Excerpt from the book:

Aftershock

Protect Yourself and Profit in the Next Global Financial Meltdown

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David Wiedemer, Ph.D
Robert A Wiedemer
Cindy Spitzer

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Fred R. Coulter
Christian Biblical Church of God
P.O. Box 1442
Hollister, CA 95024-1442

CHAPTER 9

The New View of the Economy Helped Us Predict the Current Bubblequake, So Why Don't Some People Like It?

This new way of understanding the economy based on the Theory of Economic Evolution, which is part of the broader STEP Evolution, made it possible for us to see what others were (and still are) missing. It made it possible for us to accurately predict, in 2006, Phase I of the Bubblequake of 2008 and 2009 (we also predicted Phase II and Phase III in that book, but they're still in the future). And it is directly responsible for our current prediction about the coming Phase II, the Aftershock, in this book. In fact, we even know what Phase III will look like (see next chapter) and Phase IV (see next book).

However, many other economists and financial analysts didn't see and still don't see these phases coming and most of them will not agree with this book. How come? Why will some people not see what seems pretty straightforward and obvious to us?

The reason is the six psychological stages of dealing with the Bubblequake and Aftershock that we first told you about in Chapter 3. We have been in the first stage (Denial) for a long time, and now we are entering the second stage (Market Cycles), in which most experts believe things will get better soon.

Understanding why some people react badly to our book is important for understanding why the bubble economy occurred in the first place and for seeing where we are in the progression of those six psychological stages. The roots of the antagonism to our ideas are grounded in the need to deny these problems until we have absolutely no other choice but to face them and solve them. Until then, most people want to maintain the comforts and benefits of the status quo.

So, it's not only important that we be able to analyze and predict what happens with the economy, it is also important for us to be able to analyze and predict the reactions people will have to our predictions. It's somewhat unusual for most books to do this, but quite essential to a good understanding of what is happening with the economy and how it is evolving. It is also important for the reader to understand where other people are coming from so that the reader can better understand why so many other people might not be agreeing with us and why you should be listening to us.

Here are what we predict will be some of the main reactions people will have to the book and why some people won't like it.

It's Not a Cheerleading Book

Most people want a highly plausible cheerleading book. They don't want to understand what's really going on with the economy; they just want to hear that the economy will improve, even if we hit some rough patches along the way. They want good news, but it has to be plausible, meaning that it is based on some kind of seemingly rigorous analysis. The analysis itself can be terrible, but as long as it supports the idea that things will get better, that's what they want to hear.

Ideally, this analysis should also square with conventional wis-dom, for example, the idea of market cycles. But it can't be too optimistic or it will sound like fantasy. It has to be very cognizant of current problems while being fundamentally optimistic that the economy, stocks, and real estate will inevitably turn up.

Alan Greenspan was a master at this. He was the perfect cheer-leader because he was optimistic, but always quite plausible. Greenspan never talked too much about any fundamental economic problems, except with very long-term issues, such as the long-term cost of Social Security and Medicare. However, he always brought up some negative issues that made his overall optimism seem well considered. Even when his views didn't square with reality, people still loved to hear them.

As of this writing in mid-2009, people love to hear the view that the economy will turn around in the second half of the year. Even if it takes three more quarters or even as long as another year, people still want to hear about a turnaround. There are often no good reasons behind these views, or if they are based on any analysis, it is very biased or outright misleading, but that's what most people want and that is what they get. In fact, the National Association of Business Economics released a report in late

May 2009 saying that a panel of 45 economists they interviewed expects that economic growth will rebound in the sec-ond half of 2009. Nearly 75 percent of those who responded to the survey said that the recession would end next quarter. No economists thought the recession would move beyond the first quarter of 2010.

Even when analysts and economists are proven wrong, time and again (for example, when the housing market did not bottom out in 2006, or in 2007, or in 2008, and when the economy didn't turn around in the second half of 2008, or in the second quarter of 2009, etc.), these people still retain a lot of credibility because at least they are trying to be optimistic. Of course, they clearly have no idea of what they are talking about and are constantly proven wrong, again and again, but that doesn't matter—at least they are trying to be plausibly optimistic. The audience that wants cheerleaders still likes what cheerleaders are saying. In this group, nobody likes a bear, least of all when the bear is right.

