



**GORDON T LONG**  
**CO-FOUNDER MATASII.COM**



## Advanced Technical Analysis



## NOTE

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# THE ROAD TO REGULATORY REPRESSION

*FINANCING THE REGULATORY STATE*



# AGENDA

- **ECONOMIC GROWTH v DEBT GROWTH**

- BREAKING \$100T IN EXPONENTIAL CREDIT GROWTH

- **CAPITALISM v CREDITISM**

- CREDIT FOR CONSUMPTION v SAVINGS FOR INVESTMENT

- **THE CHINA PROBLEM**

- THE GLOBAL GROWTH ENGINE

- **A FINANCING PROBLEM**

- DERIVATIVES, COLLATERAL TRANSFORMATIONS & SWAPS
- CONTINGENT LIABILITY GUARANTEES

- **CONCLUSION**

- POLITICAL FISCAL POLICY v FEDERAL RESERVE DOMINATION
- FINANCIAL REPRESSION + REGULATORY REPRESSION



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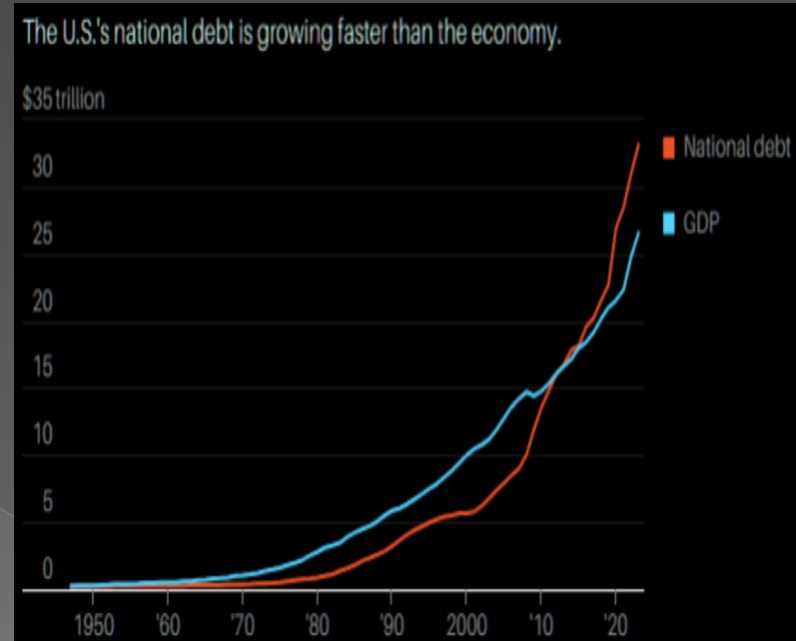
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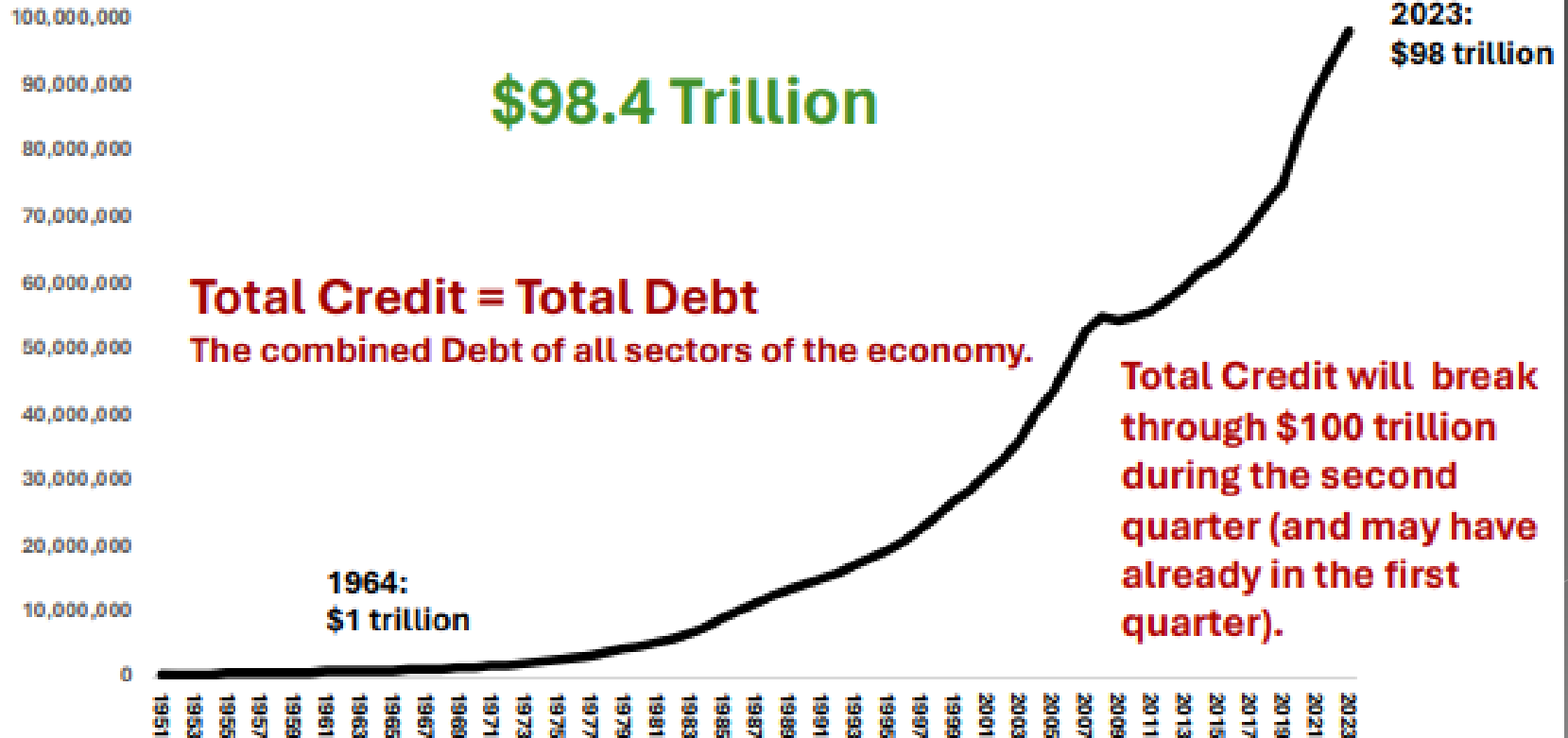
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# Total Credit = Total Debt

