

Chapter 1

Challenges and Threats

The Chinese character for “crisis” is a combination of two characters: “danger” and “opportunity.” For me, this interpretation by the Chinese is a very interesting cultural, philosophical, and linguistic phenomenon—one that also contains a very nice lesson for living. But I also feel that it is a picture of a crossroads that applies to our current world. Today we are quite likely at the brink of a global economic crisis—and that sounds bad, right? It’s critical that we prepare for the danger inherent in crisis, but also stay alert for the opportunities during much of what is ahead for us. More than anything, this book is about this concept.

You have chosen to read this book; clearly that puts you among those who are aware that daily we are sensing crisis in our lives—possibly even impending doom. It means you have taken the hardest, first step to making things right for yourself and your family: awareness. But those feelings of doom and gloom can be harnessed, like parade horses, to march to your advantage. Your survival instincts tell you something bad could be on the horizon. Good! Keep your eye on

that ball, take charge of your own destiny, and realize that no matter what they say or we might hear, the powers that be most likely really don't care about what happens to *you*. But that's okay, because it's within *your* power to care and to *act* to do something about it.

A good place to begin is to take a close look at yourself—to take inventory, make a few hard decisions for the good of yourself, your family, and your future, because no one else will worry about your situation, now or any time soon.

Likely you already sense that sometimes you need to think philosophically, adapt new ideas, change your thought processes, open your mind, and think outside the box, the envelope, the cage. Sounds like a lot of clichés—but therein resides the core of what we need to do to find our own reality. Perhaps the place to start can be found in this quote by Epicurus: “Wealth consists not of having great possessions but in having few wants.”

Personally, I'm tired of being taxed, even on my few wants. But isn't that the job of Madison Avenue, anyway—to create demand for things we really don't need and didn't know we wanted in the first place? And, thereby, to fuel American consumerism and ultimately fund sources of cheap imported goods like China. Isn't your personal debt inflated enough? Red China, for one, is the real beneficiary these days. It has become the fourth largest economy in the world, in part, thanks to the support of American buyers for their exports. We helped; and we may be creating a monster, as China is still a communist nation and a real threat to the United States. International trade is wonderful, but we might want to think twice about financing our enemies in any form. We can use those same dollars to invest in *our* future.

Herein you will learn about the state of Switzerland today, how it has changed, and what it has to offer you. Fortunately, there is plenty to talk about. All the information you need to pursue your interest in banking and/or investing in Switzerland is covered, including how to begin, and where to go. Swiss banks can handle every form of investing, either directed by you or managed by an expert. Certain investments and economic subjects are covered at length, such as the importance of precious metals and strong currencies in your portfolio, and what causes inflation, and how you can

actually profit from it, instead of letting it erode your wealth. I reveal an ultimate plan, showing you how, if your situation fits the parameters, you can avoid U.S. reporting requirements *and* defer taxes on investment earnings. You can accomplish this automatically while getting the world's best asset protection and estate planning known anywhere. Incredibly, you even can bank in secret through this creative and legal shield. I also explain how to establish a perfectly legal and totally secret bank account that can be your last resort in an extreme emergency. Your own private monetary policy is more than just a personal financial survival plan, as it will show you how to right your course before it's too late, toward future profits and personal freedom, as you will discover in Chapter 4. You can preserve your individual sovereignty without relying on the government and the destructive monetary practices of the Federal Reserve. Consider this your owner's manual to quietly building a fortune even in the midst of looming crisis. What better way to profit from economic and political change?

The Economic Front

Why discuss challenges and threats when perhaps you bought this book just to learn about Swiss banking? Well, the two are intricately tied. Aside from the fact that Switzerland is the third largest financial center next to London and New York and manages up to 40 percent of the world's private assets, it has also been the premier haven for frightened money for decades. *That* has been the driving force underlying Switzerland's profound development and growth for decades. Many threats in history drove the more fortunate to use Swiss banking when they had the need and opportunity.

Some choice examples are presented throughout this book, but right now, as you are reading these words, headlines are being made reminding us of what a crazy world we live in. History is on the verge of repeating itself in many ways, including via government oppression, war, and more war, economic chaos, and worse. We should learn from the past and from the lessons others have paid a high price to discover. But we need to be aware of not only these developments that we hear about in the news, but also the ones that are taking place

behind the scenes. If the present-day scenario in America seems bad, with its threats from local crime, terrorists, and rogue states, try to imagine these things as just a prelude to bigger, more drastic developments in the world. Do you believe the hands of time can be turned back to a simpler, less threatening existence? As a nation, we may have already crossed the point of no return. But, as sovereign individuals, there is still a window of opportunity.

Today we ought to focus on underlying economic concerns and how they can impact us personally. It's easy to be distracted by politics and the endless noise of war and terrorism. However, the United States is sitting on a ticking economic time bomb and a number of problems that could cause a major meltdown.

National and Private Debt

While the rest of the world appears to be doing well overall, the U.S. economy is running out of steam. Often, the United States has been the engine of the world economy. What happens when the engine stops running? Although, according to the talking heads on television, in the last five years we have experienced the largest economic expansion in U.S. history, this expansion has also been unsuccessful at paying down the deficit. In theory, the growth should have created a greater economic base on which to tax and collect revenues that normally would decrease the national debt. But, unfortunately, the war on terrorism, the war in Iraq, and the war in Afghanistan have cost a lot of money. As I finish this book in September 2007, the United States is spending \$10 billion a month in Iraq alone. And there is no end in sight to our "war on terror." Bush is seeking \$110 billion from Congress to fund the war through 2008. David Walser, head of the U.S. Government Accountability office says the U.S. economy suffers from "fiscal cancer, and that the Iraq war will have cost the U.S. over \$1 trillion before it's over." Next we'll have to deal with Iran and Pakistan.

According to George W. Bush, the national debt has been reduced from about \$400 billion to \$298 billion. If the deficit has come down at all, it's because the "healthy" economy produced revenues to offset the growing national debt by some degree over and above government spending. But at some point the deficit figure will increase again as the economy slumps.

