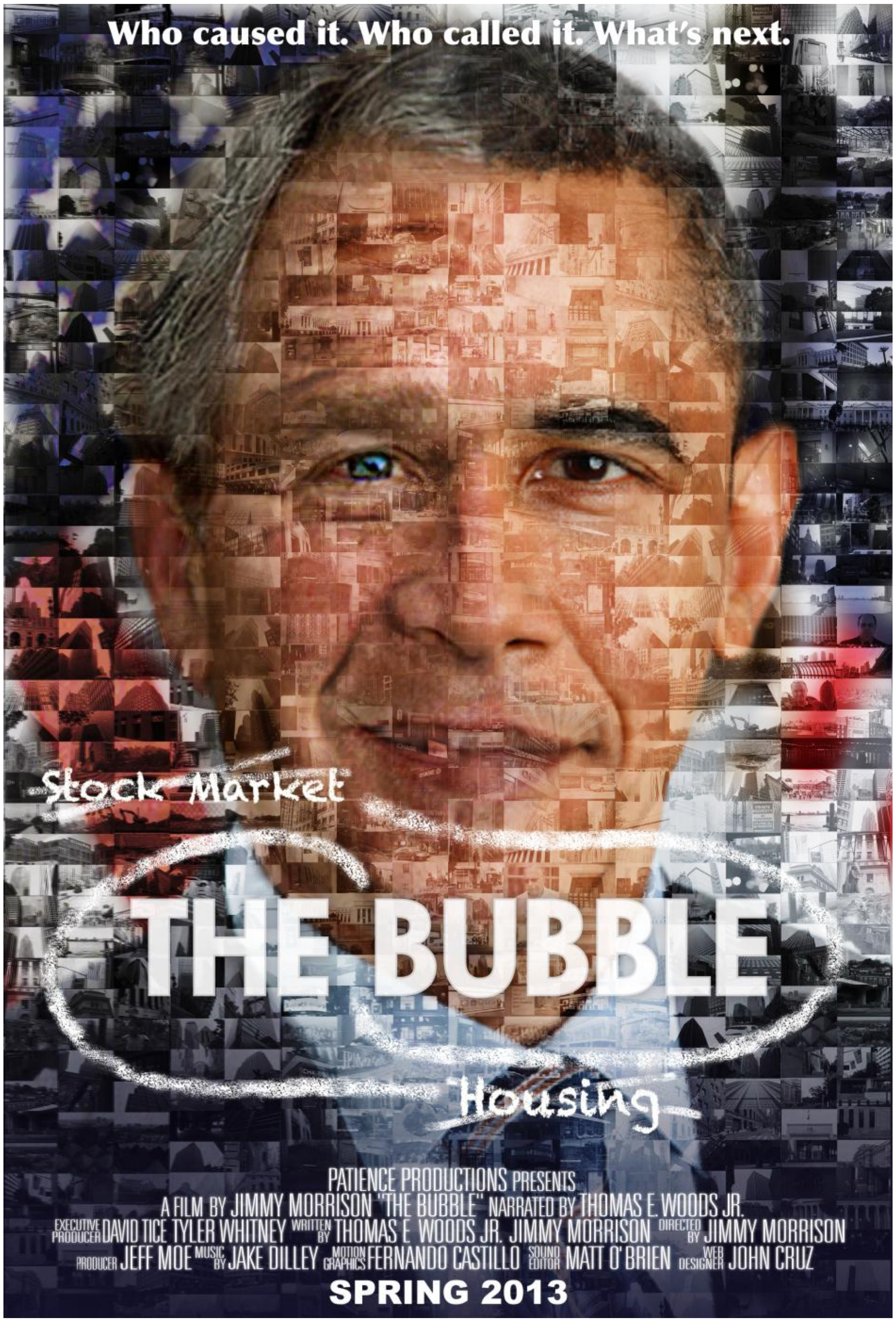

www.TheBubbleFilm.com
MPAA: Not Yet Rated
Release Date: Spring 2013

Publicity
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Synopsis

The Bubble is coming out at a crucial time in American history. Numerous films have blamed the free market for the economic woes of the country. Uniquely, Tom Woods has teamed up with experts such as Ron Paul, Peter Schiff, Jim Rogers, Jim Grant, Marc Faber and Doug Casey to explain the economic problems America is facing and what is needed to restore prosperity.

