

How You Got **SCREWED**

A guide to a rigged system



The Crimson Avenger

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Introduction

When I was younger, maybe 10 or 11, I remember playing a game of Monopoly with a friend. I was doing well, but I was still losing – and that’s when I realized that my friend, who was acting as the bank, was cheating by secretly moving money from the bank over to his own pile. Once I figured this out, I quit the game. Why play a game when it’s impossible to win?

In a nutshell, that’s what’s happening to you in today’s America. Throughout your entire childhood, you were told about the American Dream, and how if you worked hard and did the right things, you could build a good life for yourself. If you’re reading this, then you’ve figured out that something went wrong: Either someone’s cheating, or they changed the rules without telling you.

I’m here to tell you that this is exactly what happened. The generations before you actually did have a real shot at achieving their dreams, but over time, so many people cheated, looking for shortcuts to achieving their own dreams, that they ended up changing the game. They rigged the game, and now that it’s your turn to play, they’ve made it almost impossible for you to win.

Who Is This Book For?

Does this describe you?

- ◇ You’re carrying huge amounts of college debt.
- ◇ You’re an adult still living with your parents because you can’t afford to move out.
- ◇ You’re not able to find a job that pays a livable amount of money.

- ◇ You want to get married, but you can't afford it.
- ◇ Prices keep going up, but your income doesn't follow.
- ◇ You've got health insurance but can't afford medical care due to the high deductibles.
- ◇ You joined some movement like Operation Wall Street or the Tea Party, or followed a revolutionary politician like Ron Paul or Bernie Sanders, and didn't see anything change.
- ◇ You feel that something's not right, even though the government and the media keep telling you how great everything is.

Then this book is for you.

This book is offered as a starting point: A quick, easy-to-read overview of the forces that have an impact on your life in some way, showing how they work – by design – to rob you of your rights, your money, and your potential. It's not supposed to cover these topics completely, just introduce you to them so you can get a sense for what's happening. You can (and should) dig deeper into any and all of these to build your understanding. It concludes with some suggestions for what to do with this new information, but that's a starting point as well: It's up to you to decide what to do next.

Who Am I?

The Crimson Avenger is, obviously, an alias. In the original story (written in 1938), The Crimson Avenger was a wealthy newspaper publisher who had no superpowers but discovered his purpose by taking on a secret identity and fighting for justice.¹ I chose it because the character resonates with me: In my own small way, I feel like I'm also fighting in the name of justice by writing this book.

¹ [https://en.wikipedia.org/wiki/Crimson_Avenger_\(Lee_Travis\)](https://en.wikipedia.org/wiki/Crimson_Avenger_(Lee_Travis))

In reality, I'm a typical middle-aged guy. I've achieved my own American Dream, with a wife, two kids, two dogs and a house with a white picket fence in the suburbs (seriously).

I've pretty much got it made – but over time, as I learned about how the game is rigged, how the odds are stacked against the next generation, I've come to realize that my kids are going to face huge hurdles in achieving their dreams – hurdles I didn't have to face. And it's not just my kids: I realized that a lot of people in my generation, and the majority of people younger than me, are in the same boat.

Not only are most of them destined for a life of frustration and unfulfilled dreams, but the system that's holding them down is the same system that's choking the life out of this country. And it's all because some of the people who came before us decided to rewrite the rules of the game, benefiting them and hurting the rest of us.

Why Write This Book?

I struggle every day with what to do about the challenges that I see so many people facing. My kids are too young for me to share all this with them; they're not ready. But there are lots of people who are, and just need a little assistance in seeing the big picture.

That's why I wrote this book. If you read it and see things in a different way – if it helps you understand how the system is rigged against you – then you'll have the chance to do something about it.

I don't know what that "something" is. I don't know if these problems can be solved with marches and protests; I don't know if they can be solved through voting. Maybe we all just

have to pull out of the system entirely? That's for you and your peers to decide.

I'm just trying to do my part by sharing information, along with my wishes and prayers that others can pick up the torch and carry it forward. Good luck to you all.

Part I:

The Money Masters



How you got screwed by...

The Money System

The Point:

Our entire money system is based on debt, which requires constant expansion (in other words, inflation and more debt). This means that your money keeps losing value, and they're going to keep pushing you – and everyone else – to take on as much debt as you can. It's theft, and it's debt slavery.

There's an old saying that "a fish doesn't know it's in water." Meaning that when something surrounds us so completely, is such an elemental part of our lives, it's easy for that thing to be invisible. Our money system is like that.

We take money for granted – it just "is." Nobody thinks about it, or questions it. We know what dollars and cents are, and we know that we can trade them for things we want, and we know that they're a store of value. Right?

The truth is, our money system has not been around forever – it's a fairly recent invention – and it was designed to steal value from you.

1913: The Fed Comes on the Scene

The US Constitution says that Congress is supposed to manage our money system – specifically, "To coin Money, regulate the Value thereof..."¹. But in 1913, Congress punted, and gave up

¹ http://www.archives.gov/exhibits/charters/constitution_transcript.html

that authority to a private entity called The Federal Reserve.

The government does have some input into this central bank, since it appoints the bank's governors; however, the 12 regional banks that make up the Federal Reserve are all privately owned, with banks being the only stockholders!²

Why is this a big deal? Because a private organization owned by banks – not a public institution - now runs our money supply. And because they're banks, and banks make their money by lending money, they naturally designed a debt-based system. That means the money system has to grow constantly, which means your dollars are worth less every year. It's a system that works for them, not for you.

Gold Standard...To No Standard

Originally, the Fed was held somewhat in check by the nation's gold standard, which means that money can be exchanged for physical gold at any time at a set price. According to About.com, the benefit of a gold standard is:

The gold standard prevents a country from printing too much money. If the supply of money rises too fast, then people will exchange money (which has become less scarce) for gold (which has not). If this goes on too long, then the treasury will eventually run out of gold. A gold standard restricts the Federal Reserve from enacting policies which significantly alter the growth of the money supply which in turn limits the inflation rate of a country.³

Unfortunately, the desire to print money – to increase what the government could spend – was too great, and in 1971 Richard

2 <http://www.factcheck.org/2008/03/federal-reserve-bank-ownership>

3 http://economics.about.com/cs/money/a/gold_standard_2.htm

Nixon took the country off the gold standard, to a pure fiat system.

What's a fiat system? The word "Fiat" is Latin, and translates as "let it be done." It's a government dictate saying that this is money because we say it is, even though it's not backed by anything real. Which is a stunning thought: The only reason the money in your pocket has any value is because we all believe that it does, nothing more. And that collective faith – that this piece of paper has some kind of inherent value – allows them to play all kinds of games behind the scenes.

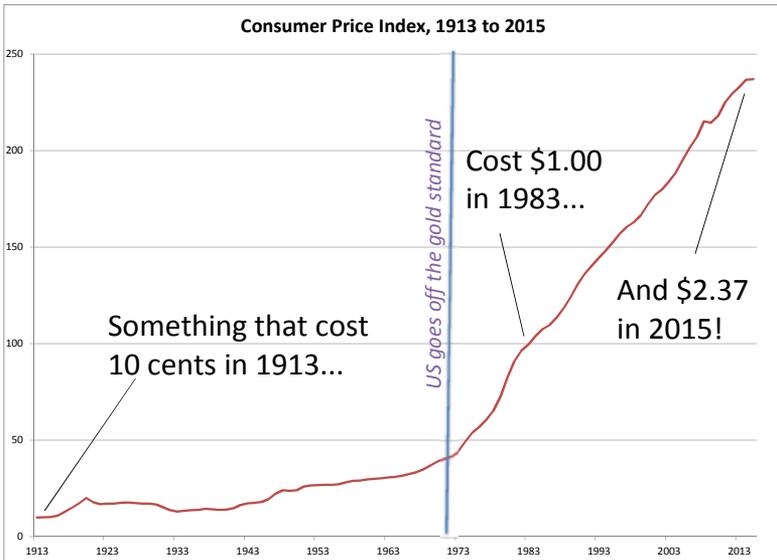
The 2% Target

By deciding that money isn't backed by anything but faith, the government and the Fed were able to dramatically increase the amount of money in circulation. Since it wasn't backed by anything, and couldn't be exchanged for anything real, there was nothing to stop them from expanding the money supply as they saw fit.

What happens when you have roughly the same number of products and services, but drop more and more money into the system? At first, it works great: You're able to buy more things before people catch on. But eventually the system adjusts, and prices go up to balance the system. You can see what happened to prices since the Fed was founded in the chart on the following page.⁴

Believe it or not, this price inflation is official Fed policy: Even though they have a clear mandate to make sure prices remain stable (written into law in 1977), they interpret this as making sure prices *increase at a stable rate*, a target of 2% per year.

⁴ http://www.inflationdata.com/inflation/Consumer_Price_Index/HistoricalCPI.aspx?reloaded=true



Price inflation, before and after the gold standard

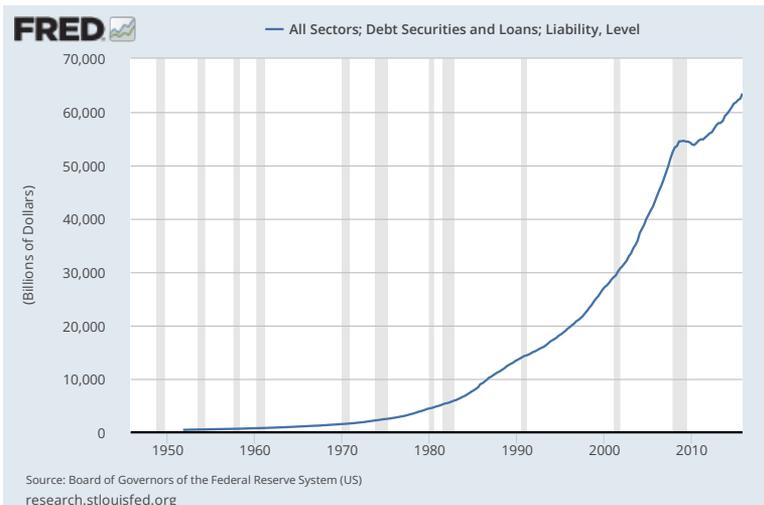
Do you know what 2% inflation does to you?

