

WARNING: What you are about to see is controversial, and may be offensive to some audiences. Viewer discretion is advised.

Hello. My name is Porter Stansberry.

In short, our way of life in America is about to change – I promise you. In this letter I'll show you exactly what is happening.

You can challenge every single one of my facts and you'll find that I'm right about each allegation I make.

And then you can decide for yourself.

**The Greatest Danger
America Has Ever Faced?**

I believe that we as Americans are about to see a major, major collapse in our national monetary system, and our normal way of life.

Basically, for many years now, our government has been borrowing so much money (very often using short-term loans), that very soon, we will no longer be able to afford even the interest on these loans.

Again... I say these things as an expert in accounting and financial research.

You may not think things are THAT BAD in the U.S. economy, but consider this simple fact from the National Inflation Association:

Even if all U.S. citizens were taxed 100% of their income... it would still not be enough to balance the Federal budget! We'd still have to borrow money, just to maintain the status quo.

That's absolutely incredible, isn't it?

Yet I've never seen this fact reported anywhere else.

Lately I've spent most of my time looking into our national balance sheet, because as the banking system collapsed in 2008, all of the bad debts were absorbed by the world's governments.

For example, when Fannie Mae and Freddie Mac collapsed in the summer of 2008,

the U.S. government responded by simply guaranteeing all of their outstanding debt.

Since then these companies have recorded hundreds of billions of losses – all of which were passed along to the government. Yes, you can still get mortgages today. And yes, Freddie and Fannie are still in business. But costs associated with these programs are piling up at the U.S. Treasury – and they are enormously expensive.

These losses and *trillions* in other private obligations are now the responsibility of the U.S. government.

The problem is, even before this crisis, our government was deeply in debt. With each additional commitment we sink further and further into debt... closing in upon the moment that we can simply no longer afford even the interest payments on our obligations.

According to even my most conservative calculations (using numbers provided by the Congressional Budget Office) a debt default by the U.S. government would be inevitable – were it not for one simple anomaly... the one thing that has saved the United States so far.

I'm talking about our country's unique ability to simply print more money.

You see, the U.S. government has one very important weapon to use in this crisis: It is the only debtor in the world who can legally print U.S. dollars. And the U.S. dollar is what's known as "the world's reserve currency."

The dollar forms the basis of the world's financial system. It is what banks around the world hold in reserve against their loans.

That's a secret that most politicians don't understand:

As things stand now, the U.S. government can't go broke in any ordinary sense of the word because it can simply print dollars to pay for its bad debts. (It's been doing so since March of 2009).

That might sound pretty good at first. Since we can always just print more money, what is there to worry about...?

Well, let me show you...

You see, as things stand today, America is the only country in the world that doesn't have to pay for its imports in a foreign currency.

Let's say you're a German and you want to buy oil from Saudi Arabia. You can't just pay for your oil in German marks (or the new euro currency), because the oil is priced in dollars.

So you have to buy dollars first, then buy your oil.

And that means the value of the German currency is of great importance to the German government. To maintain the value of its currency Germans must produce at least as much as they consume from around the world, otherwise the value of its currency will begin to fall, causing prices to rise and its standard of living to decline.

But in America...?

We can consume as much as we want without worrying about acquiring the money to pay for it, because our dollars are accepted everywhere around the world. In short, for decades now, we haven't had to produce anything or export anything to get all the dollars we needed to buy all the oil (and other goods) our country required.

All we had to do was borrow the money.

And boy did we. Take a look at this chart...



Even as late as the 1970s, America was the world's largest creditor. But by the mid-1980s we'd become a debtor to the world. And since the late 1990s we've been the world's LARGEST debtor.

Today, our government owes more money to more people than anyone else in the world.

And that was before the financial crisis!

In short, with all of these bad debts piling up, we've had to begin repaying our debts by printing *trillions* of new dollars. The impact of this is only just now beginning to

be felt.

And once our creditors figure out what's happening, they're going to be very angry.

I believe they will either completely stop accepting dollars in repayment... or greatly discount the value of these new dollars. I'm sure you think that sounds crazy, but as I'll show you, it is already happening.

And that will make our consumption-led way of life impossible to afford.

Just think about the price of oil...

Access to cheap oil has been America's #1 gift of owning the world's reserve currency.

This has made gas cheaper in the U.S. than almost anywhere else in the developed world. I know you may think gas prices have skyrocketed in recent years... but look at how much less we pay than other developed nations...

- United States: \$2.72 a gallon on average
- Oslo, Norway: \$7.41..... (172% higher)
- Berlin, Germany: \$6.82.... (151% higher)
- London: \$6.60.....(143% higher)
- Rome, Italy: \$6.40.....(135% higher)
- Paris, France: \$6.04.....(122% higher)
- Tokyo, Japan: \$5.40.....(98% higher)

- Toronto, Canada: \$3.81.....(40% higher)

And here's the thing...

If oil is no longer priced in dollars, the price of oil for Americans will skyrocket immediately. It will change our lives, overnight.

Airline travel will get much more expensive. The cost to ship goods by truck to grocery stores around the country will get much more expensive. Farming itself will get a lot more costly... so will commuting to work... taking a taxi... just about everything we do will suddenly get much more expensive.

And just remember: In order for prices to start skyrocketing, all that has to happen is that other countries start preferring payments in something besides U.S. dollars.

The U.S. dollar has been the world's currency for decades now... so most Americans don't have a clue about what the repercussions are of losing this status.

You might think this could never happen... but it happens all the time when countries get too far in debt or when they consume too much or produce too little.

In fact, the same thing happened to Great Britain in the 1970s.

Most people don't know this, but British Sterling was the reserve currency for most of the world for nearly 200 years... for most of the 18th and 19th centuries.

It continued to play this role until after World War II, when America was forced to prop up Britain's economy with foreign aid – remember the famous Marshall Plan, when we gave billions to help European countries rebuild?

Unfortunately though, Britain pursued a socialist national agenda. The government took over all of the major industries. Like Barack Obama, Britain's leaders wanted to "spread the wealth around." Pretty soon the country was flat broke.

The final straw for Britain came in 1967, when things got so bad the Labour Party (the socialists) decided to "devalue" the British currency by 14%, overnight. They believed this would make it easier for people to afford their debts.

