Thoughts from the FRONTLINE
John Mauldin's free weekly investment and economic newsletter

Open Letter to the President, Part Five

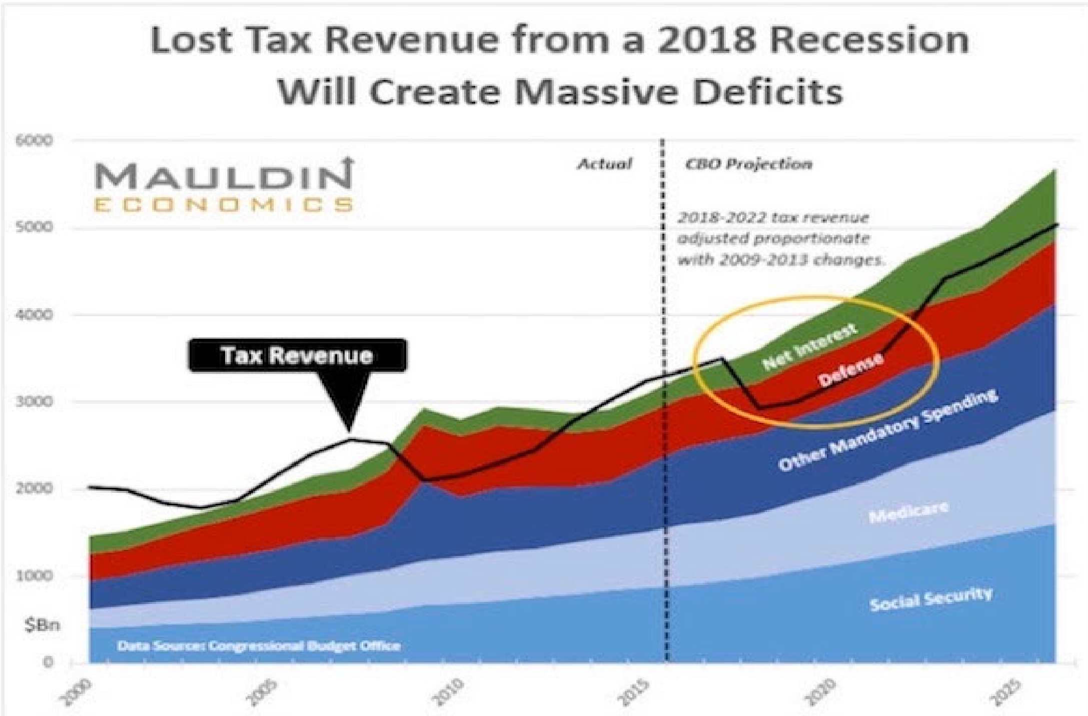
JOHN MAULDIN | April 10, 2016

IN THIS ISSUE

When the next president of the United States walks into the Oval Office on Saturday, January 22, after the heady experience of Inauguration Day followed by numerous balls, he or she will be confronted with significant economic challenges. This is the fifth and I hope final installment in a series of letters I've written to the next president on those challenges. The first three letters in the series dealt mostly with the realities of the economic landscape beyond the shores of the United States. The situations that most of our significant trade partners face dictate that the next US president will have much less room to operate than the candidates have suggested that they'd like to have.

Europe will be struggling not to fall apart. The budgets of most European countries are going to be even more constrained than the US budget will be. China will be lucky to escape a hard landing within the next four years. The same can be said for many other countries that are dependent on global trade in an era when trade is actually slowing.

My basic thesis is this: Without significant changes in tax and incentive structures, the US will almost assuredly enter a recession within the next few years. Then, if we lose tax revenues only to the extent we did in the last couple of recessions, we'll be saddled with a deficit of over $1.3 trillion, and the deficit won't fall below $1 trillion as far out as the eye can see, according to the nonpartisan Congressional Budget Office (CBO).



It appears to me that the CBO projection understates the real issue; in fact, the CBO may be viewing things through rose-colored glasses. They don't project a recession for the next 10 years. The above chart depicts my estimate of what would happen if we were to encounter recession two years from now. But it doesn't include the constant revisions upward to the cost of Medicare and Medicaid and other entitlements. Just this week we learned that one portion of Medicaid is going to cost well over $1 trillion more over the next 10 years than was projected in the current budget. So add another $100 billion dollars of deficit a year. Such revelations are constantly coming at us. My estimate also doesn't take into account how fragile the lower-income echelons of the US economy are today. They will probably require even more income and healthcare support, meaning larger deficits for the US and extremely constrained state and local budgets.