You can't watch the news today without hearing more calls for regulation. Deregulation is consistently the boogey man when it comes to sound bite explanations of this economic crisis. The public currently believes the government saved us during the Great Depression and that it will save us again today. America needs a simple economics lesson on this recession and Tom Woods has done just that in his book Meltdown. The Bubble successfully adapts Meltdown into a feature-length documentary.

The Bubble features interviews with numerous economists and financial analysts who actually predicted the housing crisis and recession. The people we are trusting to solve this problem claim no one saw it coming. The fact is Austrian economists predicted this recession years ago, and they are the only ones with the insight necessary to bring us out of this economic slide. This film asks them why this crisis happened, how we recover, and what America is facing.

Director's Statement

I sat down with economic historian Tom Woods during the fall of 2010 to pitch him my idea for educating the public on America's bubble economy. There we were, 2 years after the fact and not only had those who predicted the housing crisis not risen to power in the government, they weren’t even asked why it happened. Since then, we have interviewed Marc Faber, Peter Schiff, Joseph Salerno, Patrick Barron, Mark Thornton, Roger Garrison, Robert Murphy, Doug Casey, Jim Rogers, Gene Epstein, Jim Grant, Patrick Barron, and Ron Paul.

The difference between this film and Academy Award Winner Inside Job is the story we tell is actually backed up by the people who understood the crisis before it happened. This is not a political film. We do not look at intentions, only results. Tom Woods co-wrote and narrates the film, which was inspired by his book Meltdown, which spent 10 weeks on the New York Times bestseller list.

The American public needs to understand what the country is facing. Too many people are unaware that the government is repeating the same mistakes that led to the past financial crisis. While political leaders pander for votes, everyday Americans remain unaware about the dangers of reckless monetary policy and government intervention.

It is my hope that *The Bubble* will inform the public about America's economic future. With significant academic and historical support, *The Bubble* explains the negative incentives created by government institutions and newly created money. Time after time, the government's supposed solutions have only made problems worse. Why should the public trust Washington to do the right thing this time?

Cast

James Grant
Grant's Interest Rate Observer
James Grant is an respected critic of the Federal Reserve and American monetary policy. His journal, *Grant's Interest Rate Observer* analyzes credit markets from a view that is frequently not reported in the mainstream media. He is also the author of *Money of the Mind* (1992), *The Trouble with Prosperity* (1996), *John Adams: Party of One* (2005) and *Mr. Speaker: The Life and Times of Thomas B. Reed, the Man Who Broke the Filibuster* (2011). Mr. Grant lives in New York City and serves on the boards of several organizations.

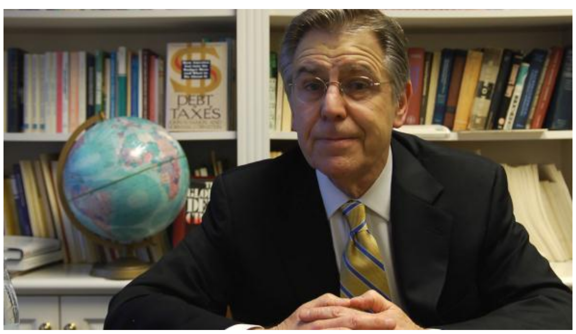
Marc Faber
Gloom, Boom & Doom Report
Dr. Marc Faber is a Swiss investor and entrepreneur. Dr. Faber received his Economics PhD at age 24 and has since published several books including “Tomorrow's Gold – Asia's Age of Discovery.” He currently publishes “The Gloom Boom & Doom” report which analyzes investment opportunities around the globe. Dr. Faber is also a regular guest on CNBC and Bloomberg.