- ◇ In one year, something that costs you \$1.00 today will cost you \$1.02. Your dollar will lose 2% of its value.
- ◇ In 10 years, something that costs you \$1.00 today will cost you \$1.22. Your dollar will lose 18% of its value.
- ◇ In 20 years, something that costs you \$1.00 today will cost you \$1.49. Your dollar will lose 33% of its value.
- ◇ In 50 years, something that costs you \$1.00 today will cost you \$2.69. Your dollar will lose 63% of its value.

They're stealing value from you. And they know most people don't know or understand what they're doing.

Debt...Lots and Lots of Debt

There's an important piece missing here: How does all of this money get added to the economy without people realizing



Total US debt (public, corporate, government) - 1950 to 2015

what's happening? It happens through the creation of debt – people, companies, and governments borrowing money. And we have been borrowing money at an amazing rate. In fact, as you can see in the chart above⁵, we've grown our total public debt (personal, business, and government combined) from \$436 billion in 1950 to \$63.5 trillion in 2015! We've doubled the amount of debt we collectively hold seven times since 1950; to double it again we'll have to reach \$115 trillion, and that just doesn't seem possible.

This brings up an interesting point: That debt can't grow forever. Just as trees can't grow to the sky, there's a limit on how big our debt level can get. People, businesses, and governments can only borrow as much as they can service (in other words, their ability to make the payments).

So if borrowing capacity is limited, how can the Fed – which requires ever-growing debt – keep the game going?

⁵ <https://research.stlouisfed.org/fred2/series/TCMDO>

The Latest Game: Money Printing and Ultra-Low Interest

One way they can keep things going is to lower interest rates. Remember that you can only borrow as much as you can afford the payments for; so if they lower the interest rate, you can borrow more than you could before. If you have a million dollar loan and it costs you \$50,000 in payments at 5% interest, lowering the interest rate means your payments are lower – and you can borrow more.

That's why interest rates keep going lower. The Fed has been holding its official rate near zero for years, and many countries, such as Japan, are actually issuing bonds at negative interest rates!

And what to do about the bad debt out there – the loans that the banks made that people can't pay for? The Fed bought many of those (especially mortgage debt after the housing crisis), and now has a more than \$4 trillion dollars on its balance sheet.

* * *

What does all this mean? It means that our government passed an important responsibility on to private companies that don't have our interests at heart, and those private companies are trying to saturate us with debt while they steal value from our money.

How you got screwed by...

Wall Street

The Point:

If you were looking for a single industry to represent the kind of unfair, unethical, and illegal behavior that's hurting everyday Americans, you wouldn't have to look any further than the financial industry. From forcing politicians to bail out their bad decisions to manipulating every market they can, they bend or break the rules as they wish; and if they happen to get caught, they just pay a small percentage of their profits as a fine and move on to the next hustle.

It's very hard to write about the ways in which big banks, investment companies and others are taking advantage of you. The reason: This book is trying to make everything as simple as possible so people understand it, while the financial industry makes everything as complicated and confusing as possible so they can get away with their scams.

I'll admit it: My eyes glaze over when people start talking about investing options. I would fall asleep if I tried to read all of the paperwork in my mortgage documents.

And that's what they count on: That the more complicated they make things, the fewer will be able to understand them, and that's where they have an opportunity to take advantage of us.

So rather than get into the details of all the scams, let's look at the big-picture evidence.

The Financial Crisis

Remember the big financial crisis in 2008 and 2009? That was caused by two things working together. The first was making crazy loans to people who had no chance of paying them back. The second was by making insanely complicated financial products out of those loans, and then selling those to investors without being honest about what they really were.

But when it all blew up, and all that dishonest, unethical, and illegal behavior was exposed, what happened? Did anybody get fired? Did anybody get arrested or go to jail?

No, what happened was that congress passed a \$700 billion bailout package to save the industry, and the Federal Reserve did backflips to support them as well, lowering interest rates and buying a lot of their bad loans.

Since 2009

After that, they just kept doing what they were doing. They weren't worried about going to jail: No one involved with all these shady deals was ever arrested, and in fact Eric Holder, Attorney General of the US at the time, even came out on TV and said that the big banks were too big to prosecute.¹

Since then, the big banks and investment firms have been on a tear, manipulating just about every financial market there is and making billions from all sorts of fraudulent activities. And if they get caught? They pay a fine – a small percentage of their profits from these activities – and go on to the next scam.

A nonprofit called Good Jobs First tracks these kinds of violations, and had this to say:²

¹ <http://blogs.wsj.com/washwire/2013/03/06/holder-banks-may-be-too-large-to-prosecute/>

² <http://www.goodjobsfirst.org/sites/default/files/docs/pdf/160billionbankfee.pdf>

“Since the beginning of 2010 major U.S. and foreign-based banks have paid more than \$160 billion in penalties (fines and settlements) to resolve cases brought against them by the Justice Department and federal regulatory agencies. Bank of America alone accounts for \$56 billion of the total and JPMorgan Chase another \$28 billion. Fourteen banks have each accumulated penalty amounts in excess of \$1 billion, and five of those are in excess of \$10 billion.”

They list the following types of violations and fines since 2010 on the part of the banks:

Type of Case	Penalties
Toxic securities and mortgage abuses	\$118,351,845,751
Violations of rules prohibiting business with enemy countries	\$15,281,854,381
Manipulation of foreign exchange markets	\$7,386,000,000
Manipulation of interest rate benchmarks	\$5,473,000,000
Assisting tax evasion	\$2,353,633,153
Credit card abuses	\$2,168,800,000
Failing to report suspicious behavior by Madoff	\$2,161,000,000
Inadequate money-laundering controls	\$1,265,000,000
Discriminatory practices	\$939,300,000
Manipulation of energy markets	\$897,900,000
Other major cases	\$3,771,900,000
TOTAL	\$160,050,233,285

This list doesn't do justice to how extreme some of these crimes are. Fines for "inadequate money-laundering controls," for example, include cases such as HSBC laundering money for "Saudi Arabian terrorists, Mexican drug cartels and rogue regimes in North Korea and Cuba"³ and Wachovia laundering billions of dollars for Mexican cocaine smugglers.⁴

³ <http://www.latimes.com/business/la-fi-mo-hsbc-senate-20120717-story.html>

⁴ <https://www.theguardian.com/world/2011/apr/03/us-bank-mexico-drug-gangs>

And again – no one goes to jail for any of this, they just pay back a small portion of their profits and move on to the next shady deal.

So why should you care? Well, aside from the obvious double standard of justice (I bet if you did any of these things you'd be prosecuted pretty quickly), you're paying for all of this. That \$700 billion bailout from Congress? That was tax money – your money. Those fines? That comes out of your pocket too, in the form of higher fees and lower returns on your savings and investments.

And a final point: if banks start failing again, it will be depositors – not taxpayers – on the hook for the losses this time. If you think you'll get your money back when your bank fails, think again: The FDIC, which "guarantees" your bank account, only has around \$25 billion in reserves compared with the \$9,294 billion on deposit in commercial banks.⁵ There's no chance they'll be able to cover the losses that depositors face if things go south.

What About Investing?

Okay, so you can't trust the banking system. What about the stock market and your other investments? Banks aside, are the financial markets safe and fair?

Manipulation

You see the word "manipulation" in several of the fine categories above? In fact, banks and financial services companies have been manipulating most financial markets for the past several years in order to make bigger profits for themselves and their friends, and less for you.

⁵ <http://demonocracy.info/infographics/usa/fdic/fdic.html>

They have acknowledged, or been convicted of, manipulating the following markets:⁶

- ◇ Gold and silver markets
- ◇ Other commodities, including uranium mining, petroleum products, aluminum, ownership and operation of airports, toll roads, ports, and electricity
- ◇ Oil prices
- ◇ Mortgage markets
- ◇ The Treasury market
- ◇ Currency markets
- ◇ Derivatives
- ◇ Energy prices
- ◇ Interest rates, including LIBOR (which sets many other rates)

High Frequency Trading

Suppose you overheard someone saying that they were going to buy a thousand shares of a particular stock. If you were fast enough, and unethical enough, you could buy those shares first, put in a ton of fake bids to drive the price up, and sell that person your shares at a profit. Risk-free money – again, if you were fast enough and unethical enough.

That’s basically what high-frequency traders do. They build the fastest machines possible, with the highest connection speeds possible, so they can “front-run” stock purchases. It’s gotten to the point where even an advantage of a few microseconds is enough to make big profits with enough trades. Just another case of the financial industry making sure the playing field isn’t level.

⁶ <http://www.zerohedge.com/news/2016-04-14/markets-are-manipulated>

Part II:

The Government



How you got screwed by...

Politicians

The Point:

We vote for politicians, but they don't work for us – they work for big donors and lobbyists, whose interests rarely line up with ours, and for themselves. Politicians do this because they know there won't be any consequences: we'll reelect them anyway, and they won't be around to see the long-term impact of their actions.

A lot of people think the United States is a democracy. It isn't. The US is a *republic*, in which we elect people who are supposed to represent our interests and work within the rule of law. And, while that system worked for a very long time, it doesn't work anymore.

Serving the many, or the powerful?