Unless something is done to counter these trends – and I do not mean tinkering around the margins – this is going to be the reality that you as president will face in the next four years. There are those who have warned for many years of a debt crisis. They have looked like stopped clocks. But like any stopped clock, they are getting ready to be right this once. Paul Krugman and others who pooh-pooh the concept that debt is a problem may soon get to see what it's like to deal with a true economic crisis. Of course, they will want more quantitative easing by the Fed and federal debt issuance to relieve the suffering; but we know now that QE does little for Main Street. Instead, it simply helps the rich maintain their asset prices, and deficit spending digs us deeper into a fiscal abyss. We could of course monetize the US debt, but that course would bring its own major negative repercussions.

My aim with this series is to present you, as the potential new president, with a series of options that I think will not only help us avoid the next crisis but set us up for a decade or more of true prosperity and put us back on the path of 3% to 4% annual growth for the next 10 years. And one of the few things that Krugman and I can agree on is that the only way to get out of this crisis is to grow our way out.

While this series has been more popular than I expected it to be – and even US senators are tweeting about it – there have been those who question how realistic it is to think that my proposal might win acceptance. And sadly, I think they have a point. Enacting radical proposals along the lines I am suggesting will not be politically easy. So next week – in case we don't pull our act together in time to avert a crisis – I'm going to outline what we can do if we fall into recession again. I'll also propose how we can end the dysfunctionality in Washington DC. While I'm not advocating an actual revolution, my proposal is quite revolutionary, and it already has a significant movement supporting it. And, who knows, maybe in the midst of a crisis we'll make good on what Winston Churchill used to say about us: "You can always count on the Americans to do the right thing – after they have tried everything else."

But before we get into the heart of the letter, let me give you an update on my Strategic Investment Conference, which will be held in Dallas this coming May 24–27. We have been able to work out some additional space and accommodations with the Hyatt hotel here in Dallas where the event is being held, so we have told all those who were on the waiting list that they can now enroll. We also have a small number of additional spaces available. Since we don't want to find ourselves with more attendees than we can handle, we are going to continue to employ a waiting list. First-come, first-served.

If you want to attend, I suggest you go to the Strategic Investment Conference website (click on the link) and register to have your name put on the waiting list. I can almost guarantee that the new seats now available will disappear, as there aren't that many; so don't procrastinate. Those who wait until the last month to register are going to be disappointed.

I won't even tease you with the fabulous new speakers that we are adding every week. The lineup just keeps getting better and better.

By the way, I was looking through the list of attendees. There are almost 100 people from outside the US already registered. I see a lot of familiar names, and we could easily put together a fascinating conference just from the attendees. We are evaluating two different computer apps that will, among other things, significantly enhance attendee networking.

One of the comments I have heard over the years is that people would like to be able to network more effectively with other attendees, but they do not always know whom they want to meet. Whichever app we choose, it is going to allow you to find and grow a network of people who share your interests. This is one time you really want to be in the room if at all possible. Now to our letter.

An Open Letter to the President, Part Five

Let's summarize where we are. Last week I showed you where to find $2 trillion for infrastructure development by repurposing the Federal Reserve's balance sheet. What I didn't mention was that, while the whole trillion obviously cannot be put to work the first year (given the nature of infrastructure timelines), it is not unreasonable to expect that $400 billion in annual expenditures could be reached within three years. There are 122 million people working in the US today, in an economy of roughly $20 trillion. We could easily expect that our $400 billion a year to translate into more than two million jobs and perhaps even more, as infrastructure development is generally more labor-intensive than many other activities are. And these jobs would generally be higher paying than most service jobs, so this initiative could deliver a serious stimulus for the economy, helping us steer clear of recession.

And if you do the authorizing legislation correctly, it could be the gift that keeps on giving. As these bonds are paid back to the Federal Reserve, the Fed could use the money coming in to fund even more infrastructure construction. Your presidential legacy might well include leaving the country's infrastructure in its best shape in 100 years and continuing to improve. Not a bad day at the Oval Office.

Then I showed you how restructuring the corporate income tax – about which there is already quite a lot of bipartisan agreement – would offer a radical boost to US business, especially export businesses, and generate modestly more revenue by eliminating all deductions. Of course, a lot of K Street lobbyists would have to look for new jobs; but they are reasonably well educated, and I'm sure they could find something to do that would actually be more constructive .

The Need for More Revenue

But we come to a real sticking point as we begin to figure out how to navigate the budget. Taxing foreign-earned revenue and growing the economy will only modestly increase the revenue stream from taxes in the short term. To offset the trillion-dollar deficits that the economy will be racking up in just a few years, you'll need more than modest revenue growth.