It's Not a Complex Book (although It Is Based on a Complex Analysis)

For some readers, a really complicated book is best. It makes the reader and the author feel like they know something that very few people can understand. This makes the author and their readers feel really smart. It also obscures the upsetting truth about the economy. This group may not want a cheerleading book, but they also don't want to be too fundamentally critical of the economy or its future prospects. This group might like a detailed analysis of complicated Credit Default Swaps (CDS) and the intricate ways they might threaten the economy, even though the real threats to the economy are simpler and much more fundamental.

Many people in this group are very threatened by the real economy since many of them will lose their jobs in the Aftershock, including many economists and financial analysts and other professionals. But here's a question: If these people could not predict or even talk about something as big and important as the Bubblequake that just hit us in 2008, exactly what value to society do these economists and financial analysts serve? What good does their analysis do if it couldn't tell us so many banks would fail and the stock market would lose half its value?

Once the Aftershock hits, these folks will finally lose their credibility. At that point, we won't need any more inaccurate cheerleaders; we will need some accurate thinkers!

These analysts and economists often don't want to see the reality of the economy because they want to believe something else. At this point, they *really* don't want to see it, because if they see it now, they will have to ask, "How did so many smart people make such terrible mistakes?" Maybe because they weren't so smart? But if that is the case, then what will happen to Wall Street and what does that say about economists and politicians and their supersmart advisers? It says that they are quite likely to fail, and take the economy down along with them. That is really painful for all of us.

For example, the biggest mistake made in the run-up to the recent financial crisis was that people on Wall Street *and* Main Street *and* in Washington all thought that it was perfectly fine for housing prices to go up 100 percent or more while people's incomes only went up a few percent. That was a pretty basic economic mistake to make, but that was their fundamental error. It wasn't Wall Street gods gone bad, or greed overtaking people. It was just plain bad investment judgment at a very fundamental level, and this very bad investment judgment was made by just about everyone, from the least financially sophisticated people in America to the most financially sophisticated people in America.

Our analysis in America's Bubble Economy was quite dif-fer-ent. We looked at the fundamentals driving the housing market rather than hoping that huge price gains were well justified and would keep on coming. The analysis was spot on and even televised nationally when Bob Wiedemer said in February 2008 on CNBC's Squawk Box that homebuilding stocks would go down even when almost every other financial analyst felt that, for some reason, they had already gone down enough and were certainly at the bottom of the cycle and would naturally go up. Of course, that's about the same thing people were saying in spring 2009. Same song, second verse, one year later.

Even at the very top of the financial world, the people were not very smart about their investments that they theoretically should have been extremely smart about. Instead, they bankrupted (or effectively bankrupted) very impressive banks and investment banks that had previously survived the greatest of our nation's financial difficulties. It's absolutely amazing that these people had such poor investment judgment that they couldn't even survive in an economy with some of the lowest unemployment levels, lowest inflation rates, and lowest interest rates in our nation's history. It was absolutely phenomenal misjudgment in the face of easy-to-see facts. Clearly, this shows that these people weren't very smart at what they should have known best.

In the more distant past, Wall Street has shown great skill and innovation due to the fine efforts of some very impressive people, such as J.P. Morgan and Charlie Merrill. But, these great skills were not on display by the Wall Street of the past decade. That these supposedly impressive financial managers had such terrible judgment inevitably raises the question of how well the economy will do in the future. And it makes a very uncomfortable statement about the way our society is structured and the people who are running it. It's not just bad or evil individuals that are causing us problems; it's something much more profound that is affecting our economy.

One dramatic example of how people in power can prefer com-plexity to cover up fundamental problems is the terrible Challenger Space Shuttle disaster. When the space shuttle Challenger blew up shortly after takeoff in 1986 hundreds of NASA scientists could have done enormous amounts of research into the problem and produced voluminous papers on the subject, and even then, maybe would not have figured out exactly what went wrong. Physicist Richard Feynman, on the other hand, did a simple experiment of putting the rubber seals from the shuttle's booster tank into ice water to simulate conditions on the day of the launch. When Feynman pulled the seal out of the ice water, it was brittle and broke easily, thus solving the mystery of why the shuttle exploded. It was an excellent example of simple and straightforward analysis, but in some ways, it made hundreds of NASA scientists look bad and in doing so, made the whole NASA organization look pretty bad.

