feed and poor sanitary conditions. Typically, as it was of anything else of major importance, the poisoned fish story was in and out of the news in a day.

Whether it is mad cow meat, farm-raised fish filled with cancer causing agents, or intensely raised chickens and ducks that spread avian flu (of which the WHO fears a possible human pandemic killing millions), these chemically pumped-up foods have replaced the real thing. But the practice is accepted and there is a perfect agri-industry rationale to fill the food supply with ersatz products - fake food is a lot cheaper by the pound, and the profit margins are fatter.

TRENDPOST: CLEAN MONEY

The demand for "clean food," free of artificial preservatives, coloring, irradiation, synthetic pesticides, drug residues, genetic engineering – processed, packaged, transported and stored to retain maximum nutritional value – will be a growing trend. We estimate that some 20 percent of the American public, the minority that understand whole heath and complementary medicine will, over the next decade and a half, put their money where their mouth is by buying "clean." Filling the market place with clean food products, including fast foods, will provide exceptional entrepreneurial opportunities for decades to come.

However, for the majority of Americans, the sicker they become the more they will rely on costly drugs and obscenely expensive hospital care. Americans are already spending $1.5 trillion per year – 15 percent of the nation's economy – on medical care.

We forecast that, as the nation ages, the spending will climb to 20 percent by 2012. But by then, they'll be too old, sickly and unable to afford quality medical care... and for a good reason. The people and the government are going broke.

WEIGHED DOWN More big news that really didn't make the news was that U.S. Consumer debt has more than doubled in a decade. The debt, which includes credit cards and car loans but not mortgages, translates to $18,700 per U.S. Household. At the same time, the savings rate dropped to just 2 percent of after-tax income during the first half of the year. Americans owe $735 billion in credit card debt alone, and spend a near record 18.1 percent of after-tax income to cover all debts, including mortgages.

The "little people" have a good example to follow. The nation's current deficit is hovering close to 5 percent of Gross Domestic Product and the joint trade and budget deficits total nearly a trillion dollars. The rest of the world sees what's going on. International interest in U.S. assets continues to wane, and the dollar continues to tank, falling to levels not seen since 1995, just prior to the dot-com craze – that artificial steroid that temporarily pumped up the doomed-to-sink economy. Gold has made a steady climb, hitting $430 before the big boys drove it down to prop up the diving dollar.

Fixated on the "news" of pop singer Britney Spears' quickie Las Vegas marriage – nuptials one day, annulment the next – the self-important media boobs didn't find it important enough to broadcast the warning from the International Monetary Fund that accelerating U.S. debt levels, ballooning trade imbalances, and the running up of foreign debt to record levels threatened global financial stability.

The I.M.F. warned that the U.S. net financial obligation to the rest of the world could be equal to 40 percent of its total economy within a few years - "an unprecedented level of external debt for a large industrial country," that could also play havoc with the dollar and international currencies.

It wasn't only the media that found the story unworthy of headlines. The White House dismissed the report as alarmist, saying that President Bush would reduce the budget deficit by half over the next five years.

The gobbling-up-debt syndrome began in earnest back in the 1980's when, following the tax cuts and military buildup of the Ronald Reagan years, the U.S. went from being the world's largest creditor nation to it's biggest debtor. Since then its gluttonous appetite for borrowing has only grown more voracious. Everyone knows it, yet everyone ignores it. America and Americans are addicted to borrowing and nothing will stop them… except a good dose of reality. It won't before the reality check is in the mail.

TRENDPOST: THE GREAT RECESSION

The Great Recession, as it will become known by 2007, will maintain its grip for at least a generation. Consumer bankruptcy filings, running at about 1.55 million in 2003, will more than double, home foreclosures will skyrocket, businesses of all sizes will collapse and government debt will soar as the income stream from tax sources shrink. But there will be businesses that thrive: bill collectors, auto repossessors, estate auction services and drug companies selling anti-depressants.

How can anyone deny the facts proving that the scales of financial balance are so lopsided that they will not only sink the U.S. economy but also drag down the world economies with it?

Yet, denied they are. Over and over the facts are buried, ignored, dismissed, trivialized and politicized... but that will not stop the inevitable from occurring.

