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Joyriding Toward Disaster

America's stretch of continuous economic growth is about to come to an abrupt end.

- Andrew Miiller
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The United States is cruising toward economic recession. Markets are up, unemployment is down, and production is growing at 3 percent per year—but warning signs loom.

Debt-based economies naturally experience cycles of boom and bust. On average, recessions occur every five years—and it has been 10 years since the last recession. Sooner or later, then, the current economic boom will go bust.

For a couple of hours on August 14, yields on two-year U.S. Treasury bonds spiked higher than yields on 10-year Treasury bonds. This “yield curve inversion” indicates that investors fear a recession. Economists say recession usually occurs 18 to 24 months after a yield curve inversion like this one.

Bible prophecy indicates that the next recession may be far worse than the Great Recession of 2008.

No Emergency Savings

With presidential elections coming up next year, President Donald Trump is eager to delay the next recession. On August 19, he criticized Federal Reserve Chairman Jerome Powell for not taking radical action to grow the economy.

“Our economy is very strong, despite the horrendous lack of vision by Jay Powell and the Fed, but the Democrats are trying to ‘will’ the economy to be bad for purposes of the 2020 election,” President Trump posted to Twitter. “Very selfish! Our dollar is so strong that it is sadly hurting other parts of the world... The Fed rate, over a fairly short period of time, should be reduced by at least 100 basis points, with perhaps some quantitative easing as well. If that happened, our economy would be even better, and the world economy would be greatly and quickly enhanced—good for everyone!”

President Trump is right about some trying to “will” the economy into recession for political purposes. Liberal commentator Bill Maher told his television audience on August 10 that they should wish for a recession to cause President Trump to lose the next election. President Trump is also right that slashing interest rates and borrowing money would likely delay recession. But he is wrongly underestimating the threat of America's debt, and wrong to further add to that debt.

Slashing interest rates makes it easier for individuals to borrow money. Such borrowing adds to consumer debt, which at almost \$14 trillion is already higher than it was before the 2008 financial crisis. The main debt-based economic theory teaches that people should borrow when times are bad and save when times are good. But this is not what Americans have done. They borrowed their way out of the 2008 financial crisis, and they have kept borrowing every year since.

The average American household is more than \$108,000 in debt. Assets like houses and cars secure much of this debt, but more than 16 percent of it is unsecured. Included in this debt is almost \$7,000 in credit card debt and almost \$12,000 in loan debt. And over 32 percent of Americans have no savings to use when their income drops. This means many businesses and individuals will go bankrupt during the next recession unless the government bails them out as it did back in 2008. And the government is in much worse financial shape today than it was a decade ago.

The national debt is over \$22 trillion—more than double what it was in 2008. So despite the booming economy, when the next recession hits America will be in real economic danger.

Both the government and individual citizens should have spent the past 10 years paying down their debts. The Bible says a wise person saves during times of plenty so he has an emergency fund when he needs it. “Go to the ant, thou sluggard; consider her ways, and be wise: Which having no guide, overseer, or ruler, Provideth her meat in the summer, and gathereth her food in the harvest” (Proverbs 6:6-8).

Summer is almost over for America, and the nation has not saved for the hard times!

Debt Death Spiral

It is impossible to know exactly when the next recession will hit. But when it does, two things will happen. One, people will lose their jobs, so tax revenue will fall. And two, more people will start claiming entitlements like welfare, which means the government will have to spend more money. Since these two trends are mathematically exclusionary, the government will likely resort to borrowing even more money, bloating the national debt even faster.

This happened during the last recession, and America is in an even worse predicament this time.

Have I mentioned that the federal government is over \$22 trillion in debt? It has borrowed almost \$6 trillion from its Social Security Trust Fund (intragovernmental debt) and over \$16 trillion from outside investors (public debt). Last year, it paid an astounding \$324.7 billion in interest payments on its debt—roughly half of what it spends on defense. Data from the U.S. Treasury Department’s Office of Debt Management shows that the government is only five years away from the point where every new dollar it borrows will have to be paid as interest on the debt.

This is called a debt death spiral.

The government will soon be borrowing money to pay the interest on the money it has already borrowed. If the government starts borrowing less money, or if the interest rate on the public debt falls lower than 2.5 percent, it may take more than five years for the nation to enter this spiral. But if the nation enters a recession, or if the interest rate on the debt rises higher than 2.5 percent, it will enter it much sooner.

According to the *New York Times*, the government could squeeze another \$276 billion out of the American people each year by increasing tax rates on the super-wealthy by 45 percent. (The *Times* doesn’t account for the fact that taking money from these business owners would reduce their ability and willingness to engage in economic activity such as creating new products and hiring people.) But the nation is on track to spend \$554 billion per year in interest by 2024—even without a recession. Once the government hits the point where every new dollar borrowed goes toward paying interest, it will have to choose whether to 1) declare bankruptcy, 2) print its way into hyperinflation, or 3) drastically slash government spending.

If the government chooses to spend less, what do you suppose will be the first item to go? Hunter DeRensis wrote in the *American Conservative*, “What would transpire if Social Security checks stopped showing up in mailboxes and Medicare benefits got cut off? When presented with that choice, will the average American choose his social safety net or continued funding for far-flung bases in Stuttgart, Okinawa and Djibouti? Even the most militaristic congressperson will know which way to vote, lest they find a mob waiting outside their D.C. castles” (Nov. 20, 2018).

Facing bankruptcy, America will most likely close the military bases it uses to combat terrorism and safeguard vital trade routes like the Strait of Malacca, the Strait of Hormuz, the Bab el-Mandeb, Gibraltar, the Turkish Straits, the Suez Canal and the Panama Canal.

Shuttering foreign bases may buy the U.S. several months of financial solvency, but it will also transform America from a superpower, projecting power around the world, into a vulnerable nation just trying to defend its borders.

End of America

The sobering fact is that the United States has been living beyond its means for decades, and it can no longer escape the debt death spiral. The onset of such a death spiral may not mean the immediate end of the U.S. as a nation, but it will mean the end of the U.S. as a superpower.

The late Herbert W. Armstrong taught for decades that the peoples who settled the United States and Britain largely descended from the ancient Israelites. And an end-time Bible prophecy says that God will suddenly break the power of Israel because of its sins, including materialism. The people worship the work of their hands more than they worship God.

“And it shall come to pass in that day, saith the Lord, that I will cut off thy horses out of the midst of thee, and I will destroy thy chariots: And I will cut off the cities of thy land, and throw down all thy strong holds: And I will cut off witchcrafts out of thine hand; and thou shalt have no more soothsayers: Thy graven images also will I cut off, and thy standing images out of the midst of thee; and thou shalt no more worship the work of thine hands” (Micah 5:10-13).

How will this sudden collapse of U.S. power come about? Mr. Armstrong predicted that a financial crisis in America would likely prompt Europe to unite into a superpower even stronger than America. He warned in 1984 that a massive banking

crisis in America “could suddenly result in triggering European nations to unite as a new world power larger than either the Soviet Union or the U.S.” (co-worker letter, July 22, 1984).

Such a financial crisis is closer than people think. The current economic boom cannot last forever, and America has not saved any money to help it weather its next financial storm. That means the next recession may force America to stop projecting power against China, Germany and Russia as it struggles to avoid bankruptcy!

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