## US\$ Millions, 1951 to 2023



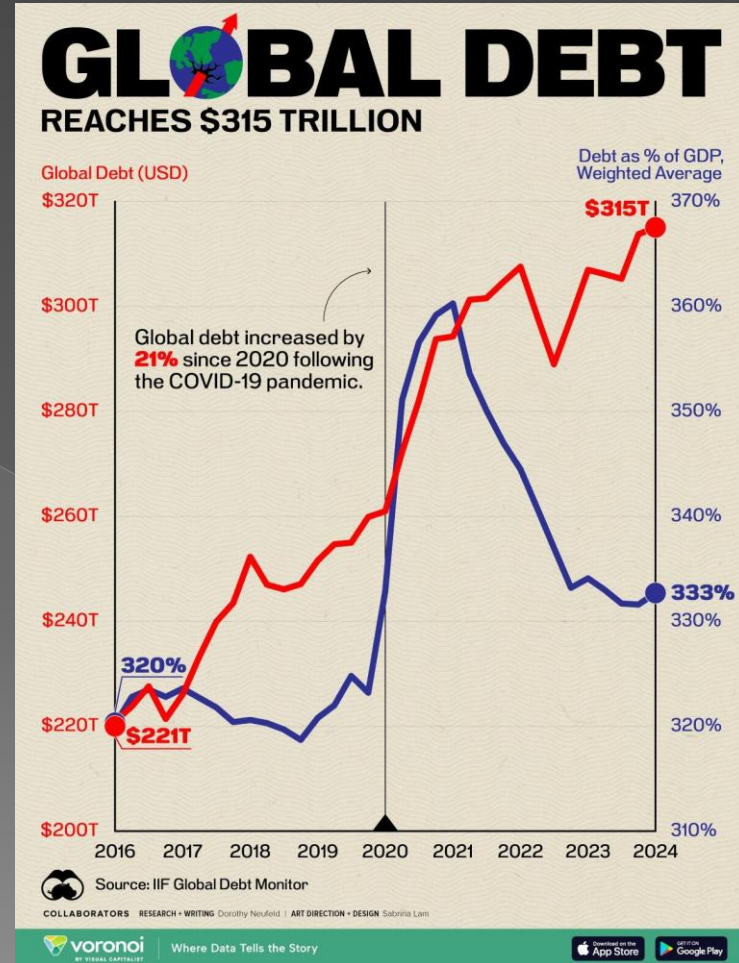


Global debt hit a new record in the first quarter of 2024, increasing by \$1.3 trillion in just three months to \$315T

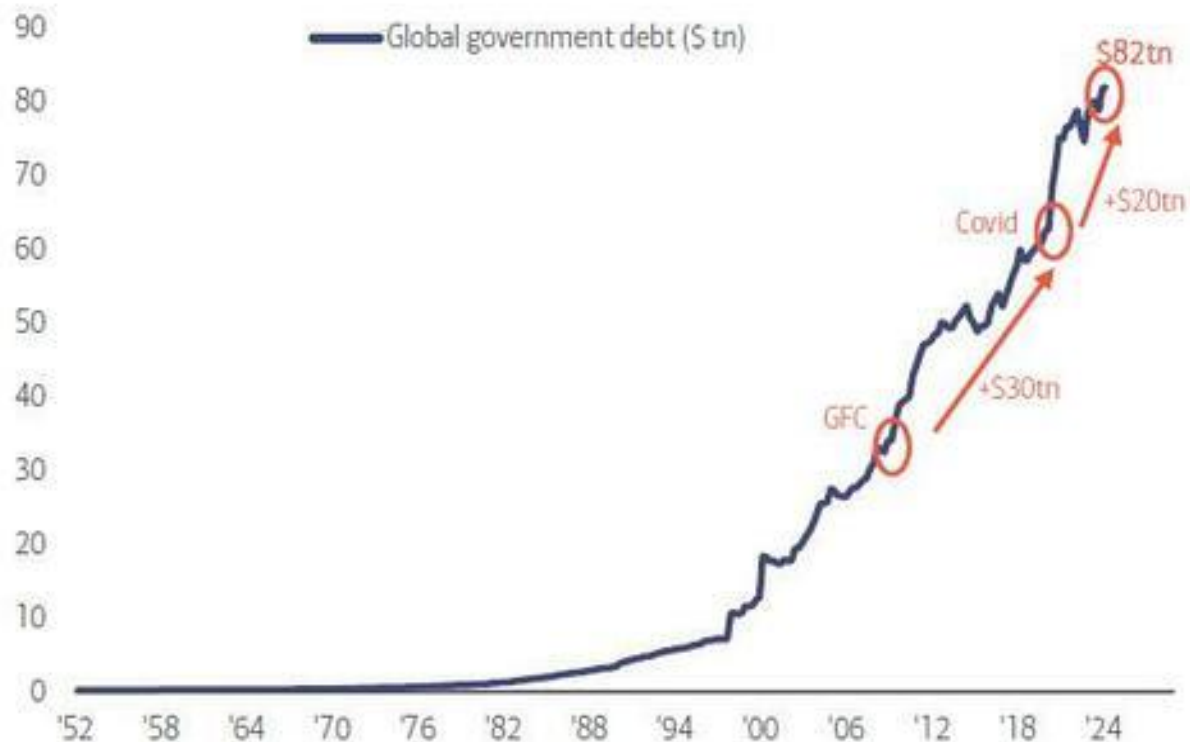
While the U.S. and Japan were the largest contributors across advanced economies, China, India, and Mexico drove the largest share in emerging markets.

Overall, the global debt-to-GDP ratio reached 333% as higher debt servicing costs and growing debt burdens continue piling up.