In reality, what it did was make anyone holding British sterling 14% poorer, overnight, and it made everything in Britain, much, much more expensive in the coming years.

And for the country as a whole, it ushered in one of the worst decades in modern British history.

Most Americans don't know about Britain's "Winter of Discontent" in the late 1970s, when the government put a freeze on wages. There were continuous strikes in nearly every sector... grave diggers, trash collectors... even hospital workers. Things

got so bad at one point that many hospitals were reduced to accepting emergency patients only.

In 1975, inflation in Britain skyrocketed 26.9%... in a single year!

The government also imposed what was known as the "Three Day Week" in 1974. In short, businesses were limited to using electricity for only three specified consecutive days' each week and they were prohibited from working longer hours on those days. Television companies were required to cease broadcasting at 10.30pm... to save electricity.

The extreme problems in the economy led to Britain being nicknamed, "the sick man of Europe."

Just how bad were things, exactly?

Well, listen to several Brits tell of their experiences. Their stories were collected recently by the BBC television channel...

John Blackburn, from Wetherby said:

"I was a control engineer at Huddersfield Power Station at the time and part of my duty was to switch off the supply to various substations around the town, according to an official rota. On many an evening shift I would have to switch off the power to my own home before going back for a candle-lit supper!"

Richard Evans, from London, recalls:

"My mother had to cross a picket line to get into the maternity hospital (they told her she couldn't come in....). My Grandmother had to bring in food for her to eat, and clean towels and bedding."

David Stoker, Guildford, said:

"I lived in the North East near Newcastle and I vividly remember my grandmother and I walking from one shop to another in search of candles to buy. All were sold out. Innovatively, butchers placed string down cartons of drippings which we bought... These worked although the smell and risk of fire made them less practical than candles."

Imagine... Britain was a global superpower for 150 years. But when they started intentionally devaluing their currency, things went straight down hill.

Maybe you don't think something similar can happen here... but I'm telling you... it's already underway!

In fact, the exchange value of the U.S. dollar has fallen about 8% so far this year. And its rate of decline is accelerating.

What happened to the British currency is now happening to the U.S. dollar.

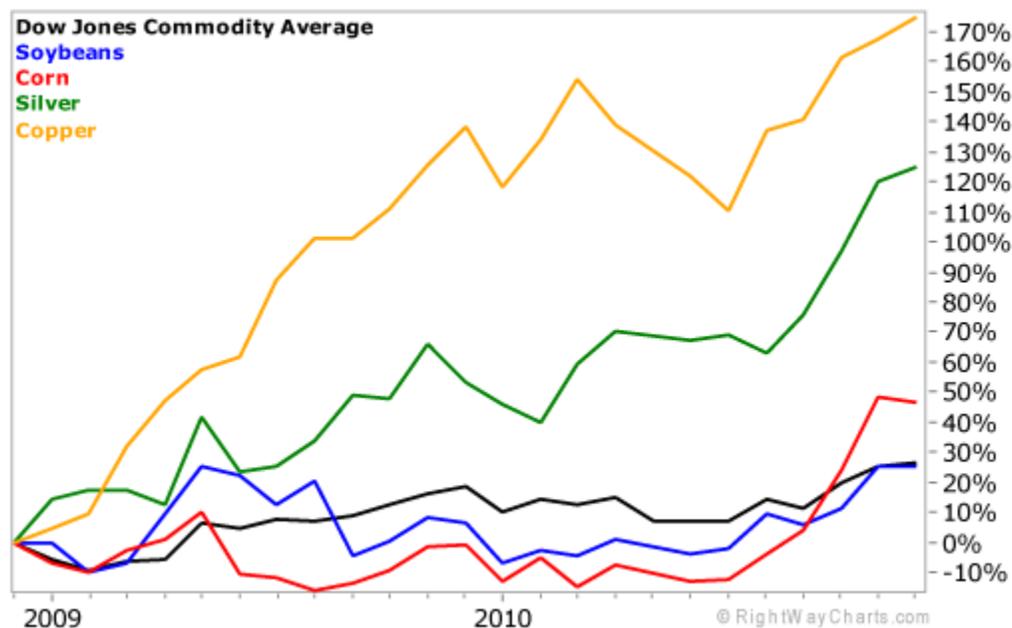
Not only will the price of gas, oil, and other commodities skyrocket in America, almost EVERYTHING we consume will immediately get more expensive. All the clothing, furniture, and household goods we import from China.

All the food we get from Central and South America... all the electronics, televisions, computers, and cars we get from Asia and Europe.

In fact, it's happening, right now before our eyes: The price of gold is up 85% since the financial crisis. Oil prices have doubled. Soy beans are way up. Copper prices are up more than 170% since 2009. **Cotton prices are up 80%... in just the past few months, since July of this year!**

As Wesley Card, the head of a clothing company that includes brands like Dockers and Anne Klein, recently said: "It's really a no-choice situation. Prices have to come up."

The chart below shows how much a few key commodities have skyrocketed in price, just since the beginning of 2009...



Of course, skyrocketing commodity prices are just the beginning.

There are other disastrous consequences to the U.S. dollar losing status as the world's currency...

For example, there would be much less demand for U.S. dollars around the globe, so interest rates will skyrocket. Instead of getting a mortgage at today's incredibly low rates of 4.5%, it might cost you 8% or even 10% or 15%.

Imagine what that would do to housing prices!

Stock prices will likely plummet by at least 40% in a matter of weeks as a result of

this event in the currency markets.

It will cost every American business A LOT more money for supplies and materials. No one will be able to get a loan... and no bank will want to make loans.

In short, when the U.S. dollar loses its spot as the world's 'reserve currency,' it will cause a brutal downturn in the economy, which I expect will be about 10-times worse than the mortgage crisis of 2008.

You see, what will also happen as a result of this currency crisis, and the end of the U.S. dollar as the world's reserve currency, will be massive inflation, the likes of which we have never seen before.

When everyone is trying to get rid of their dollars, the government is printing more and more to pay debts, and no one wants to own them, the crisis will reach epic proportions.

Just look for example, at what happened to one European country that faced this type of crisis in the 1990s...

This is what happens during a major hyperinflation in the real world.