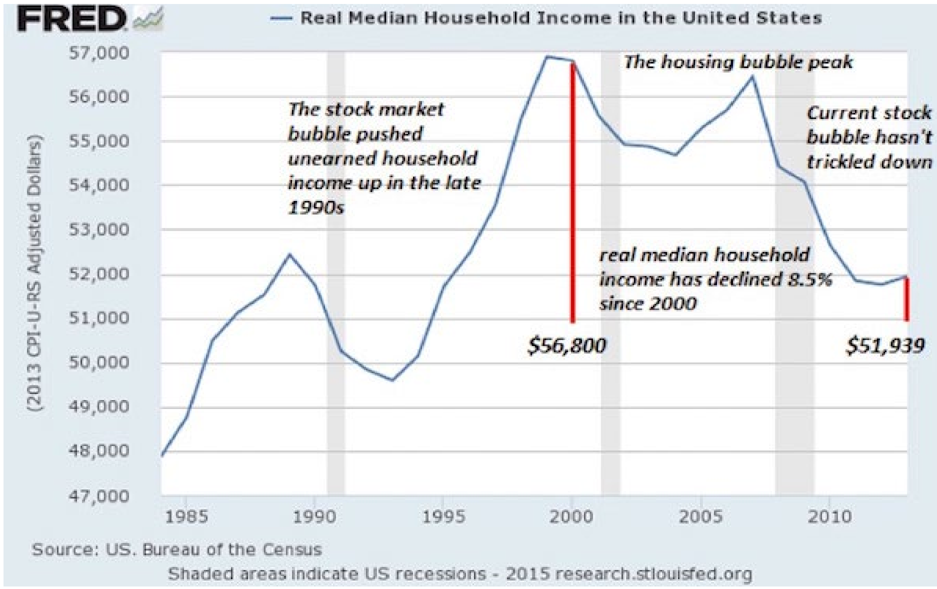
There are really only three ways to deal with the deficit. You can increase taxes, cut spending, or borrow money. You will notice that there is at least one party in Congress generally opposed to two out of those three. It's an existential dilemma for Republicans to allow taxes to increase or for Democrats to cut spending, especially on entitlement programs. Yes, Republicans would be willing to cut some entitlements, and Democrats would be willing to cut some defense spending, but both parties are just tinkering around the edges and won't get you to where you need to be.

One stubborn problem is that US voters want a lot of healthcare but don't want to pay for it. Yet maintaining the healthcare services and entitlement programs that we have today will require more money. There's just no way around it.

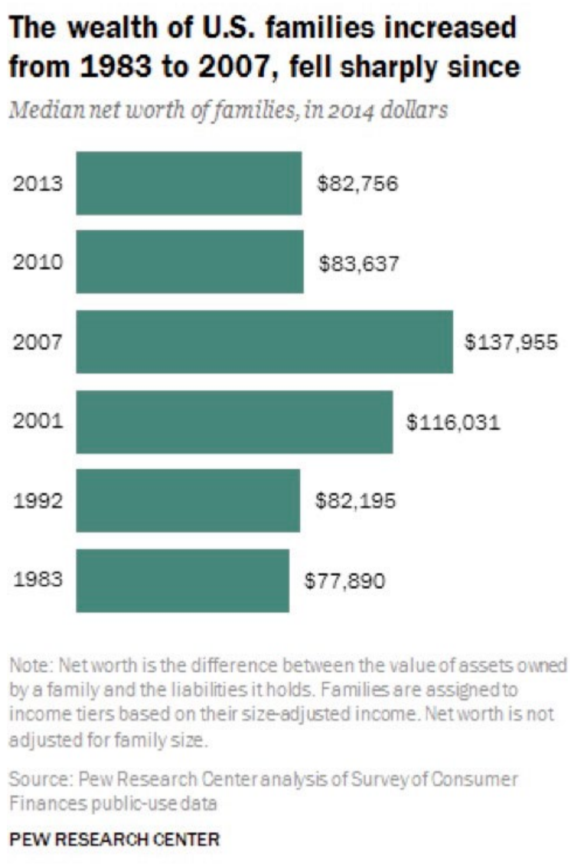
In order to get the revenue you need, you are going to have to convince both parties to compromise on issues that both have sworn never to compromise on. And proposing traditional compromises in the current political environment is simply not going to work. You can try until you're blue in the face, but nothing will happen, and we'll lurch toward a truly fundamental economic crisis that all the infrastructure spending in the world won't fix.

So let's step entirely outside the box and figure out how to give both parties something they want so badly that to get it they'll be willing to compromise on what the other party wants. And we have to do this in such a way that the bulk of the American people see a significant improvement in their lives and in their paychecks.

