Seeking Refuge in a Precarious Economy

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We long for financial security through stocks, bonds, commodities, real estate, savings accounts, and precious metals. But pursuing the accumulation of wealth through each of these means does not provide the certain guarantee that God does. Financial investment for most people will be a fruitful endeavor in seasons of prosperity, but most likely not during a national or global crisis. Through the prophet Jeremiah, God communicated that to trust in anything other than Him is like trusting in a leaky water container—it's just not going to turn out well (Jer. 2:13).

In 2010, Former Chairman of the Federal Reserve, Ben Bernanke, warned that monetary policies are on an "unsustainable path." Similarly, former financial consultant for Fortune 100 companies and founder of Dent Research, Harry Dent, believes that the U.S. economy is set for a "shakeout more painful than anything we've seen before"[1] with "the worst stock decline since 1930–1932"[2] and a "fragile U.S. real estate market [that] is now ripe for an even bigger fall."[3] Likewise, bestselling financial author, Robert Wiedemer, has anticipated "50 percent unemployment, a 90 percent stock market drop, and 100 percent annual inflation,"[4] while director of Marc Faber Ltd., Marc Faber, expects "massive wealth destruction."[5] With numerous economists warning of a looming crisis of epic proportions, where should we turn for refuge?

Even those who are generally more optimistic are concerned about the integrity of the U.S. economy. Nearly a decade after entering into the "Great Recession," the national gross domestic product (GDP) is increasing by a meager 2%.[6] This despite continual injections of cash into the system through quantitative easing, suppressed interest rates, and a federal budget deficit of more than half a trillion dollars annually. Moreover, the national debt has climbed to nearly $20 trillion dollars, saddling every U.S. citizen in the nation with more than $61,000 of federal debt, and every taxpayer with a debt of more than $166,000.[7] By the year 2020, it is estimated that interest payments alone on the national debt will reach nearly $1 trillion annually, assuming that these exceptionally low interest rates do not rise.[8] Certainly the U.S. economy is unhealthy. Regardless of whether or not we

[1] Dent, *The Sale of a Lifetime,* 342.
[2] Ibid*,* 169.
[3] Ibid*,* 315.
[4] "Economists Caution: Prepare for 'Massive Wealth Destruction'."
[5] Ibid.
[6] "United States GDP Annual Growth Rate."
[7] U.S. Debt Clock.
[8] Woods, *Rollback*, 6.

stand at the precipice of something as severe as an economic collapse, the economy remains precarious. Where then should we turn for refuge?

Precious Metals

"Most people buy gold as a reaction to the uncertainty around them," according to *Forbes*, and this is because "Gold is a synonym for wealth and money …"[9] The world is brimming with global instability—whether it be Brexit and the potential collapse of the European Union; the Chinese economic bubble; Russian aggression; the threat of ISIS; the financial insolvency of banks in Italy, Greece, and Germany; the risk of bail-ins and negative interest rates; or quantitative easing and the potential for hyper-inflation. Such uncertainty has driven many investors into commodities with intrinsic value, such as the precious metals market.

While precious metals do not appreciate in purchasing power the way that stocks and bonds do, they can provide a safeguard against inflation because the intrinsic value of precious metals allows them to maintain their purchasing power regardless of fluctuations in the economy. The dollar value of gold and silver increases proportionally to the decrease in the dollar's purchasing power. Consequently, economists who foresee an inflationary economy are often bullish regarding gold and silver. It is not uncommon to hear gold enthusiasts, often referred to as "Gold Bugs," predict gold prices of $5,000 and $10,000 an ounce, while others anticipate even higher prices because of the risk of hyper-inflation and a crack boom economy where people dump their currency into tangible assets regardless of price.[10] An example of this occurred in Germany during the Weimar Republic's hyper-inflation between 1919 and 1923 when gold soared from 170 marks per ounce to 87 trillion marks per ounce.[11] Deficit spending and the addition of $4 trillion to the U.S. money supply through quantitative easing by the Federal Reserve in only six years has led some economists to anticipate a tsunami of hyperinflation, and they view precious metals as the only safe haven for preserving the purchasing power of their money.[12, 13]

Gold and silver have a rich history of preserving wealth and of serving as the world's economic standard for determining value. In fact, it was only in 1971 that the last vestiges of the gold standard were abandoned in the United States.[14] As such, some gold enthusiasts have predicted an inevitable return to a gold standard for currency. They argue that such a standard would provide a stable currency value that is protected from debasement.[15] However, the U.S. national debt is nearly $20 trillion,[16] while the current book value of the U.S. Treasury's nearly 261.5 million troy ounces of gold is only about $11 billion.[17] To establish a U.S. gold standard sufficient to cover our national

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[9] Chambers, "Three Reasons to Buy Gold Now."
[10] Rickards, "The Elite's Master Plan for Global Inflation, Part II."
[11] Mikhan, "Does Gold Keep Up In Hyperinflation?"
[12] "The Inflation Tsunami."
[13] Gold, Silver & Economy News, "Jim Rickards – 2017 US Dollar Crash & Economic Collapse – Gold Prices to 10K!"
[14] Woods, *Rollback*, 8.
[15] "Should the United States Return to a Gold Standard?"
[16] U.S. Debt Clock.org.
[17] "Status Report of U.S. Government Gold Reserve."

debt, the price of gold would have to increase to approximately $76,500 an ounce. Clearly any movement toward a gold standard would constitute a windfall for gold investors.