LIES, LIES AND MORE LIES **"US 'distorted' Iraq weapons menace"** read the headline. "Study alleges Bush administration exaggerated risks posed by Baghdad in the run-up to war" read the sub. "Bush administration officials "systematically misrepresented" the threat from Iraq's weapons of mass destruction in the run-up to war… were the findings of the Carnegie Endowment of International Peace." *Financial Times*, January 8, 2004

The study found that intelligence became excessively politicized and the "intelligence community began to be unduly influenced by policy makers views." While the great paper of record, *The New York Times*, ignored the story, it did

new business scandal. **"Morgan Stanley fined over LVMH research,"** read the January 13 headline of the *Financial Times*. "Investment bank ordered to pay $38 million after Paris court finds it guilty of gross misconduct," read the sub.

This followed on the heels of the $1.4 billion settlement reached last year against Wall Street firms that had their analysts lie to dupe an unsuspecting public into buying stocks in companies with cooked books.

"World's largest temp agency hit by accounts scandal at U.S. arm," ran the adjacent headline.

An endless stream of dirty business deals hit the wires, but like a crime report from the South Bronx, they were greeted with a yawn of expectation. **"Regulators allege widespread sales abuse within mutual fund industry,"** read the headline in the FT the next day. What a surprise. The government caught major mutual funds giving payola to brokers to promote their products to trusting investors.

Yes, it is virtually a new day and a new scandal: **"Guilty plea is expected from inquiry into earnings," "Testimony on bonuses to ex-Tyco executives," "Former futures chairman settles charges," "Massachusetts sues brokerage firm," "Many prospective jurors interviewed in Stewart trial," "Italian police raid bank offices as inquiry into Parmalat widens," "Swiss regulators examine Adecco," "ex-accounting chief at Enron is indicted on 6 felony charges," "Computer associates' executive testifies he lied in inquiry," "Stock commentator resigns amid inquiry."**

All this and more in just 24 hours between January 22nd and 23rd! Martha Stewart, Parmalat, Enron, World Com, Aldelphia, Tyco, etc… names that will live in financial infamy.

TRENDPOST: PLAN NOW

The world's house of financial cards is teetering on a foundation built of smoke and mirrors. The public and the media continue to turn a blind eye and a deaf ear to what it all means… the prelude to the Great Recession. Caution should be exercised by diversifying portfolios to include a variety of financial instruments, currencies, real estate, as well as liquid investments, such as precious metals.

Why should they worry? After all, the stock market has started off the New Year with a bang. But what most people don't understand is why gold had flirted with $430 per ounce and why the dollar was diving until the power brokers and bankers put a temporary stop on the greenback's slide.

TRENDPOST: GOOD AS GOLD

Since the massive European Central Bank intervention to prop up the dollar and stop the surging Euro in mid-January – in preparation for the Group of Seven meeting – gold has declined some $25 from its high. For those interested in buying or selling gold the equation is simple. Low dollar = high gold. High dollar = low gold. With the pressure to keep interest rates at or near their 45 year lows during this election year 2004, the trend is for low dollars = higher gold prices. Of course, with so much geopolitical instability and the threat of terror mounting, gold prices could spike higher instantly.

EDITOR'S NOTE: We forecast the U.S. economy will expand at a 4 to 5 percent annual rate. In this election year everything will be done by the incumbents to keep the financial markets strong and the economic data positive.

Back in 1992 when George Bush senior ran against Bill Clinton, the Democratic mantra was, "It's the economy stupid." In 2004 it will again be the economy.

We forecast another good year in real estate and for big-ticket items since it will be imperative to keep interest rates low so the economy won't stall. The luxury sector will perform smartly but on the lower end, retailers will be waging a highly competitive battle as they fight to win greater market share in a climate of razor thin profit margins.

The prospects for moderate economic growth could quickly change if there is a major terror strike of a magnitude similar or greater than 9/11. If such an event occurs it will swiftly stunt economic growth. Unless there is a major foreign policy debacle, Iraq will not be a deciding campaign issue. If casualty rates continue at current levels there will be minimal public pressure to bring home the troops – unless a series of dramatic losses occur just prior to the November election. ■

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Summer '04 Trends Journal

than when Bush took office in 2001, with health costs skyrocketing, with national debt soaring and with a tepid recovery in slow down mode, Kerry will win the economic round by default.

It is not as though Senator Kerry's economic platform, built by former members of the President Clinton team, is so strong and Bush's so weak. Our analysis of the Kerry plan leads us to forecast that he will be unable to deliver the strong job growth, protect American workers from losing jobs to foreign labor pools or spur the dynamic business expansion as promised. Nevertheless, Kerry's promises lie in the future and his message will be promoted as being more middleclass/worker friendly than Bush's, which will be seen as more richer-class/corporate friendly.