Remember, at the end of Bill Clinton's eight-year reign, the nation was in the black and had a significant surplus. That surplus vanished quickly after Bush gained control, and we haven't seen daylight since, not even after a "long" economic expansion. In the near future, the national debt could really balloon as revenues decline from slow economic growth. Hence, politicians want to close what they think of as tax loopholes while at the same time increasing taxes.

But wait just one minute! Bush recently gave us those figures regarding the national debt. Unfortunately we've been listening to the wrong man all along, so how can we believe those figures? Let's examine the national debt a little closer. Bush is using cash-basis accounting as if he were balancing his personal checkbook. However, he's running a government, not his household finances, and that requires better disclosure to the taxpaying public. Businesses use accrual accounting, and by law, public corporations have to use this method because it provides greater disclosure and a truer picture of a company's financial health. Once again, we are not getting the entire truth. Bush is conveniently using cash-basis accounting that only reveals the current indebtedness of this country, not our total indebtedness. Estimates reflecting the true federal deficit run as high as \$65 trillion.

This astronomical figure includes not only Bush's \$298 billion, but all the money due to holders of government notes, bonds, and bills from the past. These instruments alone exceed \$8 trillion, and they come due regularly. Let's not forget Social Security, which pays out public retirement benefits and government employee pensions and health care benefits to Medicare recipients. These additional debts are real obligations of the government, and they disclose important financial information needed to fully understand the country's financial position. Illegal immigration also contributes to the increase of these figures. Government should be required to report economic figures the same way they require businesses to report so that stockholders don't get conned by management and creditors don't get defrauded.

The American consumer also has been busy spending at rates that are the highest in 20 years. These figures include mortgage debt, home equity loans, and secondary mortgages totaling \$10 trillion, and consumer debt of \$2 trillion. No wonder Wal-Mart is doing so well and China is directly benefiting at the same time.

Inflation

Right now the Federal Reserve (the Fed) and the U.S. government are holding their breath, hoping that inflationary pressures will ease in time to have a soft landing, as the Fed is in a tight spot. They do not feel they can drop the interest rate that stands at 5.25 percent due to inflationary concerns, nor do they feel they can raise them due to economic slowdown. Their hands are tied and they are hopeful that their liberal monetary policy—in other words, the printing of excessive amounts of money backed by no real value such as gold—doesn't catch up with them.

The M3 money supply, which will be defined in a moment, has been the best measurement of true inflation in the United States, not the Consumer Price Index (CPI), as most people think, which is an estimate that the government highly understates. Unfortunately, Ben Bernanke, the newest Fed chairman, has decided that this information is no longer relevant since inflation is under control; at least that's what he would like everyone to believe. Maybe the real reason is that the government cranked up the printing presses yet again to stimulate the economy to avert a crash landing and don't want that fact detected anytime soon. It's a lot like a hot air balloon. As the balloon is coming down, the pilot always turns up the thruster to blow hot air into the fabric bag and slow its descent. Add too much hot air, and the balloon takes off again.

Here are the U.S. Federal Reserve's definition of the various money aggregates, including the M3:

M1: The sum of currency held outside the vaults of depository institutions, Federal Reserve Banks, and the U.S. Treasury; travelers checks; and demand and other checkable deposits issued by financial institutions (except demand deposits due to the Treasury and depository institutions), minus cash items in process of collection and Federal Reserve float.

M2: M1 plus savings deposits (including money market deposits accounts) and small-denomination (under \$100,000) time deposits issued by financial institutions; and shares in retail money market mutual funds (funds with initial investments under \$50,000), net of retirement accounts.

M3: M2 plus large-denomination (\$100,000 or more) time deposits; repurchase agreements issued by depository institutions; Eurodollar deposits, specifically, dollar-denominated deposits due to nonblank U.S. addresses held at foreign offices of U.S. banks worldwide and all banking offices in Canada and the United Kingdom; and institutional money market mutual funds (funds with initial investments of \$50,000 or more).

MSM (money, zero maturity): M2 minus small-denomination time deposits, plus institutional money market funds (that is, those included in M3 but excluded from M2.)

But Bernanke's rhetoric has been that threats of recession will have to sit on the sidelines while the Fed monitors its progress until inflation is well under control. In the meantime, the Fed hopes that another economic force, such as the mortgage money market, does not tip the boat. If inflation were really under control, why would the Fed be so concerned about it? History shows us that often what's really happening is the opposite of the assurances given by politicians and government. Well, if you steal from someone, you don't tell them about it. The Fed manipulates the economy through the money supply.

Let's look at some facts that will shed light on the truth. Before the M3 money supply was discontinued as a measure of inflation effective March 23, 2006, in the United States, the money supply was 11 percent, but in the fourth quarter of 2006, the inflation rate was being quoted at only 3.4 percent.

Real inflation numbers closely mirror the M3 rate as the money supply is increased. Therefore, the Fed-quoted inflation numbers do not correspond with the last known official M3 rate, and between the first and fourth quarters of the same year, they would not have changed as drastically as the conveniently offered inflation rate quoted by the Fed.

Interestingly, the 3.4 percent figure offered up by the Fed corresponds nicely with the Consumer Price Index (CPI) average of 3.5 percent inflation over the past decade. As we know, the CPI is a less accurate and more favorable indicator for the Fed's argument and their distortion of the facts.

Then, on July 18, of 2007, Bernanke addressed the U.S. Congress and stated that the current rate of inflation, as the Fed preferred to monitor it by the CPI, was only 1.9 percent during the preceding 12 months ending in May 2007. The Fed is obviously using statistics that

highly underestimate the true rate of inflation to disguise the facts, and the statistics appear to be inconsistent with their own statements. Keen outside observers know what is really happening. The U.S. economy has been greatly inflated and continues to be. Today in the United States, the M3 can only be estimated since the Fed discontinued publishing this economic measurement.

And what about the ever-expanding global economy? Well, there's an ever-expanding money supply to go along with it, and it has been ramped up to alarming proportions. In these countries, the M3 money supply has increased significantly by the following percentages over just the previous year. The European Union experienced a 9.3 percent increase; Korea, 10.3 percent; Australia, 13 percent; Britain, 13 percent; China, 16.9 percent; and Russia, 45 percent.

In reality, the soft landing is a tad bumpier than the Fed had hoped. As the Fed chairman himself states, it's not over and promises to get worse. Well, he knows the truth on the real inflation numbers that he's not sharing with the public. The fact is, the economy is at the threshold of a major downturn, and it's going to effect the global economy.