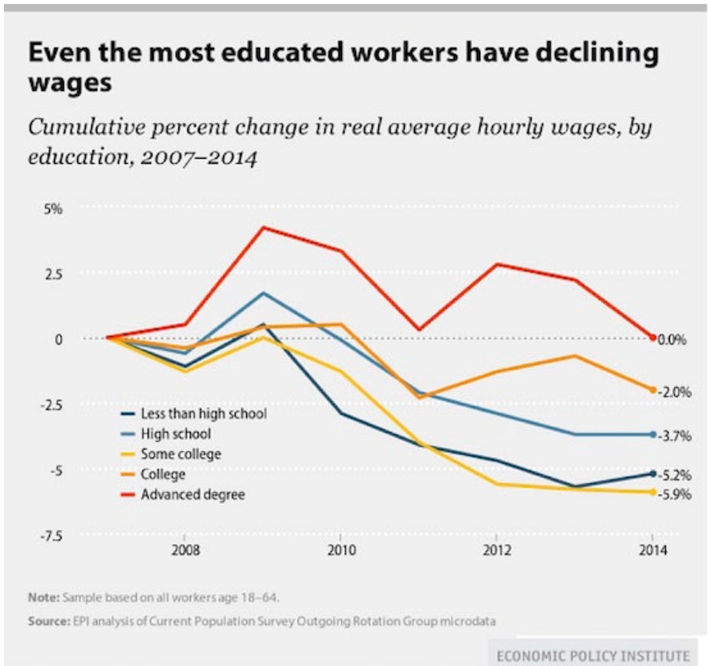
To craft a solution, let's look first at what has happened to the average American worker. There is a reason that large numbers of voters in both parties are frustrated. The charts that follow tell better than 1000 words could why that frustration is warranted. For all the crowing about how quantitative easing has helped, it has mostly helped Wall Street and the top 20% of earners. Median income in the United States is down 8.5% since 2000.



The median net worth of US families has fallen sharply since 2007 and is roughly back to where it was 24 years ago:

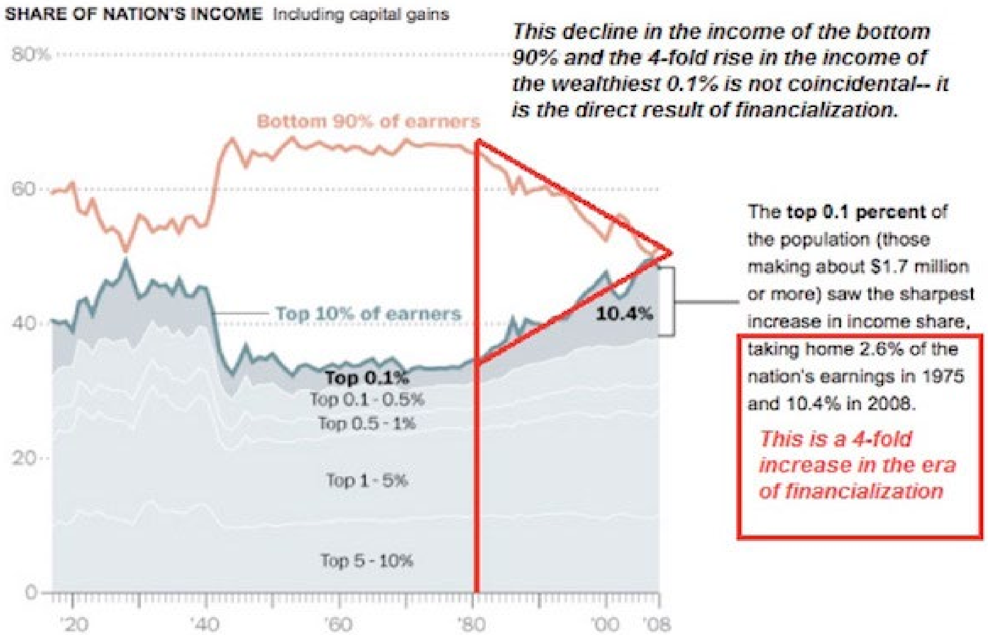


And that economic malaise is affecting all education groups. Even those with advanced degrees have seen their incomes stagnate since 2007:



And while incomes have stagnated, the real cost of goods and services has increased much more than the purported inflation rate suggests. The cost of housing, utilities, and local taxes has certainly increased beyond inflation levels. And don't even get me started on how much healthcare has gone up, crushing families who can least afford it.

This next chart paints our economic situation in even starker terms. The bottom 90% of Americans have seen their overall income drop. Low interest rates and quantitative easing have dramatically helped the top 10%, and we could break out the numbers to show that it's actually the top 25% that have benefited, though the further down the income chain you go, the less the Fed's tinkering has helped. The financialization of America is directly responsible for this turn of events, and rather than helping GDP growth as it was intended to do, it has thwarted growth.