Even without a move toward a gold standard, Gold Bugs believe that gold and silver prices are destined to rise because current prices are being artificially suppressed. While such a claim cannot be verified, in 2015 UBS, HSBC, Morgan Stanley, Barclays, Julius Baer, Mitsui, and Deutsche Bank were investigated for rigging prices in the precious metals market. Attorney General Loretta Lynch said that some of the banks "participated in a brazen display of collusion and ... manipulation."[18] Regardless, today's spot gold prices are $1,208 an ounce, and spot silver prices are $17.07 an ounce.[19] These prices are well below their mark when adjusted for inflation according to the U.S. National Debt Clock which estimates that gold should be selling for $8,925 an ounce, and silver for $980 an ounce.[20]

Other Gold Bugs place their confidence in the limited supply of precious metals amid a time of increasing demand. Of particular interest is silver. Approximately 90% of all silver that has been mined throughout history is now gone, making silver more rare than gold. Only 4/10 of an ounce of investible silver now exists for every ounce of gold.[21] Furthermore, since 2013 global demand for silver has exceeded total supply. In 2015 total new supply was 1,040.6 million ounces while total new demand was 1,170.5 million ounces.[22]

Despite the alluring assurances by some of how gold and silver can protect and even grow one's finances, others warn that precious metals can never live up to their hype. According to ProCon.org, "Opponents argue a gold standard would create economic instability, spur periodic economic deflation and contraction, and hamper government's ability to stimulate the economy and reduce unemployment during recessions and financial crises. They say returning to a gold standard would be extremely difficult given the scarcity of gold and could severely harm the already fragile US economy."[23] The price of gold would have to be artificially inflated to astronomical levels simply to cover the existing federal debt. Furthermore, the price of gold, it is argued, is simply too unstable. Clem Chambers writes in *Forbes*, "Paper currencies are far more stable than gold. For the dollar, euro and yen to move 10% is a huge move and it takes months. Meanwhile gold can do it overnight."[24] Additionally, governments throughout history have discovered methods of overspending and debasing their currencies despite being tied to gold. Clem Chambers writes, "[E]ven in Roman times, IOUs formed the backbone of major finance."[25]

In contrast to the hyper-inflationary concerns of Gold Bugs, former financial consultant for Fortune 100 companies and founder of Dent Research, Harry Dent, forecasts severe deflation. Consequently, he anticipates that gold prices could fall to $700 an ounce as early as mid-2017 and continue to fall to $400 an ounce in the early 2020s.[26] According to Harry Dent, gold is declining

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[18] Petroff, "New Bank Scandal: Swiss Investigate Metals Market Rigging."
[19] "Live Current Prices."
[20] U.S. Debt Clock.org.
[21] "Vanishing Silver: The Return to Record High Silver!"
[22] "World Silver Survey 2016."
[23] "Should the United States Return to a Gold Standard?"
[24] Chambers, "Five Myths About Gold."
[25] Ibid.
[26] Dent, *The Sale of a Lifetime*, 303.

and will not reach a new peak until around 2038.[27] If he is correct, then gold and silver cannot be the refuge that we seek. Unfortunately, there simply is no way to know with any certainty which direction gold and silver are destined to head.

Commodities

Going into 2017, some have high aspirations for the remaining commodities alongside precious metals. After a five-year bear market, commodities experienced a surge in prices on a wide variety of products in 2016.[28] Head of Commodities at Schroder, Geoff Blanning, wrote in May of 2016, "The biggest price gains, in percentage terms, occur at the beginning of a bull market. And the best (lowest risk) time to buy anything is when the consensus expectation is turning from bearish to bullish, as is happening now in commodities. Now is the time for investors to focus on this unloved asset class."[29]

At the turn of the millennium, commodities entered into a decade-long bubble. Many factors encouraged this bubble, including such things as terrorism, war in the Middle East, near-zero interest rates, and quantitative easing.[30] Perhaps the most significant factor was China's rapid development with an average annual GDP growth rate between the years 2000 and 2010 of 10.3%.[31] This produced a high demand for commodities which drove up prices and led to an overproduction. However, these prices began falling in 2011 as China's GDP began tapering off, thus reducing demand in an overproduced market. China's 2016 GDP is estimated at 6.6%.[32]

On *Future Money Trends*, founder of Dent Research, Harry Dent, warned:[33]

> Businesses around the world, not just us, over-expanded in a boom that looked like it would go on forever and was highly leveraged by debt growing at 2.6 times GDP in the United States alone. And now demand globally is going down. I mean, the biggest joke in the world is that China says they're growing at 7%. This is not the case. There's no way iron ore would be down 80%—oil and coal down 70%—if China was growing at 7% because they're the largest consumer of commodities—both their consumers and their industrial machine. China is probably growing at 3–4%. China has over-built everything—condos, houses, roads, infrastructures, industrial capacity—10, 12 years out. They moved ... 500 million people in the last 25 years to cities, and half of that in the last 12 years. They've got 220 unregistered citizens with no skills in cities. And now that their produce-something-for-nothing economy—I mean, they're building something for nobody—is

[27] Ibid, 304.
[28] Blanning, "Commodities: The Bear Market Is Over."
[29] Ibid.
[30] Colombo, "The Commodities Bubble."
[31] "China GDP – Real Growth Rate."
[32] Central Intelligence Agency, *The World Factbook: China.*
[33] Roy Reed, "Harry Dent Everything To Go Down Stocks, Commodities, Real Estate and Economic Collapse."

starting to collapse. This is going to be a huge problem. So we've over-expanded—too much supply, and now global demand is going to go down, led by China, also generated by falling demographic trends in the whole developing world. And China's collapse kills emerging countries where there are good demographics, and so you have this commodity collapse. And it's going to continue.