The labor market is weak, economic growth is lower than forecasted, and the housing slump has been bigger and lasted longer than anticipated, which could impact consumer confidence. So far, consumer spending, as measured by one of the great economic indicators, Wal-Mart sales, has been holding steady.

But the bomb is still ticking.

Real Estate and the Mortgage Money Market

Those never-ending real estate problems are going to fester like a sore on the U.S. economy. According to the National Realtors Association, sales of existing homes are down significantly. Two of the fastest-growing real estate markets in recent years were in Arizona and Nevada. In 2007 Arizona experienced a 36 percent decrease, and Nevada, 38 percent. The hotter markets have been taking the greatest hits, which has had a net effect on real estate prices. Many homeowners have found that their equity vanished and that their real estate financing exceeded the declining current market value of their home. When equity was high, many homeowners refinanced and pulled cash out only to discover, when the

markets plunged, that they were in debt beyond their equity and had no way out. Some of these homeowners opted to walk away rather than make exorbitant mortgage payments on property that wasn't worth it. They could actually improve their personal situation by dumping their property.

There's roughly \$2.5 trillion in outstanding mortgages, some of which are known as subprime mortgages, which financed credit for homeowner buyers with high debt or poor credit and some of which are called Alternative-A mortgages, which are made up of not-quite-primetime debtors. These mortgages provided these two classes of homebuyers with new adjustable-rate mortgages as a means to distribute the new supply of money, thanks to the Fed's liberal monetary policy. Experts anticipate that as much as \$1 trillion of these mortgages will default in 2007. In the coming years, adjustable-rate mortgage payments could go sky high if mortgage holders cannot roll over their mortgages to an improved fixed rate. A wave of foreclosures could still be on the horizon. In fact, the prediction by experts is that there will be a couple million foreclosures in the next 18 to 24 months. The mortgage money market has taken a big hit with this one. If you have a lot of cash, such as what occurs when you want to artificially stimulate the economy by printing excessive amounts of money, you need to get it into the economic pipeline. Cash does no good sitting in a warehouse. Since now there is an excess of it, interest rates need be adjusted to attract the desired level of borrowing. If you offer inexpensive money, there will be lots of takers. Just gradually lower the interest rate and people will be standing in line to borrow money to buy new homes, cars, and anything else that Madison Avenue, Hollywood, and similarly powerful influences have created a demand for in the public's mind.

Segments of the economy can be stimulated in this fashion, and since 9/11, we've seen a lot of it. Remember those interest-free car loans? And, as discussed, real estate had quite a play for a while, creating an asset bubble that ultimately popped and that is not done wreaking havoc on the economy. There are only so many truly creditworthy and employed borrowers out there. If the money supply is large enough, it may be necessary to broaden the potential number of candidates who can be recipients of this new source of funding. In other words, you might have to reduce credit requirements to a level at which you

can get rid of all that new money and get those eager borrowers to take the plunge, even if it's not prudent lending, nor ultimately, good for a healthy economy.

Derivatives

And as if what I have just presented is not enough to potentially rock our economic boat, consider a market that is 27 times larger than the U.S. economy. What market could ever be that big? Global derivatives—and to the tune of over \$400 trillion! This is a complex business, and it has created an underground economy. It has ballooned to astronomical proportions in a relatively short period of time. This problem child is the nuclear bomb of the investment world, and when it goes off, everything will go with it. That's one mighty problem!

If guys like Warren Buffett and those mad scientists at the Federal Reserve don't fully understand the financial engineering here, then obviously it's out of control, and it's unlikely that the general public will grasp it anytime soon. Of course, after it all blows up, we'll all get a thorough education on derivatives. We have already experienced the side effects of derivatives, which is responsible for prior economic disasters that sent shockwaves around the world more than once. The first time we took a hit was in 1987 on Black Monday. Then came the Asia crisis in 1997. Still, these dark moments are nothing like what is still in store for us. The derivatives machine gobbled up Long Term Capital Management, a hedge fund disaster that not only threatened to wipe out the U.S. financial system, but the entire world economy. The demise list reads like a Who's Who: Orange County, California, 1994; Barings Bank, 1995; Enron, 2001; Argentina, 2001–2; and that's just the beginning.

The derivatives market started in Chicago in 1973, when trading first began in the options exchange at the Chicago Board of Trade. This new investment vehicle gained rapid popularity even though most people had never heard of a derivative. Trading ballooned to over \$600 billion during the deregulated Reagan era of the 1980s, and this trading activity was a precursor to Black Monday. Since that time, the dollar figures invested in derivatives have skyrocketed. By 1988, derivatives had reached the first \$1 trillion; by 1994, they had

passed the \$10 trillion mark; and by 2000, there was over \$95 trillion in derivatives held by worldwide institutions. In 2003, even the Federal National Mortgage Association (FNMA), commonly known as “Fannie Mae,” a federally chartered corporation that purchases residential mortgages backed by the federal agencies, and conventional mortgages in the secondary market, got caught with its pants down when the fact that it lost \$1.9 billion was exposed—sending the stock into the toilet. Now brace yourself! Since 2006, this financial Molotov cocktail went from \$344 trillion to \$400 trillion (July 2007).

Derivatives, often employed to protect assets against changes in value, were devised for many purposes for use by knowledgeable experts to apply in specialized areas, such as floating interest rates, currency management, interest rate risk, and swapping floating-rate debt for fixed-rate financing costs. They were intended to be a hedge against risk. In theory, derivatives have legitimate uses—but they have become a crazy means of wagering. The derivative is a financial contract that is really just a bet. Unlike Vegas, where you have to put your money on the table, when you buy a derivative, you have to place just a small portion of the bet up front. Feel like predicting the price of gold or oil? Maybe you think interests are rising and you want to wager a small amount to see if they go where you predict. What the heck, a little bet with a large potential return. Where’s the risk? Derivatives are highly leveraged and make for a highly volatile and dicey business. That’s an oversimplification, but that’s all that’s really necessary to understand, unless you actually want to get into the derivatives business. There are also exchange-traded derivatives that are bought and sold over-the-counter.