INCOME LEVEL	NUMBER OF PEOPLE	AVERAGE INCOME	OVERALL CHANGE 1970-2008	
Top 0.1%	152,000	$5.6 million	+385%	*Oligarchy*
Top 0.1-0.5%	610,000	$878,139	+141%	*New Nobility*
Top 0.5-1%	762,000	$443,102	+90%	
Top 1-5%	6.0 million	$211,476	+59%	*Upper Caste & Nomenklatura*
Top 5-10%	7.6 million	$127,184	+38%	
Bottom 90%	137.2 million	$31,244	-1%	*everyone else*

You need to do something, something radical, to shake up the system, to make sure those at the bottom get an increase in income all the while making sure that you don't push the economy, which is already stalling, into a dive. Economics and politics as usual simply will not cut it.

Giving Everybody Some of What They Want… But Not Everything They Want

Here is the basic political reality you're dealing with. Republicans want supply-side tax cuts and flat taxes, spending cuts, and a balanced budget, or some combination of all of them. Democrats want more spending for healthcare and other consumer-related items, an agenda that means higher taxes; and many, if not most, would at least give a nod to balancing the budget. Everyone is for "the little guy."

So let's start with the easy part. You're going to want the Republicans to go along with an increase in the total tax revenue. If you forget for a moment where you want to extract that revenue from (by taxing the rich, for instance) and just say that your goal is to get more tax revenue, then you will have a lot more flexibility. And the reality is that you could significantly raise taxes on the rich (and by "the rich" I mean the top 20% in income) and still get nothing close to the amount you need. The sad reality is that you would have to raise taxes not only on the rich but on the middle class in order to make a difference. And I'm going to assume that raising taxes on the beleaguered and shrinking middle class is a nonstarter for pretty much everyone.

So to get what you want, give the Republicans a tax cut that will get every one of their little supply-side hearts absolutely quivering in anticipation. Give them so much of what they want that it becomes almost impossible for them to say no. That means you can't be halfhearted; you're going to have to go the whole hog.

Offer a 20% flat tax on income over $100,000. Period. No deductions for anything. Dividends, interest income, municipal income tax revenues, all are taxed at 20% above the total $100,000 income level. ***Every*** sacred cow goes. No mortgage deductions, no charitable contribution deductions, no child tax credit, no nothing. Every penny over $100,000 is taxed at 20%. Now, you can make an argument that income from say $50,000–$100,000 should be taxed at 10%, but that's not going to give you enough money to do what you need to do in order to be able to get the support of the Democrats. There is, on the other hand, a case to be made that people making over $50,000 should contribute something to the overall general welfare of the economy.

That still gives everyone up and down the ladder a major tax cut. There is not a supply sider in America who is not going to like that tax structure. Your income tax filing is done on a 3"x5" card. If you made between $50,000 and $100,000, you pay 10%. If you made more than that, you pay $10,000 plus 20% of everything you made above $100,000. This is going to be surprisingly popular with millennials: survey after survey shows that one of their big fears is dealing with the IRS. In a world where 40% of America is now getting some form of non-salaried income, dealing with the IRS is becoming more complicated. Millennials are increasingly part of the gig economy, and a flat tax will make their lives easier. You are going to be surprised at the level of support this tax proposal will get from young people.

Now, this tax structure is, of course, going to make people who want to soak the rich unhappy, as they don't see how the little guy benefits. So here is where we have to get really creative. And this is why you are giving the Republicans something that's going to be very difficult for them to walk away from: you're going to combine their tax cut with two additional items.

To the Democrats, offer to abolish the Social Security tax on both sides of the equation, both business and personal. That means an individual making $30,000 a year gets an approximately $2000 pay raise immediately. Every working man and woman gets a pay increase in the form of no deductions for Social Security taxes from their wages.

So where do you get the money? You're certainly not going to get the support of senior citizens or anyone else for that matter if you start messing around with the ability to pay Social Security benefits. So that means we have to find another revenue source.

And for that revenue source you need to turn to the tax that is the most efficient in economic terms: a consumption tax. But not one that looks like a sales tax. Rather, it should be a version of what almost every other country in the world uses, and that is a value-added tax, or VAT. I would modify it to look more like a business transfer tax (BTT).

Basically, with a BTT, a company pays tax on the revenue it receives net of what it pays for the services and products it is selling. Netflix pays on the revenue it receives after deducting the money it sends to television and movie producers for the rights to show their products. This is all transparent to the end user.

You can tinker around the margins to make this tax more politically acceptable. You can exempt groceries, but then you're going to have to charge a higher rate on everything else. You can exempt nonprofits, but I wouldn't: they pay Social Security tax on their employees now. But that may be the price of getting the deal done.