Jim Rogers
Rogers Holdings
A Yale and Oxford graduate, Jim Rogers is a successful investor and respected financial commentator. Rogers founded the legendary Quantum Fund with George Soros years ago and is currently the Chairman of Rogers Holdings and Beeland Interests, Inc. Rogers is known for his expertise in commodity investments and is the creator of the Rogers Commodity Index.

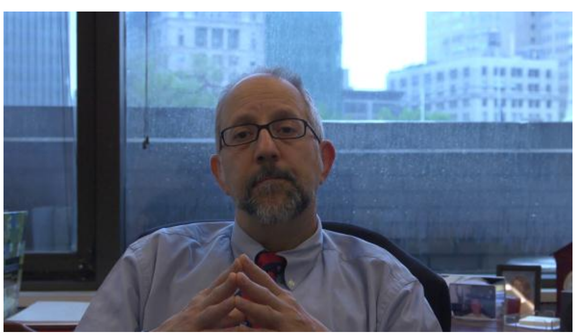
Ron Paul
Congressman
Congressman and three time Presidential candidate Ron Paul of Texas enjoys a national reputation as the premier advocate for liberty in politics today. Dr. Paul is the leading spokesman in Washington for limited constitutional government, low taxes, free markets, and a return to sound monetary policies based on commodity-backed currency. He is known among both his colleagues in Congress and his constituents for his consistent voting record in the House of Representatives: Dr. Paul never votes for legislation unless the proposed measure is expressly authorized by the Constitution.

Peter Schiff
Euro Pacific Capital
Peter Schiff was on television years before the 2008 financial crisis warning investors about the mortgage meltdown and stock market crash. His brokerage firm has gained notoriety among investors that are bearish on the dollar and American economy. His accurate forecasts and economic predictions can be read in the best-selling book, “Crash Proof: How to Profit from the Coming Economic Collapse” which was published by Wiley & Sons in February of 2007. Mr. Schiff also wrote “The Little Book of Bull Moves in Bear Markets: How to Keep your Portfolio Up When the Market is Down” which was published in October of 2008.

Doug Casey
Casey Research
Doug Casey is a best-selling author and defender of the free market. He is known for his outspoken libertarian beliefs and contrarian views regarding investing and business. His newsletter, Casey Research, provides financial analysis about specific market verticals in the natural resources, metals, mining, energy, commodities and technology sectors.



Peter Wallison
American Enterprise Institute
Peter Wallison is a fellow in Financial Policy Studies at the American Enterprise Institute. Formerly a member of the Reagan White House Counsel, Mr. Wallison is a veteran of public policy and Washington affairs. He has testified before Congress on the housing bubble and is a frequent commentator in the mass media on the Federal takeover of Fannie Mae and Freddie Mac.



Joseph Salerno
Ludwig Von Mises Institute
Joseph Salerno is an Austrian School economist and a professor at Pace University. Salerno's academic research in banking and monetary theory has often criticized the Federal Reserve for its role in creating business cycles. In addition to teaching at Pace, Mr. Salerno is also a senior faculty member of the Ludwig Von Mises Institute.

Robert Murphy
Author
Robert Murphy is a senior fellow at the Pacific Research Institute while also serving as an adjunct scholar for the Ludwig Von Mises Institute and Mackinac Center for Public Policy. He has testified before the United States Congress on oil prices and is a frequent guest on talk radio. His writings can regularly be found at Townhall.com and LewRockwell.com.

Mark Thornton
Author
Mark Thornton is a Senior Fellow at the Ludwig Von Mises Institute and the Book Review Editor for the *Quarterly Journal of Austrian Economics.* He has taught economics at Auburn University at Montgomery and Trinity University in Texas. Thornton has also advised Governor Fob James of Alabama and served on the graduate faculty of Auburn University.

