Exclusive Insight for Money Map Subscribers Only

Money Map Dispatch

From Mike Ward, Publisher

June 28, 2014

WELCOME BACK, DEBT NATION

It was in the first volume of Spanish-American writer George Santayana's *The Life of Reason* that he wrote one of the most paraphrased and re-quoted statements in today's world.

"Those who cannot remember the past are condemned to repeat it."

Many have paraphrased his quote over the years, typically citing the course of human history to remind others that mistakes of the past will haunt the self-proclaimed prodigies of the present.

We don't need to revisit Roman History or plights of the Dark Ages to detect the source of economic calamity that has wracked our nation for the better part of six years.

One of the primary catalysts of our economic malaise was the surge in subprime lending to individuals who did not have the necessary means to afford the expensive car or house with the extra three bedrooms.

Yes, banks overleveraged, slicing and dicing mortgages into exotic instruments that few understand, but at the end of the day, the banks began the entire process by offering cheap capital to people who either couldn't afford new luxuries or they lacked the financial discipline to prioritize payments to these purchases.

Now... all I have to say is: *Here we go again...*

Subprime is back, and in a big, big way.

No matter where you looked this week, you couldn't avoid the wicked glee spreading from Washington to Wall Street.

On Tuesday, *The Wall Street Journal* reported that credit cards issued to subprime borrowers increased in the first quarter of 2014 by 39%. The newspaper chronicles the stories of multiple borrowers who expressed "shock" that they were given so much credit, some as much as $15,000, despite having their credit scores plummet after the last financial crisis.

On Thursday, *Yahoo! Finance* dismissed the notion that subprime auto loans could become a crisis. Not only does their report brush aside the fact that subprime lending is propping up the automotive sector five years after the crash, but they seemed unconcerned that auto defaults are costing banks more than ever. Citing Experian data, Yahoo notes that the average auto loan default rose to $8,500 in the first quarter of 2014, compared to $7,400 in 2013.

And we can't forget the housing market.

On Thursday, the Obama administration announced plans to use taxpayer money to increase construction in "affordable rental housing" and reboot a program that will help Americans avoid foreclosure. Now, we don't want Americans kicked out of their homes and into the streets, but it's unclear how propping up the construction industry again and giving them a blank check is going to ensure good, affordable housing.

We're just throwing water right back into the ship.

Plus, for anyone who has ever lived near Detroit, we all know what government-planned "affordable housing," looks like. Thirty years after the government began meddling in the housing markets, many public projects now stand gutted, dismal monuments to the fractured, pathetic eventuality of centralized planning.

I'm not going to spend time ranting about the metrics of subprime meddling.

You know and I know what happened last time...

You know and I know that the banks are looking to make a quick buck and that Americans will gladly accept credit without having a lawyer examine the contracts...

You know and I know that there for every action, a reaction follows...

Wall Street and Washington brim to their borders with optimistic Yes Men, whose jobs consist of cheerleading recycled, failed ideas and assuring us all that, "This time will be different..."

I'm sure George Santayana's ghost is bristling with self-assurance as he hums, "Welcome back, Debt Nation."