However, an extended period of commodities trading below their marginal cost of production has caused producers worldwide to reduce their output and to cut investment in future projects.[34] Portfolio manager at Cohen and Steers believes that this has slowly rebalanced the market, saying, "We believe that this is part of a fundamental recovery and estimate most commodities are likely to achieve supply-and-demand equilibrium by the end of 2017."[35]

Moreover, the election of Donald Trump has encouraged commodity investors. Demand for industrial metals is expected to rise because of Trump's plan for infrastructure improvements. In fact, copper prices rose 11% in the week of Donald Trump's election.[36] And those who are concerned that Trump's policies will lead to inflation are seeking refuge in commodities. As Geoff Blanning says, "The primary reason for investing in commodities should always be as an inflation hedge. Given the continued printing of money by the world's central banks, there is every reason to argue that higher inflation is coming in the future."[37]

Certainly, there are many factors which have affected the commodities market, and these vary according to product. In general, the commodities market has been extremely volatile for many years now. Perhaps the most extreme example is the price of oil. In his book *The Sale of a Lifetime,* Harry Dent notes, "There is no more bubble-prone sector than commodities. Oil went from $18 in late 2001 to $147 in mid-2008. That's an increase of 716%. Then it came tumbling down, losing 78% in just 4.5 months."[38] The overproduction of oil combined with a decreasing demand has led Harry Dent to project that oil prices will soon fall to between $10 and $20 a barrel.[39] Certainly a highly volatile and bubble-prone sector of the economy does not offer the refuge that we seek.

Stocks

The Dow hit a new high of 19,000 in the wake of Donald Trump's election, and the S&P 500 and Nasdaq are also at record highs.[40] Stocks like Caterpillar and U.S. Steel have surged in anticipation of Trump's plan to rebuild America's infrastructure. Pharmaceutical stocks, such as Merck and

[34] Saefong, "The Big Winners in Commodities – and Why the Rally Will Run Into 2017."
[35] Ibid.
[36] Saefong, "Future for Gold, Oil and Industrial Commodities Under President-Elect Trump."
[37] Blanning, "Commodities: The Bear Market Is Over."
[38] Dent, *The Sale of a Lifetime*, 89.
[39] Ibid, 305.
[40] La Monica, "Stunning! Dow Hits New High of 19,000 as Trump Rally Continues."

Pfizer, have risen in the hope that a Trump administration will not focus as much attention on controlling the price of medications as a Clinton administration. Even bank stocks, such as JP Morgan Chase and Goldman Sachs have risen with the belief that Trump will be more lenient to financial firms, possibly even revoking the Dodd-Frank Act.[41] Nevertheless, the stock market has a long history of being highly capricious. Furthermore, the stock market does not appear to accurately reflect America's weakest economic recovery since 1949.[42] In fact, president and chief investment strategist of Yardeni Research, Ed Yardeni, has declared to CNBC, "These markets are all rigged, and I don't say that critically. I just say that factually."[43]

Lu Wang and Jennifer Kaplan write for *Bloomberg*:[44]

> "If you sold every share of every company in the U.S. and used the money to buy up all the factories, machines and inventory, you'd have some cash left over. That, in a nutshell, is the math behind a bear case on equities that says prices have outrun reality.
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> The concept is embodied in a measure known as the Q ratio developed by James Tobin, a Nobel Prize-winning economist at Yale University who died in 2002. According to Tobin's Q, equities in the U.S. are valued about 10 percent above the cost of replacing their underlying assets – higher than any time other than the Internet bubble and the 1929 peak.

Founder and chairman of Smithers & Co., Andrew Smithers, warns that U.S. stocks are about 80% overvalued.[45] Director of Marc Faber Ltd., Marc Faber, announced to CNBC that "We're all on the Titanic."[46] Financial investment author who correctly predicted the collapse of 1999 and 2007, Dale Davidson, has cautioned, "There are three key economic indicators screaming SELL. They don't imply that a 50% collapse is looming – it's already at our doorstep."[47] And co-founder of the Quantum Fund with George Soros and creator of the Rogers International Commodities Index, Jim Rogers, has warned, "A $68 trillion 'Biblical' collapse is poised to wipe out millions of Americans."[48] In fact, Carl Icahn and George Soros have gone so far as to actively short the stock market.[49, 50]

Yet it is not only the U.S. stock market that is overpriced. In 2016 the Bank of Japan (BOJ) doubled its exchange traded funds (ETF) purchases in the Japanese Nikkei, setting the BOJ on a path to

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41 Ibid.
42 Morath, "Seven Year Later, Recovery Remains the Weakest of the Post-World War II Era."
43 Crudele, "Stock Market Rigging Is No Longer a 'Conspiracy Theory'."
44 Wang, "Nobel Winner's Math Is Showing S&P 500 Unhinged From Reality."
45 Ibid.
46 Schaffer, "Marc Faber: Investors are On the Titanic but There's Still a Few Days to Travel."
47 Yastine, "80% Stock Market Crash to Strike in 2017, Economist Warns."
48 Berwick, "First Soros... Now Jim Rogers Predicts Trillion-Dollar 'Biblical' Crash."
49 Matthews, "Carl Icahn Is Betting Big On a Stock Market Crash."
50 Berwick, "First Soros... Now Jim Rogers Predicts Trillion-Dollar 'Biblical' Crash."

become the top shareholder in 55 companies by the end of 2017.[51] Already, the Bank of Japan owns 55% of Japanese ETFs and is a top shareholder in at least 200 of the 225 companies within the Nikkei.[52] Sean Ross reports, "Through these policies, the BOJ risks creating a very big asset bubble. Market analysts would say the Nikkei is detached from the fundamentals, much like the American technology sector in the late 1990s or the Japanese real estate market in the late 1980s."[53]

Also, in 2015 China's stock market bubble popped, resulting in 1/3 of the value of A-shares on the Shanghai Stock Exchange being lost within a month. By mid-July, the Shanghai stock market had fallen 30% over three weeks. Despite government efforts to stabilize the market, stock prices continued to fall. On August 24, 2015, the Shanghai index fell another 8.48%. Nevertheless, by 2017 the Shanghai Composite Index had stabilized around 3,000 points, which is 50% more than before the bubble.[54]

Clearly, the stock market remains a high-risk investment. Overpriced stocks and artificially manipulated markets, give rise to the threat of a sudden and severe market correction. As such, the stock market cannot be the refuge that we seek.