TOUGH BREAK

But what lies ahead is the Great Recession. It has been predetermined by decades of public and corporate policy and real world events. It cannot be avoided, corrected or controlled by tweaking monetary and fiscal policies. Indeed, the go-go 1990's economic heat was generated by the collapse of the U.S.S.R., accelerated by globalization, maintained by the high tech revolution, juiced by Wall Street's dot.com Ponzi scheme and made sizzling hot by corporate book cookers.

As we know, and as we have said all along, the 1990s was as much bubble as boom and we now forecast that short of some "wild card" turning up again, the economic future is resolutely recessionary. (See, "*Dealing with 'Five-O,'*" page 6, *Trends Journal*, Vol. XI, No. 1)

ON THE GEOPOLITICAL FRONT, although Kerry voted in favor of the Iraq War Resolution, he will be targeted by the opposition as weak on defense and vacillating – a blow with the wind politician who will fold when it gets too tough. Yet, Kerry's military credentials and his strategy to put an international occupation force in Iraq (regardless of his ability to form one) will give him a perceived advantage over Bush on foreign policy.

Because of the many negatives associated with starting the Iraq War and the management of it, absent a spectacular event that could rally the public behind the President, Iraq will siphon off more Bush votes than any other issue.

TOUGH ON TERROR. Following 9/11, the invasion of Afghanistan, and early battle victories in the Iraq War, President Bush was considered by the majority public as being a bold leader and scored high in the polls when it came to his making the country safer against terror. However, now, in a sharp reversal of sentiment, 55 percent of Americans feel less safe because of the war in Iraq – a spike of 22 points in just six months.

While the general population does not really believe either candidate can stop terror or has a better solution to deal with it, Bush is nonetheless saddled with having made a very bad situation a lot worse as a result of the Iraq invasion and occupation.

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Editor and Publisher
Gerald Celente

Executive Editor
John Anthony West

Assistant Editors
David Naglieri
Mindy Tower
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A Bernanke Recession

America was emotionally and physically devastated by Hurricane Katrina. The eyes of the world watched as winds and water destroyed the Gulf Coast while a circle jerk of politicians congratulated themselves for a job well done as thousands perished and millions of lives were ruined.

With oil refineries damaged, pipelines fractured, ports closed and offshore rigs under water ... oil prices skyrocketed.

In the aftermath of destruction, Ben Bernanke, the then White House Chief Economic Advisor predicted, "As long as we find that the energy impact is only temporary and there's not permanent damage to the infrastructure, my guess is that the effects on the overall economy will be fairly modest."

The energy impact was not "temporary." Oil prices have stayed in the Katrina range while gas at the pump has dramatically risen. Yet Bernanke, the new Federal Reserve Chairman, has boldly increased interest rates and has signaled for more rate hikes to come.

In his previously sheltered world of college tenure that protects professors with guaranteed paychecks and as a political top gun where party loyalty insures princely benefits, Chairman Bernanke and his peer class are mostly immune from the financial suffering caused by the high interest rates he imposes upon most Americans.

"It is reasonably clear that the US economy is entering a period of transition," Bernanke told a group of fellow bankers on 5 June 2006. "The anticipated moderation of economic growth seems now to be under way."

PLEASE PASS THE QUICHE

Indeed, what is "anticipated moderation" to those that can afford it will feel like genuine recession to businesses and consumers who were chummed in by the Fed to borrow low and now must pay back high while the economy slows, sales decline and personal income erodes.

And for America's vast underclass ... those who are already out of work, downsized, and for whatever reasons unable to make ends meet ... "moderation" is "Depression."

The Recession 2007 we had forecast in 2004 is right on track. (See "Great Recession," *Trends Journal*, Winter 2004.) America's on the down-trend with serious long term consequences. This time, when the Fed eventually lowers interest rates, while it will spur some economic growth, it will also precipitate a dollar crash that's waiting to happen. Foreign lenders will bail out of cheap bucks and other shaky US securities for sounder investment opportunities.

PANACHELESS

Unlike the leading Fed characters that preceded him, such as the tough talking, cigar chomping Paul Volker or Alan Greenspan, the mystical mouthpiece of no-speak ... Ben Bernanke lacks the public persona to pacify either Wall Street or Main Street. Thus, when Bernanke speaks, his message will be taken for what it is: The US economy has struck reality, and there are no fiscal or monetary lifeboats left to save it from sinking. ❑

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