Politicians can talk a good game, but when it comes down to it, they vote based on what's best for the rich and powerful, not the masses or the country.

Remember the \$700 billion bailout for the banks and insurance companies in 2008? Senator Barbara Boxer (CA) got more than 17,000 emails from constituents about it, almost all opposed. Senator Sherrod Brown (OH) said that of the 2,000 emails he had gotten, 95% were opposed.¹ The bailout bill passed anyway, of course, with both Boxer and Brown voting for it.²

¹ http://www.nytimes.com/2008/09/25/business/25voices.html?_r=0

² <http://www.politico.com/story/2008/10/the-senate-bailout-vote-014196>

Remember the Iraq War in 2003? Only 30% of Americans supported the use of military force³; most felt that diplomatic efforts had not been exhausted, and there still needed to be hard evidence justifying an attack. There were demonstrations worldwide against the launch of a campaign. Yet in we went.

These are just two examples; a paper from 2014, "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens,"⁴ gives a more complete (and damning) picture. Professors from Princeton and Northwestern Universities looked at nearly 1,800 political decisions where the interests of the public were different from those of the powerful. They found that "... economic elites and organized groups representing business interests have substantial independent impacts on U.S. government policy, while average citizens and mass-based interest groups have little or no independent influence."

Two parties, or one?

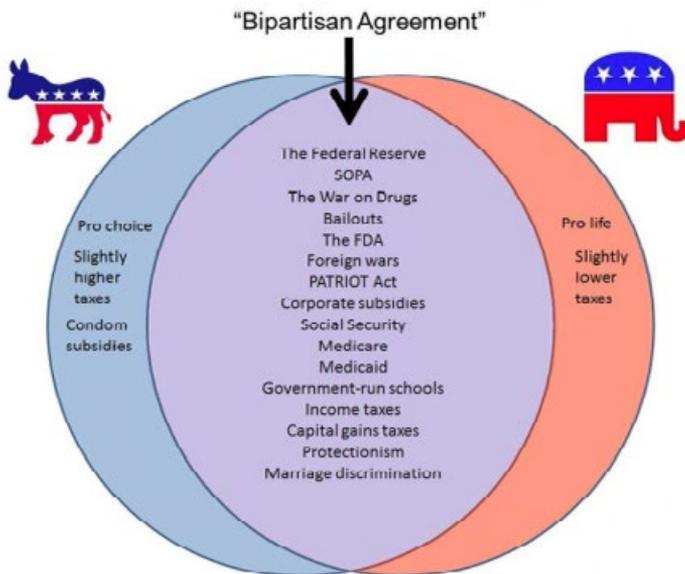
People spend a tremendous amount of energy and money supporting their preferred political party. They feel passionately that members of their party are the good guys, and those in the other party are either evil, stupid, wrong, or all of the above.

But are the two parties really that distinct? Or is this adversarial situation more of a distraction from other things?

You can argue specifics here, and undoubtedly there are some additional differences, but the larger point is clear: These parties are not as different as you think, and they both dramatize their relatively small differences in order to feed you

³ <http://www.cbsnews.com/news/poll-talk-first-fight-later/>

⁴ http://scholar.princeton.edu/sites/default/files/mgilens/files/gilens_and_page_2014_-testing_theories_of_american_politics.doc.pdf



a false narrative, encourage you to pick a side, and allow you to overlook all the glaring problems of people wearing the same jersey as you.

When you back up, you can see that it's not really Democrats versus Republicans, it's liberty versus the state (with R's and D's both squarely on the side of the state).

Rules for you, not for them

Politicians create rules and laws, but they also make sure that some of those rules don't apply to them.

As you might expect, the decisions that Congress makes can influence the stocks of individual companies as well as the stock market overall. Did you know that Congress made sure that insider trading laws didn't apply to them? They can make big bets on stocks, knowing in advance that their votes will

cause those stocks to go up or down. And yes, Congress did remove that exemption in 2011 after an expose on 60 Minutes, but quietly rolled back many of the new reporting rules in 2013 (a non-election year).⁵ Congress has also exempted itself from many of the workplace laws that the rest of us have to live by, such as whistleblower protection or keeping workplace safety records.⁶

This self-serving behavior extends to politicians' major donors and favored interest groups. Take the Affordable Care Act (ACA, or Obamacare) for example. Unions, a favored constituent of Democrats, received a waiver on fees tied to premium healthcare plans.⁷

You know those annoying robocalls? Congress made sure that companies can't call you anymore, but the government still can. As the Washington Post concluded, "Wherever you fall in this debate, the rules are clearer than ever: The government has a special status when it comes to blasting out phone calls to the public."⁸

This "special status" even filters down to their personal behaviors and attitudes. If Representative Nancy Pelosi wants to go shoe shopping, her driver can break traffic laws and park in front of a fire hydrant to get her there.⁹ Senator Dianne Feinstein is one of the biggest supporters of the NSA's gathering information on the public, but is outraged when they go after her data.¹⁰

5 <https://www.techdirt.com/articles/20130416/08344222725/congress-quickly-quietly-rolls-back-insider-trading-rules-itself.shtml>

6 <https://www.propublica.org/article/do-as-we-say-congress-says-then-does-what-it-wants>

7 <http://www.forbes.com/sites/larrybell/2013/12/22/unions-get-big-obamacare-christmas-present-as-other-self-insured-groups-get-scrooged/#2faf8906baa0>

8 <https://www.washingtonpost.com/news/the-switch/wp/2016/07/06/why-companies-cant-spam-you-with-robocalls-but-the-government-can/>

9 <http://www.theamericanmirror.com/nancy-pelosi-driver-cuts-across-traffic/>

10 <http://www.cnn.com/2014/03/13/politics/feinstein-cia-snooping-hypocrisy/index.html>

How do they get away with it?

How can they operate this way? Aren't they worried about the consequences? Actually they're not worried at all, for a few reasons.

Too many voters

When government started operating under the rules of the Constitution (1789), there were only around 33,000 voters per congressman. There used to be a system to increase the number of congressmen as populations increased and new states joined the union, but in 1911 they passed a law that capped the number of people in congress, so the number of voters per congressman started to grow. In 2016, the ration is around 720,000 voters per representative.¹¹

You might have been able to communicate with, and influence, your representative when those numbers were small. But now? Forget it.

Redistricting

Based on the makeup of congressional districts, one of the two parties usually has a natural advantage – most have a larger number of Democrats than Republicans or vice versa. Today that has been taken to an extreme – computers have made it possible to figure out exactly where those lines should be drawn for maximum advantage, and as a result many districts are heavily lopsided in favor of one party or the other. In these districts, elections are usually decided at the primary stage (where big donors have an outsized influence), with the general election being practically a formality.

The incumbent's advantage

Remember Senators Boxer and Brown, who voted for the \$700 billion bailout of the financial industry even though 95% or

¹¹ https://en.wikipedia.org/wiki/United_States_congressional_apportionment

more of their voters were against it? They were both re-elected. In fact, according to Politifact, even though congress has an average 14% approval rating, they enjoy a 95% re-election rate.¹² It would be pretty hard to argue that their decisions or favorability ratings have any sort of consequences from the voting public.

We have a system rigged to get the right people into office and keep them there, where they can work in the interests of the rich and the powerful – and we, the American public, vote them in based on the color of their jersey and keep them there no matter what they do. Is it any wonder they can do as they please while in office?

12 <http://www.politifact.com/truth-o-meter/statements/2014/nov/11/facebook-posts/congress-has-11-approval-ratings-96-incumbent-re-e/>

How you got screwed by...

The Government

The Point:

The government is supposed to serve us. But more and more, it serves itself, taking on more and more authority and keeping us in the dark about what it's doing and what's really happening in our country. It pursues power over principles, including the principles that are supposed to protect us as citizens.

When this country was founded, the federal government was supposed to be a bare-bones support network for the member states. It was only supposed to do the things the states couldn't do themselves, like raising an army or managing relationships with foreign countries. Now, the federal government is an out-of-control monster, unaccountable to no one and focused on serving itself, not the public.

Note that the examples below are literally just scratching the surface; no book, no matter how long, could list all of the many ways the government screws up, lies, and deceives the public.

Figures Lie, Liars Figure

The federal government tracks a lot of different statistics on everything from the unemployment rate to crime. We rely on them for honest information, but that's not always what we get. They've learned that if they publish positive information (whether or not there's any truth behind the numbers), the public is happier, complains less, and asks fewer questions.

A few examples:

GDP (Gross Domestic Product)

GDP is one of the best-known numbers reported by the government. It's supposed to be a measure of economic growth – but because it is considered so important, it's hugely manipulated to make things look better than they are.

- ◇ Government spending is included in GDP. If the government borrows money so it can spend more, we're artificially pumping up the GDP number with borrowed money. Think how much better GDP would be if we had a \$2 trillion/year deficit? Or \$5 trillion?
- ◇ The government "adjusts" GDP based on things they pretend added value to the economy, even though no transactions actually took place. If you own your own home, for example, they figure out how much rent you would be paying yourself, and add that in. If you buy a \$1000 computer that has more features than the same computer last year, they add in more than \$1000 to the GDP. Chris Martenson estimates that up to 35% of GDP is made up of these adjustments.¹
- ◇ If they want to goose the GDP number, they'll count additional things in the formula. In 2013, for example, they were able to instantly boost GDP by 3% by including money earned from creative works including movies, television shows, books, theater and music, as well as corporate research and development.²

Unemployment rate

We know the economy is doing great because the unemployment rate is really low, right?