Bonds

Founder of Dent Research and former financial consultant, Harry Dent, notes that young people tend to produce an inflationary economy while older people tend to produce a deflationary economy.[55] As America's Baby Boomer generation begins to retire, the country's demographics increasingly shift toward an older population with a decreasing workforce. In his book *The Sale of a Lifetime*, Dent writes, "Workforce growth went from a high of 4% in the late 1970s to 3% in the late 1980s to 2% in the late 1990s. It currently stands at around 1% and will be 0% by 2020–2023 … despite massive stimulus."[56]

In a deflationary economy, high-quality, long-term government bonds can be an attractive investment to not only protect one's money, but even to grow it. This was evidenced in America's deflationary period known as the Great Depression. According to Harry Dent, "Total returns, with interest, on government bonds were 78% from 1930 to 1941. Thanks to their higher yields, returns on AAA corporate bonds were even better, at 118% for that same period."[57] Nevertheless, ultra-low interest rates and quantitative easing have inflated the bond market into a bubble[58] exhibiting the three elements of a classic asset bubble: Massive oversupply, an unsustainably high price level, and over-ownership of the asset.[59]

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[51] Durden, "The Bank of Japan Will Be the Top Shareholder of 55 Companies by the End of 2017."
[52] Ross, "How the Bank of Japan Now Owns 90% of the Top 10 Stocks (BOJ)."
[53] Ibid.
[54] "2015–16 Chinese Stock Market Turbulence."
[55] Dent, *The Sale of a Lifetime*, 118.
[56] Ibid, 118.
[57] Ibid, 291.
[58] Ibid, 298.
[59] Pento, *The Coming Bond Market Collapse*, 32.

No good things lasts forever, and the U.S. bond market has experienced a 35 year bull market.[60] It is poised for a downturn, but this downturn threatens to cause the entire collapse of the U.S. Dollar.[61] Already the U.S. Treasury Borrowing Advisory Committee has unanimously agreed that the U.S. Treasury should begin permitting negative interest rates for their T-bills.[62] Founder of Pento Portfolio Strategies, Michael Pento, writes in his book *The Coming Bond Market Collapse*, "The mania behind the U.S. debt market has reached such incredible proportions that investors are now willing to lend money to the government at a loss—right from the start of their investment. This is a clear signal that the bond market can't get any more overcrowded, over owned or overpriced."[63] But how long will investors accept low to negative interest rates on their bond investments? Unfortunately, the United States cannot afford for bond interest rates to rise to normal levels as this would automatically render the United States insolvent.[64] Thus, the bond market appears to have fallen into a catch-22.

In 2012 former Federal Deposit Insurance Corporation (FDIC) Chairperson, Sheila Bair, categorized the bond market as a bubble and ominously warned, "The thing with bubbles, everyone calls them too soon—we are in the mother of all bond bubbles—let's face it, it's just a matter of time."[65] Once foreign investors lose confidence in the U.S. bond market, they may trigger a panic. Michael Pento writes, "The sell-off may compel the Fed to purchase nearly every bond issued in an effort to keep yields down; but this will trigger a negative feedback loop. The economy will tank, tax receipts will plummet, debt to GDP ratio will soar and inflation will sky rocket—putting further pressure on yields—we will be entrenched in an inflationary death spiral."[66] Similarly, analysts such as founder of GoldSilver.com, Mike Maloney, fear that when the bond market begins to collapse, the government will counter the deflationary trends of such a collapse by printing massive quantities of money until the deflation gives way to inflation, or even hyperinflation.[67] Clearly the bond market is not the refuge that we seek.

Banks

Banks were once the icon of financial security, but this changed in 2008 when they threatened to usher in an economic apocalypse due to their poor trading habits. Too much borrowing, foolish investments, misguided regulation, and a lack of transparency created a perfect storm that was only quelled by a massive taxpayer bailout known as the Emergency Economic Stabilization Act of 2008.[68] Nevertheless, Steve Denning notes in *Forbes*, "Banks today are bigger and more opaque than ever,

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[60] Greg Hunter, "Mike Maloney-Bond Bubble Bust Will Be Devastating."
[61] Ibid.
[62] Pento, *The Coming Bond Market Collapse*, 164.
[63] Ibid, 164.
[64] Ibid, 165.
[65] Ibid, 166.
[66] Ibid, 166–167.
[67] Greg Hunter, "Mike Maloney-Bond Bubble Bust Will Be Devastating."
[68] Partnoy, "What's Inside America's Banks?"

and they continue to trade in derivatives in many of the same ways they did before the crash, but on a larger scale and with precisely the same unknown risks."[69]