**SINCE THE PANDEMIC** debt has surged by 21%, adding \$54.1 trillion to the global total.



## Government debt +\$20tn since COVID, +\$50tn since GFC Global government debt (\$tn)



Source: BofA Global Investment Strategy, Bloomberg, Haver, stolen from ZH



## Government debt +\$20tn since COVID, +\$50tn since GFC Global government debt (\$tn)

90 We HAD ~\$62T in government debt, on a global economy as measured by GDP in 2020, of ~\$84.96T debt

70 It will be \$82T in 2022 with an expected GDP of \$104T.

50 This is ~\$20T of new Debt to grow the Global economy by the same ~\$20T!

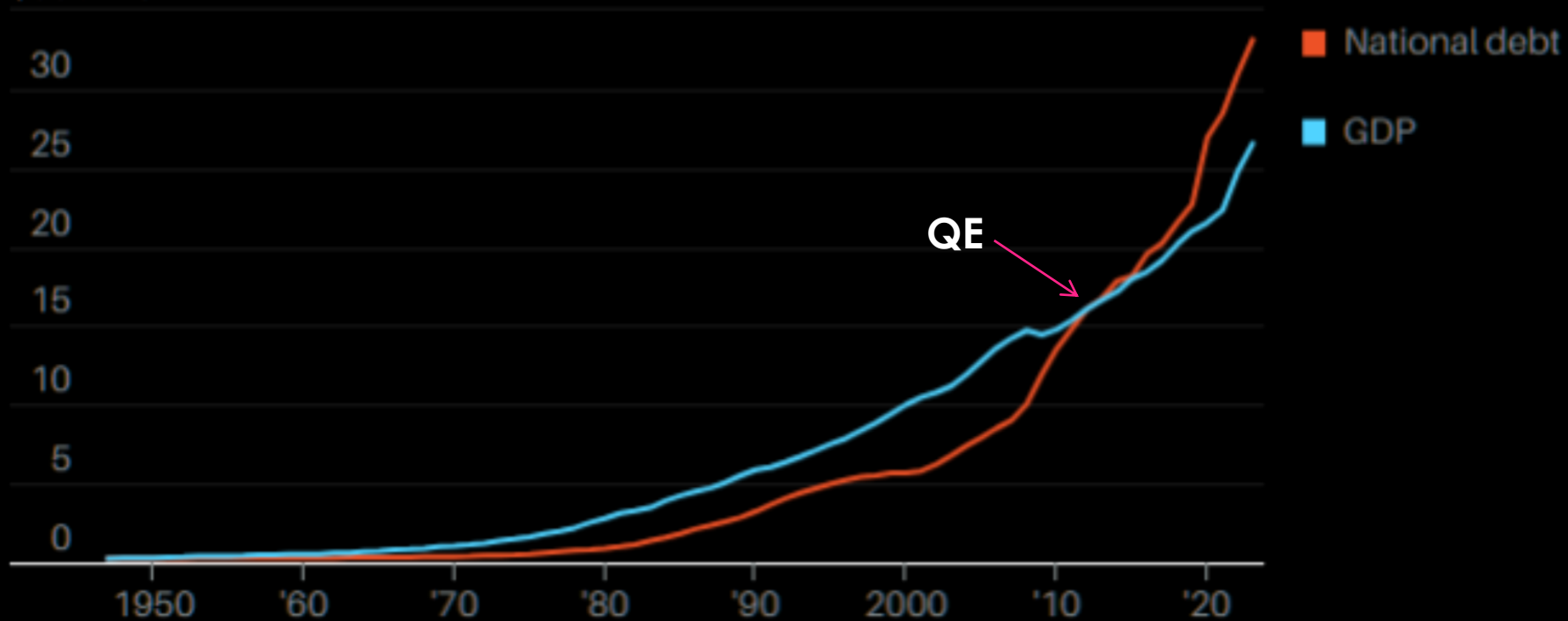
30 ARE WE GROWING DEBT OR GDP??  
20 It makes you wonder whether we are growing the economy or just debt??  
10  
0



Source: BofA Global Investment Strategy, Bloomberg, Haver, stolen from ZH

# The U.S.'s national debt is growing faster than the economy.

\$35 trillion



# KEY MESSAGES

1. Current Path is Unsustainable and will end with a Crisis.
  - Growth is Debt based in Paper Claims on Real Wealth.
  - Wealth however is Real, Unencumbered, Titled Collateral.
2. Debt will increasingly be harder to get because of Collateral Shortage.
  - Issue of Rehypothecation, Collateral Transformations and Encumbered Collateral
- 3. The Crisis Will Occur When Debt Growth No Longer Produces Growth.**
  - **Globally it has already eroded to \$1 Debt for a \$1 of Growth.**
  - **In the US it Takes as much as \$2.50 of New Debt to produce the \$1 of Growth.**
  - **In the US it Takes as much as \$1.50 of Deficit Growth to produce the \$1 of Growth.**
  - **Velocity of Money must be sustainably larger than Money Supply or GDP shrinks.**
4. The Crisis Will Be the Implosion of the Derivative Security Complex.
  - An Unprecedented “Super Cycle” degree Collapse
  - Collateral Underpins All Derivatives
  - Collateral Will Be Swept Up On A Vast Scale.
5. The “Great Reset”
  - The Government Will Begin the Usage of Contingent Liability Guarantees.
  - The “Great Taking” – A Collateral Confiscation Scheme will be Executed.
    - “Security Entitlement” & the “Protected Class”
    - “Dematerialization”, “Secured Class” and “Safe Harbor” Global Provisions

# US NOMINAL GDP GROWTH

Over the last three years, the nominal growth in US GDP has been 14.2%.

U.S. GDP growth rate for 2023 was 6.30%

U.S. GDP growth rate for 2022 was 1.94%

U.S. GDP growth rate for 2021 was 5.95%

=====

14.2%

Over that same period, the US debt has grown due to \$7.6T in excessive fiscal spending for a 28.2% growth = almost exactly the growth in nominal GDP growth.

In other words, it takes a rate of US debt growth equal to twice the growth of needed nominal GDP.

Assuming a target **3% REAL growth** with **3% INFLATION** (from above), it will require ~6% Nominal Growth.