By the early 1990s, the national government of one European nation had spent nearly all its savings. So what did they do next? Simple... they began to steal the savings of private citizens by limiting people's access to their money in government-controlled banks.

And of course, to finance the daily operations of maintaining their basic infrastructure, they started printing money, big time. Even so, the country's basic infrastructure began to fall apart. There were potholes in the street, broken water pipes... elevators that never got repaired... and entire construction projects that simply shut down, before being completed.

At this point, the unemployment rate was more than 30%.

Not too bad, right?

But it got worse... much worse.

You see, once you start down the dangerous road of printing money, things can get extremely bad, very quickly.

As San Jose State University Economics Professor Dr. Thayer Watkins, an expert on countries that try to inflate their way out of big debts, wrote on this particular disaster:

"The government tried to counter the inflation by imposing price controls. But when inflation continued, the government price controls made the price producers were getting so ridiculously low that they simply stopped producing. bakers stopped

making bread... slaughterhouses refused to sell meat to the stores... other stores closed down"

So what did the government do next to try to curb inflation?

Well, one bright idea they had was to force stores to fill out government documents every time they increased prices. They thought that this would slow down price increases, because the paperwork would take so much time!

But like many government plans, this one had terrible, unintended consequences.

Since stores had to dedicate an employee to do nothing but register this paperwork, and since the process took so long, stores began to raise prices on basic goods at even higher rates, so that they didn't have to come back and file more paperwork!

Incredible, isn't it?

Then, of course the government did what all governments do during periods of hyperinflation: They created a new currency... which basically removed six zeroes from the old one. So 100,000,000 old units were soon worth 100 new units. Of course, this didn't work either... it never does.

Between October of 1993 and January 1995, prices increase by, get this: 5 quadrillion percent. That's...

5,000,000,000,000,000%

In other words, a loaf of bread that cost \$1 in 1993, suddenly cost

\$50,000,000,000,001

Yes, that's \$50 TRILLION.

I know, it's laughable... but I can guarantee that the people of this once proud European country weren't laughing one bit, especially those living on a fixed income.

Of course, at this point, the country completely fell apart. As Dr. Thayer Watkins wrote:

"The social structure began to collapse. Thieves robbed hospitals and clinics of scarce pharmaceuticals and then sold them in front of the same places they robbed. The railway workers went on strike and closed down the country's rail system."

At this point, businesses and citizens across the country basically refused to take the local currency.

Instead, everyone started dealing in German Marks. Keep in mind, the daily rate of inflation was nearly 100%.

Can you imagine the panic in a society when the price of just about everything doubles... every single day? It was absolute pandemonium, and the economy basically came to a grinding halt. It was like living in a war zone. Truckers stopped delivering goods. Stores, restaurants, and gas stations all shut down.

In fact, the only way to get gas was to buy it on the side of the road, from someone selling it out of a plastic can.

Steve Hanke, an Economics professor at Johns Hopkins, wrote that:

"People couldn't afford to buy food in the free market – they kept from starving by either waiting in long lines at state stores for irregularly supplied rations of low-quality staples, or by relying on relatives who lived in the countryside.

For long periods, all [the] gas stations were closed, with the exception of one station that catered to foreigners and embassy personnel. People also spent an inordinate amount of time at the foreign-exchange black markets, where they traded huge piles of near-worthless money for a single German mark or US dollar note."

The number of operating busses dropped by 60%... and busses were so crowded that drivers couldn't even collect fares. Government ordered blackouts left people without heat and electricity for long periods of time.

In another ridiculous government move, they actually made it illegal to NOT accept a personal check.

Imagine... you could write a check... and in the several days that it typically takes for a check to clear, inflation would wipe out almost all of the cost of covering your check.

Of course, as is typical, the government took none of the blame. As Dr. Thayer Watkins reported, the government's official position was that the hyperinflation occurred "because of the unjustly implemented sanctions against the people and state."

Again... I know what you are thinking... "just because it happened in Europe doesn't it mean it can happen here, right"?

Well guess what...

The same thing that happened in this European country – Yugoslavia – also just happened in Iceland and Greece, but on a less dramatic scale. Of course, the only reason the situations in Greece and Iceland weren't worse is because of giant foreign bailouts. Yes... that's right... more debt to solve the problem of already existing, insurmountable debts.

It's all going to come to a head soon. Much sooner than most people think.

Remember too that in roughly the past 100 years this type of debt crisis has reared its ugly head in Germany, Russia, Austria, Poland, Argentina, Brazil, Chile, Poland, the Ukraine, Japan, and China.

And I believe it will soon happen right here in the United States.

Don't believe me?

Well, the truth is that it's already happening at the local and state levels. Take a look...

According to the Center on Budget and Policy Priorities, a Washington, D.C.-based think-tank, at least 46 states face huge budget shortfalls for 2011, on top of the deficits they still haven't completely figured out for 2010.

The center reports that the total state budget shortfall could reach \$160 billion.

And although many states got federal help over the past year, that aid is now gone.

So what are these desperate governments trying to do?

You probably won't believe their proposals...

* **SELL EVERYTHING:** The state of Arizona, for example, announced earlier this year that it is selling \$735 million worth of government-owned buildings, but will still occupy them by paying a 20-year lease. The government is selling the legislative buildings, the House and Senate, the State Capitol Executive Tower, the state fairgrounds, even prisons.

* **RELEASE PRISONERS:** In California, the state has taken the radical step of opening its prison doors and releasing thousands of inmates. About 11% of the state budget (\$8 billion) goes to the penal system (more than they spend on higher education).

So California is slashing the number of inmates by 6,500 next year. In other words, they are cutting loose about 4% of the prison population.

Incredibly, other states, including New York, may soon do the same thing.

* **LIFE INSURANCE:** In Georgia, the government is proposing taking out "dead peasant" policies on state employees. When these folks die, the money won't go to the dead person's family... but to the state coffers, to help pay for more programs, insurance, and pension liabilities!
It's simply incredible, isn't it?

State and municipal governments are so broke, and so desperate, that they are taking unprecedented steps to at least temporarily avoid bankruptcy. Nearly every

state in the union is talking about legalizing some form of gambling, to boost tax revenue. California still wants to legalize marijuana, even though it was defeated in the recent election.