In the wake of the 2008 financial crisis, new regulation was passed in the form of the Dodd-Frank Act. Buried in this longest and most complicated bill ever passed by the U.S. legislature is language that defines depositors as unsecured creditors.[70, 71] Any money deposited is considered to be a loan to the bank by an unsecured creditor. As such, all deposited money becomes the legal property of the bank to do with it as it pleases. According to Cottenham LC in *Foley v. Hill*, "The money placed in the custody of a banker is, to all intents and purposes, the money of the banker, to do with it as he pleases ... he is not answerable to the principle [depositor] if he puts it into jeopardy, if he engages in a hazardous speculation."[72]

Furthermore, a 2005 revision to the U.S. bankruptcy laws placed holders of derivatives in a senior position to bank depositors. Because of this, if a bank becomes insolvent, derivatives holders are first in line ahead of depositors to collect on the bank's assets.[73] Because deposits are considered debt obligations of the bank, if a bank defaults on its debts, then once its assets are exhausted by the lenders who are first in line (derivatives holders), it is not required to pay back the money that it owes to its depositors.[74]

In 2012 a joint resolution of the FDIC and the Bank of England titled *Resolving Globally Active, Systematically Important, Financial Institutions* permitted insolvent banks to take depositor's funds and convert them into bank stock.[75] This was accomplished in 2013 when, in Greece, the Bank of Cyprus performed what has come to be known as a bail-in. Without consent, the Bank of Cyprus converted 40% of the money in its depositors' accounts in excess of 100,000 Euros into bank stock.[76] In other words, without consent, 40% of all deposited money in excess of 100,000 Euros was removed from the accounts and used to purchase stock on the depositors' behalf in an insolvent bank. Former senior bank credit officer and financial investment author, John Wolfe, warns, "A senior regulator with the ECB [European Central Bank] issued a statement at the time that bail-ins would be the template used in future bank failures."[77]

The plan to bail-in insolvent banks originated in the Financial Stability Board which operates out of the Bank for International Settlements.[78] In 2014 the G-20 confirmed the Financial Stability Board's regulations permitting banks to confiscate its depositors' funds and convert them into bank stock.[79] Ellen Brown reports in the *Huffington Post*:[80]

[69] Denning, "Big Banks and Derivatives: Why Another Financial Crisis Is Inevitable."
[70] Brown, "A Crisis Worse than ISIS? Bail-Ins Begin."
[71] Wolfe, *The Coming Financial Crisis*, 181.
[72] Singh, *Banking Regulation of UK and US Financial Markets*, 83.
[73] Wolfe, *The Coming Financial Crisis*, 180.
[74] Brown, "A Crisis Worse than ISIS? Bail-Ins Begin."
[75] "Resolving Globally Active, Systematically Important, Financial Institutions," ii.
[76] Wolfe, *The Coming Financial Crisis*, 156.
[77] Ibid, 181.
[78] Ibid, 159–160.
[79] Ibid, 182.
[80] Brown, "It Can Happen Here: The Confiscation Scheme Planned for US and UK Depositors."

> Few depositors realize that legally, the bank owns the depositor's funds as soon as they are put in the bank. Our money becomes the bank's, and we become unsecured creditors holding IOUs. But until now, the bank has been obligated to pay the money back as cash on demand. Under the FDIC-BOE plan, our IOUs will be converted into "bank equity." The bank will get the money and we will get stock in the bank. ... No exception is indicated for "insured deposits" in the U.S., meaning those under $250,000, the deposits we thought were protected by FDIC insurance. ... If our IOUs are converted to bank stock, they will no longer be subject to insurance protection but will be "at risk" and vulnerable to being wiped out, just as the Lehman Brothers shareholders were in 2008.

This is particularly concerning given that banks are over-leveraged in the derivatives market. Founder of Gold Eagle I. M. Vronsky writes, "Today six major US banks are betting 24 TIMES MORE MONEY THAN THEY HAVE (i.e. $237 Trillion in Total Derivatives vs only $10 Trillion in Total Assets)."[81] To put this into perspective, the global GDP in 2015 is only estimated at less than $74 trillion.[82] With such astronomical debt, these six U.S. banks could collapse if there were a relatively small derivatives investment loss of 4%.[83] Clearly banks cannot be the refuge that we seek.

Real Estate

Property prices fell 36%, when adjusted for inflation, between the U.S. real estate peak in 2006 and the year 2012.[84] Since then, real estate prices have been steadily rising and are once more near their pre-recession highs. Low mortgage rates helped to make 2016 a great year for real estate investors, with home values, prices, and sales showing some of their strongest numbers since the economic downturn.[85] This has made real estate an attractive opportunity for investors. However, mortgage rates are rising, and shortly after Donald Trump's inauguration, the Department of Housing and Urban Development suspended the Obama administration's planned reduction of mortgage insurance premium rates.[86]

Despite the rise in home prices, home ownership rates remain the lowest in 20 years, and the average age of homeowners is 10 years higher than in 1994.[87] However, this has encouraged many investors who believe that a wave of Millennials are poised to purchase homes.[88] Some experts are even

[81] Vronsky, "Derivatives Crisis of Banks...Worldwide."
[82] "Gross Domestic Product 2015."
[83] Vronsky, "Derivatives Crisis of Banks...Worldwide."
[84] Dent, *The Sale of a Lifetime*, 86.
[85] Martin, "Housing Market Forecast: Experts Weigh In On 2017 Real Estate."
[86] Chamberlain, "In First Executive Order, Trump Tells Agencies to Ease Obamacare Burden."
[87] Fry, "In a Recovering Market, Homeownership Rates are Down Sharply for Blacks, Young Adults."
[88] Collins, "US Housing Market Forecast is Looking Good 2017 to 2020 and Beyond."

predicting 6 to 6.5 million home sales in 2017 along with 160,000 new homes being built each year up to 2024.[89]