1 <http://www.peakprosperity.com/video/85854/playlist/92161/crash-course-chapter-18-fuzzy-numbers>

2 <http://www.marketplace.org/2013/04/22/economy/us-economy-grow-3-under-new-gdp-calculation>

Not so fast. This number, which comes from the Bureau of Labor Statistics (BLS), provides a completely inaccurate picture of the health of the economy, for the following reasons:

- ◇ It doesn't give you an accurate sense of how many people are out of work. There are several categories in the BLS report; the most commonly reported (U3) only reports on those who are unemployed and are actively looking for work. If people have been out of work for too long because they can't find a job, we stop counting them. Does that make sense?
- ◇ It tells you nothing about the quality of jobs, or who's getting them. A high-wage manufacturing job counts the same as a job at a fast-food joint. A part-time job counts as much as a full-time job. We can't tell that almost all the job gains are going to people over the age of 55 (true, by the way).³
- ◇ It uses a "fudge factor" called the Birth Death Model, which adds in jobs they can't survey (like new business startups). Even though there are more business closures than there are startups these days,⁴ the Birth Death Model keeps adding tens or hundreds of thousands of jobs to the report.

Because the unemployment rate gets all the attention, it also gets manipulated the most. Other numbers, like the labor participation rate (a straight-up percentage of working-age people in the workforce), give a better picture of what's going on in this country. The labor participation rate in January 2016 was at 62.3% - the lowest level since 1978!⁵

3 <http://www.zerohedge.com/news/2015-11-06/most-surprising-thing-about-todays-jobs-report>

4 https://www.washingtonpost.com/business/on-small-business/more-businesses-are-closing-than-starting-can-congress-help-turn-that-around/2014/09/17/06576cb8-385a-11e4-8601-97ba88884ffd_story.html

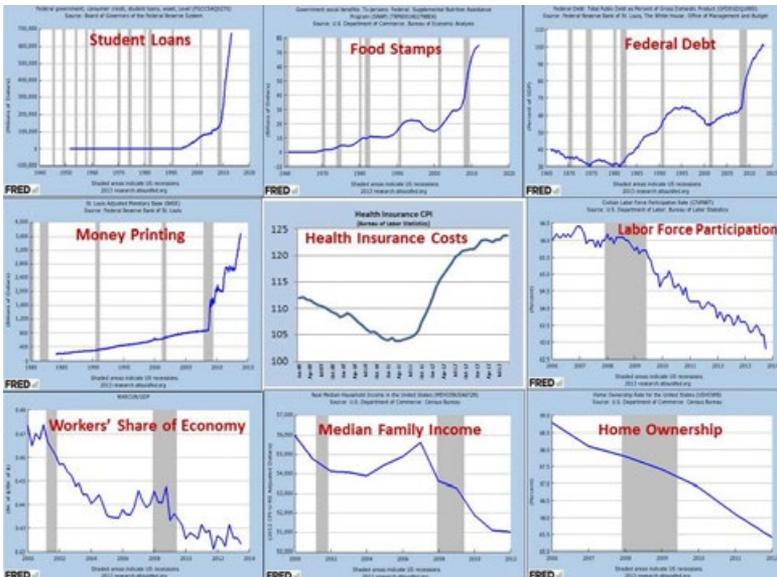
5 <https://fred.stlouisfed.org/series/LNU01300000>

“The Recovery”

By my count, we’ve been talking about being in a recovery for more than six years, maybe longer. The first official statement on this came from Treasury Secretary Tim Geithner in an April 2010 editorial in the New York Times.⁶ (“Welcome to the Recovery” caused a lot of laughter at the time, and still does.) Even before then, in 2009, the president of the Federal Reserve, Ben Bernanke, was talking about the “green shoots” that pointed to a coming rebound in the economy.⁷

But for those same six years they’ve talked about that recovery as fragile and weak; it never gets stronger, never gains momentum. We can’t raise interest rates because the recovery is so fragile, for example, and there are still millions of people struggling.

But why would they keep saying our “recovery” is so fragile? Is



6 http://www.nytimes.com/2010/08/03/opinion/03geithner.html?_r=0

7 http://www.npr.org/sections/money/2009/03/bernanke_sees_green_shoots.html

it because they're trying to make you think there's a recovery when there actually isn't?

Financial website ZeroHedge compiled the nine charts on the previous page to argue against the idea that there's a recovery.⁸ Take a look, and judge for yourself.

Self-Preservation

As organizations get larger, they shift their focus from serving their missions to self-preservation. Government agencies certainly prove that point.

One example is how the government responds to Freedom of Information Act (FOIA) requests. Because the government is supposed to be working for us, we're supposed to have the right to see what they're doing, and we can do that by submitting FOIA requests. But lately the government hasn't wanted to share much: In 2015 they provided a complete response in only 23% of cases, and a partial response (with sections or complete documents missing) 40% of the time. 37% of the time there was no response at all.⁹

There are also scores of stories of governments covering up their mistakes rather than being honest and transparent. In one particularly bad case that began in 1990, a superintendent at Effigy Mounds National Monument in Iowa stole the museum's entire collection of human bones dug up from sacred Native American burial sites and stored them in his garage in "wildly inappropriate storage conditions." According to the AP, "A series of superintendents were warned that the museum's entire collection of human bones had gone missing

8 <http://www.zerohedge.com/news/2015-09-16/obamas-recovery-just-9-charts>

9 http://www.huffingtonpost.com/max-galka/in-2015-the-government-se_b_9666772.html

under Munson, but they did little to find them and failed to notify affected tribes."¹⁰

Charles Hugh Smith notes a clear life cycle for bureaucratic organizations, in which they start small, with minimal overhead and most of their funds going to their mission (stage 1); going through phases where funding for both the mission and the bureaucracy grow; stages where funding declines, and the mission is sacrificed in favor of sustaining the bureaucracy; and ending in implosion, as an organization that exists solely to sustain itself. Government agencies are in the latter stages, headed towards the final event:¹¹

Hypocrisy

When there's something we want or need from other countries, our government cares more about keeping them happy than about upholding our principles and standards.

Saudi Arabia is supposedly one of our strongest allies in the Middle East. It's also a country that tortures and beheads criminals (at a higher rate than ISIS!). Women cannot obtain a passport, marry, travel, or access higher education without the approval of a male guardian. They do not allow public worship of any religion other than Islam.¹² Their laws punish acts of homosexuality or cross-dressing with death, imprisonment, fines, corporal punishment, or whipping/flogging.¹³ And yet they're one of our strongest allies – all because of their oil and money. Are these friends you would want to have?

And what about China? They've taken a huge number of

10 <http://www.msn.com/en-us/news/us/theft-of-ancient-bones-a-debacle-for-national-park-service/ar-AAi5m7W?ocid=ansmsnnews11>

11 <http://www.businessinsider.com/the-lifecycle-of-bureaucracy-2010-12>

12 <https://www.hrw.org/world-report/2015/country-chapters/saudi-arabia>

13 https://en.wikipedia.org/wiki/LGBT_rights_in_Saudi_Arabia

our manufacturing jobs, not because they're better at it but because they don't have the same worker rights or environmental standards that we have, making it much cheaper to operate there. The country is an environmental disaster, with severe water, air, and land pollution largely caused by industry,¹⁴ and workers have few rights and minimal pay.¹⁵ Yet the US gave them "Most Favored Nation" status in 1979, and has renewed that status every year since.¹⁶

Problems That Never Get Solved

When problems become public knowledge, the government typically either papers over the problem or waits for it to fade from the headlines rather than actually fix anything.

The Transportation Security Administration, for example, is responsible for making sure terrorists can't get dangerous items onto aircraft. When an independent test revealed a 70% failure rate in 2005, people were understandably alarmed.¹⁷ You would think that would cause them to make major changes, but it didn't, as proven by their 95% failure rate in 2015.¹⁸

How about the Veterans Administration, which is responsible for providing medical care for our military veterans? The agency has been under constant fire for decades due to poor service and multiple coverups.¹⁹

The US Postal Service loses billions each year - \$5.1 billion in 2015 alone - and is on track to lose even more in 2016 after lowering postal rates. Reasonable solutions, like eliminating

14 <http://www.cfr.org/china/chinas-environmental-crisis/p12608>

15 <http://chinalaborwatch.org/home.aspx>

16 http://www.apfn.org/THEWINDS/1997/05/favored_china.html

17 <http://blog.tsa.gov/2010/12/70-detection-failure-rate-being.html>

18 <http://www.cnn.com/2015/06/01/politics/tsa-failed-undercover-airport-screening-tests/index.html>

19 <http://www.cnn.com/2014/05/23/politics/va-scandals-timeline/index.html>

Saturday delivery or changing the way that benefits are handled, are refused. As Bloomberg notes, "Every time the USPS tries to operate like a real company, government happens."²⁰

Stealing Your Rights

Just as government assumes more and more rights beyond what was authorized in the Constitution, it has worked to take away the rights of its citizens. More power for them, less for you. You have fewer rights of expression and assembly (think about the "protest zones" that separate you from political conventions)²¹; seizure of assets without any arrests, even including pulling money from your debit cards;²² warrantless spying on citizens by the National Security Administration²³; and so much more, far more than we can cover here.

The bottom line is that the government, which was designed to be a servant to the people, is rapidly becoming the master. And our rights, and our freedom as citizens, are suffering as a result.

20 <http://www.bloomberg.com/news/articles/2016-05-19/making-no-cents-u-s-postal-service-s-bad-business-model>

21 <http://www.washingtonsblog.com/2013/10/americans-have-lost-virtually-all-of-our-constitutional-rights.html>

22 <http://www.news9.com/story/32168555/ohp-uses-new-device-to-seize-money-used-during-the-commission-of-a-crime>

23 <http://www.nytimes.com/2015/06/05/opinion/edward-snowden-the-world-says-no-to-surveillance.html>

How you got screwed by...