A BTT in the low teens (12-14%) will get you all the revenue that you need. You look the Republicans square in the eye and say I want to get 2% of GDP more tax revenue in the form of the BTT in return for the income flat tax on individuals. By the way, the BTT is legally deductible by US corporations under WTO rules when they ship products overseas – which is what every other country does to us, and why they have a tax advantage over us when shipping products to us. The BTT is going to be a huge boon to US producers. Talk about a cheap way to boost the economy – this is it.

Now, Republicans are going to push back and say, yeah, sure, you want to start this BTT at a low rate today, but the day will come when you want to raise that rate, just as every European and other country around the world has done. And you're going to want to raise those income tax rates again. Why should we give an inch when you may take a mile in 10 years?

And your counter to that is to offer to sign a constitutional amendment that will require a balanced budget and a supermajority of 60% to raise taxes. In theory, everyone is for a balanced budget (well, almost everyone), and the political reality is that it takes 60% of the Senate to approve any major new tax revenue source anyway. You're not giving up a lot. Enough Democrats will be willing to go along, because they're going to get the extra revenue they need for the programs they desperately want, and they get a major boost to lower-income America in the form of no Social Security taxes.

Now, the hard part for Republicans is that they have to get 38 states to approve that constitutional amendment. But they'll just need to fight it out in about five states (getting 33 more or less red states to approve it shouldn't be too hard) in order to get what they really want: certainty about the future of taxes and the budget deficit in America. You also need to get everybody to hold hands and sign a pledge to not raise taxes under any circumstances for 10 years. Now, we all know that inside the room a pledge like that is only worth so much, but it's at least a start.

Oh, and for a sweetener, offer to sign a bill to sunset every government regulation over the next 10 years. Do it in an orderly fashion. Maybe even something like eliminating 20% of government regulations across the board during your first term and not letting the absolute number of new regulations increase after that? If you want a new regulation, get rid of an old one. Force the various bureaucracies to clean out their attics and stop hoarding regulations that are way out of date.

And since I'm from the financial services industry, maybe include one little item to help the gig economy and the upcoming generation. Make retirement plans portable from one job to the next so that a young person has an actual opportunity to build a tax-deferred nest egg.

Be Radical, but Phase It in Slowly

Taken together, my proposals amount to a major shift in the tax and incentive structure of the United States. You won't be able to implement them all overnight. I would start with the infrastructure project and the reduction of corporate taxes, because the former starts to stimulate the economy, the latter is more or less revenue-neutral, and both boost employment. If part of the compromise on the reduction of corporate taxes is some kind of lower-tax-rate amnesty on the $2 trillion sitting outside the United States, that provision could result in a nice one- or two-year revenue boost. If that tax rate was the 10% I proposed above, there would be $200 billion coming in, which would sure put a dent in the deficit during the following 12 months.

But lowering income taxes, introducing a VAT, and reducing the Social Security burden on businesses and individuals are measures that should probably be phased in over four years. It would take at least a year just for the various agencies involved to change their revenue models and infrastructure.

Set a time limit for balancing the budget. The Clinton/Gingrich budgets did not balance the budget the first year. It took time. Figure out how much actual infrastructure can be worked on to boost the economy in the first year, and then begin to project how those projects will affect growth and how long it will actually take to balance the budget. My back-of-the-napkin guess is that 4–5 years is reasonable. There is nothing like 5% nominal growth to speed the process, and holding spending to the level of inflation will bring the budget under control over time. It will work almost like magic. All you have to do is make sure that the total budget doesn't rise faster than inflation. The economy can then take care of the rest.

The general objection to the introduction of a VAT in the US is the political impossibility of getting it done. It is only politically impossible if everyone doesn't get something they want. What I have proposed is so politically delicious to all sides that it becomes possible.

Further, the lead article in this weekend's *Wall Street Journal* opinion section is a full-throated endorsement of a VAT, quoting various conservative sources. There are numerous conservative economists who think a consumption-oriented tax is the smartest and most economically efficient way to produce government revenue.

Everyone agrees there are flaws in Obamacare. Depending on who the next president is, those flaws can be fixed and their budget implications can change. But the structure I propose above gives both sides more flexibility in getting the changes they want. Streamlining the healthcare system and giving states more flexibility will certainly help control costs. There have to be caps on how much those costs can rise. The American taxpayer is not a bottomless well.