This made a lot of people inside and outside NASA feel pretty uncomfortable. Of course, at least they were willing to bring Feynman in to look at the problem, which was a good step. Today's NASA might be far less willing to do so.

The ideas in our book make people uncomfortable in the same way. If it's really that simple to understand our economic problems, then a lot of people in positions of power are not doing their jobs and cannot be very smart. That's painful.

It's Not a Crazy Book

Crazy books are just cheerleading books in disguise. They pro-pose crazy economic or financial theories that aren't real. Some of these books are far more critical and radical, and more "doom and gloom" than we are. They might say much more critical things about our country. They might be far more critical of individuals such as Alan Greenspan or Wall Street Titans. But, they are so silly that they aren't very threatening. Hence, they are effectively cheerleading for the status quo.

Examples of books that are not crazy and took on important issues are *Uncle Tom's Cabin* and *Silent Spring*. Both of these books were well written and were very honest about the issues they were taking on. They weren't crazy, but in being very realistic they were also very upsetting and many people didn't like them at all. Fortunately, many people did like them even if they were highly critical of the status quo, as they were the right books at the right time for a nation that was already changing its attitudes in the direction the books were advocating.

Still, many people don't like that kind of book and prefer crazy books, as they are far less threatening. Our book is not a crazy book and lays out a very reasonable and rational analysis of our current economic situation, including how it started and where it is headed. For that reason many people will not like it.

It's Not an Academic Book

In most academic circles, an author has to be published in a ref-ereed journal to have any credibility; otherwise academics aren't going to be very interested in the book. That actually makes a lot of sense in some ways because there are plenty of crackpots out there and this is a good way of filtering them out. However, a problem arises when the academics are fundamentally wrong in their analyses. Then the policy becomes a real negative because academics are not exposed to different viewpoints (in part because they don't want to be).

In addition, academics often have the problem of a narrow focus. A narrow focus is good—in fact absolutely necessary for good analysis—but only if you have a good understanding and theory of what is going on in the broader context. For example, if you don't understand continental drift, trying to study minute changes in the Appalachians isn't going to improve your understanding of how they were formed. You have to have a good overall theory, or a narrow focus is just a way of avoiding the hard work of developing a theory that really explains what is going on with the economy.

Many economists today are looking very closely at a specific area and aren't able to understand the broader economic issues. U.S. economists made this complaint about Soviet economists during the Cold War. A Soviet economist might be an expert researcher on grain production in the Ukraine, but that economist would be very careful not to research the much broader economic issues facing the Soviet Union. By keeping his focus narrow, he would not upset other Soviet economists with potentially fundamental criticisms of the Soviet economy.

As a personal example, after writing our first book in 2006 and before the Bubblequake hit in late 2008, Bob spoke one time to a highly respected economist who had written with much insight on the stock market and real estate. Bob asked him about his thoughts on the dollar, because Bob felt the dollar would be one of the key issues affecting the value of both stocks and real estate in the future. This respected man replied that he hadn't thought about the dollar too much because it was outside his area of interest and expertise, but his general feeling was that the dollar was likely overvalued. Wow! He hadn't thought about the dollar much? This is a good example of how too much focus on one area leads to a lack of insight about the overall economy as well as a lack of insight into one's specific area of focus—in this case, stocks and real estate.

Bottom line is that academics aren't going to like this book, even though one of the authors has good academic credentials—a PhD from one of the leading economics departments in the United States, the University of Wisconsin-Madison. It is a book that is just not going to get a lot of academic respect at this point in time, even if it is right.

To admit that a non-academic economist could be doing more insightful work in economics than many academics would be a fun-damental criticism of the economics profession. For most economists, that would be a very painful admission. For a few who realize that it is true, it might be a good thing, but the economic analyses in the book will have to be more proven over a longer period of time before academics take this book and the previous one more seriously. Fortunately for us, we do have one big thing in our favor: The Bubblequake (and its Aftershock) we predicted will help change that by severely discrediting the current group of economists, thus opening the door for a new group of economists to bring in fresh ideas on how the economy really works.