The Education System

The Point:

It's hard to criticize the education system in this country, since by and large they're not intending to hurt anyone. But you're getting screwed nonetheless by a relic of a system that has no purpose, and that encourages everyone to pursue higher education (not just those who could benefit) while making it extremely expensive to do so.

K-12: Disconnected

Looking back, do you feel like school prepared you for life? Did high school prepare you for college? Did either high school or college prepare you for work? Did they give you the practical skills to live independently?

Most people would say no to those questions. The obvious question, then, is why not? We know for a fact that every single person who goes from Kindergarten through grade 12 (K-12 for short) is going to become an adult who will need to live independently and probably start a career. Wouldn't you think that the whole point of school would be to prepare people for what we absolutely know is going to happen?

When the public school system was created, it had a clear dual purpose: Give a nation of unskilled immigrants a shared identity as Americans, and give them the basic skills they needed to succeed in the workplace. But today, our education system is pretty much disconnected from the workplace.

Instead, our K-12 system is supposed to prepare everyone for college, even though in a lot of places, graduation requirements for high school don't line up with entrance requirements for college. And college is supposed to prepare you for the workplace, even though (with exceptions like technical colleges) college work is still all academic, with no practical content related to actual work.

Common Core, and Other Misguided Reforms

When a system doesn't have a purpose (or ignores what should be its purpose), then you can come up with lots of false goals to target, and lots of false solutions to "help." Common Core is one of those false solutions: It was written at the urging of big business (Bill Gates was key here¹), run through the National Governors Association to give it respectability, and forced on schools across the country.

There were only five people involved in writing the standards; none were classroom teachers, and two had never done standards work before. There were 60 participants on the review committees, only one of whom was a practicing classroom teacher.² Two on that committee, Dr. Sandra Stotsky (language arts) and Dr. James Milgram (math), have refused to endorse the finished product and have in fact written and testified against those standards repeatedly.³ And analysis after the fact shows that the standards do not prepare students for STEM, nor do they make them college and career ready.⁴

1 https://www.washingtonpost.com/politics/how-bill-gates-pulled-off-the-swift-common-core-revolution/2014/06/07/a830e32e-ec34-11e3-9f5c-9075d5508f0a_story.html

2 <http://news.heartland.org/newspaper-article/2013/06/07/five-people-wrote-state-led-common-core>

3 <http://www.uaedreform.org/wp-content/uploads/2000/01/ZimbaMilgramStotskyFinal.pdf>

4 <http://pioneerinstitute.org/news/lowering-the-bar-how-common-core-math-fails-to-prepare-students-for-stem/>

And yet, due to the political pressure of the National Governors Association and funding incentives from the US Department of Education, almost all states adopted the new standards (though some have backed away due to parent pushback). Note that they had never been tried out anywhere: We forced a new set of learning standards on more than 50 million children without any proof at all that they had value. This is just one example of the kind of wrong-headed and even damaging reform that comes from not having a clear purpose.

College for all

High school students are told that success in life requires a four-year college degree. For most of them, that's really bad advice.

This idea, like most in education, started with good intentions: College graduates tend to earn more, and have a lower unemployment rate, than those who don't have a college degree. But to say that everyone should get a degree, and will then enjoy those advantages, is just flawed logic.

First is the supply and demand issue: If we have an oversupply of college graduates, wages will go down, and a lot of those people with college degrees (and the student loans that go with them) will end up in jobs that don't need a degree. And that's already happening. In 1970, for example, only 5% of retail clerks had a college degree; in 2010 that was 25%. In 1970, 1% of cab drivers had a college degree; that is now 15%.⁵

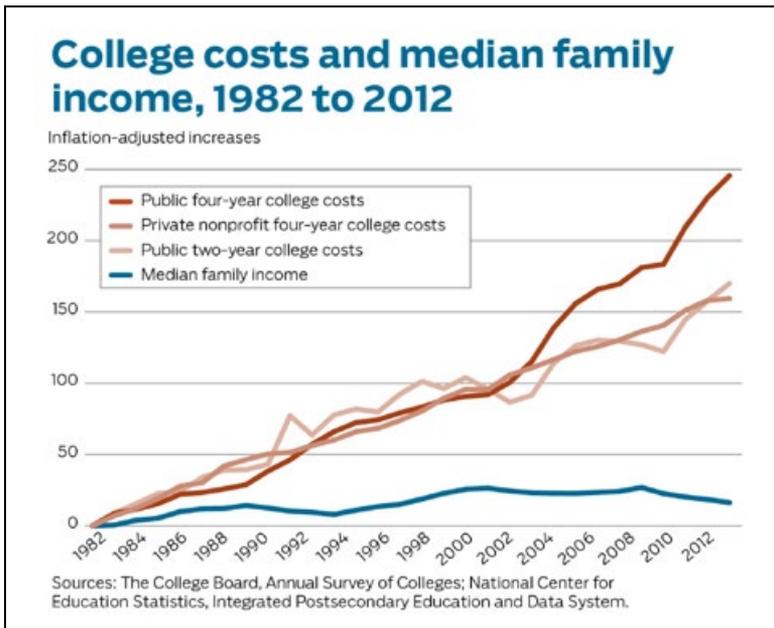
Second, while more and more jobs require degrees, they're not necessarily four-year degrees. Lots of jobs, particularly hands-on jobs, require two year degrees or certifications, both of which cost a lot less and still lead to jobs that pay well and have a lot of job security.

⁵ <http://files.eric.ed.gov/fulltext/ED539373.pdf>

And finally, in high-poverty communities where students are struggling with basic skills, imposing a college-prep curriculum almost guarantees poor outcomes like high dropout rates, without actually increasing the number of poor students who get a college degree. In fact, only eight percent of low-income children in America earn a bachelor's degree by their mid-twenties, compared to more than 80 percent of students from the top income quartile.⁶

Price of college

A lot of people consider education, particularly college education, to be an investment in your future. That may or may not be true. But what we do know is that this investment has gotten more and more expensive over the years.



6 <http://hechingerreport.org/college-for-all-vs-career-education-moving-beyond-a-false-debate/>

According to official sources, the cost of attending a four-year public college went up 250% in constant dollars between 1982 and 2012⁷; that number, with inflation, is nearly 600%!⁸

There's no one reason for this; rather there are a lot of contributing factors, like increasing demand for seats, increased services from colleges, reduced public funding for colleges, and freely-available student loans (more on that in the next section). But regardless of the reason or reasons, the fact that college costs have gone up so much, when incomes and job prospects have not, means that a lot of people will be getting degrees that won't benefit them, coupled with a heavy debt burden they will carry for years.

Student loans

With college prices going up so fast and family incomes not keeping pace, there's no way that most families could save up enough money to cover those costs themselves. That's where student loans come in.

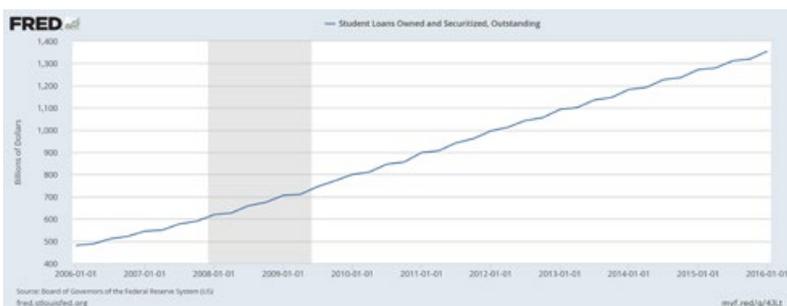
People have borrowed money for college for decades, both through loans from the federal government and from loans from private banks, which were then guaranteed by the federal government. But in 2010, the government forced private banks out of that business, saying there was no benefit to consumers, and now makes all student loans itself.⁹

Student loans have continued to grow quickly; today people owe more than \$1.3 trillion in student loans as shown in

7 http://www.huffingtonpost.com/2013/06/14/college-costs-median-income_n_3443806.html

8 <http://economix.blogs.nytimes.com/2012/03/02/why-tuition-has-skyrocketed-at-state-schools/>

9 <http://www.csmonitor.com/Business/2010/0330/Student-loan-reform-What-will-it-mean-for-students>



Total student loan debt 2006 to 2015

the chart above¹⁰, which works out to an average debt of \$29,000.¹¹

This causes all kinds of problems. First, one in four of those loan holders is struggling to make their payments or are already in default.¹² And those loans weigh heavily on the economy as a whole: They've been noted as a reason for the reduced number of business startups, lower levels of home ownership, marrying later in life, and postponing the decision to have children.¹³

And the kicker? Thanks to lobbying by the financial industry, congress passed "The Bankruptcy Abuse Prevention and Consumer Protection Act," which says that you can't get rid of student loan debt through bankruptcy.¹⁴ Once you take out a student loan, you'll either pay it back or carry that debt forever.

¹⁰ <https://fred.stlouisfed.org/series/SLOAS>

¹¹ <http://www.fool.com/investing/general/2015/01/24/the-average-american-owes-this-much-in-student-loa.aspx>

¹² <http://www.consumerfinance.gov/about-us/newsroom/cfpb-concerned-about-widespread-servicing-failures-reported-by-student-loan-borrowers/>

¹³ <http://www.cnn.com/2015/06/15/the-high-economic-and-social-costs-of-student-loan-debt.html>

¹⁴ https://en.wikipedia.org/wiki/Bankruptcy_Abuse_Prevention_and_Consumer_Protection_Act

Part III:

Big Business



How you got screwed by...

Big Business

The Point:

There's nothing wrong with capitalism. But when big businesses use their money and political power to twist the rules in their favor – and they do - we all suffer.

I have nothing against capitalism: In fact, as a small business owner most of my life, I think it's a pretty great system. But it only works if there's a level playing field.