A couple dozen major banks in the United States serve as storehouses for trillions of dollars of derivatives. *When*, not if, that market implodes, it will make the savings and loan swindle of the 1980s look like the minor leagues. Between 1986 and 1990, over 1,000 U.S. banks failed. Today, the biggest holder of derivatives, JP Morgan Chase, has \$53 trillion invested in them, an amount almost as large as the entire U.S. national debt of \$65 trillion—and keep in mind this government debt figure includes all of America’s present and future liabilities.

Recently, large holders of derivatives—major investment institutions and hedge funds—have decided that they need to reduce their risk in these shaky investments. They plan to sell off hundreds of trillions of

dollars worth, and soon. If derivatives were such good investments, why do these holders want to dump them? Didn't they determine in advance how to make a profit and get safely out at the moment they went into the fancy hybrid investment game? Or, was it merely a plan to draw in investment capital, with hopes of paying off the first few "winners" as new investors jumped on board? Sounds like a sophisticated Ponzi scheme to me, and those always end the same way. When the jig is up, investors who came into the game slightly later lose their money and the perpetrators go to jail. Unfortunately, the problem is so massive that there may not be a solution. Economic global disaster may be the only way out. I wonder who has the kind of cash or assets these institutions are going to need to unload these slips of paper to reduce their exposure. Any serious effort to unload this huge, highly questionable asset could be the spark that sets off this disaster, if it isn't triggered by something simple, such as an unexpected economic force coming from another direction. Maybe this catastrophe will be the entrée to rolling out a new global monetary system.

Rapidly Declining U.S. Dollar

Then there's the declining dollar. In the first quarter of 2007, it dropped 7 percent in value against the Swiss franc, and it has performed similarly with frequency. Today, we are witnessing stronger currencies rising quickly against the U.S. dollar. The dollar's fall has caused other currencies to be buoyant by comparison. Some of the stronger currencies today are the British pound, the euro, the Norwegian kroner, the Swedish rona, and the Danish Krone, the Japanese yen, the Australian, Singapore, and Canadian dollars, and the Swiss franc. Even the Chinese yuan has been strong and is expected to strengthen against the dollar. There seems to be no end in sight as to how long or how far the greenback will decline, but according to experts, it could lose 50 percent of its value in the next five years. Already, in the past seven years, the U.S. dollar has declined 40 percent.

This kind of decline in the U.S. dollar today, the "reserve currency of the world" for decades, does not instill confidence in foreign countries and investors and can lead to economic bankruptcy. The prestigious title that the U.S. dollar has held is being threatened by the euro. What is causing the decline in value of the dollar? Newly printed

money for one, which as I have mentioned is the real cause of inflation, diluting the value of all of the other dollars in circulation, thereby robbing the holders of that money and redistributing the wealth to new currency holders. The new money represents the counterfeiting of paper money with no intrinsic value. Printing new money results in a requirement for more dollars to purchase the same goods and services as purchasing power is depleted.

Another effect on the dollar's decline is that investment money can get better returns elsewhere than in the United States. Investors, whether foreign, domestic, government or private, want their investments to be secure. Unfortunately, the perception from outside the bubble is that *real* troubles are underlying the U.S. economy, in fact, perhaps the country as a whole. Therefore, money is going elsewhere and out of the U.S. dollar; investors are purchasing euros and other stronger currencies. For example, there was a huge sell-off in August 2007 by Japan, China, and Taiwan of U.S. government bonds totalling billions and billions of dollars. And who can blame them? They not only want the better returns they can find elsewhere, they want their investment denominated in a strong currency that will at least hold its value, if not also appreciate. The depreciating dollar further erodes the returns that investors hope to be making. The laws of supply and demand kick in. What happens when you have a lot of something and the demand is lower than the available supply? The price drops!

And finally, if the country's economic outlook appears grave to foreign investors, default on these debts by the government is possible although not likely, and investors may fear this prospect. Fortunately, governments can print more money to get out of debt, and suffer the consequences later. It may be just a matter of time before we experience an official government devaluation of the U.S. currency, as experienced before in the 1970s.

For the moment, the stock market is still steaming along, but that won't last and the smart investors know it. The stock market also has been stimulated by a liberal monetary policy. If this economy stalls, the dollar will lack even more luster than it already does and it will likely drop even faster, sending an alarming signal around the world.

Later in this book I discuss the U.S. dollar and how you can counter this downward spiral, and even profit personally.

Political Landscape

In this section my Americanism prevails. Today, in the United States, we find ourselves in a peculiar position: Who should we elect as President of the United States? As a body, we are overwhelmingly disappointed with what feels like failure from President Bush and his administration in several areas.

As an example, the “War on Terror” is a seemingly endless and expensive and generalized effort to fight the dark forces of the world. If we haven’t caught Osama bin Laden, one human being, or at least found his corpse, then I wonder how we are to eradicate terrorists whom we are unable to identify, a great invisible but convenient enemy, possibly real and possibly the creation of some very fertile minds from the architects of change.

The threat of crime and being considered a criminal has always had a controlling effect on keeping the populace in line, careful to pay their taxes to support the law enforcement needed to keep the streets and neighborhoods safe. But are we safe? The fact that we have more people in prisons per capita than any other country may say something about the degree of freedom we really have.

Even Fidel Castro knows this ploy, and uses the contrived threat of outside forces, such as those evil capitalist rats north of Cuba, to keep his citizens buying the communist dream and to keep them from overthrowing his government. These control tactics create a stronger, united Cuba, even in the face of economic despair and rampant poverty. It doesn’t have to be this way, but that’s the reality.

Now we have the Patriot Act squarely in place, a document ill-conceived if one is concerned with the well-being of the citizenry, as it is essentially the anti-Constitution of the United States of America, and was put into place in the climate of post-9/11 as necessary to defend our country and protect American interests. Well, in fact, it has the opposite effect, much of which has yet to be played out. When those days come, a lot of Americans are going to have grave regrets regarding who they supported and helped finance through their generous “voluntary contributions,” known better as taxes, the fuel that heats the fire. Unfortunately, I cannot say that changing presidents will make a whole lot of positive difference these days.