Roger Garrison
Auburn University
Roger Garrison is considered to be one of the best Austrian macroeconomists today. He has lectured all over the world, including prestigious universities such as the London School of Economics. Garrison is the author of *Time and Money* and currently teaches at Auburn University.

Jeff Herbener
Grove City College
Jeff Herbener chairs the economics department at Grove City College. Herbener is a widely respected Austrian school economist. He is a Senior Fellow at the Ludwig Von Mises Institute and a fellow for economic theory and policy with The Center for Vision and Values. Herbener also teaches economics through Tom Woods' Liberty Classroom.

Gene Epstein
Barron's
Gene Epstein is Barron's economic editor and a prominent financial journalist. He has held faculty positions at St. John's University and the City University of New York in addition to serving as senior economist for the New York Stock Exchange. Epstein is the author of economics books and is a frequent speaker at financial conferences. He is also a frequent guest on NPR, CNBC, and CNN.

Patrick Barron
University of Iowa
Since 1985, Patrick Barron has been a consultant to the banking industry. He currently teaches Bank Management Simulation at the University of Wisconsin Madison and Austrian Economics at the University of Iowa. Barron is also president of The Right Approach Group, which provides free market solutions to current economic problems. His weekly essay has appeared in The Bulletin in Philadelphia since 2006.

Background

A chronological re-ordering of the events and arguments of THE BUBBLE

PART 1: THE CAUSES

The Federal Reserve and Interest Rates

- Low interest rates from the Federal Reserve enticed people to borrow savings that did not exist. Both the government and the artificially lowered interest rate diverted resources into housing, creating a bubble that would inevitably burst.
- Increased home prices encouraged home owners to borrow money based on their real estate price and accumulate more debt.
- When the market responded by forcing interest rates back up, these bubble projects failed. People realized they could not afford this lifestyle.

Government Guarantees

- Fannie Mae and Freddie Mac were Government Sponsored Enterprises that subsidize and guarantee home mortgages. Their liabilities were implicitly guaranteed by the government, who nationalized them in September of 2008.
- Banks frequently underwrote bad mortgages and sold them on secondary markets created by Fannie Mae and Freddie Mac.
- Commercial bank deposits are guaranteed by the FDIC, a highly leveraged government program that allows banks to take more risks.
- The Greenspan Put was the widespread belief in the market that Alan Greenspan would intervene to bail out the financial sector whenever threatened. This was based on his reaction to the Savings & Loan Crisis, the bailout of the Mexican Peso in the 90's, the bailout of LTCM, the liquidity approaching Y2k, and his actions forcing the interest rate down to 1% for a full year after September 11th. This was later replaced with the even larger Bernanke Put.

Government Home Ownership Policies

- The mortgage income tax deduction artificially stimulated the real estate market and led to larger home purchases.
- The Basel regulations allowed banks to be more leveraged if they held mortgage loans and even more leveraged if they held mortgage backed securities.
- Presidents Clinton, Bush, and Obama have all attempted to decrease the down payment needed to buy homes.

Nontraditional Mortgages

- Includes both subprime loans (low credit score) and alt-a loans. (low down payment, adjustable rate, no doc)
- By 2008, half of all mortgages were nontraditional mortgages.
- Fannie Mae and Freddie Mac owned more nontraditional mortgages than the entire private sector.

Affordable Housing

- The Department of Housing & urban Development required Fannie and Freddie to allocate 50% of mortgages to individuals that were at or below the median income in their communities.
- The Community Reinvestment Act required mortgage lenders to fulfill a quota for low and moderate income home buyers in certain communities. Although it was expanded in the 1990's,

the role in the housing bubble was minor.

PART 2: PAST CRISES

Panic of 1920

- The Depression of 1920 was worse than the first year of the Great Depression. Production fell 21%, GDP dropped 24% and unemployment went from 4% to 11.7%.
- The Federal Government cut spending in half from 1920 to 1922 and did not enact a stimulus policy.
- The Depression ended in the summer of 1921 and unemployment dropped to 6.7% in 1922 and 2.4% in 1923.