And I think big businesses are fine, if they're big for the right reasons. A big business is supposed to be big because it makes a great product, not because it's using its size and power to cheat. And that's happening quite a bit these days.

Think back to the chapter on the big banks, and how their size (remember "too big to jail"?) allowed them to commit crime after crime and get away with small fines –and no prosecution at all – each time they were caught. Or think about how the rich and powerful - a group that includes many of today's big businesses – to control how politicians vote.

These are just a couple of examples of how big business takes advantage of its size to change the rules, hurting its smaller competitors in the process. A few more examples follow.

Lobbying

If your business can be affected by the rules created by

politicians and government agencies, and if you have deep enough pockets, you can try to write or change those rules in your favor. And lobbying – defined as an attempt to influence legislation – has become big business, with \$3.2 billion spent on this activity in 2015 alone (up from \$1.4 billion in 1998).¹

Which industries most want to influence legislation? In 2015, they included:²

Medical industries \$646 million

(Includes pharmaceuticals/health products, insurance, hospitals/ nursing homes, health professionals, and health services/HMOs)

Energy \$247 million

(Includes oil & gas, electric utilities)

Finance..... \$163 million

(Includes securities & investment, commercial banks)

Tech Firms \$213 million

(Includes electronics manufacturing & equipment, telecom services)

There were others, including business associations (\$128 million), defense firms (\$74 million), civil servants and public officials (\$71 million), and more.

And what do these industries hope to accomplish by lobbying?

- ◇ They cut their own taxes by changing the law to carve out tax breaks. The Center for American Progress notes that increasing lobbying by 1% is expected to reduce a corporation's tax rate between 0.5% and 1.6%, and that a \$1 investment in lobbying is worth \$6.65 in lower state corporate taxes.³
- ◇ They increase sales by inserting language that makes it

1 <http://www.opensecrets.org/lobby/index.php>

2 <http://www.opensecrets.org/lobby/top.php?showYear=2015&indexType=i>

3 <https://www.americanprogress.org/issues/economy/report/2014/05/02/88917/how-campaign-contributions-and-lobbying-can-lead-to-inefficient-economic-policy/>

easy for them to get contracts. CAP found that federal contracts were more likely to be awarded to firms that were active in lobbying.

- ◇ They craft laws that increase the size of their markets. The most obvious example is the Affordable Care Act, which was crafted in part by lobbyists for the medical and insurance industries, protecting their profitability and guaranteeing that millions of additional people would need to buy insurance.⁴

In addition to lobbying and providing campaign contributions, big business has one other trick up its sleeves: To influence politicians and government bureaucrats with the promise of big money when they leave public service. Remember Attorney General Eric Holder, who said that big banks were too big to prosecute? When he left office in 2015, he returned to his old legal practice, which defends clients including Morgan Stanley, Wells Fargo, Chase, Bank of America and Citigroup – the same banks he refused to go after when he was in office.⁵

Deceiving the Public

Of course, lobbying – directly trying to influence legislation – is just a small part of big business' attempt to change the rules in their favor. They spend a lot more money trying to influence the public directly. The Center for Public Integrity offers the American Petroleum Institute as one example, noting that “the oil and gas industry trade group spent more than \$7 million lobbying federal officials in 2012. But that sum was dwarfed by the \$85.5 million it paid to four public relations and advertising firms to, in effect, lobby the American public...”⁶

4 <http://www.dailykos.com/story/2015/01/12/1357141/--Steven-Brill-60-Minutes-shows-why-letting-lobbyists-write-the-ACA-was-an-Enormous-Blunder>

5 <http://www.rollingstone.com/politics/news/eric-holder-wall-street-double-agent-comes-in-from-the-cold-20150708>

6 http://www.huffingtonpost.com/2015/01/15/big-business-lobbying_n_6476600.html

How do they do it? A few techniques, pulled in part from The Guardian newspaper:⁷

- ◇ Frame the debate by highlighting issues favorable to them and downplaying issues that are unfavorable.
- ◇ Give reporters access to important people, providing backgrounders, and even writing articles for them.
- ◇ Conduct biased surveys that produce the results they want and then publicize those results.
- ◇ Create fake third-party “independent” groups that advocate for a position.
- ◇ Sponsor scientific research and studies, which only get published if favorable to the industry.
- ◇ Sponsor a think tank to write and publish position papers favorable to an industry.
- ◇ Monitor and marginalize opposition groups, making it harder for them to gain attention and funding.
- ◇ Control the web, including editing Wikipedia pages, hosting Facebook pages, and publishing tweets from fake accounts and organizations; and posting favorable comments, and battling critics, on relevant websites.

Sharyl Attkisson, noted investigative journalist, gave a TED talk in which she explained how “astroturfing” works.⁸ Paraphrasing her talk, suppose you hear about an effective new cholesterol drug that doctors should be prescribing, and wonder if it’s too good to be true. You do a Google search, consult Facebook and Twitter, look at Wikipedia and WebMD, and you read the original study (from a peer-reviewed medical journal) behind the news report you saw. You see some naysayers online, but most people call them “quacks” and “nuts.” And you find out that your own doctor just attended a medical seminar where they talked about how effective the drug is. But in reality,

7 <http://www.theguardian.com/politics/2014/mar/12/lobbying-10-ways-corporations-influence-government>

8 <https://www.youtube.com/watch?v=-bYAQ-ZZtEU>

everything you had found in your research was false, planted by PR firms and drug companies. While her example is made up, the strategy is all too real.

Unfair Practices

Thanks to their political connections and economic power, big businesses can get away with practices that are unfair, unethical, and work against the public good. A few examples:

- ◇ Suppose you wanted a product that costs \$84,000 in the US but only \$900 overseas. It makes sense to buy it overseas, right? It does – but only if it's not a prescribed drug. There are countless examples of drugs that cost more in the US than elsewhere: The example above is for Sovaldi, a drug for Hepatitis C.⁹ That's because, thanks to heavy lobbying by the drug companies, the Food and Drug Administration has made it illegal to import prescription drugs.
- ◇ The Supplemental Nutrition Assistance Program (SNAP) was created so people in need could buy food. Given the size of the program, however - \$74 billion serving 45+ million people in 2015¹⁰ - you would expect big business to chase after that money. Which is why SNAP funds can now be used to buy fast food like Taco Bell and KFC¹¹ as well as most kinds of junk food, including drinks like Red Bull, candy, and mixes for alcoholic beverages.¹² Lobbying wins again.
- ◇ Every business wants to lower the costs of the things it buys. But big businesses can take unfair advantage

9 <http://www.cnn.com/2014/03/28/why-this-84000-drug-costs-just-900-abroad.html>

10 <http://www.fns.usda.gov/sites/default/files/pd/SNAPsummary.pdf>

11 <http://dailycaller.com/2014/06/30/11-things-you-didnt-know-you-could-buy-with-food-stamps/>

12 <http://business.time.com/2013/11/01/5-surprising-things-you-can-buy-with-food-stamps/>

of their size to put a real squeeze on their vendors. Walmart, for example, is legendary here, forcing vendors to charge less and less and then taking longer and longer to pay them. As a result, those suppliers have to send jobs overseas, hurting the US economy, and in fact several have been forced out of business by these practices.¹³ And on top of that, the company forces small retailers out of business when it enters each new market, destroying local economies.¹⁴

Cheap Labor

In business, labor – the cost of paying people – is usually your single biggest expense. In order to boost profits, big business pushes for policies that benefit their bottom lines but hurt the rest of us.

- ◇ Big business has been aggressively sending jobs overseas. According to the Wall Street Journal, “U.S. multinational corporations, the big brand-name companies that employ a fifth of all American workers ... cut their work forces in the U.S. by 2.9 million during the 2000s while increasing employment overseas by 2.4 million...”¹⁵ IBM, for example, now employs more people in India than in the US, mostly because the average pay for a high-tech worker there is around \$17,000 USD versus \$100,000 here in the states.¹⁶
- ◇ Big companies are largely in favor of immigration reform and amnesty.¹⁷ The reason? It lowers their labor costs, which then hurts US citizens looking for

13 <http://www.fastcompany.com/47593/wal-mart-you-dont-know>

14 <http://www.nydailynews.com/new-york/brooklyn/study-proves-walmart-super-stores-kill-local-small-businesses-article-1.140129>

15 <http://www.perkinsgroup.com/industry-trends/big-u-s-firms-shift-hiring-abroad/>

16 <http://nypost.com/2013/10/05/ibm-now-employs-more-workers-in-india-than-us/>

17 <http://cis.org/reasoner/migration-equation-big-businessbig-agriculturebig-laborbig-religionbig-immigration>

jobs and decent wages. In the low-skilled market, the percentage of employed US citizens without a high school degree fell from 54% in 2000 to 43% in 2009; their hourly wages dropped by 22% between 1979 and 2007.¹⁸ Those in the skilled trades fared no better: In an analysis of the construction industry in the Washington DC area, researchers found that removing skilled immigrant labor from the market would result in an increase in the cost of trade labor by almost 70% – in other words, higher wages for American workers.¹⁹

- ◇ Companies also find cheap labor through the H1B program, which allows skilled workers from other countries to come to the US to do jobs that could not otherwise be filled. That's the theory, at least: The reality is that they're often competing with local skilled workers and undercutting them. Consider Disney, which hired 250 Indian IT workers to replace their US counterparts in 2015. The New York Times quotes one of those US workers: "I just couldn't believe they could fly people in to sit at our desks and take over our jobs exactly," said one former worker, an American in his 40s who remains unemployed since his last day at Disney on Jan. 30. "It was so humiliating to train somebody else to take over your job. I still can't grasp it."²⁰

Again, there's nothing wrong with being a big business, as long as you're playing by the rules – but as these many examples show, big businesses in the US are bending or breaking the rules so that they benefit while the rest of us suffer.