Of course, none of these ridiculous steps will work on the long run.

And the truly amazing thing is that the U.S. Federal government is in even worse shape than the local governments! The only reason we haven't seen the full brunt of this crisis yet on the federal level is because we've just continued to pile on more and more debt.

The states can't print money... but the Federal government can (at least for now). And for the moment, this is all that is preventing a currency collapse of unprecedented proportions.

And this is the important point: What most people don't realize is that the U.S. government can only continue printing dollars... as long as the U.S. dollar remains the world's reserve currency.

In other words, this is all going to fall apart much sooner than people think. In fact, it's already happening...

The first steps are already well underway. It is happening right now... before our very eyes.

I can't stress this enough: You need to act now in order to protect your assets, and grow your savings in the next few years. In the next few minutes, I'm going to show you exactly how I'm protecting my own money, and what I recommend doing with your own.

But first, let me show you what exactly is going on right now...

"America... must be very worried"

Like I said, most Americans don't believe the U.S. dollar could ever lose its spot as the world's reserve currency.

But I am here to tell you... this process is already well underway.

For example, although it went almost completely unreported in the U.S. press, last fall, a group of the world's most powerful countries, including China, Japan, Russia, and France, got together for a secret meeting – WITHOUT the United States being present or even knowing about the meeting.

Veteran Middle East report Robert Fisk reported on this even in the Britain's Independent newspaper:

"In the most profound financial change in recent Middle East history, Gulf Arabs are planning – along with China, Russia, Japan and France – to end dollar dealings for oil, moving

instead to a basket of currencies including the Japanese Yen, Chinese yuan, the euro, gold and a new, unified currency planned for nations in the Gulf Co-operation Council, including Saudi Arabia, Abu Dhabi, Kuwait and Qatar."

Fisk also interviewed a Chinese banker who said:

"These plans will change the face of international financial transactions. America and Britain must be very worried. You will know how worried by the thunder of denials this news will generate."

And sure enough, after Fisk published the details of this secret meeting, U.S. officials and central bankers from around the globe denied these plans.

But as the old central banking adage goes... how do you know exactly when a currency will be devalued?

The answer: Right AFTER the head of the central bank goes on television to adamantly deny that any such transaction will occur. (And guess who just went public in recent weeks with a statement about how the U.S. will "not devalue its currency"? Yes, you guessed it... U.S. Treasury Secretary Tim Geithner.)

You see, the last thing a central banker wants to do in the midst of a devaluation is to give people a warning BEFORE he can devalue. So they have to deny, deny, deny. After the announcement is made, it's too late for citizens and investors to get out.

Like I said, what's incredible is that this story of a secret meeting among most of the major powers besides the U.S. was greatly under reported in the American press.

But you know what... the way I see it, it's much more telling to look at actions rather than government press releases.

For example, here is what is happening, right now in the real world.

When you read these facts, I think you'll agree with me that the U.S. dollar's days are numbered, as far as remaining the world's reserve currency.

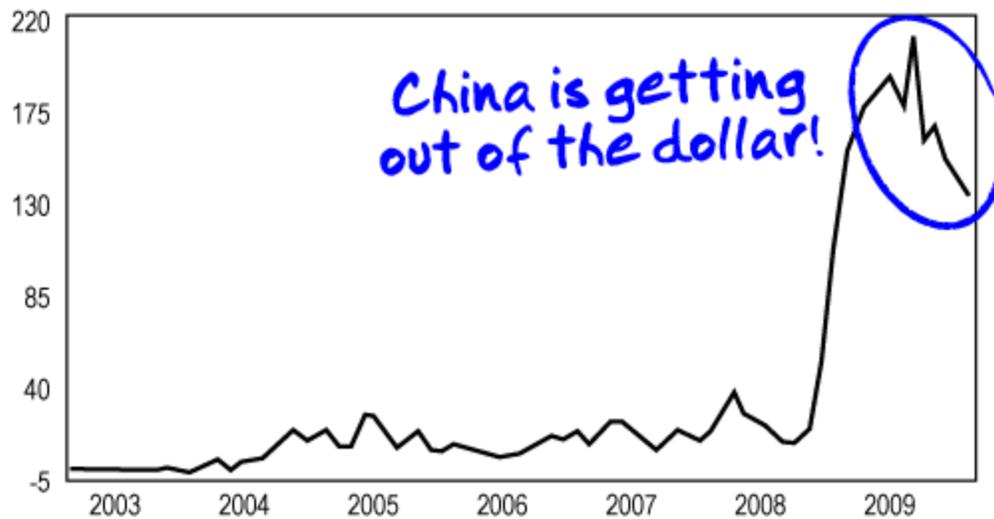
China is getting out

Cheng Siwei, a former vice-chairman of the Standing Committee, said that China is going to stop putting so much money into U.S. dollars, and will instead look to the Japanese Yen and the Euro.

China holds more U.S. dollars than anyone else on the planet. But China is getting out of the U.S. dollar as fast as they can without crashing their own economy.

Look at this chart...

China's Total Holdings of U.S. Treasury Bills, Under 1-Year Maturity



It shows that China's holdings of U.S. dollars peaked in 2009, but China is unloading as many dollars as they can, as quickly as possible.

And this is just one sign of the end of the U.S. dollar standard.

There are many more...

The dollar is no longer good here

As I am sure you are aware, for years the U.S. dollar has been accepted almost universally around the globe.

Heck, many times when I've traveled, I never even bothered to convert to the local currency, because I knew everyone would take my dollars.

Well, that's simply not the case anymore...

HSBC, one of the largest banks in Mexico, no longer allows you to deposit U.S. dollars into their banks. They've done this on the heels of money-laundering allegations, but we suspect they also simply don't want to be stuck with tons of U.S. dollars, as the currency continues to decline.

This move would have been unfathomable 10 years ago... that a big bank in Mexico would no longer accept U.S. dollars for deposit. But today it is the harsh reality.

And Mexico is not the only place this is occurring...

Reuters reports that the same thing has happened in 2008 in one of Europe's most

popular tourist spots...

Currency exchange outlets in Amsterdam have been reportedly turning away customers who want to exchange their U.S. dollars for Euros.