That will require (an expanding) **~12% growth rate in the US National Debt.**

**That rate of growth in the national debt will likely mean it will be nearly impossible to keep Inflation below 3%!**

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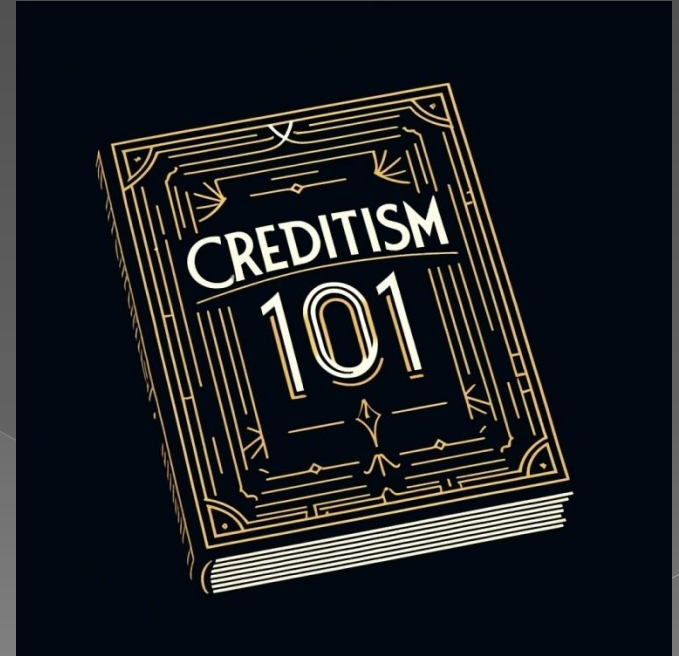
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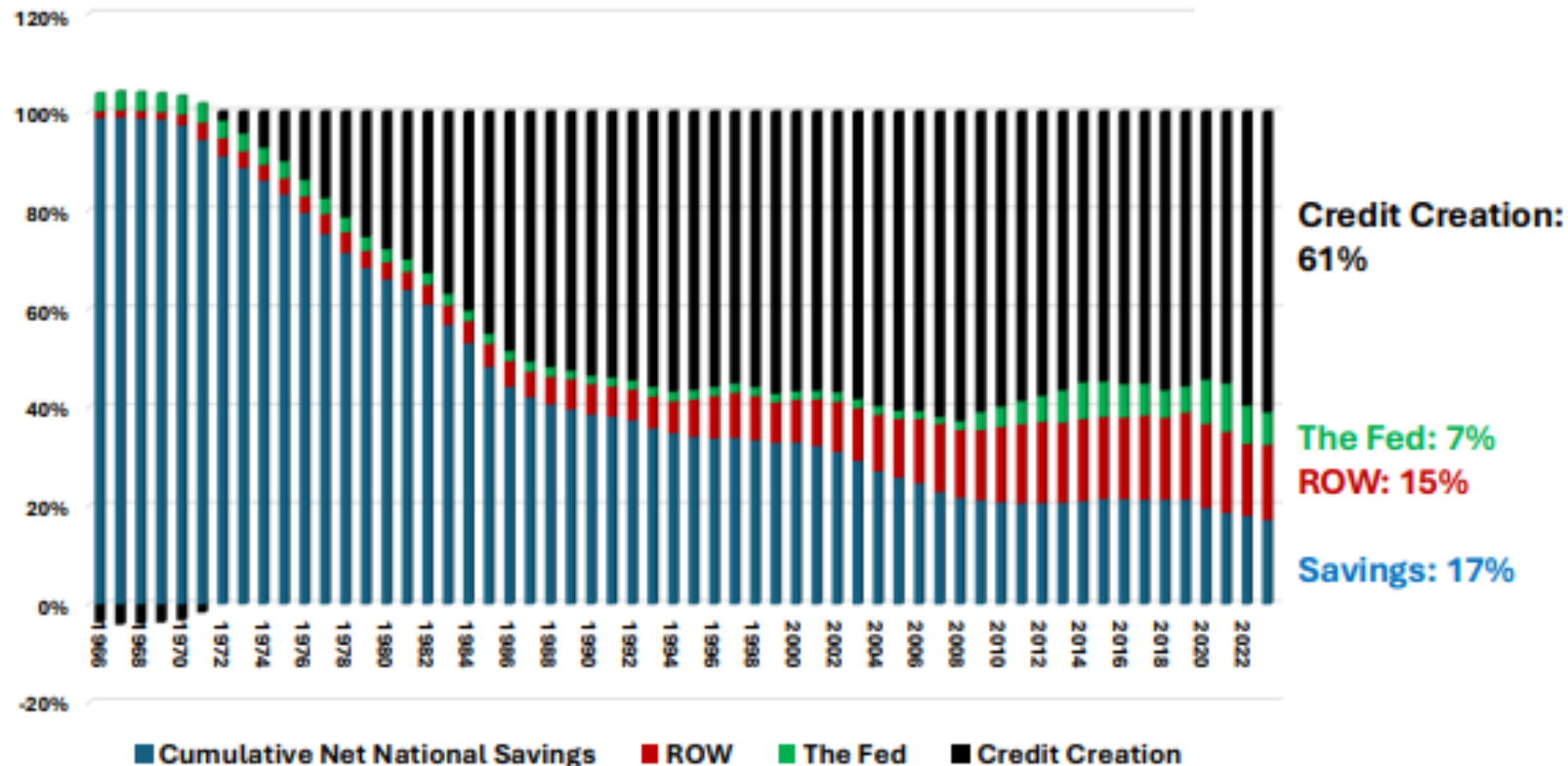
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## Where Does The Money Come From To Fund Credit Extension? Source Of Funding, % Breakdown from 1966 to 2023



Source: The Fed's Financial Accounts Of The United States; and the Bureau Of Economic Analysis



# TWO FOLD

## 1- DOMESTIC INVESTMENT

Driven By Growth of Growth of Bank Reserve Growth

## 2- FOREIGN INVESTMENT

Driven by Trade Deficit – EuroDollar Growth

# Households Net Worth

## US\$ Millions, 1951 to 2023

180,000,000  
160,000,000  
140,000,000  
120,000,000  
100,000,000  
80,000,000  
60,000,000  
40,000,000  
20,000,000  
0