18 <http://cis.org/node/1582>

19 <http://drum.lib.umd.edu/bitstream/handle/1903/8094/umi-umd-5259.pdf?sequence=1&isAllowed=y>

20 <http://www.nytimes.com/2015/06/04/us/last-task-after-layoff-at-disney-train-foreign-replacements.html>

How you got screwed by...

The Healthcare System

The Point:

Health care costs are out of control, making billions for insurance companies, hospitals, and drug companies, while putting millions of Americans into bankruptcy or financial distress.

In a capitalist economy, innovation is supposed to force costs down and make products and services better over time. But when it comes to healthcare, the exact opposite has happened:

- ◇ As of 2014, the US is spending more on healthcare as a percentage of GDP than any other country in the world. We spend 17.4% of GDP on healthcare (one-sixth of our total economy!) versus an international average of 8.8%.¹
- ◇ Sure, there have been innovations in treatments. But can you say we offer better service when medical errors are the third leading cause of death?² Or when we boast the highest chance that a child will die before age 5, the highest rate of women dying due to complications of pregnancy and childbirth, and the second highest rate of death by either coronary heart disease or lung disease?³

1 <http://ajph.aphapublications.org/doi/full/10.2105/AJPH.2015.302997>

2 <http://www.npr.org/sections/health-shots/2016/05/03/476636183/death-certificates-undercount-toll-of-medical-errors>

3 <http://www.theatlantic.com/health/archive/2013/01/new-health-rankings-of-17-nations-us-is-dead-last/267045/>

We're spending twice as much as the rest of the world for healthcare with middling-at-best results, and as a result we're driving people into poverty: Bankruptcies resulting from unpaid medical bills affected nearly 2 million people in 2013, and an additional 56 million people struggled with their medical bills.⁴

So what's going on? How can we have such an outrageously expensive system that produces such awful results?

Rise of the Middleman

If you can buy something direct from a manufacturer instead of a retailer, you expect that you'll save some money, right? The retailer has to mark up everything he or she sells, as does the distributor that moves the product between the two.

The same principle holds true in healthcare. Years ago, most people didn't have health insurance; they would just pay the doctor directly for routine visits and basic services. If something costly and expensive happened, many had catastrophic insurance which would cover emergency situations.

Today, however, we have allowed health insurance companies to insert themselves into most medical transactions, and the government (Medicare, Medicaid) to put itself in the middle of the rest.

That drives up costs a lot, not only because we have to pay all those insurance and government employees, but also because doctors' offices and hospitals have to similarly staff up to handle all the additional paperwork.

⁴ <http://www.cnn.com/id/100840148>

But more importantly, it means they can charge you whatever they want since you have no idea what you're being charged. How much did the doctor's office bill you for your last visit? You may know your co-pay amount, but we're talking about the actual cost of the visit. If you've been in the hospital, how much did they charge for the room, the food, or the pain medicine? Most people have no idea. And that lack of awareness makes it easy for them to jack up the prices.

Shady Billing Practices

Would you hire a service that refused to give you a price up front, and billed you whatever they wanted to after the fact? Especially if they could add on services when you weren't even able to approve them? That's what we're allowing hospitals and doctors to do whenever we sign off on anything more than a routine procedure. There are a handful of sites that will give you up-front pricing – see the Surgery Center of Oklahoma as an example⁵ - but for the most part we're giving up all control over costs when we walk through the hospital doors. And the price swings can be unbelievable: When comparing emergency room bills from several hospitals, researchers found that the treatment price for a sprained ankle varied from \$4 up to \$24,110!⁶

Doctors and hospitals also use discriminatory pricing – in other words, they charge some people more than others for the exact same thing. A hospital may bill a certain procedure for \$1,000; if you have insurance, the hospital may actually charge \$600 due to discounts negotiated by the company, but if you don't have insurance – probably because you can't afford it in the first place – they'll bill you the full \$1,000. The hospital overcharged just so they could get the payment they wanted

⁵ <http://surgerycenterok.com/about/>

⁶ <http://www.foxbusiness.com/features/2013/06/27/outrageous-er-hospital-charges-what-to-do.html>

for the service in the first place.⁷

What about extreme overcharging for routine supplies? How about \$1.50 for a single acetaminophen pill, \$283 for an X-ray when the hospital accepts \$20.44 from Medicare, or \$15,000 for multiple blood and lab tests when Medicare would have paid just a few hundred dollars in all?⁸ Ridiculous overcharges seem to be the norm, as a way to make profits or cover the cost of those who can't or won't pay for service.

Lack of Competition

A lack of competition gives doctors, hospitals, and medical suppliers with even more pricing power, and it happens in a few ways:

- ◇ The medical field has substantially limited competition through its licensing policies. Of course we all want proof that doctors and other health care providers are qualified; but licensing is used to prevent providers of alternative therapies from practicing, and to prevent non-licensed people from providing more routine types of care.⁹ In addition, licensing bodies strongly discourage members from competing on price, removing an important factor from patient decisions.¹⁰
- ◇ The healthcare field - including insurance companies, hospitals, and doctors - has developed "preferred provider" networks that are akin to vertical monopolies. These give each member of the network much higher levels of pricing power, driving costs up.¹¹

7 <https://www.rt.com/usa/266083-hospitals-overcharge-uninsured-cost/>

8 <http://www.uta.edu/faculty/story/2311/Misc/2013,2,26,MedicalCostsDemandAndGreed.pdf>

9 <http://object.cato.org/sites/cato.org/files/pubs/pdf/pa-621.pdf>

10 <http://www.ncpa.org/pub/st296>

11 http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=2905&context=faculty_scholarship&sei-redir=1

- ◇ We've already talked about how the drug companies made it illegal to import their drugs from overseas, where they sell them at a much lower rate than in the US. But to further reduce competition, they're also very involved in lobbying on patent laws. Patents create short-term monopolies: When you have exclusive rights to sell an important drug, you can charge whatever the market will bear. And that makes sense for a time, given the costs to invent new drugs. But drug companies have found a way to unethically extend those patent protections, either by paying generic drug companies not to make copies after patents expire; forcing patients unnecessarily onto new drugs (with longer patent lives); or by tinkering with the formula in ways that don't really make a difference, yet allow them to apply for a new patent.¹² All of these strategies protect fat profits while hurting patients.

None of the practices listed here were done to benefit patients: They were all done to boost the profits and monopoly powers of the companies providing services. And those rapidly-rising costs will continue to go up unless this is somehow addressed.

¹² <http://www.economist.com/news/finance-and-economics/21604575-drug-companies-are-adept-extending-lifespan-patents-consumers>

How you got screwed by...

Big Media

The Point:

The media is no longer a watchdog working on behalf of the public; it is owned by, and serves, big business, and influences you in ways that serve their interests.

When I graduated college, our keynote speaker was Ben Bradlee, who served as editor at the Washington Post during the Watergate scandal. He said something that shocked me: That “we (ie, the media) decide what the truth is.” What he meant by that was that if the newspapers and TV stations all ran a story, that’s what people were going to believe, whether or not it is actually true. It was a frightening thought then, and it’s a frightening thought now.

This matters quite a bit, because the media is no longer “The Fourth Estate,” a phrase describing a time (very, very long ago) when the media served almost as a fourth branch of government, acting as a watchdog that kept other institutions honest, and truly served the public through its relentless investigative efforts. The mass media is now almost wholly owned by big corporations and serves their interests, and not yours.

How big is Big Media? Today, just six corporations own more than 90% of the major media outlets (including TV, radio, and print media); compare that with the fact that in 1983, 90% of the media was owned by 50 companies.¹ As of 2015, Comcast

¹ <http://www.frugaldad.com/media-consolidation-infographic/>

Corporation is the largest media conglomerate in the US, with The Walt Disney Company, Twenty-First Century Fox and Time Warner ranking second, third and fourth respectively.²

The effects are clear: The media has turned into a corporate mouthpiece, saying whatever serves the interests of these big companies. Is it any wonder that the US has dropped to 41st place in rankings of media freedom?³ Or that, according to Gallup, only “four in 10 Americans say they have ‘a great deal’ or ‘a fair amount’ of trust and confidence in the mass media to report the news fully, accurately and fairly”?⁴

The Profit Motive

One of the biggest issues is the corporate profit motive: When media cares more about the bottom line than about good reporting, they cut all kinds of corners.

This is most visible in the number of reporters on the job. The newspaper industry, for example, which is already seeing declines in readership as people go online, shed over 20,000 jobs between 1994 and 2014 - a 39% decline - as owners work to maintain profitability.⁵ Coverage was further damaged as most newspapers and broadcast outlets shuttered most or all of their foreign bureaus, resulting in far less coverage of international news.⁶

How do they find content now? It’s not through original reporting. Most newspapers and media outlets get their stories through licensing, resulting in identical content going out

2 <http://www.forbes.com/sites/vannale/2015/05/22/the-worlds-largest-media-companies-of-2015/#732afc4f2b64>

3 <https://rsf.org/en/united-states>

4 http://www.gallup.com/poll/185927/americans-trust-media-remains-historical-low.aspx?g_source=trust%20mass%20media&g_medium=search&g_campaign=tiles

5 <http://www.journalism.org/2016/06/15/newspapers-fact-sheet/>

6 <http://ajrarchive.org/article.asp?id=4985>

through multiple channels. They run press releases as articles, often word for word. And they even use software to automatically write articles like corporate reports. But what they're not doing is original reporting or critical thinking or analysis.