As one traveling American told the Reuters news agency: "Our dollar is worth maybe zero over here," said Mary Kelly, an American tourist from Indianapolis, Indiana, in front of the Anne Frank house. "It's hard to find a place to exchange. We have to go downtown, to the central station or post office."

In India, the country's tourism minister said in 2008 that U.S. dollars will no longer be accepted at the country's heritage tourist sites, like the Taj Mahal. And the U.S. dollar is no longer good anywhere in Cuba.

The New York Times reports that: "now, many shops in China no longer accept dollar-based credit cards issued by foreign banks... and foreigners cannot convert American dollars into renminbi beyond a given quota."

Iran, of course, has already moved all of its reserves out of U.S. dollars, and Kuwait de-pegged it's currency from the dollar a few years ago:

Bloomberg News recently reported that China and Russia plan to start trading in each other's currencies to diminish the dollar's role in global trade. "Given the risk to the dollar and U.S. assets from their fiscal position, they want to reduce their dependence on the dollar as an invoicing currency," said Bhanu Baweja, of UBS bank.

It's even happening here in the USA

Most Americans don't know that some states in the Mid-West are already using "alternative currencies"...

An NBC News affiliate in Michigan reports that

"new types of money are popping up across Mid-Michigan and supporters say, it's not counterfeit, but rather a competing currency. Right now, for example, you can buy a meal or visit a chiropractor without using actual U.S. legal tender."

What most Americans don't realize is that this is all totally legal.

The U.S. Treasury Dept web site says that, according to Coinage Act of 1965: "There is... no Federal statute mandating that a private business, a person or an organization must accept currency or coins as for payment for goods and/or services."

I saw one report that says there are now 150 of these alternative local U.S. currencies being accepted around the country!

USA Today reports that the largest of these local currencies is a currency called "Berkshares," which are being used in the Berkshires region of western Massachusetts.

According to the paper:

"Since its start in 2006, the system, the largest of its kind in the country, has circulated \$2.3 million worth of BerkShares."

And even in places that do not yet have local currencies, store owners may now actually prefer foreign currencies rather than U.S. dollars...

In Washington, DC, just 25 miles from my office, some stores have begun accepting euros. Of course, the euro isn't much more stable than the dollar right now. But my point is that most people don't understand there is **NO FEDERAL REQUIREMENT** in the United States for a private store to accept dollars for non-debt transactions.

You see, no matter what the government decides, stores and businesses will accept whatever they believe is a strong currency.

As Texas Representative Ron Paul wrote recently:

"If you walk into a 7-11 to buy a soda, the clerk doesn't have to accept your dollars, he could demand euros, silver, or copper. But because legal tender laws backing the dollar have caused the dollar to drive other currencies out of circulation, [right now] it is easier for stores to accept dollars."

Well, all that is quickly changing...

Many places in Texas now accept Mexican pesos for payment. "Euros Accepted" signs are popping up in all places: Manhattan. And not only Manhattan, but in New York's favorite summer playground... the Hamptons.

There, an art gallery assistant was quoted by *The Real Deal*: "I wouldn't want to discourage a sale in any way because of a currency issue."

And it's not just small stores that are accepting other methods of payment besides U.S. dollars.

The Chicago mercantile exchange (the world's largest futures and commodities exchange board), now accepts gold to settle futures contracts. Until recently, the exchange typically accepted only U.S. treasuries and bonds as payment.

These guys obviously see the writing on the wall.

This would have all been completely unthinkable 10 years ago, but today it's a reality. And this trend is going to keep moving incredibly fast.

That is why...

The smartest investors are taking action...

Bill Gross, who probably knows as much about currencies and debt as anyone in the world, runs the world's biggest bond fund. He was quoted by Bloomberg:

"We've told all of our clients that if you only had one idea, one investment, it would be to buy an investment in a non-dollar currency. That should be on top of the list."

Jim Rogers, one of the world's most successful multi-millionaire investors writes:

"The dollar is not just in decline; it's a mess. If something isn't done soon, I believe the dollar could lose its status as the world's reserve currency and medium of exchange, something that would lead to a huge decline in the standard of living for U.S. citizens like nothing we've seen in nearly a century."

I know... you probably still don't believe it can happen here in the United States. But think about it...

Are we as Americans really immune to the laws of economics and finance?

I don't think so.

And every circumstance I know of, in which a government has tried to inflate its debts away, has ended in disaster. It will happen here too.

As Jim Rogers says:

"History teaches us that such imprudent monetary and fiscal behavior has always led to economic disaster."

This is why World Bank president, Robert B. Zoellick, in a speech at the School for Advanced International Studies at Johns Hopkins University, recently said: "The United States would be mistaken to take for granted the dollar's place as the world's predominant reserve currency. Looking forward, there will increasingly be other options to the dollar."

And this is why the International Monetary Fund (IMF) recently published a paper calling for a new global world currency.

A paper entitled "Reserve Accumulation and International Monetary Stability," written by the Strategy, Policy and Review Department of the IMF, recommends that the world adopt a global currency called the "Bancor" with a global central bank to administer the currency.

The report is dated April 13, 2010... and no, unfortunately this is not just a bad rumor.

This is a deadly serious proposal in an official document from one of most powerful

institutions in the world.

Do you see where this is all heading?

As Brazilian economist and strategist Ricardo C. Amaral wrote recently:

"The US dollar served its purpose since the end of WW II and became the major foreign exchange reserve currency... [but] the days of the US dollar playing that special role... has reached the end of the line, since today that system is very sick and it is dying a slow death..."

Mr. Amaral added that we will soon see: "the major collapse of the US dollar creating the biggest international monetary crisis the world has ever seen..."

This is why gold and silver prices are soaring:



It's not a matter of "if" the U.S. dollar will lose its status as the world's reserve currency... it's simply a matter of "when."

Investors know there are serious, serious problems with the U.S. dollar, so they are fleeing to precious metals, which have historically been very reliable when a country has major currency problems.

In short: It's not hard to see why people are no longer accepting U.S. dollars... and why many foreign countries are pushing for a new world reserve currency.

Let me explain why the collapse of the dollar as the world's reserve currency could happen much sooner than most people expect...

The REAL State of the U.S. Economy

I know many of my friends, colleagues, and family members are still in serious denial.