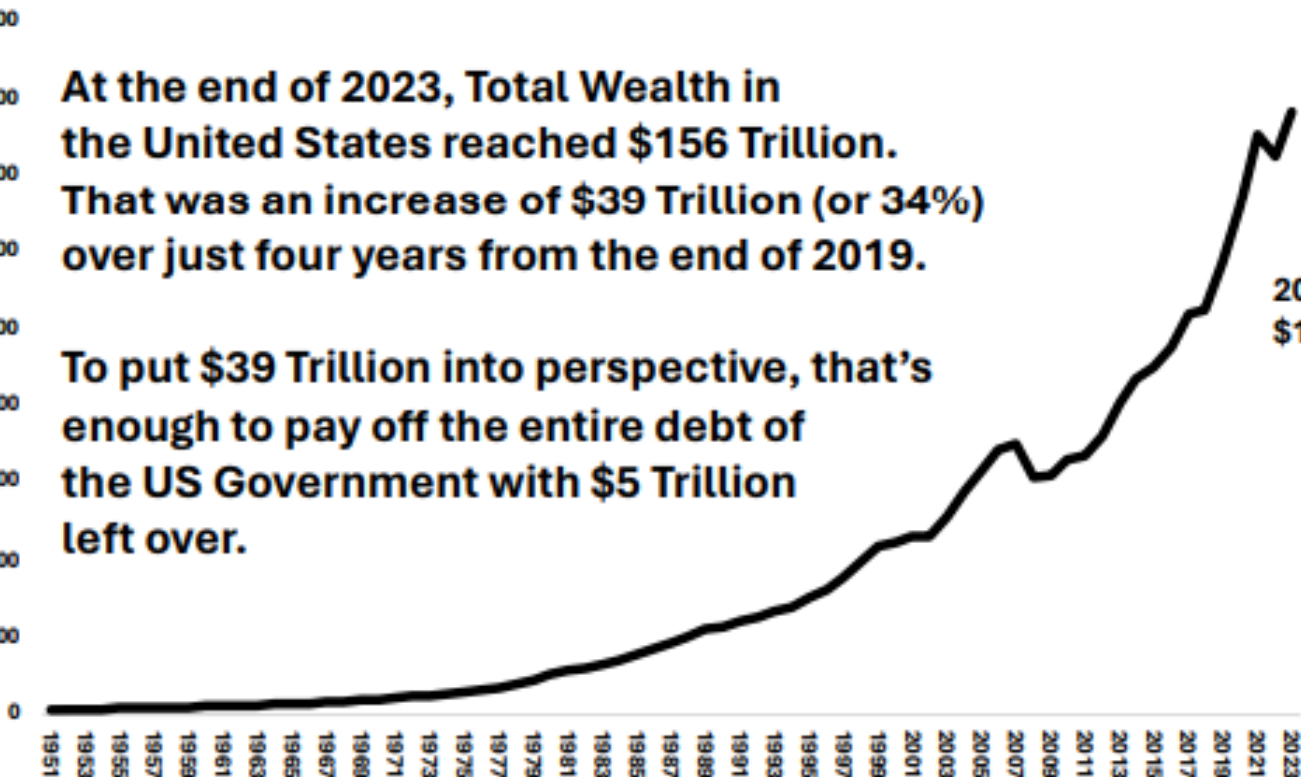
**At the end of 2023, Total Wealth in the United States reached \$156 Trillion. That was an increase of \$39 Trillion (or 34%) over just four years from the end of 2019.**

**To put \$39 Trillion into perspective, that's enough to pay off the entire debt of the US Government with \$5 Trillion left over.**

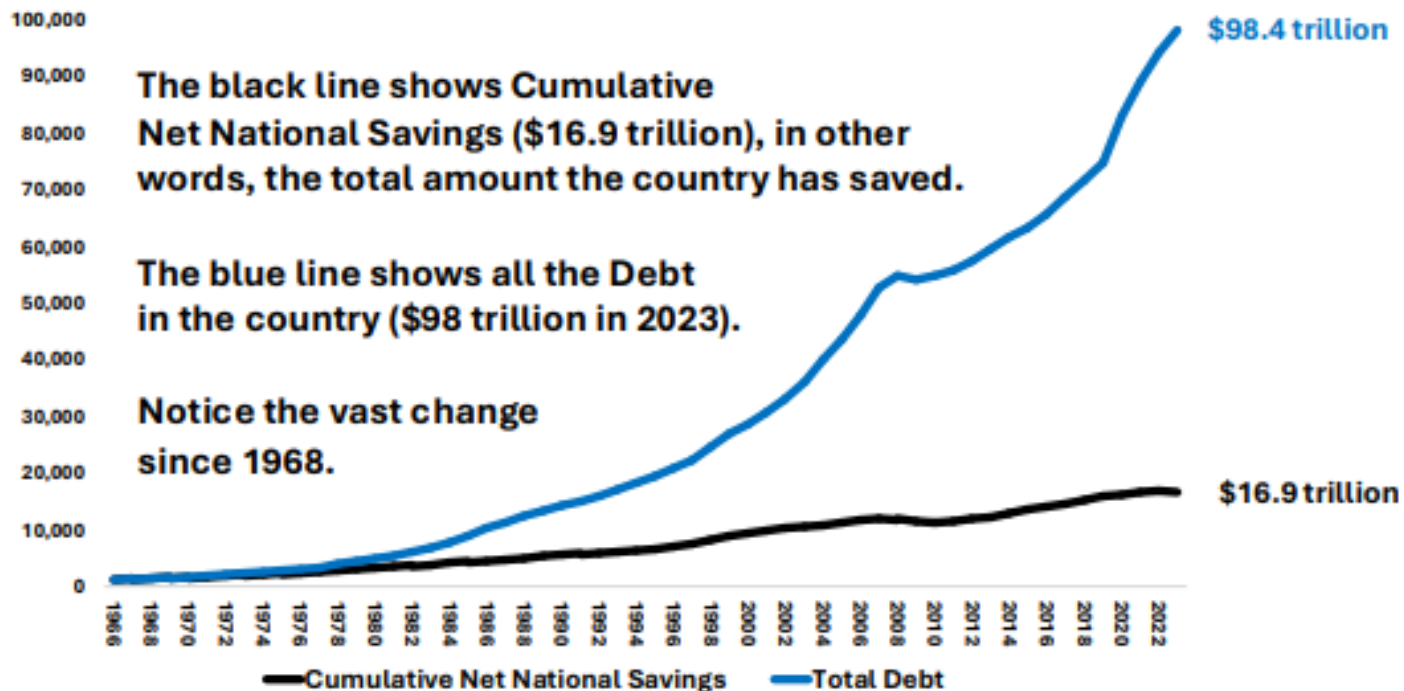
**2023:  
\$156 trillion**

**2019:  
\$117 trillion**

1951 1953 1955 1957 1959 1961 1963 1965 1967 1969 1971 1973 1975 1977 1979 1981 1983 1985 1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017 2019 2021 2023