The Great Depression

- Nominal GDP was down 46% during the Great Depression.
- Both Herbert Hoover and Franklin Delano Roosevelt increased government spending while implementing wage and price controls, along with tariffs.
- The Great Depression lasted a decade and the economy did not recover until World War II was over.

Inflation In The 1970s

- America rapidly increased the money supply and abandoned the gold standard in 1971.
- The economy suffered a downturn and prices increased dramatically. The cost of oil alone went from $3 to $30 a barrel.
- To fight inflation, Federal Reserve chairman Paul Volcker allowed interest rates to rise, by slowing down money creation. This lowered price inflation from 13.5% at its peak to 3.2% in 1983.
- The high unemployment and high inflation of the 1970s was predicted by the Austrians, while the Keynesian school of economics believed that combination to be impossible.

PART 3: Response To The Current Crisis

Interest Rate Cuts

- The Federal Reserve has consistently lowered interest rates throughout the crisis.
- They have now pushed interest rates down to zero.

Bailouts

- Bear Stearns creditors were bailed out on March 14th, 2008, despite their investment bank being leveraged 35.5:1.
- Fannie Mae and Freddie Mac were taken over by the government in September of 2008. This confirmed that their debt was guaranteed by the government. Treasury Secretary Paulson claimed in July 2008 that the companies were adequately capitalized despite only having $83 billion for $5 trillion in obligations.
- Although Lehman Brothers was allowed to fail, the rest of the financial sector was bailed out by the Federal Reserve, the Treasury department, and Congress.
- When Congress did not bail out the auto companies, President Bush did.

Stimulus Spending

- In February of 2008, following uncertainty in the Subprime mortgage market, George W. Bush signed a stimulus bill for over $152 billion dollars, attempting to get people to spend again.

- To support the housing market, George W. Bush signed the economic recovery act of 2008 which added $800 billion to the national debt.
- Following the bankruptcy of Washington Mutual and the bailout of AIG, George W. Bush signed the Trouble Asset Recovery Program which authorized the Treasury to buy up to $700 billion in bad assets.
- Due to the slow moving economy, newly elected President Obama continued George W. Bush's spending spree by signing a $862 billion dollar stimulus bill.

PART 4: What America is Facing

Education Bubble

- Student loan debt’s version of Fannie Mae is called Sallie Mae.
- Student loans have spiked over a trillion dollars, more than all the car loans in the country combined.
- Graduates are finding they cannot pay back their loans with or without a job.

Coming Price Inflation

- Prices will dramatically rise due to the money created in response to the housing crash.
- Increased prices will lower the standard of living in the country.
- The devalued dollar resulting from inflation will wipe out savings for millions of Americans, particularly in the lower and middle classes.

National Debt Bubble

- The national debt approaching $16 trillion dollars is not sustainable.
- Foreign countries will stop buying Treasury bonds and interest rates will rise.
- Rising interest rates and deficits as far as the eye can see will lead to interest payments consuming the entire budget.
- America will be forced to cut spending.

Unfunded Liabilities Bubble

- The unfunded liabilities from Social Security and Medicare are as high as $119 Trillion Dollars.
- With the already high national debt, the federal government cannot absorb these added costs.
- Both Social Security and Medicare will be forced into bankruptcy. Defense will have to be cut.

Filmmakers

Tom Woods (Writer)

Thomas E. Woods, Jr., is a senior fellow of the Ludwig von Mises Institute. He holds a bachelor's degree in history from Harvard and his master's M.Phil., and Ph.D. from Columbia University. He is the author of eleven books, most recently Rollback: Repealing Big Government Before the Coming Fiscal Collapse and Nullification: How to Resist Federal Tyranny in the 21st Century. His other books include the New York Times bestsellers Meltdown: A Free-Market Look at Why the Stock Market Collapsed, the Economy Tanked, and Government Bailouts Will Make Things Worse and The Politically Incorrect Guide to American History, as well as Who Killed the Constitution? The Fate of American Liberty from World War I to George W. Bush (with Kevin R.C. Gutzman), Sacred Then and Sacred Now: The Return of the Old Latin Mass, 33 Questions About American History You're Not Supposed to Ask, How the Catholic Church Built Western Civilization, and The Church and the Market: A Catholic Defense of the Free Economy.