In the world of psychology, they call this the "normalcy bias."

You see, the **normalcy bias** actually refers to our natural reactions when facing a crisis.

The normalcy bias causes smart people to underestimate the possibility of a disaster and its effects. In short: People believe that since something has never happened before... it never will. We are all guilty of it... it's just human nature.

The normalcy bias also makes people unable to deal with a disaster, once it has occurred. Basically... people have a really hard time preparing for and dealing with something they have never experienced.

The normalcy bias often results in unnecessary deaths in disaster situations. For example, think about the Jewish populations of World War II...

As Barton Biggs reports in his book, *Wealth, War, and Wisdom*:

"By the end of 1935, 100,000 Jews had left Germany, but 450,000 still [remained]. Wealthy Jewish families... kept thinking and hoping that the worst was over..."

Many of the German Jews, brilliant, cultured, and cosmopolitan as they were, were too complacent. They had been in Germany so long and were so well established, they simply couldn't believe there was going to be a crisis that would endanger them. They were too comfortable. They believed the Nazi's anti-Semitism was an episodic event and that Hitler's bark was worse than his bite. [They] reacted sluggishly to the rise of Hitler for completely understandable but tragically erroneous reasons. Events moved much faster than they could imagine."

This is one of the most tragic examples of the devastating effects of the "normalcy bias" the world has ever seen.

Just think about what was going on at the time. Jews were arrested, beaten, taxed, robbed, and jailed for no reason other than the fact that they practiced a particular religion. As a result, they were shipped off to concentration camps. Their houses and businesses were seized.

Yet most Jews STILL didn't leave Nazi Germany, because they simply couldn't

believe that things would get as bad as they did. That's the normalcy bias... with devastating results.

We saw the same thing happen during Hurricane Katrina...

Even as it became clear that the levee system was not going to work, tens of thousands of people stayed in their homes, directly in the line of the oncoming waves of water.

People had never seen things get this bad before... so they simply didn't believe it could happen. As a result, nearly 2,000 residents died.

Again... it's the "normalcy bias."

We simply refuse to see the evidence that's right in front of our face, because it is unlike anything we have experienced before.

The normalcy bias kicks in... and we continue to go about our lives as if nothing is unusual or out of the ordinary.

Well, we're seeing the same thing happen in the United States right now.

We have been the world's most powerful country for nearly 100 years. The U.S. dollar has reigned supreme as the world's reserve currency for more than 50 years.

Most of us in America simply cannot fathom these things changing. But I promise you this: Things are changing... and faster than most people realize.

For a moment, just look at a tiny fraction of the evidence around us....

**** 13% OF POPULATION ON FOODSTAMPS**

Did you know that there are now nearly 42 million Americans on food stamps? That's nearly 13% of the entire population. Those numbers are up 17.5% from last year... and the number of Americans on food stamps has gone up every month for 19 months.

Can a country really be in good shape when 13% of the population can't even afford to buy food?

Or how about this...

**** SHANTY TOWNS COMING TO YOUR NEIGHBORHOOD**

Although it's gone almost completely unreported in the mainstream press, in a dozen or so cities across the nation (like Fresno, Sacramento, and Nashville), there are hundreds of people living in modern-day, Depression-era shanty towns.

The Fresno shanty town has received the most publicity, after a visit by Oprah

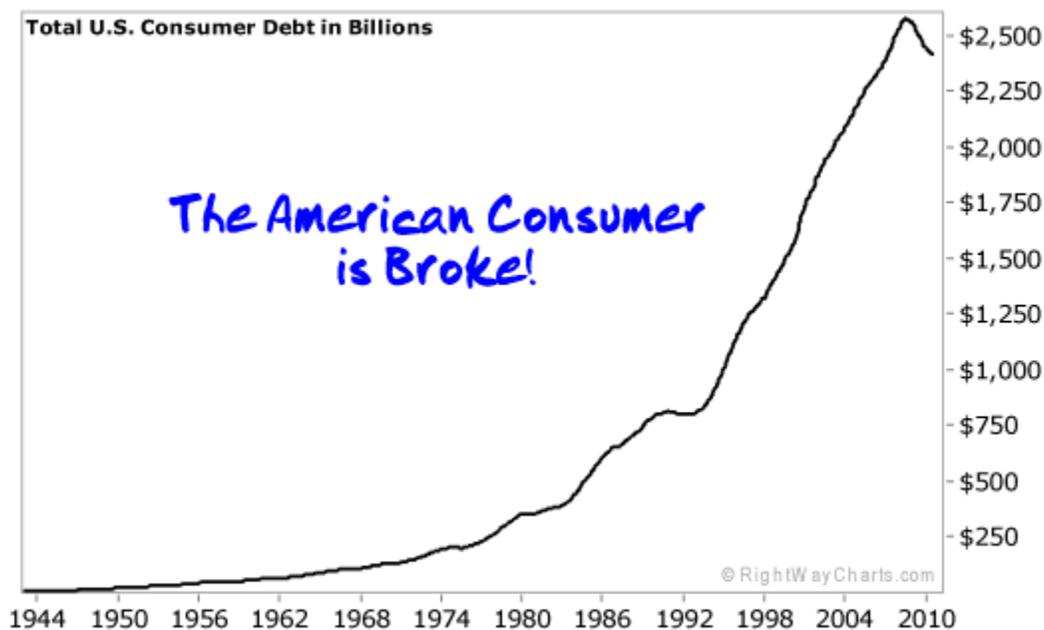
Winfrey. There, about 2,000 residents are homeless. They even have a security desk at the shelter, because the encampment has gotten so large. City officials say they have three major encampments near downtown, and smaller settlements along two local highways.

Also...

**** 43% OF AMERICAN FAMILIES ARE ESSENTIALLY BROKE**

According to a recent article on MSN Money, about 43% of the American families spend more than they earn each year.

Look at this chart... it's unbelievable..



The average household carries \$8,000 in credit card debt... and personal bankruptcies have doubled in the past decade.

How in the world can we possibly spend our way out of the current crisis?

We certainly can't do it with savings... the only answer is to print more money, which will hasten the fall of the U.S. dollar as the world's reserve currency.