It's Not Suggesting Armageddon

One of the most common themes we see in some financial books that attract people is that, rather than present an honest assessment of the problems we will face, they instead say that our financial problems will result in financial Armageddon. That might be combined with another Armageddon theme that says that a financial collapse will result in violent unrest across the world. Another lighter version would be the "end of capitalism" or the rise of dictatorships in the United States and/or other currently democratic countries. Some people prefer reading this because it is much more comfortable than facing the reality of a fundamental change in their economic, social, and political lives. They retreat to the fantasy of Armageddon because they know it's not really true and is a good way to avoid changes in society or the economy that they would rather not see. *Pretend Armageddon* is simply a more comfortable alternative for some people than what our book predicts.

It's Not a Status Quo Book

All of the above reasons why people don't like our book come down to this one common denominator: it's not a status quo book. Other books, in one way or another, more strongly support the status quo by saying so directly or by being so off base or by adding so much meaningless complexity that they offer no real threat to the status quo. This book threatens the status quo in a fundamental way.

The inevitable future consequences of the current Bubblequake and coming Aftershock will force big changes on our businesses, our government, and our society. Like the aftermath of the Revolutionary War in the United States or World War I in Europe, the status quo cannot last. Fundamental changes to our current property rights system are inevitable after the dollar bubble bursts and that is far scarier to most people than the Terminator fantasies or other pretend end-of-the-world scenarios.

We are daring to say that we have made big economic mistakes in the past and the final result of all the chaos created by those mis-takes will be a much, much better and wealthier society than we have today, but one that will be fundamentally very different from today.

How Our Book Stacks Up Against the Rest

On the surface, the book you are now holding in your hand may seem (to people who haven't read it) like just another "doom-and-gloom" economics book. In fact, *Aftershock* is substantially different from any other book currently available.

Some books have correctly predicted that our economy is head-ing for trouble. To varying degrees, each has contained some partially correct insights, forecasts, and advice. Many have offered some truly bad investment ideas. And many others have provided some very good investment advice, but for wrong or incomplete reasons.

Obviously, we don't have the space here to analyze the details of all the more bearish economics and finance books in the market-place today. Instead, we'd like to take a closer look at two popular books, *Empire of Debt* (John Wiley & Sons, 2005) by Bill Bonner, and *Crash Proof* (John Wiley & Sons, 2007) by Peter Schiff. We chose these two, not because they are the worst or the best of the bunch, but because these well-received books have attracted a lot of attention and therefore, serve as good models against which we can compare our predictions and our entirely unique perspective.

Empire of Debt spends a good deal of time trying to make the case that the United States (like the indulgent and ultimately doomed Roman Empire) has been greedy and self-centered, that debt is intrinsically immoral and financially unsound, and that our economy is about to pay a well-deserved high price for our wicked ways. Sounds pretty convincing to some. But let's break this down into its parts.

First, the United States is not the Roman Empire or anything like it. For one thing, our country was founded on the ideals of democ-racy and the rule of law. We have a constitution, public elections, and a more or less free-market economy—not exactly the ingredients for an evil empire. The author's general point about our culture being greedy and self-serving is a matter of personal opinion and to us it's really not relevant to the economic problems we are about to face. Perhaps the fact that we have been the most successful economy in history makes the author want to hold us to a higher standard—one that he feels we are falling short of—but that hardly makes us an empire. So let's just move on.

The key word in Bill Bonner's *Empire of Debt* is "debt." Here is where we differ dramatically. Like Bonner we also think that the tre-mendous U.S. government debt will help bring the economy down, but for very different reasons. Bonner sees debt (both government debt and consumer debt) as intrinsically bad, both for moral reasons and for economic reasons. Let's bypass the morality question and just say we disagree. More relevant is the question of whether or not debt is, by nature, always bad for an economy or a society.

Clearly the answer is No. As we pointed out earlier in this book, *debt is not the problem, stupidity is*. Smart debt can be very good for individuals, businesses, and governments. Smart debt allows you to go to medical school so you can earn a good income later. Smart debt can help start a company or grow a government in many significant and beneficial ways. For example, in the 1870s and 1880s, super-smart debt made it possible to build transcontinental railroads that accelerated our country's economic growth far faster than staying out of debt would have done. And there are countless more examples. Big government debt is *not* always bad, as long as it's smart debt.