Here we are, again, finding ourselves at the crossroads of our future. Several presidential hopefuls are poised to give it a shot, but, when it's all said and done, in November 2008, *we the people*—or, rather, our electoral college—will elect only one of them to lead us. A question you should ask yourself is: *Whom do we trust the most?* Leaders are elected based on certain promises and perceived qualities, and always from a hopeful, forgiving, and apparently gullible public. How many times can you sell the Eiffel Tower or the Brooklyn Bridge? I believe good political aspirants require some of the same philosophies and talents as a good confidence man. And, unfortunately, in both cases you often feel like you've been stung.

In any event, the architects of change will ultimately win again. Switzerland is not the only place where secrets are kept. But, for us mortals, at least there the secrecy laws are written for us, and thus it's not a bad place to begin securing our financial futures, building a personal fortune, and defending our personal sovereignty from the winds of change.

The American political system, in particular, truly smacks of Machiavellian tactics. Generals have used these methods for centuries to conquer their enemies. Actually, perhaps that's a good idea; maybe our generals could use some of these methods to *win* a war for a change *today*. Instead, it seems the aggressive principles of cunning and deceit are reserved for the defenseless taxpaying citizen. Does it really matter whom we vote for? On the surface, it seems that we have some control and effect through our vote, but unfortunately, the puppet master has his hands on the truth. What, you ask, is the truth? For one thing, *we the people* are played from both ends to the middle. We think we're gaining ground and making progress in life, but while we are comfortable at home watching fluff on TV, we are lulled and seduced into a belief that all is fine, in the meantime the machinations of the powerful, silent, and unaccountable are weaving a web to suit their own agendas and personal goals at our expense.

What was the big rush to go to Iraq? We couldn't wait for the United Nations inspectors to complete their reports on whether they really found weapons of mass destruction or to analyze CIA claims that the presence of WMD in Iraq was real? If the UN has limited credibility, then why does the U.S. contribute \$800 million a year to support its existence? In fact, without us, the UN could not economically

survive, as we are the single largest financial contributor. Again I ask, why? If the UN and CIA really have validity wouldn't we have patiently waited just a little longer to get a better indication of the true situation? No! Because there's a good chance that the real agenda for kicking Saddam Hussein in the pants again was stronger than good judgment. Our commander in chief and president made that call single-handedly, because that's the outcome he, and his machine, wanted.

A former "land man" who drove his Chevy around little dusty towns in Texas in search of oil claims certainly has had a meteoric rise to the presidency. The single biggest factor in his favor, of course, was his father, George H.W. Bush, a former president himself. More interestingly, the senior Bush was a former director of the Central Intelligence Agency at a time, incidentally, when the agency was allied with none other than today's most wanted man: Osama bin Laden. Politicians and intelligence people sure keep strange bedfellows! After September 11, 2001, his son, the new president, would declare a "War on Terror."

George W. Bush has used this War on Terror to ramrod everything and anything past the American public, and it has a strangely similar ring to his father's "War on Drugs." For over a decade, George Senior had as a personal friend Don Aronow, better known as the Speedboat King, inventor and manufacturer of the cigarette speedboat and many other famous high-octane boats.

I bring this up now because it shows a pattern of how political power seems to operate in the United States. On the surface the relationship, of course, appears innocent. Everybody has friends, right? Bush liked Aronow, and he liked Aronow's speedboats—so much so that he purchased one while he was U.S. Ambassador to the United Nations. There's a memorable photograph of President George H. W. Bush, former bomber pilot, looking like any other risk taker on board his speedboat, accompanied by Aronow and a Secret Service agent. The photo opportunity was the result on the War on Drugs. Bush, who was influential with the U.S. Customs Service, helped his buddy snag a big contract to build speedboats capable of catching drug runners who were outrunning the cops in Florida and the Caribbean (in boats also built by an Aronow company). These events were an inspiration for the television series *Miami Vice*. The boat Aronow built for Customs, *Blue Thunder*, quit running during a boat parade where it was to be showcased as the

U.S. Customs Service's weapon in the War on Drugs. Its design bugs were never completely worked out, and before Aronow could make good on his contract, he was dead with a bullet in his head.

Bush's association with Aronow became an embarrassment as the investigation into Aronow's death revealed that he was murdered by another speedboat racing champion and drug smuggler named Ben Kramer, a man who had served time in prison after a drug conviction and who had ties to the Colombian drug cartels.

As it turned out, Aronow himself had been running drugs to Miami at night with a crew. The investigation revealed that he had been a homebuilder in New Jersey and had left abruptly due to a falling-out with the Mob. In an effort to get protection and support his family, Aronow consulted with Meyer Lansky. Yes, *the* Meyer Lansky, who had his own crime organization in Miami, the man known as the Mafia's financier for over 50 years. Lansky agreed to sponsor Aronow into the speedboat-building business and related drug-smuggling racket. This was George H.W. Bush's "close friend."

How is it that Bush did not know these facts? Certainly the U.S. Secret Service would have checked Aronow out closely if he was going to be spending any time hanging around the vice president. Aronow's ties were deep in organized crime and intelligence circles, and connections led all the way to the top. Now, who turns out to have been a partner with Mr. Aronow in his major cocaine-smuggling operation? Brace yourself! It was Jeb Bush, son of George H. W. Bush, brother of our current president, and the former governor of Florida. Together, Jeb Bush and Don Aronow owed their Colombian suppliers \$2.5 million, and at some point they refused to pay. I wonder how ol' Jeb managed to get out of that. Been wondering about those hanging chads? Is it so coincidental that the voting controversy in the 2001 presidential election centered on Florida?

Today's politicians and government leaders appear to be operating above the law. I guess the laws are intended only for taxpayers. Remember a more recent example, the case of "Scooter" Libby? Could that have been another presidential cover-up of the type that we have grown so familiar with over the past half-century?

The War on Terror appears to be no more successful than was the War on Drugs or, for that matter, the war in Iraq, which it seems we're

losing, to the tune of \$10 billion a month of our hard-earned money. Or maybe they are just spending fresh cash while the ink is still drying. Now that we're in, we have a problem whether we should stay or should leave. What a dilemma! That won't deter George, though. I put my money on the war continuing through this administration. I'll take it a step further. I believe the president will strike Iran very soon. Our desire as citizens not to be there doesn't really matter. We shouldn't have supported a half-cocked plan to go to war in the first place, ostensibly because we wanted revenge on terrorists. The relationship between Iraq and terrorists is still fuzzy at best. Like other marketed "wars," this latest campaign, the War on Terror, is partly, maybe even largely, nothing more than a War on Your Freedoms in disguise. As for the Florida drug trade, eventually it moved to the Mexican border. No wonder we're having problems securing our border!