**** THE MYSTERY OF DISAPPEARING JOBS**

There's simply no one better at bending statistics than the U.S. government. Take the unemployment rate, for example. Back in the 1930s, anyone without a job but not retired was considered "unemployed."

Today, however, the government calculates unemployment mainly by counting the number of people receiving unemployment benefits. So when people's benefits expire, they are no longer counted... and the unemployment rate actually falls! Ridiculous... I know.

But the reality is, the true unemployment rate is much, much higher than what the government is reporting.



If you don't believe me, look at two recent job postings I read about last week..

In Long Island City, an estimated 2,000 people waited in line at the local employment office – some for as long as four days! – to apply for 100 elevator mechanic apprenticeship positions.

And in Massillon, Ohio, 700 people recently applied for a single janitorial job... paying \$16 an hour, plus benefits!

The point is, our country is not growing jobs, because the government makes it harder and harder for businesses. With current regulations in place, our country will never experience the type of growth necessary to dig our government out of the hole they've put themselves in.

I'm sure you think I'm exaggerating, but just look at what the CEO of one of America's most important companies said just a few weeks ago..

Intel CEO Paul Otellini said in a recent speech: "I can tell you definitively that it costs \$1 billion more per factory for me to build, equip, and operate a semiconductor manufacturing facility in the United States"

He said that 90% of the additional costs are not from higher labor rates... but from higher taxes and regulatory charges, which other nations simply don't impose.

Cypress Semiconductor CEO T.J. Rodgers agreed that the problem is not higher U.S. wages, but anti-business laws. He was quoted in an interview with CNET News: "The killer factor in California for a manufacturer to create, say, a thousand blue-collar jobs is a hostile government that doesn't want you there and demonstrates it in thousands of ways."

Few Americans today realize that we have **the second highest corporate tax rate in the world**. And since Japan's new prime minister just announced that he plans to reduce the country's corporate tax rate by 15%... **the U.S. will soon have THE highest corporate tax rate in the world.**

Why would anyone want to start a business here, when they can do it for less money...and keep more of the money they make... by locating elsewhere?

It's just another good reason to avoid the U.S. dollar...

So is this:

**** DEBT-RIDDEN U.S. COMPANIES**

Did you know that in 1979, there were 61 American companies that earned a top-level AAA credit rating from Moody's?

Today, there are only four: Automatic Data Processing, Exxon, Johnson & Johnson, and Microsoft

Does this sound like an economic recovery to you... when only four companies in the entire country are stable enough to earn a triple-A credit rating?

Me neither. But it's nothing compared to what's going on in the housing sector...

**** A CRAZY LAS VEGAS ECONOMICS STORY**

You want to know how crazy things are in the U.S. right now...

Consider the bizarre state of the Las Vegas housing market, where The New York Times reports that building is booming again in a city where nearly 10,000 new houses are empty, thousands are in foreclosure, thousands of regular people have simply stopped paying their mortgages and average prices are down more than 60% since 2006.

What could possibly be driving this building mania?

Well, it turns out that buyers don't want homes that were built during the boom,

because they sit in neighborhoods that look like ghost towns, and because many of these never-occupied houses are filled with cockroaches and other critters.

So local builders are doing the worst possible thing they could be doing in Las Vegas right now... building more homes! Similar scenarios are taking shape in Phoenix and other U.S. cities.

Of course, this might look good for economic numbers, but all it does is make the situation much, much worse in the long run.

Want to see another crazy trick some businesses are using to artificially boost their earnings numbers?

This is just incredible to me...

**** OUR HOPE FOR THE FUTURE: NEW JERSEY'S HOMELESS**

If you've been reading my work at all over the past few years, you know that I am extremely bearish on the "for profit" education sector, such as University of Phoenix.

What could possibly be wrong with these institutions that offer inexpensive education to tens of thousands of students across the country?

Well, to me it's just another symptom of how distorted and crazy our economy and country has become. Here's what I mean...

One of the crazy practices institutions employ is to actually enroll homeless people into their programs.

You probably think I'm making this up... but even *Business Week* recently ran a report on this practice.

Why would they do this?

Well, because these folks qualify for federal grants and loans used to pay for college tuition fees. According to reports I read, the University of Phoenix, for instance, relies on federal funds for more than 85% of its revenues.

At another for-profit school, Drake College of Business, almost 5% of the student body at its Newark, N.J., campus is homeless, *Business Week* recently reported.

Of course, the majority of these students will never be able to repay their loans. But the colleges certainly don't care... that's the government's problem... not theirs.

Once again, it's the taxpayers like you and me who will be left holding the bag.

And here's another good reason why investors are afraid of holding dollars right now...

**** IN THE STOCK MARKET, IT'S 1937 ALL OVER AGAIN**

One of the most worrisome problems in the stock market right now is that we are basically repeating the exact same situation that occurred from 1937 to 1942.

Most Americans think we've had this amazing stock market recovery since the financial crisis of 2008... and we have to a certain extent.

But we are by no means out of the woods.

In fact, during America's last real economic collapse, in the 1930s and 1940s, we saw a similar drop and recovery... before the markets crashed all over again.

In fact, the situation is eerily similar.

Look at this chart... it's one of the scariest I've seen in a long time. It shows an overlay of what happened in the stock market in 1937 compared to 2008.



In both situations, we saw big crashes, of about the exact same magnitude... then a big recovery, again of about the same size.

But what will happen next?

Well, if history is any guide, we could well have another big leg down in the stock

market. That's exactly what happened 70 years ago.

And with all of the problems left unresolved in our economy today, it could certainly happen again, especially if the U.S. dollar loses its reserve status.

As *The Wall Street Journal* reported:

"Over the last year the stock market has followed a path eerily similar to 1937. First, a strong, rapid run to a recovery high - same pace, same magnitude. Then a correction - again, the same. Will we continue on the path that led the correction of 1937 into a collapse in 1938?"

The point is, the cards are seriously stacked against us.

This looming currency crisis is inevitable.

Almost every state in the country is on the verge of bankruptcy. We have borrowed an impossible amount of money, which we'll never be able to pay back.

Our economy is an absolute mess. Taxes are sky high already... and will certainly go much higher over the next few years. And nearly all of the world's major financial players are preparing for an alternative to the U.S. dollar as the world's reserve currency.