Dumb debt, on the other hand, well, that's a different story. Dumb debt buys you nothing but trouble down the road after you've painted yourself into a corner. Dumb debt is what a teenager gets into after three hours at the mall with Daddy's credit card. Dumb debt is what got Freddie Mac, Fannie Mae, and Wall Street into big trouble in 2008. And dumb debt is what our federal government started back in the 1980s and is now into up to its eyeballs. Bonner's *Empire of Debt*, along with every other contrarian book out here that says big government debt will eventually be our downfall, completely misses this important distinction. Debt is not the problem, *stupidity is*.

How about Bonner's investment advice? We fully agree that the U.S. economy is about to crash and we need to be prepared. And we also agree with his advice to buy gold. But we do not believe, as he says, that gold is a "good store of value." if gold was such a good store of value, we certainly would not have seen gold swing from as low as $250 an ounce in 1978 to more than $1,000 an ounce in early 2008, and then back down under $800 in 2008, and so on. The price of gold is extremely volatile, which by definition disqualifies it as being a "good store of value."

On the other hand, we know beyond any doubt that gold is an excellent investment opportunity right now. Why? Because our anal-ysis shows us that gold is a bubble on the way up (see Chapter 6), and we can ride that bubble for many years before it, too, will fall. Unlike the many other books that tell you to buy gold, we do so for the right reasons, based on the right analysis of the much larger economic changes that are occurring. No other book looks at bubbles in this way and no other book understands how our multi-bubble economy has been and will continue evolving (see Chapter 8).

The second book we've chosen to look at is *Crash Proof* by Peter Schiff, which we actually like more than most others. But again, just like the other authors, Schiff tells us that big government deficits are always bad. Not true. He also says the United States is close to being tapped out on debt, and very soon we will no longer be able to get any further loans, when in fact we will see our current $10+ trillion debt expand to $15 or even $25 trillion before the U.S. government falls into default and can borrow no more.

In addition to blaming debt, Schiff also says our economic problems are due to a lack of domestic manufacturing, which we know is not the reason for our troubles (the falling bubbles are).

Most industrial nations have seen the percentage of their GDP related to manufacturing decline substantially in the last 50 years.

In terms of his advice for wealth preservation we agree that U.S. stocks are no place to put your money. But we also know that Schiff's recommendations to move out of U.S. stocks and into foreign stocks is the equivalent of moving from the proverbial frying pan into the fire. We know for a fact that foreign stocks will crash for the same reasons we know U.S. stocks will crash, because we have an understanding of the larger forces that are driving this global multi-bubble collapse. Schiff, like everyone else, is missing this because he doesn't have the bigger picture.

Additionally, Schiff says oil will be a good investment. We say demand for oil will continue to fall, making it a lousy investment except in the United States, where the falling dollar will push the price up. He says gold is now in a bull market; we say gold hasn't begun to hit its bubble heights. He says stay liquid and keep your cash handy to pick up bargains in real estate and other distressed assets; we say it's far too soon for that, please avoid all bargain hunting until *after* the dollar bubble pops. Again, we are basing all this, not on our intuition or lucky guesses, but on our detailed analysis of how the overall economy is evolving.

Actually, we are a lot more respectful of these successful authors than we sound here, but our point is that our book—and *only* our book—comes close to being right *for the right reasons*.

What Good Are Economists Anyway?

Hey, we didn't say that. *BusinessWeek* said it on the cover of their April 15, 2009 issue. The story pointed out that economists did a pretty poor job of predicting the current downturn. We'd call that an understatement! Economists were way too busy being cheerleaders and not very interested in doing real economic analysis. So, we agree with *Business Week*—who needs economists who are cheerleaders? We don't. They are useless.

But in a sense, who can blame them? They're doing what the market demands. Most people want economic cheerleaders, not real economists, and the economic community is more than happy to oblige. But is this really good academic work? What if people wanted the earth to be flat? Should physicists crawl all over themselves trying to come up with the latest ideas on why they are right? What if people didn't like the theory of evolution and biologists responded by desperately trying to prove evolution wrong? We all know this would not be good academic work, although it might be a good way to get and keep a job and bring some physicists and biologists much fame and public support. Good for the pocketbook and the ego, but not good for the academic study of biology or physics. The same is true for many economists today. They are meeting a rigorous market test, but not a very rigorous academic or intellectual test.