For those under a certain age, the Social Security rules have to be changed. There needs to be a change in the law so that the age of retirement is automatically adjusted upward if the mortality tables show that lifespans are continuing to increase. (You would be exempt if you were within 15 years of retirement.) This would eliminate a political hot potato. When Roosevelt first proposed Social Security, the average person lived only to age 58, and benefits didn't start until retirees were 65. Now the average person is living into his or her 80s, and the average lifespan of those with above-average income is in the high 80s. (Yes, there are differences in life expectancy depending on income.) Social Security needs to be means tested.

There are scores of other ways that savings can be found. There are over 100 agencies with their own very expensive bureaucracies that do some type of job training. If this were the private sector, the markets would be screaming for consolidation.

You have an enormously difficult task in front of you. If you do nothing but tinker, you will have a recession on your hands in the early years of your administration. Just yesterday, real interest rates went negative on the US 10-year bond for the first time. The yield curve is in serious danger of becoming inverted in real terms. Your economist advisors will confirm that the research shows the only true predictor of a US recession is a negative yield curve.

The research shows that if the yield curve stays inverted for 90 days, a recession is likely to show up in 12 to 15 months. That means you are not going to have much time after you're inaugurated to enact a major stimulus program and restructure the incentive structure of the US economy. If you wait until we are already in recession to win cooperation from Congress and get legislation passed , the negotiations will be more difficult by an order of magnitude. You need to hit the ground running.

Therefore, in addition to campaigning after you're nominated at the convention, you had better be planning to govern. The economy is not going to wait around for you to get adjusted to your new position. But what better way to campaign than to show the voters you are already thinking about how best to serve them?

There are scores of other major and minor economic topics we could discuss, but these won't matter much if we fall back into recession. Unemployment will climb back to double-digit levels; incomes will suffer; tax revenues will plummet; tempers will flare and finger-pointing will increase; and you will cornered into being merely reactive instead of proactive. Foreign policy will take a backseat if we hit a recession, and your foreign policy choices will be far more constrained. The first three things you need to be thinking about when you walk into the Oval Office are the economy, the economy, and the economy. In that order. If we go into recession on your watch, nothing else you do is going to matter all that much in terms of the success of your presidency. You can solve the Middle East crisis, bring peace in our time, and curb global warming. But you will still be judged by what the economy does.

I've laid out a rough plan that can certainly be adapted and changed. But if you go with the gist of what I've suggested, here are the positives:

1. You're going to add two to three million jobs during your first term as president. Most of those jobs will be higher-paying ones, so median income is going to rise. And because the economy will be booming, employers are going to have to increase wages in order to attract new workers and keep current workers. There is nothing like fatter paychecks to improve the mood of the middle class.

2. If you add jobs and get the economy growing back at 2% to 3%, the Federal Reserve can begin to normalize interest rates, and savers will stop being punished. Retirees will be able to make more on their investments and be more capable of affording a reasonable lifestyle in their retirement years. Pension plans and insurance companies will have a better chance of meeting their performance requirements and actually fulfilling their obligations. I know the issue of retirement plans is not high on your list, but there is going to be a crisis that you will have to deal with if we go into recession. So many government pensions are drastically underwater.

3. You will fix healthcare and entitlement programs in a bipartisan manner that actually solves their problems rather than kicking these cans – real toe-breakers now – down the road. You will put the country on a path to a balanced budget.

4. You will end your first term in office as the most influential president in terms of economic impact since Franklin Roosevelt.

5. The economy will be booming, and your reelection in 2020 will see you win nearly as many votes as Ronald Reagan did in 1984.

These are pretty much your choices: Herbert Hoover or Ronald Reagan?

I wish you the best of luck, I truly do. We really are all in this together.

With warm regards,

John Mauldin

A Few Final Thoughts

I know a lot of my readers and friends think I must have gone stark raving mad. I detoured off the deep end and kept going. I missed that turn in Albuquerque. Whatever.

I personally find some of the things that I have suggested to be philosophically offensive. I can't imagine there is anyone reading this who thinks every one of these ideas is actually a good idea. Seriously, if I haven't offended your political sensibilities, you are either very flexible or I'm not trying hard enough.

But that is the point. We have a deeply divided country. Nearly fifty percent of Democrats seem to be voting for a full-throated socialist. Sanders is not socialism lite. He would take us to European socialism and keep right on going, and there's a significant contingent of Americans who seem to be with him. Meanwhile, over 50% of Republicans are saying that what we need is somebody who is way outside the "establishment," who will shake things up and do things differently. Forget on-the-job experience; people no longer trust the current leadership to get the job done.

Unless something really odd happens at the conventions, we are going to end up with a race where the only thing the majority of Americans agree upon is that they don't like their choices. The unfavorable ratings of all the candidates in the final running are extraordinarily high.