To me, it is so obvious that we are about to experience a serious currency crisis, that I can't believe people can deny this reality with a straight face.

Again, if you don't believe a currency crisis is coming, just take another look at the price of gold and silver compared to the U.S. dollar over the past decade.



It's obvious that smart investors want to hold gold and silver, not U.S. dollars.

Anyone with any sense or basic understanding of economics can tell that the U.S. dollar is doomed. And it's going to have major repercussions, which the average American has not yet even considered.

So, what can you do?

Well, I've done a lot of research on this, and have found that there are a surprising number of simple things you can do to not only protect what you've currently got, but to also potentially make quite a bit of money as this currency crisis unfolds.

Here's what I recommend...

What You Can Do to Protect Yourself and Actually Make Money

So what should you do... to protect and possibly even grow your wealth in the next few years?

Well, there's a series of pretty simple financial moves I believe you should begin making, immediately.

And here's something I want you to keep in mind: I'm really only going to talk about your finances here.

As far as protecting your family... well... it depends on your circumstances. If you live in an urban area, I recommend making sure you've got somewhere you can go in case there are riots or food and water shortages. I think there's a very good chance we'll see that in the next two years.

Wherever you're going to wait out the chaos, I recommend you have basic food, water, and medical supplies to last you for at least six months.

Remember, you won't be able to count on the government during this crisis. Think about it... if the government couldn't even save the city of New Orleans during hurricane Katrina, how in the world will it save an entire country when all hell breaks loose?

And as I said earlier, the truth is, the government won't even try to save individual American citizens... the government will be much more concerned with saving itself. As far as taking care of your money – to make sure you don't lose money and even use this situation to come out quite a bit ahead – well, that's where I can help you. All of the moves I recommend are simple and fairly straightforward to implement – at least right now. If you wait to do these things, however, they will almost certainly get very expensive, difficult, and even impossible to do.

If you do these things now, not only will you be better prepared to weather the

coming storm, I believe you could also make quite a bit of money over the next few years.

And if I'm wrong... well... that's the best part... I think you'll still make very good gains.

Even if all we get out of this crisis is a mild inflation, you will still be set up to do very, very well.

So here are the specific steps you should take...

STEP #1. GET SOME OF YOUR MONEY BEYOND THE REACH OF THE U.S. GOVERNMENT (it's perfectly legal, and a lot easier than you think)

I know you probably don't believe me when I tell you that the U.S. government is going to implement policies to save itself, which are unimaginable right now.

But remember, desperate governments will do very desperate things. That's why they outlawed the ownership of gold 80 years ago.

That's why they are already talking about "nationalizing" automatic 401(k) and retirement plans... and it's why it might soon be against the law to open a foreign bank account, or to move your money overseas without paying outrageous taxes.

The good news is, I met recently with a man who is considered one of the top "asset protection" attorneys in America.

In short, I learned that there are four simple investments you can make right now, which you DO NOT have to report to the U.S. government.

Don't get me wrong...

When and if you ever sell these things, years down the road, you are still required to pay taxes on your gains. But the great thing is, while you are holding these investments, so long as you play by the rules, neither you nor anyone else is required to report them to the government.

And this benefit should be obvious...

The less the government knows about where you have your money, the better. They simply will have a very hard time taking what they don't know you have.

I am personally putting a fairly significant portion of my portfolio into one of these assets. And I plan to hold it for a long time. No matter what happens, I know I'll have a significant amount of money that is beyond the government's grasp.

STEP #2: ACQUIRE THE WORLD'S SAFEST ASSETS, WHICH ARE LIKELY TO PERFORM BEST DURING THIS PERIOD.

What I'm talking about here is buying as much gold and silver as you can reasonably afford. I know... gold has had a huge run, jumping more than 300% in the past decade.

But believe me, when the U.S. dollar loses its status as the world's reserve currency, this early run is going to be a mere afterthought.

I will be surprised if gold does not reach \$5,000 or \$6,000 an ounce in the next few years.

The smartest money managers in the world, people like George Soros, David Einhorn, and John Paulson, have all recently taken huge positions in gold. And I think you are crazy to not do the same.

And what about silver?

Well, I believe silver will serve a unique role during this currency crisis.

Let me explain...

For most of recorded history, the price of gold has been around 16 times the price of silver. This ratio – the so-called "silver ratio" – has fluctuated from time to time based on silver discoveries and attempts by governments to regulate the silver-to-gold ratio. But... in a free market, where demand for silver as money exists, I'd expect the natural supply and demand balance to lead to a silver price around 1/16 times the price of gold.

Based on the historical ratio, with the price of gold around \$1,400, the price of silver should be around \$87. It's not, of course. Today, silver is trading around \$27. Today then, gold is selling for more than 50-times the price of silver.

What explains the difference between hundreds of years of history and today? Why is silver still so cheap relative to gold?

When silver is "demonetized," as it is now (meaning it's not being used for money, but just for industrial purposes), supplies soar as people sell silver for gold and other currencies.

On the other hand, during periods of monetary crisis, demand for silver as money pushes the silver ratio heavily in silver's favor.

For example, the ratio returned to its historic range (16) during World War I. It happened again in the early 1970s, when Nixon abandoned the gold standard. It also happened most famously in 1979-1980, when it seemed as if America was really entering a serious money crisis

Most people don't know this, but silver is actually the best-performing asset of this

century... not gold.

As my friend Chris Weber pointed out in his November 1st newsletter, Gold has risen from \$256 to \$1,365 since 2000. That is a rise of 433%. Silver has risen from \$4.02 to \$24.96. That is a rise of 521%.

And in the days that Chris has written this, silver has jumped another 7%!

In short, silver is the best hedge against a money crisis.

As the dollar fails, silver will once again be in demand as money.

And as this demand materializes, the free market price of silver will likely return to around 1/16 the price of gold. When gold hits \$2,000 an ounce, and assuming the price of gold is 16 times the price of silver, silver should be worth about \$125. My multimillionaire friend and currency expert, Chris Weber, believes silver will likely hit \$187 an ounce.

If that happens, you could make gains of around 600% if you invest at today's price.
Sincerely,



Porter Stansberry
December 2010

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