Economists come in two basic varieties. The first group (the majority) knows better than to make any significant economic pre-dictions, especially in print, that will later come back to haunt them. Instead, these economists spend most of their lives studying the past and reviewing the literature. If they do venture forth into a forecast, they are careful to keep it vague and short-term, and it's always just an extension of the past. Certainly, nothing that involves fundamental change.

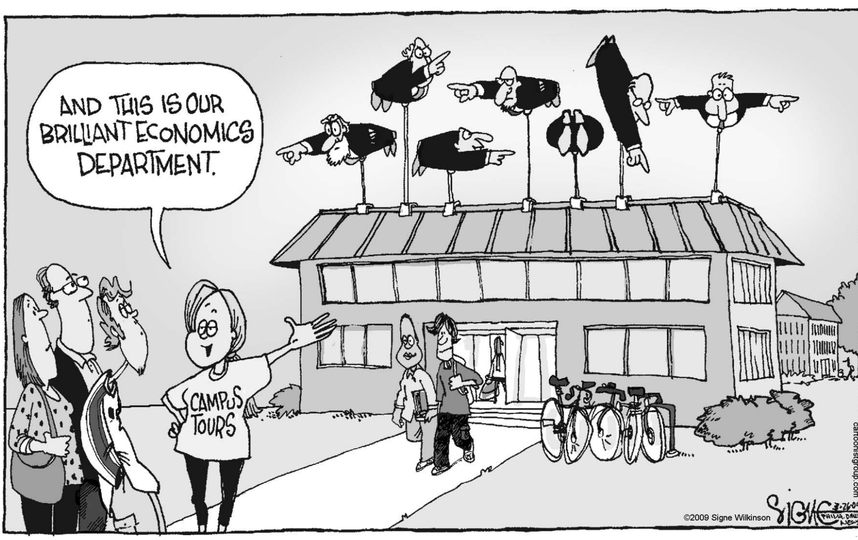
The second, smaller group of economists is willing to make some future predictions, but they are often busy "fighting the last war" in the sense that they try to apply the lessons of the past to the present and future. U.S. Federal Reserve Chairman Ben Bernanke is a prime example of this. A longtime student of the Great Depression, Bernanke is approaching our current problems like a replay of the past, not an evolution into the future. His perspective (and that of others like him) is that what worked (or could have worked) before should work now; we just have to avoid past mistakes. Like the first group of economists, this group of bolder economists is also dedicated to nonthreatening predictions that don't rock the status quo, regardless of the facts on the ground.

Some economists have tried to at least be creative and interest-ing, as with *Freakonomics*, but that book didn't predict much about the current economic downturn. It was an interesting read and wildly popular (certainly for an economics book), but if it didn't predict much or even focus on the most important economic problem of our time, how good and how relevant is the economic analysis in it?

Over time, as economists are shown to be increasingly off the mark and increasingly more like cheerleaders than economists (or are simply irrelevant to the current economic problems), we see increasingly difficult job prospects for bad economists both in academia and in think-tanks or research institutions. Funding for these institutions is highly dependent upon donations and government support that will be extremely hard to come by once the dollar bubble bursts.

Although we never like to see anyone lose a job, career pros-pects for cheerleader economists will become increasingly bleak and, in some ways, maybe that is an important part of the turnaround. Getting rid of bad economic analysis and replacing it with good economic analysis is the kind of solid foundation we need to have for future growth. Future growth isn't going to be as easy as blowing bubbles, like in the past. We will really need to know what we are doing economically to move forward. Losing the bad economists will be beneficial to almost everyone and is certainly one of the silver linings of the Bubblequake and its Aftershock.

