1951 - Johnny Cash

Regardless, whether the President gets his \$1 trillion in new tax revenues (over ten years), or the House its \$3 trillion in spending cuts, the math tells me the annual deficit would remain in EXCESS of \$1 trillion annually. 14T, 15T....19T, 20T...

Whoa. That train it keep a comin'..!

Our Federal government consumes a quarter of the national output (20% historically.) The debt ceiling drama playing out involves the immediate crisis of defaulting (missing a payment) on outstanding Treasury obligations on August 2. This won't happen.

First, Treasury interest is paid on the 15th. Second, the Treasury is taking in ~\$200B a month. Prioritize and me thinks there's plenty of money to go around. Commerce will not stop and tax collections will not cease. The US will not default.

The real debate is upstream of this mess, and relates to economic policy and expansion. Get this. The ten year budget cost of missing the growth estimate by 1% in a given year is \$750B. 1%, 1 year = \$750B over ten years. Wow.

In all this hoopla, the Treasury market is rallying! Seems the market, those greedy capitalists, aren't real worried.

Meanwhile, the price of gold, inversely related to faith in Government activities, touched \$1,625 an oz., up 12%+ for the year.

Eric Dahl
THE DELTA GROUP
Oak Tree Securities