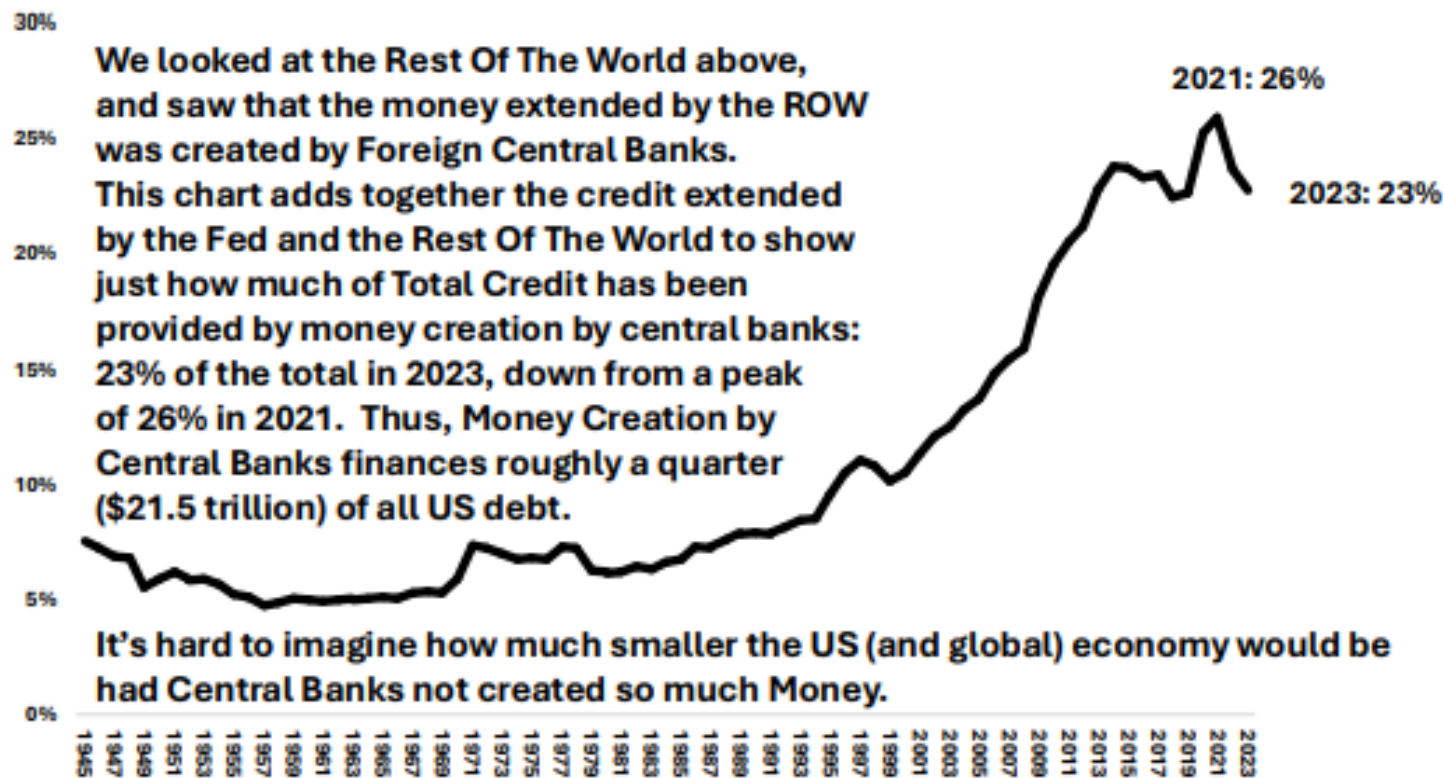


## Total Debt\* vs. Cumulative Net National Savings US\$ Billions, 1966 to 2023

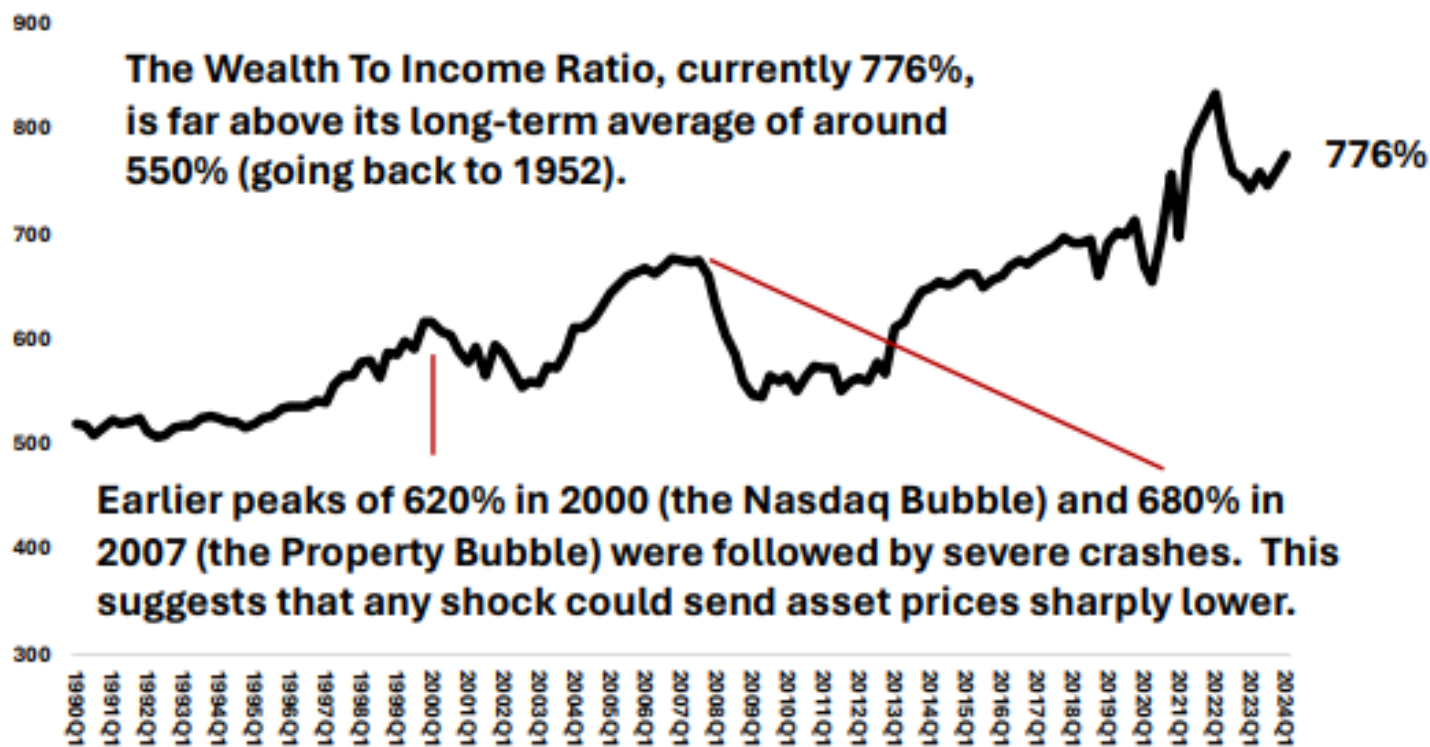


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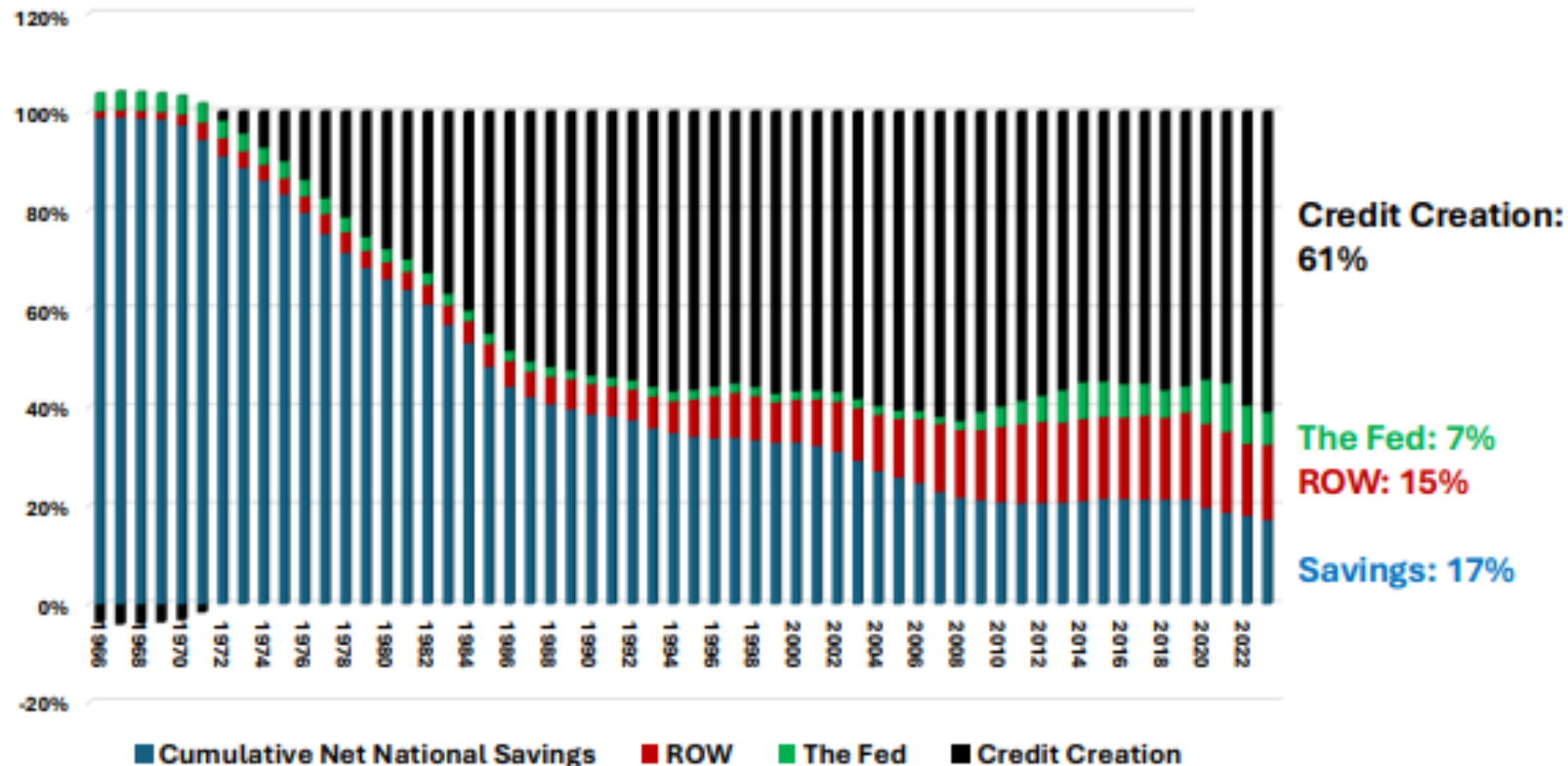
## The Fed plus Rest Of The World % of Total Credit, 1945 to 2023



## Net Worth as a Percentage of Disposable Personal Income %, 1990 to Q1 2024



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CHINESE CREDIT IMPULSE – Has Saved the Global Economy Four Times Since the 2008 Financial Crisis



# WORST ECONOMIC CRISIS IN DECADES

- China is in the midst of its worst economic crisis in decades.
- The property market, accounting for roughly a quarter of economic activity in China, is facing an oversupply of empty apartments on an inconceivably large scale, meaning that all activity in this industry should (but won't) cease.