But *we the people* are not entirely gullible. In fact, it's mainly these wars that have us generally disappointed and upset with President Bush. Of course, hindsight is 20/20. But we are angry enough that most of us are prepared to make changes. Out with the old and in with the new. The rich and corporations have become targets. Well, it's not difficult, on the surface anyway, to use them as scapegoats and to help unite a segment of the American population against those "types." Then a variety of related arguments, including demonizing concepts such as capital gains earned by citizens and my favorite, tax havens that protect the assets of citizens, are marketed as threats to the system, and an attempt is made to get the public to perceive these areas as representing money robbed directly from *them*. Huh! That's humorous indeed! How in the world would money that was saved from the clutches of greedy tax collectors be construed as belonging to the rest of Americans who were not intelligent enough or visionary enough, or simply uninformed about how to protect their interests, namely their personal assets and sovereignty?

The only ones who lost out on this money are the thieves themselves. As if having your own printing presses to print unlimited funny money in the first place weren't enough. As an aside, if the currency was backed by something of real value, like gold, as it once was, I could better understand the fuss. And the deception doesn't stop here.

Now there is talk of controlling the flight of capital. A country billed as "the land of the free," should have no worries about capital

that wants to compete in the real world. After all, we pride ourselves as being advocates of free markets and free enterprise. Money, like water, seeks its own level, and it will find the best and highest use for itself wherever it is rewarded better. This sounds like more protectionist thinking, similar to tighter controls on travel. What does this mean? One fast way to slow the exodus of money from a country is to impose exchange controls. Not a pretty thought!

Back to politics, and the next president. To any casual observer, most likely the stage is set for a Democrat to take office. Of course, on the surface, change is good, even welcome. But will it really help us, the citizens of this country? Or will the agenda of the next administration simply further the causes of the architects of change? Most likely, regardless where you cast your vote, as those same architects advanced their mission and purpose in the eight years of George Bush, just as they had with Bill Clinton, and George H. W. Bush. I stop here because I would rather not include President Reagan, whom I believe was truly a man of integrity, which may have been why there was an assassination attempt during his first term. Fortunately, he escaped the perils that brought down two other notables, John F. Kennedy and Abraham Lincoln, each a great individual who fulfilled his role as president with integrity. Although Reagan survived the assassination attempt, the event may have gained his cooperation and helped to shape history as planned. As an interesting footnote, Reagan wanted to put the United States back on the gold standard. Bravo! I wonder why that didn't happen.

I'll leave thoughts like these behind, as they are too deep and large in scope to be addressed adequately in this book. But before Reagan, there was Jimmy Carter, Gerald Ford, Richard Nixon, and another Texan, Lyndon B. Johnson. Need I say more? Sometimes the list of presidents seems like the cast from a whodunit. Their administrations, in part, helped to move this country away from the founding principles and toward our moment in time, for good or bad, and a clearly questionable future. In the short time that we have been alive, the current generations today have seen incredible changes and real threats to our personal liberties, which are on the verge of extinction.

Personally, I'm more interested in content than labels. But unfortunately, I don't see much substance, only some fast-talking politicians

with big designs. It won't matter if we vote Republican or Democrat; Machiavellian principles are at work, preparing to conquer and divide. Unlike Las Vegas gamblers, Howard Hughes was no fool. When he wanted to control the White House, he financially supported *all* the candidates. The architects of change play it the same way. We are being squeezed like a tube of toothpaste.

The next stop: socialism. The next president, will be pressing for social changes, but with these ideas come high price tags, not unlike war. Is it sounding familiar? The question is, just who *is* winning the war? It's not us—just as it won't be with the advent of the currently touted social changes. Already, the Democrats are talking about how to raise revenues without raising taxes. Hmm—there's a thought. And recently those dirty words, “tax havens” crop up again. Led by Congressman Sander Levin and enthusiastically supported by Hillary Clinton, John Edwards and Barack Obama, Congress is pressing to pass the “Stop the Tax Havens” act. What conceit! How can they believe that the independent actions of outside sovereign nations are within their power to legislate? Scary.

In fact, it's highly unlikely they can stop or control dozens of independent countries from doing what they want to do, since, like the United States, other nations are entitled to run themselves as they choose and to protect their own interests. Our revenue problem is not the problem of all other nations and peoples. The idea of having a fair tax competition among tax men could be a Mel Brooks comedy. That hasn't stopped the Organization for Economic Cooperation and Development (OECD) from trying its hardest to convince everyone that fair competition among tax collectors is something we should care about. There they go again, the architects of change trying to plug up the natural flow of free economic forces to help financially support their goals and solve *their* problems, all the while hoping to restructure the world at your expense. Why are citizens being rallied to support such lame causes? So they can be taxed more, maybe? As obvious as it is, the vast majority of the public will not even have a chance to understand it.

So that I don't sound redundant to readers of *Tax Havens Today: The Benefits and Pitfalls of Banking and Investing Offshore*, I refer you to it, particularly Part One, which explores timely topics that every taxpayer should be aware of. These are contained in sections “Why Are So Many People Going Offshore?” “Whipping the Taxpayers into Shape,”

“The Big Squeeze,” “The Changing World of Tax Havens,” “The International Dragnet,” “The Global Laundromat,” “The Tax Police,” and “Barbarians at the Gate.” I invite you to have a look.

I’m not trying to pick on the Democrats; in fact, I’ve only ever cared about individual candidates and issues, if then, and I don’t care about labels. But what I do care about are the rumblings in the jungle, the rhythm of the drums, and the chants of the natives. I’m afraid they need sacrifices! Of course, the Democrats don’t want to talk about raising taxes, not just now, anyway—they want to get their man or woman elected to the presidency. The subject of raising taxes has a history of impeding progress. However, they do want to set the stage for what it is they wish to accomplish as soon as they are in control of the White House. *Raise taxes!* Yes, that’s right. Why? Because they will desperately need the money, what with all their spending plans for their new social order. But didn’t they say they intend to increase revenue without raising taxes? Hillary’s \$110 billion health care program will certainly need a fresh infusion of cash.