In contrast, Bank of America Corporation analyst, Chris Flanagan, predicted in 2015 that U.S. home prices would experience three consecutive years of modest decline beginning in 2017. He wrote, "We do not see income growing fast enough to keep up with the past few years of rapid increases in home prices"[90] Likewise, real estate analyst, Mark Hanson, notes that housing prices are the same to 20% higher than they were during the 2006 real estate bubble, but median incomes are down 5% to 10%. He believes the housing market is being propped up by unorthodox capital at a time when average families are not buying because of high prices. Believing that U.S. housing prices are inflated 25% to 60% higher than the market can support, Hanson anticipates a sudden resetting of market prices to 20% or 40% lower than they are today.[91]

Likewise, founder of Dent Research and former financial consultant, Harry Dent, believes a massive real estate market correction is imminent. He writes:[92]

> "
> [T]he best way to gauge your downside risk is to look up the value of your property in January 2000. ... When the bubble bursts, this is the point to which your property is likely to fall—or perhaps even 10% to 20% lower. ... As a rule, bubbles always retreat from their peaks to where they began, or even a bit lower ... To just erase the bubble that started in January 2000, home prices would have to fall 56% from their top in early 2006. That's 49% from the recent highs in early 2016.
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> If home prices fall back to their previous lows of 1996, that would mean a 67% decline from the top and 59% from recent highs. ... And commercial real estate will fall even more, just like it did last time around.

However, the United States is not the only real estate market exhibiting warning signs. The *Telegraph* reports, "Property prices have climbed to dangerous levels in several advanced economies, raising the risk of massive price falls if markets overheat, according to the Organisation for Economic Co-operation and Development (OECD)."[93] Countries around the world, such as Canada and Sweden, have commercial and residential prices that are "not consistent with a stable real estate market."[94] Real estate in Mumbai, India has experienced a 500% appreciation since the year 2000, and prices in Shanghai, China have surged 587% over the same time period.[95] In fact, the real estate bubble in

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[89] Ibid.
[90] Shenn, "Bank of America: U.S. Home Prices Set for a Fall in 2017."
[91] Jennings, "Is America Facing Another Real Estate Bubble?"
[92] Dent, *The Sale of a Lifetime,* 316–317.
[93] Chan, "Fears of a 'Massive' Global Property Price Fall Amid 'Dangerous' Conditions and Market Slow-Down."
[94] Ibid.
[95] Dent, *The Sale of a Lifetime*, 326.

China is the largest of any major country in modern history,[96] boasting the most overvalued prices in the world.[97] Real estate prices compared to personal income are 37 times higher in Hong Kong, 33 times higher in Beijing, 27 times higher in Shanghai, and 25 times higher in Guangzhou.[98]

China's real estate bubble is driven by the over-investment of a government promoting urbanization and high savings rates by the Chinese people who love real estate and tend to shun stocks and bonds.[99] China has built entire cities that are uninhabited, and as much as 24% of condos and houses in Chinese cities remain vacant.[100] In fact, 53% of home purchases have been for investment purposes in a country where home ownership is nearly 90%.[101] Not only has China over-produced commercial and residential buildings, but China's demographic trends have peaked.[102] An aging population and a declining workforce is not likely to provide the demand needed to meet China's real estate supply. Foreseeing an inevitable bursting of the bubble, over half of China's millionaires are considering emigrating to protect their wealth.[103] Given the inflation of global real estate markets and the potential of catastrophic losses in a market correction, real estate cannot be the refuge that we seek.

The Answer

With precious metals, commodities, stocks, bonds, banks, and real estate all emitting warning signals, even such investments as 401Ks and pension plans offer no refuge. Where then is one to turn? There remains no traditional economic safe-haven. As such, the answer must be beyond our traditional economic worldview.

Rarely will a financial advisor direct someone to the Bible, and yet the Bible is replete with financial advice. However, this advice often runs contrary to worldly wisdom:

1. God is the source of our wealth

   We deceive ourselves when we view our jobs, our pensions and 401Ks, and our investment portfolios as the source of our wealth. Deuteronomy 8:18 says, *"God gives you the power to gain wealth …".* Also, Philippians 4:19 says, *"God will supply all your needs according to His riches in glory in Christ Jesus."* For many of us, our jobs, our pensions and 401Ks, and our investment portfolios are merely the means that God chooses to use for supplying our needs, but it is ultimately He who provides us with a place of employment, the skills necessary to accomplish our work, and wisdom for managing our money. Certainly, there is a cooperative element in this as God rarely imposes His will upon us—choosing instead to counsel, motivate, and exhort us to follow a particular path and to take advantage of opportunities—

[96] Ibid, 234.
[97] Ibid, 239–240.
[98] Ibid, 237.
[99] Ibid, 234.
[100] Ibid, 240.
[101] Ibid, 248.
[102] Ibid, 240.
[103] Ibid, 239.

but apart from God we are powerless to accomplish anything of significance. The prophet Jeremiah declared, *"I know, LORD, that a man's way of life is not his own; no one who walks determines his own steps"* (Jer. 10:23). Likewise, Philippians 2:13 says, *"For it is God who is working in you, enabling you both to desire and to work out His good purpose."*

We may be bread winners for our families, but it is God who gives us the power to earn this bread. Realizing this, we do not need to fear the prospect of our company going bankrupt, our job being out-sourced, of being fired for remaining obedient to God, or of losing our pension or 401K plans because our salary is not the true source of our wealth. As our ultimate provider, it always remains God's prerogative to change the means that He uses to supply our needs. If we are faithful to God, then God will be faithful to us. Second Chronicles 16:9 says, *"For the eyes of Yahweh roam throughout the earth to show Himself strong for those whose hearts are completely His."* And Proverbs 28:20 assures us that, *"A faithful man will have many blessings …".*