Protecting Their Interests

What do you think would happen if you openly bad-mouthed your boss, calling out his or her flaws or mistakes to your co-workers and customers? You likely wouldn't last long with that company. For that exact same reason, the media overlooks negative coverage of the people who can get them fired or hurt their professional prospects, a group that includes their corporate owners, advertisers, regulators (ie the government), and the influential people they need access to for interviews and quotes.

As one example, the list of crimes committed by major banks and investment firms (detailed in Chapter 2) is jaw-dropping; how much coverage have you seen in the financial press, from CNBC or the Wall Street Journal? Aside from minimal reporting on specific news events, there's been a virtual media blackout in order to protect these lucrative advertisers and the media's access to powerful figures for information and interviews.

And sometimes the protection is more subtle, such as in the recent case of a two-year-old being killed by an alligator at a Disney resort. While ABC (owned by Disney) did cover the story, they failed to bring up questions about Disney's responsibility to protect its guests with signs and other warnings, a topic that was covered extensively by the other major networks.⁷

7 <http://money.cnn.com/2016/06/15/media/abc-news-disney-orlando-coverage/index.html>

Misdirection

How many stories have you heard this week about celebrities? And how many have you heard about the federal deficit or debt? When the media try to fill your head with the Kardashians, they're keeping serious issues out of consideration.

The same thing happens when serious newsmakers place themselves into less-than-serious media: President Obama has notably granted interviews to YouTube stars (right after the 2015 State of the Union address no less), appeared in the farcical "Between Two Ferns" interview series, and has become a fixture on the late night show circuit. In doing so, he maintains his visibility without having to answer serious questions, leaving the public feeling that they have access without actually getting any real information.

Keeping You Afraid

How much do you see about terrorism in the news? Probably a lot: It has a constant presence in the media, with nonstop coverage whenever a terrorist event happens, and an ongoing focus in coverage otherwise.

But the tremendous amount of news coverage doesn't line up with the danger. For example, the CDC reports the top causes of death as follows (for 2014)⁸:

Heart disease.....	614,348
Cancer	591,699
Chronic lower respiratory diseases	147,101
Accidents (unintentional injuries)	136,053
Stroke (cerebrovascular diseases).....	133,103

8 <http://www.cdc.gov/nchs/fastats/leading-causes-of-death.htm>

Alzheimer's disease.....	93,541
Diabetes.....	76,488
Influenza and pneumonia.....	55,227
Nephritis, nephrotic syndrome,.....	48,146
and nephrosis	
Intentional self-harm (suicide).....	42,773

How many deaths from terrorism in that same year? None in the US, while 24 US citizens were killed from terrorist acts overseas.⁹ While every death from terrorism is a tragedy, it hardly compares with the 614,348 from heart disease.

And yet we have almost nonstop coverage and conversation around terrorism. The reason is clear: To keep you afraid, which allows those in power a tremendous opportunity to rule. It allows them to install and maintain the TSA (with its 95% failure rate); pass and reauthorize the ironically-named Patriot Act, which has done more to curtail our rights than any other piece of legislation;¹⁰ and turbocharge intelligence gathering efforts on US citizens like those uncovered by Edward Snowden.¹¹

Benjamin Franklin famously stated, "Those who would give up essential liberty to purchase a little temporary safety, deserve neither liberty nor safety." He likely did not count on our own media to be the ones scaring us into compliance.

⁹ <http://www.state.gov/j/ct/rls/crt/2014/239418.htm>

¹⁰ http://www.nyclu.org/pdfs/eroding_liberty.pdf

¹¹ <https://edwardsnowden.com/revelations/>

Part IV:

What You Can Do



What You Can Do

The Point:

Yes, the cards are stacked against you. But that's only if you play their game, by their rules. It's time to play your own game.

At the beginning of this book, I offered the idea that a fish has no idea it's in water: Our environment (in our case, the rules we live by, and the systems we operate within), are invisible to us.

So what would happen if a fish suddenly realized that it was surrounded by water – and that water was polluted? If it was smart, the fish would either find some way to clean the water, or move elsewhere to where the water was livable.

I'm not advocating that you move somewhere else, though you're certainly free to do so if that's your judgement. As for me, I'm staying here: Even with all the problems we have, I belong here. I believe that the vast majority of people in this country are good people who want to do the right thing and will join together as a community when we face challenges. And I think the principles this country was founded on are good ones, ones we can return to if we try.

So the answer, to me, is to clean your own water – make your own life livable. You don't have to fix the entire system – it would be impossible for that fish to clean the ocean – but if you can set up your own living environment and lifestyle to have a healthy and productive life, free (to the extent possible) of the corruption that surrounds us, that's probably the best you can shoot for.

So what can you do to live your best life, a life as free as possible from the manipulative and unfair system that has grown so large?

Stay Within the Law

First things first: Don't do anything illegal. If you feel that banks are robbing you, there may be a temptation to rob them back; if you feel the government is stealing from you, there may be a temptation to cheat on your taxes. Don't.

Live an honorable life, and understand that it's good to unplug from the system, and it's good to leverage the rules of the system in your favor; it's very bad to break the rules of the system, because the ones who suffers most if you get caught is you and those you love. Better to stay peaceful and stay legal.

Watch “The Matrix”

This sounds like a silly suggestion, but I don't think it is: Art often give us a filter or a detached perspective to help us understand things better. In The Matrix, Neo comes to realize that the entire world around him is false, a simulation; that helps him detach and act independently. Cool special effects aside, it's comforting in a way to know that other people have thought about the issues you're thinking about (at least enough to make a movie about it), and it might help you think about your place and your actions in your newly-realized environment.

Educate Yourself

This book is little more than a pamphlet, scratching the surface on things that would take months or years to fully explore. It's

a starting point presented by one person; your job now is to look for other sources that confirm or deny what's written here, and expand your understanding of the issues that you most want to grasp.

Don't Let Others Tell You What to Think

There's a huge amount of peer pressure out there to think what everyone else thinks, even if you realize that it's wrong. The government, the schools, the media, and even your friends all tell you similar stories – the TSA is there to keep us safe, our military is fighting for our freedom, you have to get a college degree if you want to succeed in life, and so on. Don't abandon your knowledge and beliefs just based on the number of people who believe something different; the crowd is not always right.

But on the flip side, don't expect everyone else to understand what you've come to understand. It's fine to share your thinking with others; in fact I'd encourage you to do so, especially with those who are important to you. But if they don't buy in, then let them be. Normalcy bias, and the voice of the crowd, are very powerful; they'll find their way eventually, and when they do you want them to feel comfortable coming to you.

Get Rid of Debt

Remember back to the first section in this book: The money system, and the financial industry, lives on debt. It's what gives them their power, specifically their power over you. Don't let them. Pay off debt as fast as possible, and don't take any new debt on. You'll stop losing money to interest payments, and

you'll gain a tremendous sense of freedom when you don't have that debt hanging over you. It's hard, but it's a huge step in getting your life back.

Buy Real Things

If you're able to invest, understand that the potential for a crash in the financial markets is very high right now, so buying stocks, bonds, and other types of investments could result in you losing a lot of your money. The alternative is to buy real assets, things that have value no matter what happens in the financial markets. That would include buying precious metals, real estate, and farmland, and investing in the tools and skills you need to live self-sufficiently.

Don't Be Mad at the Wrong People

Try to make the distinction between the people who set up unjust systems and the people who work within them. Just because the banks are engaged in illegal and unethical behavior, that doesn't mean your local teller or branch manager is in on it. Just because the education system pushes a fraudulent model like Common Core, that doesn't mean your child's teacher is part of the scam. Remember that most of the people who work in these fields are just like you: Trying to do what's right and take care of their families. Unless proven otherwise, they don't deserve your anger.

Think Through Your Priorities

We've been told throughout our lives that if we want to be happy, we need more and bigger: More money, more clothes, a nicer car, a bigger house. And sure, those things are all nice. But think carefully: Are they worth the price that you have to

pay for them? You might be able to acquire all of those things, but are they worth the debt servitude, and committing to a job that you hate for the rest of your life? Or can you be happy with simpler things, if they're accompanied by the freedom of not having debt, and being able to find work you enjoy (or even working less so you have more free time)? More and better is not always the answer – you can make a different choice.

Do It Yourself

Fifty or a hundred years ago, people were fairly self-sufficient; they knew how to do things. They could change their own oil, grow their own food (or at least some or most of it), sew or at least mend their own clothes, and do their own home repairs. Today we're much more likely to pay for all of those things rather than do them ourselves, either because we don't have time or we don't have the knowledge or skills. But maybe it's time to start learning how to do things again?

You don't have to go buy a cabin in the woods and live off-grid; just start small and see firsthand what a difference it makes in the quality of your life and your feeling of independence. Learn to sew. Grow a few vegetables. Learn how to change your oil. Learn how to replace a light fixture. Cook a meal. It doesn't matter what you do – figure out how to do things yourself, and that confidence, that sense of empowerment, will carry over into other parts of your life.

Find a Community

One of the best things about the internet is that it allows us to connect with people based on our beliefs and interests without being limited by where we live. If you can find like-minded people locally, people you can get together with

and build a sense of community, that's fantastic! If not, look for those people online; there are lots of sites and online communities for you if you just look for them.

One important point: Remember that you're looking for a community, not just an echo chamber. You want people you can share your thoughts with and who you can learn from, but you should also try hard to expose yourself to other thinking as well. You want to continue learning and evolving, and that can't happen if you're with people you agree with 100% of the time.

Chris Martenson of Peak Prosperity often notes the difference between a problem and a predicament. A problem is something that can be fixed; a predicament is something you can't fix and just have to find a way to deal with.

None of these suggestions can, or are intended to, fix the huge problems we see in this country; I don't know of a way to change the direction things are going and turn them towards a system that works for the majority of us. These ideas are just intended to help you live the best life you can. And I think that's about all we can do.