Isn’t that the sales job? Here’s the plan: Plug up tax havens, tax shelters, flight capital, and any other “loopholes”—ASAP!—*before* Bush is out of office. Then, when Hillary or Obama gets elected, the president will be pushing to raise taxes higher than we’ve ever experienced in our lifetimes. In this fashion, the Democrats will maximize the effect. Plug up the holes and stick it to the taxpayer. Big things are on the way!

Incidentally, while campaigning in the summer, John Edwards *did* bravely mention a plan of his to *raise* taxes. He plans to raise taxes on capital gains to as high as 28 percent. Capital gains are profits that you, the creative individual, make when you intelligently invest the money that you already earned (and *already paid income tax on*, in most cases!) *And*—here’s the sales job—he’s planning to give that money, which you wisely earned using your good sense and your already-taxed money, to people who don’t have as much money as you. Awww! He’s a really nice fellow—with some compassion, no doubt—but he wants *you* to pay for it. Even if you were to be the beneficiary of such planning, would you think it was fair?

Interestingly enough, John Edwards was quoted in *Men’s Vogue* pointing out that Bush and his team have used the hot-button word “war,” as in the “War on Terror,” as nothing more than “high-level

rhetoric to inflame the American voters to support them.” Now he is claiming that, if elected, he will declare a “War on Tax Havens.” See? Politicians really are all the same.

Of course, a general strategy *is* in place to restrict the U.S. taxpayers from using tax havens as much as they can, as they are certainly not going to force all those independent nations, regardless of how small they are, to give up their national sovereignty and succumb to the whims of the United States. It will be your personal sovereignty that gets compromised. But if the tax havens were ever to succumb—and anything’s possible—it would take a mightier force, and there is one at work, to coerce these countries into submission. The OECD has been working overtime in the past decade to accomplish this, and today, the United Nations has aspirations of becoming the Global Internal Revenue Service. There’s a truly frightening thought. If, and when, it gets us snugly in its well-made noose, we will see taxes universally skyrocket. We will experience not discriminatory economic slavery but rather equal slavery for all.

The Un-Patriotic Act

Another strong argument for having your funds securely salted away from the prying eyes of government, and others—and not just for tax and investment reasons—is the so-called Patriot Act. Your money and assets in your own country are easy targets. When the government wants to confiscate your resources, it will find a way, it won’t be asking your permission.

The Patriot Act has effectively given the U.S. government this kind of total power and control—in direct opposition of what the Founding Fathers envisioned and created for us—to take what they want, and when they choose. That includes you! Now the government has the power to legally take you out of your house, at its whim, and detain you indefinitely. Knowing this, are you going to stand by and let the government? Granted, it’s your personal sovereignty at stake, but your entire existence may be on the line, not just your money, and not tomorrow, but *right now*. Why would a lengthy and broadly drafted piece of legislation empowering the government, which was supposedly about preventing

terrorism, actually be two-thirds about *your money*? If you didn't know this, it is not surprising. The powers that be don't want you to know the small little details that they neatly and quickly wrapped up into the Patriot Act before anyone noticed. Why? Well, if you are planning to rob a bank, would you warn them?

This 342-page monster was introduced so quickly after 9/11—six weeks to be exact—that it challenges the imagination to think that its drafters could agree on its contents in such a short time. Makes you wonder if it didn't preexist, just waiting for the proper moment of fear and shock to quickly pass it into law. And why did most congressmen not take the time to read the most important piece of legislation that would ever pass before them? Isn't that what we pay them for? Did they already know it was coming, or, as usual, did the powers that be trust that they would fail to read this, just as they don't read other, far less cumbersome legislation prior to casting their vote? Or were the architects of change working their magic from behind the scenes? Maybe the stage was already set for the cast to follow through with a rehearsed performance. The act was made law almost instantly. Yet the hole where the Twin Towers fell over six years ago is still visible. Rather than develop the site for commercial gain, perhaps the government should designate a national monument and dedicate it to the people who died on that day.

The more governments and global organizations work to demand financial transparency worldwide so that they can know more about your private affairs, the more your right to privacy, the linchpin of personal sovereignty, is eroded. What we really need is transparency in Congress and in other dark and damp corners where the real power lurks and where secrets thrive. Then maybe we'd have a chance at ending such abuses of power, not just those ridiculous pork bills.

Speaking of those, at the moment there are 32,000 proposed plans for spending billions of dollars of your hard-earned tax dollars on frivolous nonsense. One bill alone would spend \$2.3 billion to manufacture 10 C-17 military transport aircraft that the military claims it doesn't need. These bills often support activities and jobs in the districts where the congressmen reside, in hopes of getting more votes, or they serve as favors to friends or the powerful. Let's stop the waste in Washington before it stops us.

Recently, a reader of *Tax Havens Today* shared some thoughts with me. CJ writes:

I'm always reminded of this passage by Alexander Tyler which was written about the time of the founding of our nation. To quote: "A democracy is always temporary in nature; it simply cannot exist as a permanent form of government. A democracy will continue to exist up until the time that voters discover that they can vote themselves generous gifts from the public treasury. From that moment on, the majority always votes for the candidates who promise the most benefits from the public treasury, with the result that every democracy will finally collapse due to loose fiscal policy, which is always followed by a dictatorship."

How eloquent! And Tyler's quote continues:

The average age of the world's greatest civilizations from the beginning of history has been about 200 years. During those 200 years, these nations always progressed through the following sequence:

From bondage to spiritual faith;
From spiritual faith to great courage;
From courage to liberty;
From liberty to abundance;
From abundance to complacency;
From complacency to apathy;
From apathy to dependence;
From dependence back into bondage.

Thomas Jefferson summarized it well when he said that a government large enough to give you everything you want is large enough to take everything you have.

Some thoughts to ponder while you fill out your Swiss or foreign bank account application! If you would like to read some true cases of how Swiss banks have been used in the past, and why they have played an important role in the world, often helping oppressed people to keep what's theirs, I recommend you read *The Swiss Banks* by T. R. Fehrenbach, published by McGraw-Hill Book Company in 1966. This work presents a thorough understanding of the subject.