I am seriously, deeply worried that we are going to have a recession in the next few years. The negative impacts this time around will be every bit as drastic as they were in 2007–08. Pensions and retirement funds will be devastated. Unemployment will go through the roof. Monetary policy will be impotent. The government will be all but nonfunctional, given the current players and system. A recession this time around is actually going to feel far worse than the last one did.

Now, the republic will survive. We've actually faced far worse times and come through them. You can go back and read about those periods – they weren't fun. So it's not the end of the world, but for much of America it could end up feeling every bit as bad as the Great Depression.

To stave off such a serious outcome will require radical solutions; and given that I don't think any one party is going to have control of the process (which is not exactly what we'd want anyway), we are going to have to choose between real compromise and real trouble. What I have tried to do is to propose a program that actually amounts to a workable compromise.

I fully recognize that proposing to take another 1–2% of GDP out of the economy and turn it into tax revenue is heresy among my more conservative friends. I fully recognize that cutting income taxes to a 20% top rate feels like giving the rich another get-out-of-jail-free card if you're a liberal Democrat.

My goal with this proposal is to create an environment in which the economy can grow in the 3–4% range, and that rising tide really will raise all boats with the structure I suggest. Do I think there is much chance of that growth being achieved? That is the question we will deal with next week, when I will talk about what we'll need to do in case my admittedly rose-colored, optimistic proposals never even make the desk of serious politicians, let alone the next president.

Abu Dhabi, Raleigh, and Home

I'm looking at my calendar, and although I see a few one-day trips with little or no time for anything other than meetings, my next real trip has me leaving in the middle of the month for a short week in Abu Dhabi, then coming back for a quick speaking gig in Raleigh, North Carolina, before I fly back to get ready for my own investment conference here in Dallas. Which is good because the book-writing deadline is looming in the background, along with so many distractions and things that simply "must" be done. And it seems that most of that stuff requires me to spend time in front of my computer. Then there are the never-ending meetings and phone calls. I'm in the process of making significant changes in my core investment business, and that project really requires a great deal of personal involvement. Some things you just can't delegate.

If you are still with me, you are overly patient; and so rather than conclude with a few personal remarks, which is how I normally close the letter, I am simply going to tell you to have a great week.

Your concerned about his country analyst,

John Mauldin

Do you enjoy reading *Thoughts From the Frontline* each week? If you find it useful and valuable, your friends, family, and business associates will probably enjoy it too.

Now you can send *Thoughts From the Frontline* to anyone. It's fast, it's free, and we will never "spam" your friends and family with unwanted emails.

Help spread the word. Click here.

Share Your Thoughts on This Article

Post a Comment

Thoughts From the Frontline is a free weekly economic e-letter by best-selling author and renowned financial expert, John Mauldin. You can learn more and get your free subscription by visiting http://www.mauldineconomics.com.

Please write to to inform us of any reproduction of *Thoughts from the Frontline*. Any reproduction must reference www.MauldinEconomics.com, keep all embedded or referenced links fully active and intact, and include a link to www.mauldineconomics.com/important-disclosures. You may contact affiliates@mauldineconomics.com for more information about our content use policy.

Please write to subscribers@mauldineconomics.com to inform us of any reproductions, including when and where copy will be reproduced. You must keep the letter intact, from introduction to disclaimers. If you would like to quote brief portions only, please reference www.MauldinEconomics.com.

To subscribe to John Mauldin's e-letter, please click here: http://www.mauldineconomics.com/subscribe

To change your email address, please click here: http://www.mauldineconomics.com/change-address

Thoughts From the Frontline and MauldinEconomics.com is not an offering for any investment. It represents only the opinions of John Mauldin and those that he interviews. Any views expressed are provided for information purposes only and should not be construed in any way as an offer, an endorsement, or inducement to invest and is not in any way a testimony of, or associated with, Mauldin's other firms. John Mauldin is the Chairman of Mauldin Economics, LLC. He also is the President of Millennium Wave Advisors, LLC (MWA) which is an investment advisory firm registered with multiple states, President and registered representative of Millennium Wave Securities, LLC, (MWS) member FINRA and SIPC, through which securities may be offered. MWS is also a Commodity Pool Operator (CPO) and a Commodity Trading Advisor (CTA) registered with the CFTC, as well as an Intr oducing Broker (IB) and NFA Member. Millennium Wave Investments is a dba of MWA LLC and MWS LLC. This message may contain information that is confidential or privileged and is intended only for the individual or entity named above and does not constitute an offer for or advice about any alternative investment product. Such advice can only be made when accompanied by a prospectus or similar offering document. Past performance is not indicative of future performance. Please make sure to review important disclosures at the end of each article. Mauldin companies may have a marketing relationship with products and services mentioned in this letter for a fee.