# Contents

Executive Summary xiii

Acknowledgments xv

Preface xvii

Introduction: Your Guide to the Fourth Edition of Aftershock xxi

## Part I: The Coming Aftershock 1

Chapter 1: **This Recovery Is 100 Percent Fake**

- Why the Aftershock Has Not Been Canceled 3
- Isn’t a Fake Recovery Better than No Recovery at All? 5
- If the Aftershock Has Not Been Canceled, Why Hasn’t It Happened Yet? 7
- Still Not Convinced This Recovery Is 100 Percent Fake? 17
- Don’t Believe the Stimulus Has to Eventually End? 25
- Please Prepare Now 30

Chapter 2: **America’s Bubble Economy**

- Understanding How We Accurately Predicted the Financial Crisis of 2008 Is Key to Understanding Why Our Latest Predictions Are Also Correct 33
<table>
<thead>
<tr>
<th>Chapter 3: Phase 1: The Bubbles Begin to Burst</th>
</tr>
</thead>
<tbody>
<tr>
<td>pop go the housing, stock, private debt, and spending bubbles</td>
</tr>
<tr>
<td>bubbles “r” us: a quick review of america’s bubble economy</td>
</tr>
<tr>
<td>from boom to bust: the virtuous upward spiral becomes a vicious downward spiral</td>
</tr>
<tr>
<td>pop goes the real estate bubble</td>
</tr>
<tr>
<td>pop goes the stock market bubble</td>
</tr>
<tr>
<td>pop goes the private debt bubble</td>
</tr>
<tr>
<td>pop goes the discretionary spending bubble</td>
</tr>
<tr>
<td>the biggest, baddest, bad loan of them all</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 4: The Market Cliff</th>
</tr>
</thead>
<tbody>
<tr>
<td>not your father’s down cycle</td>
</tr>
<tr>
<td>the market cliff won’t be just a “down cycle”</td>
</tr>
<tr>
<td>hitting the market cliff</td>
</tr>
<tr>
<td>the last resort: a stock market holiday</td>
</tr>
<tr>
<td>when is the best time to get out of the stock market?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 5: Massive Money Printing Will Eventually Cause Dangerous Inflation—So Why Hasn’t It</th>
</tr>
</thead>
<tbody>
<tr>
<td>happened yet?</td>
</tr>
<tr>
<td>what is inflation?</td>
</tr>
<tr>
<td>what exactly is money printing?</td>
</tr>
<tr>
<td>how does money printing cause inflation?</td>
</tr>
<tr>
<td>central banks gone wild: the world is printing money</td>
</tr>
<tr>
<td>where is inflation hiding?</td>
</tr>
</tbody>
</table>
Contents

The Arguments against Future Inflation Simply Don’t Hold Up 113
This Is Not a Plan—It’s a Panic! 120
The Real Problem with Rising Future Inflation: High Interest Rates 121
The Fed’s Big Blind Spot: They Don’t Understand Where Growth Comes From (Hint: It Doesn’t Come from Rising Bubbles or Massive Money Printing to Support the Bubbles) 125
When Will Inflation Begin? When Group Psychology Turns Negative after the Market Cliff 129
The Inflation Deniers Are Liars! 133

Chapter 6: Phase 2: The Aftershock
Pop Go the Dollar and Government Debt Bubbles 137
The Dollar Bubble: Hard to See without Bubble-Vision Glasses 138
The Government Debt Bubble Pops 158
The Aftershock 165
The Six Psychological Stages of Denial 166
Is There Any Scenario for a Soft Landing? 170

Chapter 7: Global Mega-Money Meltdown
It’s Not Just America’s Bubble Economy—It’s the World’s Bubble Economy 173
The United States Will Suffer the Least 174
Think of the World’s Bubble Economy in Two Categories: Manufacturing and Resource Extraction 175
How the Bursting Bubbles Will Impact the World 179
If the World’s Bubble Economy Is Hit Harder than the U.S. Bubble Economy, Won’t That Be Good for the Dollar? 188
If the Rest of the World Is Collapsing, Won’t That Be Good for Gold? 188
International Investment Recommendations 190
Chapter 8:  “You’re No Fun”  
What I Hear Traveling Across Our United States  