There are banks that will gladly do business with you regardless where your citizenship was issued, and I believe that will always be true. Or at least I hope so. You just need to find the right one. It has become much more difficult to locate a Swiss bank that is willing to open an account for a U.S. citizen, as you will see if you contact some of the banks listed in this book. *All the more reason why you need one.* My list is provided so that you can conduct your own banking research. This book also helps you evaluate some of the better offshore investment possibilities. With as little as \$5,000, you can be profiting from those disapproved-of foreign investments and capitalizing on those emerging markets.

Readers will discover some of the problems U.S. citizens face and the options as well as the bigger picture of how Switzerland can help you financially, and not just through its banking facilities. There are some terrific opportunities available right now, one of which I call the Ultimate Investment Plan, which I will explain shortly. Stay tuned! And, if you invest soon, you could secure yourself permanently from possible government restrictions that would severely limit your ability to get your money out of the country and safely overseas. If these restrictions happen, your physical freedom is likely to be the next thing to be restricted, ironically in the name of your *security*.

Thanks, Osama, wherever you are!

The New America

This may sound incredulous, but there has been talk of the New America. The European Union (EU) began similarly, first starting out to create a larger trading bloc, which gradually led to the EU with 28 countries bonded together by all the hallmarks of a sovereignty and sharing a single currency, the euro. Isn't that why the North American Free Trade Agreement (NAFTA) was passed, to create a free trade bloc? The architects of change might want to unite us with our neighbors, too, in our case Canada and Mexico, in the same way the EU came into being. These architects are orchestrating this plan right now, and have been working on it for decades, without our knowledge, and if so, likely we won't have much say in the final decision-making process. North America, one big country!

The EU is being used as the blueprint. Learn more about this plan by visiting www.StoptheNorthAmericanUnion.com.

If you think about many of our problems in the United States, it could seem that the reason things are going the way they are is to set the stage for this merger. It doesn't appear that our leaders really want to close the Mexican border. Okay, so maybe we have decided not to worry about illegals who are now coming into the United States and freeloading on our welfare system at the taxpayers' expense, but how are we to keep the terrorists out? Are we concerned about keeping them out, or are we just paying lip service to make it appear that we are trying to keep them out? Remember crisis? Perhaps someone else's *opportunity* to *change* things is really at work here. If it's true that the New America is really on the drawing board, then there's a good possibility that some unimaginable changes may be in the works. How do you sell a plan like that to Americans? Basically, by controlling the whole through its parts. It would inevitably mean a new constitution, just as in Europe. Do you think it will be drafted with the care that our Founding Fathers gave the original one? Do you think you'll have more rights, insuring your personal sovereignty and liberty, than you have now? The Patriot Act may just be a bridge to compromising our rights until the day our Constitution is completely replaced. The EU didn't pass the last one proposed. In 2009, when the vote comes up again, it might just pass. The New America will require only three member states to agree. Do you think Mexico is going to say no? And Canada is practically part of the United States. I don't think this will be difficult to tout. I heard through the grapevine that *they* plan to push this crazy idea through in the next five years.

And it's not surprising to find George W. Bush quietly promoting this union. In a meeting in Waco, Texas, between President Bush, the then-Mexican President Vicente Fox, and the then-prime minister of Canada Paul Martin, the three leaders of North America agreed basically to eliminate the borders in a plan identified as the "Security and Prosperity Partnership of North America" (SPP). Now, why haven't we heard more about this? And the new currency they plan to propose: the "Amero." How original!

Are you wondering how such a plan might actually be welcomed by middle class America, their main stumbling block? How about a little economic crisis coupled with a conveniently timed terrorist act? Suddenly the security and prosperity of North America may sound like the perfect solution.

A nation's sovereignty must continually be defended, not just by war, but by protecting its territory, controlling immigration, and enforcing its legitimate laws. Otherwise, sovereignty can be jeopardized. Our government leaders and representatives should not be publicly, or secretly, endorsing grandiose plans to transform our nation by merging it with other countries. In fact, that sounds a little like high treason.

Treason? Here's the definition from the *Chamber's Dictionary*: "Betraying of the government or an attempt to overthrow it; treachery; disloyalty."

I also believe that it's wise and prudent to respect the national sovereignty of other nations if for no greater reason than to provide ourselves with cheap insurance for protecting our own, just as we should in turn respect other people's histories, cultures, and religious beliefs. The first step to preserving our rights and beliefs as a nation and as individual citizens, is to respect those of others, even if we don't understand them, and even if, in our judgment, they might seem completely wrong.

Personal Sovereignty and the Urgency to Act

Claiming your natural right to personal sovereignty and taking action to secure your financial freedom and future is more of a must than an option. At the same time, however, some action needs to happen on the home front too, at least as long as we are still voters. I can't think of a better way than for all of us to send a very loud message to Congress and hold them accountable. We have been patient and trusting long enough. The United States is a republic, and a form of democracy, in which the majority of *we the people* give our representatives the power to act on our behalf. *That* is clearly *not* a license to steal from us. In that spirit, I invite you to discover how easily you can now be heard, and your participation *will* make a direct impact in Washington. Let's squash the next plan of some overpaid congressmen who think they're going to waste our money and compromise our liberties just because we gave them the power to do so and to make us look like fools.

There is a little nonprofit organization that our political leadership would like to see go away quietly into the dead of night. Fortunately, one

of its cofounders, Bob Babka, is relentless in his pursuit so that the voice of Americans can be heard—loud and clear. Thanks to our newfangled technology, you can tell Congress what you think and where you stand on the issues of the day from the privacy and convenience of your home. DownsizeDC is making a *real* impact, and it's like a pesky fly in the face of Congress. You may have the pleasure in knowing your message is getting through. Collectively, DownsizeDC has already been making our opinions known and, in many instances, actually *heeded*. Visit www.downsizedc.org and www.downsizedc.com. Just five minutes of your valuable time everyday, and *we the people* can make the difference.

To learn more about your liberties, please visit www.theadvocates.org; www.cato.org; www.freedomandprosperity.org; www.isil.org; and www.freedomhouse.org.

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