When we place our confidence in He who declares, *"[T]he world and everything in it is Mine,"* then we need never fear the collapse of economic institutions (Psa. 50:12). After all, it could be that God is simply calling in His loan. Romans 11:36 declares that nothing belongs to us; everything that we have is on loan from God, *"For from Him and through Him and to Him are all things."* Why should God continue to loan His resources to those who oppress the poor, gather power to themselves, and worship profit margins? Perhaps the economic calamity that threatens our nation is simply God's means of reminding our nation of its true source of wealth. Those who have already placed their trust in the Lord may be affected by this calamity, but they will not be left destitute. Jesus comforts us in Luke 12:6–7, saying, *"Aren't five sparrows sold for two pennies? Yet not one of them is forgotten in God's sight. Indeed, the hairs of your head are all counted. Don't be afraid; you are worth more than many sparrows!"*

2. Invest in the heavenly kingdom

Like squirrels, we stock away our wealth in investment funds, hoping for the day when the miracle of compound interest and savvy financial management will finance our sunset years. While there is wisdom in this, many Americans have gone a step too far. Their focus is entirely on fulfilling personal goals and desires. Chances are that many of the items on their bucket list would be absent from God's bucket list for their lives.

Imagine for a moment what God's bucket list for our lives might include. Most likely, a Florida winter home, a boat, luxury cars, and world tours would not make the list. Certainly, these were not on Jesus' personal bucket list when He was setting an example for us to model our lives after. Instead, Jesus willingly forsook many earthly pleasures in order to reach a maximum number of people with God's truth. Matthew 8:19–20 recounts, *"A scribe approached Him and said, 'Teacher, I will follow You wherever You go!' Jesus told him, 'Foxes have dens and birds of the sky have nests, but the Son of Man has no place to lay His head.'"*

Jesus' focus was on people and on those things which were eternal in nature. He taught in Matthew 6:19–20, *"Don't collect for yourselves treasures on earth, where moth and rust*

destroy and where thieves break in and steal. But collect for yourselves treasures in heaven, where neither moth nor rust destroys, and where thieves don't break in and steal." Jesus had a kingdom perspective. He recognized the fleeting nature of earthly wealth, and He challenged us to use it to invest into God's heavenly kingdom which is eternal. In Luke 12:33, Jesus urged, *"Sell your possessions and give to the poor. Make money-bags for yourselves that won't grow old, an inexhaustible treasure in heaven, where no thief comes near and no moth destroys."* Likewise, Matthew 13:44–46 says, *"'The kingdom of heaven is like treasure, buried in a field, that a man found and reburied. Then in his joy he goes and sells everything he has and buys that field. Again, the kingdom of heaven is like a merchant in search of fine pearls. When he found one priceless pearl, he went and sold everything he had, and bought it.'"*

Missionary and martyr, Jim Elliot, once said, "He is no fool who gives what he cannot keep to gain what he cannot lose."[104] Our chief investment should be in God's heavenly kingdom—even if it requires all that we have. It should be our foremost retirement plan. After all, there can be no greater return on investment than to be a pauper in the eyes of the world for a fleeting moment in order to secure the office of ruler in eternity. Jesus promises in Revelation 2:26–27, *"The one who is victorious and keeps My works to the end: I will give him authority over the nations—and he will shepherd them with an iron scepter; he will shatter them like pottery—just as I have received this from My Father"* (emphasis removed).

Financial investment funds can be precarious. Many people lost half their wealth in the financial crisis of 2008. Our hope cannot rest in such funds. Instead, we must place our hope in the secure and eternal promises of the kingdom of God. Whether we leave this world and enter the kingdom as a pauper or a king should matter little if we have steadily invested into this eternal future. Such a perspective can provide great comfort and security in an unstable economy.

3. Share your wealth

Jesus set the standard for giving when He relinquished all that He had so that we might become spiritually rich. The Apostle Paul reminds us of this in 2 Corinthians 8:9, *"Though [Jesus] was rich, for your sake He became poor, so that by His poverty you might become rich."* Likewise, we should be willing to share our wealth with those in need.

God has a heart for those in need. In the Old Testament, God commanded farmers to leave some of their crops in the field for the poor and the strangers in the land to glean (Lev. 19:9–10). In Isaiah 58:6–7 and 9–10, He told the Israelites:

> *"*
>
> *Isn't the fast I choose … to share your bread with the hungry, to bring the poor and homeless into your house, to clothe the naked when you see him, and not to ignore your own flesh and blood? … At that time, when you call, the LORD will*

[104] "Jim Elliot Quotes."

> *answer; when you cry out, He will say, “Here I am.” If you get rid of the yoke among you, the finger-pointing and malicious speaking, and if you offer yourself to the hungry, and satisfy the afflicted one, then your light will shine in the darkness, and your night will be like noonday.*

Similarly, John the Baptist commanded the people, *“The one who has two shirts must share with someone who has none, and the one who has food must do the same”* (Luke 3:11). And John questions in 1 John 3:17, *“If anyone has this world's goods and sees his brother in need but closes his eyes to his need—how can God’s love reside in him?”*

Given the heart of God, it should not be surprising to discover that one of the gifts of the Holy Spirit given to the church is a spirit of generosity that seeks to contribute to the needs of others (Rom. 12:6–8). But Jesus cautions that when we give, it should not be to further our own reputation:

> “
>
> *Be careful not to practice your righteousness in front of people, to be seen by them. Otherwise, you will have no reward from your Father in heaven. So whenever you give to the poor, don't sound a trumpet before you, as the hypocrites do in the synagogues and on the streets, to be applauded by people. I assure you: They've got their reward! But when you give to the poor, don’t let your left hand know what your right hand is doing, so that your giving may be in secret. And your Father who sees in secret will reward you.*

Generous giving among Christians is one of God’s favorite means of supplying the needs of His people. When raising money for the needs of those in the church at Jerusalem, the Apostle Paul wrote to the Corinthians, *“It is not that there may be relief for others and hardship for you, but it is a question of equality—at the present time your surplus is available for their need, so their abundance may also become available for our need, so there may be equality. As it has been written: The person who gathered much did not have too much, and the person who gathered little did not have too little”* (emphasis removed). God’s heart is for His people to continually seek to help one another financially. In doing so, the needs of His people will be met by one another. Therefore, investing in the needs of others is a kind of heavenly insurance policy.

This is not to say that God’s people will always be comfortable. In fact, the Apostle Paul noted in 2 Corinthians 8:2–4 how the Macedonian churches gave even beyond their means, *“During a severe testing by affliction, their abundance of joy and their deep poverty overflowed into the wealth of their generosity. I testify that, on their own, according to their ability and beyond their ability, they begged us insistently for the privilege of sharing in the ministry to the saints …”*. By all reasonable metrics, the Christians in Macedonia had nothing to give. Some might even conclude that they were themselves in need of assistance, and yet

they pleaded for the opportunity to give toward the need of their fellow Christians in Jerusalem. This is because they gave themselves first unto the Lord to accomplish His will (2 Cor. 8:5). They considered themselves to be mere stewards of God's money which is to be invested into His kingdom.

Why should God grant us as stewards more money when we are not yet investing what He has already given us into furthering His kingdom? When we give generously to others, we provide God with incentive to entrust us with further wealth. This is not a means of tricking God into increasing our standard of living. Instead, it is merely a means of increasing our ability to share with others. Perhaps this is one of the meanings behind Jesus' words in Luke 6:38, *"'Give, and it will be given to you; a good measure—pressed down, shaken together, and running over—will be poured into your lap. For with the measure you use, it will be measured back to you.'"*

Strange as it may seem, God encourages us to give generously as a kind of heavenly insurance policy. When we seek to meet the needs of others, we join a network of people who will in turn seek to meet our needs in times of trouble. As Proverbs 28:27 says, *"The one who gives to the poor will not be in need, but one who turns his eyes away will receive many curses."*

Before we succumb to the false notion that God is opposed to saving and growing money, let us consider Proverbs 21:20, *"The wise store up choice food and olive oil, but fools gulp theirs down"* (NIV). God does not expect us to give away every extra dollar that we earn. We are to exercise wisdom in our giving as God cautions against recklessly spending all that we make.

Additionally, the Bible does teach some traditional economic wisdom:

1. Avoid impulse buying, emotional or reactionary investing, and risky investments

   Proverbs 21:5 says, *"The plans of the diligent certainly lead to profit, but anyone who is reckless certainly becomes poor."* Our spending and our investments should be made with careful thought and attention.

2. Avoid easy money and get-rich-quick schemes

   Proverbs 13:11 says, *"Wealth gained hastily will dwindle, but whoever gathers little by little will increase it"* (ESV). Low interest loans, 0% financing, and money windfalls such as the lottery encourage people to spend money on things they might otherwise avoid. The more we work for our wealth, the more valuable it becomes to us. As such, we tend to be less willing to part with it for non-essential and risky investments and purchases. Ultimately, we are better off slowly and consistently saving money than we are by trying to short-cut the system.

3. Diversify your savings

   Ecclesiastes 11:2 says, *"Invest in seven ventures, yes, in eight; you do not know what disaster may come upon the land"* (NIV). Financial investment is risky business. It is wise to be invested such that when one financial investment is down, another is up.

4. Pay your debts

   Romans 13:8 says, *"Do not owe anyone anything, except to love one another …".* Strive to not enter into debt. For those who are already in debt, pay off the debt quickly. Do not merely make the minimum payments.

5. Don't focus on becoming rich

   Proverbs 23:4 says, *"Do not wear yourself out to get rich …".* There is more to life than making money.

Conclusion

While God does teach some traditional economic wisdom, God does not supply His people with wealth in order for them to horde it and ultimately spend it on themselves. Furthermore, God does not place a premium on personal comfort. Instead, God promises to meet our needs—not necessarily our desires—if we will faithfully invest into His kingdom. While this does not provide the kind of refuge that is certain to preserve our standard of living, this does provide a most secure sanctuary in times of extreme trials. In fact, Psalm 46 speaks of God as a safe haven when the entire world sinks into chaos at the end of this age, *"God is our refuge and strength, a helper who is always found in times of trouble. Therefore we will not be afraid, though the earth trembles and the mountains topple into the depths of the seas, though its waters roar and foam and the mountains quake with its turmoil. … Nations rage, kingdoms topple; the earth melts when He lifts His voice. The LORD of Hosts is with us; the God of Jacob is our stronghold"* (Psalm 46:1–3 and 6–7).

Even as the earth trembles, kingdoms fall, and the nations rage in battle, God stands fast as an ever-present hope and refuge in times of trouble. Regardless of what our future may entail, God can be trusted. Precious metals, commodities, bonds, stocks, banks, and real estate may fail us, but God will never fail us. Therefore, in the midst of a precarious economy that threatens massive market swings, wealth destruction, and even the collapse of the U.S. dollar, we are driven to God as our sole place of refuge.

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