- The other pillar of China's economic strategy, export-led growth, is also under severe strain because the rest of the world is simply no longer willing to absorb China's glut of manufactured goods.

# CAN CHINA AVOID A GREAT DEPRESSION?

- China is facing a demographic nightmare.
- Its population is shrinking and is widely expected to contract by at least one-third by the end of the century.
- Government debt will have to skyrocket over the coming decades to prevent China's economy from collapsing into a Great Depression, just as Japanese government debt has since Japan's Economic Bubble popped in 1990.
- The grave economic challenges confronting China were discussed in last October's UnderTheLens video entitled: "Can China Rescue the World Again?"

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# COLLATERAL IS REAL WEALTH

You must either;

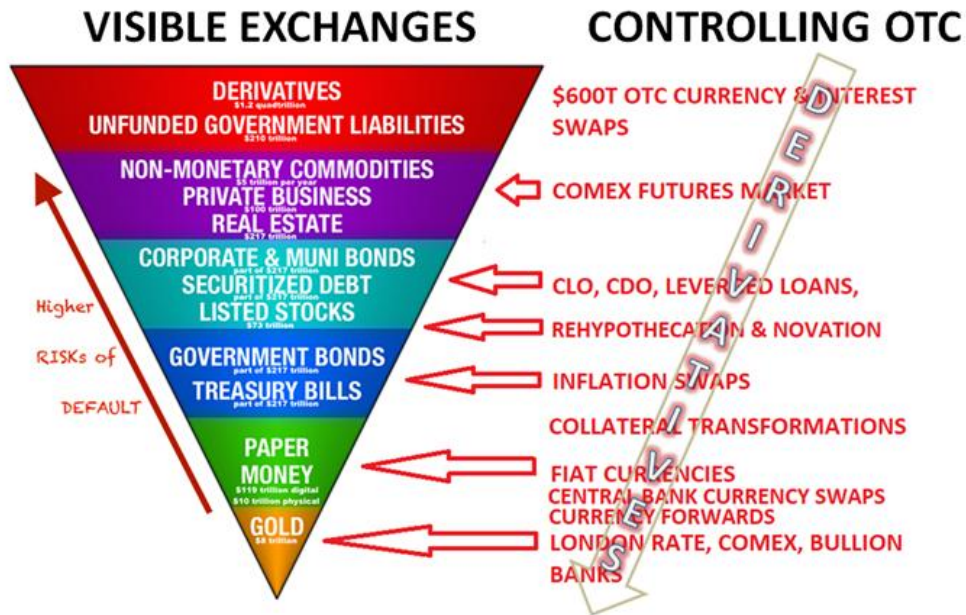
- Grow it
- Mine It
- Produce It
- Build It

YOU CAN'T PRINT IT!!