Financial analysts are even more frightened of change. Sector and company analysts, especially those employed by big brokerage firms trying to sell stocks, naturally want everything to turn



out well and for the stock market party to keep going (or get going again). Most financial analysts are big proponents of "buy-and-hold" investing, meaning you get in and you stay in for the long haul, no matter what happens to the value of your investments in stocks, bonds, and other assets. Buy-and-hold investing is a no-brainer winner in a rising asset bubble, like the rising stock bubble. And even when the stock bubble fails to continue to rise, or even declines a bit, the buy-and-hold approach is easy: just wait until the market turns around. Financial analysts typically ignore the macro view of the economy because what difference does it make? Whatever happens, just keep your cool and wait it out. Bull markets always follow bear markets; it's just a matter of time.

But in the fall of 2008, even the very best financial analysts took a beating. They expected financial stocks (which in the past, had driven the stock market bubble higher) to continue to perform. But they didn't—in a big way. By early 2009, financial stocks were down 50 percent or more. It turns out if you don't have an accurate macro view, all the best financial analysis in the world won't keep you getting hit by a freight train.

For updates on recent literature and discussions of the Bubble Economy, please go to www.aftershockeconomy.com/news1etter.

ABE Award for Intellectual Courage

As we were preparing to finalize this manuscript we noticed an article by Simon Johnson and Peter Boone, It began by saying "Euphoria returns! Who could have guessed that Bank of America stock would rally 70 percent the week it learns that the Feds are demanding new capital equal to nearly half the bank's market capitalization." That caught our eye. It went on to question the ongoing stock rally by pointing out that 22 percent of Americans have houses worth less than their mortgages and that there are parallel problems for commercial property. We don't agree that we are heading into a situation similar to Japan's lost decade in the 1990s as they suggested (we think the current falling bubble economy will not turn into a malaise but will continue to fall until the dollar pops, at which point, it will be a very different situation than in Japan in the 1990s). But we were pleased that they were willing to point out that large budget deficits and trillions of dollars of new loans to the banks "are recipes for hyperinflation and, if the Fed and Treasury don't pull away from the punch bowl soon, sharply increasing inflation is very much in the cards."

Although this may not seem like a radical position, and there are certainly others who hold similar views, it is unusual that mainstream economists are beginning to speak out so boldly on these issues. Clearly, Paul Krugman of Princeton University and Nouriel Roubini of New York University and Robert Shiller of Yale University have been the leading advocates of intelligent skepticism about our current economy from the mainstream economics community. They've done a good job. But hats off to Mr. Boone and Mr. Johnson, as well! Simon Johnson is a Professor at MIT's Sloan School of Management and a senior fellow at the Peterson Institute for International Economics. The Peterson institute is one of the best of the economic think tanks and, pound for pound, does more good work than any of them. However; given their strong expertise in global economics we would have hoped to see more sharp criticism and analysis of the current bubble economy from their staff and their director; Fred Bergsten. That Mr. Johnson is stepping out more boldly on these issues now is truly a step in the right direction.

(*Continued*)

We also want to recognize a few other people for their courage. In the field of business journalism, on the print side, *Newsweek* columnist Robert Samuelson and Washington Post syndicated columnist Steve Pearlstein have consistently been courageous in their willingness to give a very honest appraisal of the economy and to point out cheer-leader mentality. They're the best in the print business.

On the electronic side of business journalism, few have hit the mark more accurately or more frequently than Paul Farrell, senior columnist at Dow Jones MarketWatch. Paul was simply born with intelligent skepticism in his genes.

Finally, we have to give one of our highest awards to bubble expert Eric Janszen, whose web site iTulip was one of the first to call the internet bubble. He has also been at the forefront of poking holes in the current bubble economy in his articles and his books. We might add that in the internet bubble days, no one had a more accurate book than Tony and Michael Perkins, whose *The Internet Bubble* was the best book written on those crazy days. Needless to say, Tony and Eric have been long-time friends and we owe Tony a great debt for introducing us to Eric.

Christian Biblical Church of God Offices:

Australia
Biblical Truth Ministries
GPO 1574
Sydney 2001
Australia

Canada
Post Office Box 125
Brockville, Ontario K6V 5V2
Canada

New Zealand
Post Office Box 242
Waihi 2981
New Zealand

Republic of South Africa
Post Office Box 2624
Wilro Park
1731
Rep. of South Africa

United Kingdom
Post Office Box 8224
Witham CM8 1WZ
United Kingdom

United States
Post Office Box 1442
Hollister, California 95024-1442

www.cbcg.org
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