By Aftershock Co-author Robert Wiedemer  
Florida: “You’re No Fun”  193  
Philadelphia: Wharton Meets Wall Street  197  
Green Bay, Wisconsin: I Can Be a Cheerleader, Too—in the Right Places  199  
North Carolina: People Know in Their Gut that What I’m Saying May Be Correct  201  
New York City: The Turkeys Were Living the Good Life Until …  202  
New York City Again: When You Abolish Failure, You Institutionalize Stupidity  203  
One Last New York Story: Is He Really Smart or Really Stupid?  204  
A State of Extreme Denial Exists in Parts of the United States  205  
What’s the Smart Money Doing Now? Just What They Did Before the 2008 Financial Crisis! Same Denial Now as Before  207  
The Sun Will Shine after Every Storm (From My Hotel Room in North Carolina)  209

Part II: Aftershock Dangers and Profits  213

Chapter 9:  Covering Your Assets  
How Not to Lose Money  215  
The Three Rules for Not Losing Money  215  
These Rules Are Simple but Not Easy!  216  
Long Term versus Short Term  218  
Rule 1: Exit Stocks Well Before the Market Cliff  221  
Rule 2: Stay Away from Real Estate Until after All the Bubbles Pop  228  
Rule 3: Avoid Bonds and Most Fixed-Rate Investments as Interest Rates Rise  241  
Where’s the Best Place to Stash Cash?  243
How Long Must We Follow These Three Rules? 243
Letting Go Is Hard to Do 244
What Else Can I Do to Protect Myself? 247
Remember, Your Net Worth Is Not Your Self-Worth 249

Chapter 10: **Cashing In on Chaos**

**Best Aftershock Investments** 251
Plenty of Profit Opportunities, but They Will Feel Quite Uncomfortable, Even Scary at Times 251
This Economy Is Evolving; Your Investments Should Evolve,Too 252
Three Goals of an Evolving Aftershock Investment Portfolio 254
Reducing Risk with a New Kind of Diversification 256
Two Other Aftershock Investments after the Bubbles Pop: Foreign Currencies and Foreign Bonds 272
Timing Is Everything before the Bubbles Pop, but Your Timing Won’t Be Perfect 274
Putting It All Together 275

Chapter 11: **Aftershock Jobs and Businesses** 279
The Rising Bubble Economy Created Huge Job Growth; Now the Falling Bubble Economy Means Fewer Jobs 280
Conventional Wisdom about Future Job Growth Is Based on Faith that the Future Will Be Like the Past 281
Why Conventional Wisdom on Jobs Is Wrong 283
What’s a Savvy Aftershock Job Seeker to Do? 284
The Falling Bubbles Will Have Varying Impacts on Three Broad Economic Sectors 286
Should I Go to College? 296
Opportunities after the Bubbles Pop:
  * Cashing In on Distressed Assets 297
  * Dig Your Well before You Are Thirsty 298
Chapter 12: **Understanding Our Problems Is the First Step Toward Solving Our Problems**

- If You Don’t Understand Why an Economy Grows, You Can’t Understand Why It Doesn’t Grow
- You Need to See the Big Picture before You Start to Focus
- Key Breakthroughs in the History of Economic Thought
- Economics Needs a Breakthrough Big-Picture Idea like Geology Needed Continental Drift
- So Why Aren’t We Getting an Alfred Wegener wor a Breakthrough Idea like Continental Drift?
- Economists Have Become Academia’s Version of Financial Cheerleaders
- The Demands to Get Tenure and the Rewards of the Good Life after Tenure Have Delivered a One-Two Punch to Creative Economic Thought
- Where to Now? Answer: Economics Needs to Move from Being a Collection of Competing Philosophies to Being a Unified Science
- Four Key Elements for Making Economics More of a Science
- Where Do We Stand Today in Making This Transition?
- The Economics Profession Does Not Want to Make This Transition
- The Solution to the Lack of Interest in Making Important Changes in Economics: The Coming Aftershock

Chapter 13: **Our Predictions Have Mostly Been Accurate, So Why Do Some People Still Dislike Them?**

- It’s Not a Cheerleading Book
- It’s Not a Complex Book (Although It Is Based on Complex Analysis)
- It’s Not a Crazy Book
Contents

It’s Not an Academic Book 333
It’s Not Suggesting Armageddon 334
It’s Not a Reality-Denying Book 335
Us versus the Comforters: How Aftershock Stacks Up against Other Bearish Books 335

Appendix: Are the Bond, Stock, and Gold Markets Manipulated? 343
Bond Market Manipulation 343
Stock Market Manipulation 344
Gold Market Manipulation 351
Market Manipulation Summary 354
Investment Impact 355

Bibliography 357

Epilogue: Say Good-Bye to the Age of Excess 363

Index 367