PAPER IOU s are only claims on real wealth – They themselves are not Wealth. Honoring those claims in tumultuous times often depends on solvency and continuing operations of intermediaries, third parties and banks.

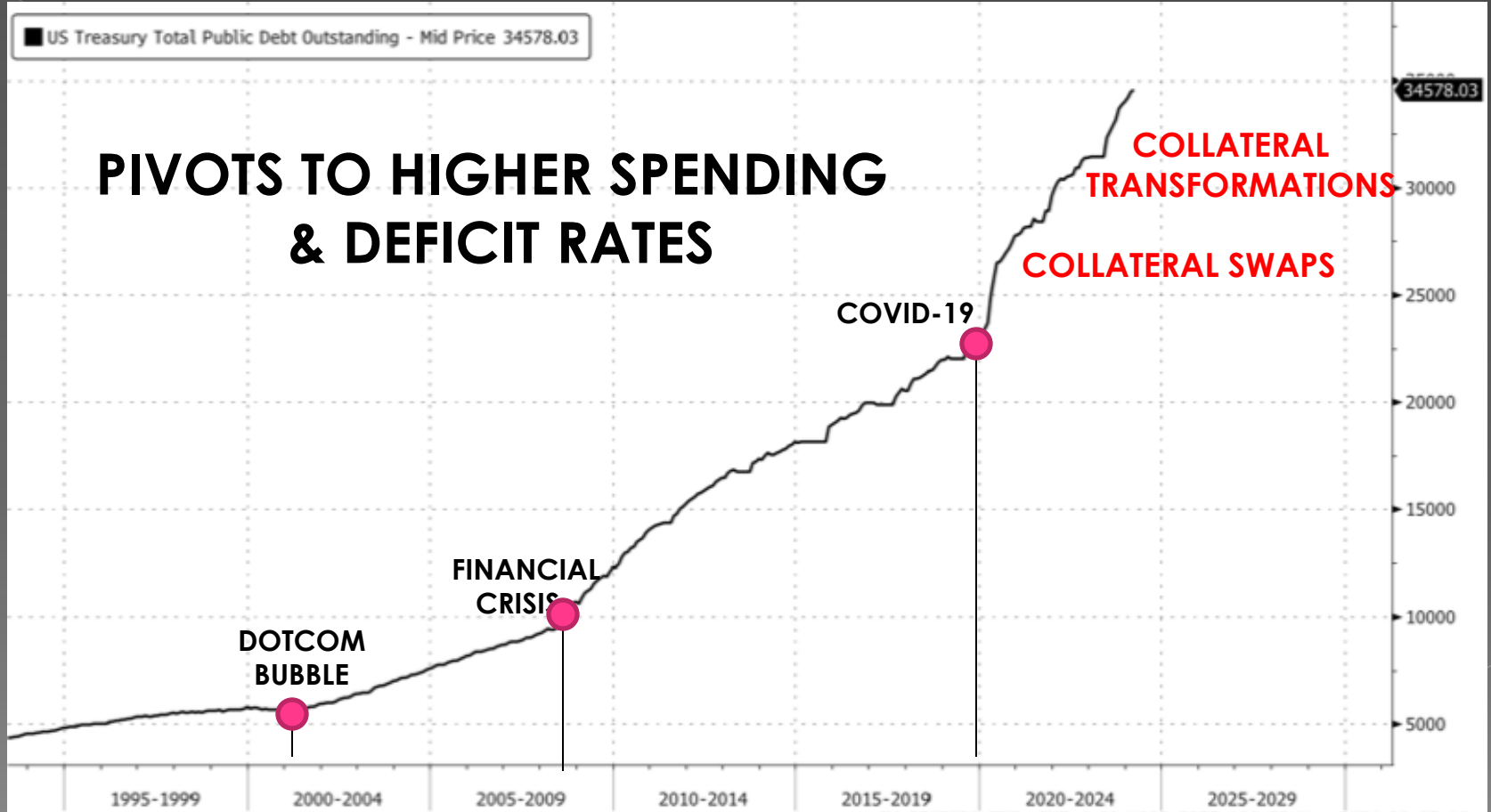


## THE DERIVATIVES COMPLEX



■ US Treasury Total Public Debt Outstanding - Mid Price 34578.03

# PIVOTS TO HIGHER SPENDING & DEFICIT RATES



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# **\$210T FISCAL GAP SHOWS THE WAY**

America's Fiscal Insolvency and Its Generational Consequences  
Testimony to the Senate Budget Committee February 25, 2015  
Laurence J. Kotlikoff, Professor of Economics, Boston University

## **CONTINGENT LIABILITY GUARANTEES**

Foreign aid has been the Primary Recipient

Expect it to be quietly used as part of Modern Monetary Theory (MMT)

Expect a Shift to Dominant Fiscal Policy versus Monetary Policy

In response to a crisis, the state can be expected to resort to drastic measures such as:

1. Imposing price and capital controls,
2. Nationalizing banks and large corporations, and
3. Transforming the economy into a highly regulated command economy.



READ:  
2024 THESIS

“THE REGULATORY STATE”

**ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ....**

**DON'T WORRY, THEY WILL PRINT THE MONEY!**

**EVERYONE IS NOW IN PLACE & READY!!**



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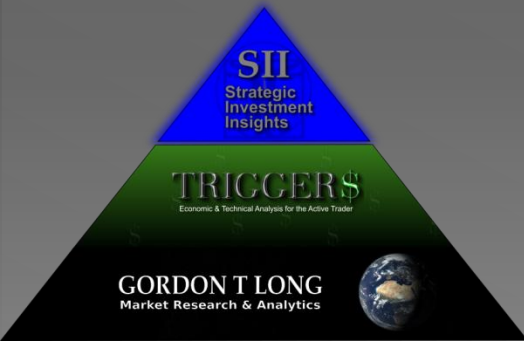
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FEEDBACK THAT WILL IMPROVE OUR  
RESEARCH ANALYSIS*



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