Woods has appeared on CNBC, MSNBC, FOX News Channel, FOX Business Network, C-SPAN, and Bloomberg Television, among other outlets, and has been a guest on hundreds of radio programs, including National Public Radio, the Dennis Miller Show, the Michael Reagan Show, the G. Gordon Liddy Show, and the Michael Medved Show.

Jimmy Morrison (Director)

Jimmy Morrison studied Economics and Entrepreneurship at the University of Iowa, although he primarily learned economics through recordings of Murray Rothbard, Joseph Salerno, Robert Murphy, Tom Woods, Mark Thornton, and Roger Garrison lectures. He is the founder of one nonprofit and two businesses.

Morrison has filmed four Grammy winners and numerous South By Southwest and Eagle & Ivories Ragtime Festivals. He has directed numerous music videos and a concert DVD for The Color Pharmacy, a national touring band who have plays over 100 shows a year. DJ Halferty, a successful screenwriter, flew to Iowa to play the lead role in Jimmy's first feature film, Eternal Punishment.

In 2008, Jimmy Morrison founded Iowa Patients for Medical Marijuana, which has now grown to over 3,500 members, surpassing seven similar organizations to become the largest in the state.
Jimmy successfully lobbied the Iowa Board of Pharmacy to recommend marijuana be rescheduled as a medicine, making it the first pharmacy board in the country to do so. Jimmy also worked with legislators to write and sponsor the first Iowa House bill since 1998. The Iowa Senate held their first subcommittee meeting since 1996. In 2011, the bill passed a Senate subcommittee after a hearing where Jimmy testified.

Morrison went on to work closely with former New Mexico Governor Gary Johnson during his Republican candidacy for President. While campaigning with Governor Johnson along RAGBRAI, Iowa's week long bike ride across the state, Jimmy met producer Tyler Whitney and webmaster John Cruz. Six months later, Tom Woods signed onto the project. Since then, Jimmy has driven over 26,000 miles to interview 15 economists and entrepreneurs.

David Tice (Executive Producer)

David Tice was the founder of David W. Tice & Associates, LLC, an investment management and research firm. In 1996, DWT&A started the Prudent Bear Fund to give individual investors the chance to protect themselves against a declining stock market. This fund has been structured with the flexibility to make short sales and to be "net-short" the US stock market. The Prudent Global Income Fund, opened in February 2000, was designed to benefit from a weakening U.S. dollar and rising gold prices and was launched near the peak of the US dollar relative to other currencies. Mr. Tice recently served as the Funds' Chief Investment Strategist from December 2008 to December 2010, following the sale of both funds to Federated Investors, a NYSE listed company based in Pittsburgh.

Mr. Tice is a Chartered Financial Analyst. He graduated from Texas Christian University in 1976 with a BBA in Accounting and continued at TCU to receive his MBA degree in Finance in 1977. After graduation, Mr. Tice worked for three years with Atlantic Richfield Company. He then spent four years with ENSERCH Corporation, a diversified energy company, where he evaluated all acquisitions and corporate finance options that required approval from the Board of Directors. Mr. Tice then joined Concorde Financial Corporation where he spent four years as Director of Investments and was responsible for launching an equity mutual fund. In 1988, Mr. Tice began publishing ***Behind the Numbers***, an investment research service that focused on "Quality of Earnings Warnings and sell recommendations" for more than 100 money managers who collectively managed more than $2 trillion.

His work has gained national recognition through several *Barron's* articles he wrote, and from Mr. Tice's appearances on business television. He has appeared on the *Nightly Business Report*, *Wall Street Journal Report*, *Wall Street Week* and *The O'Reilly Factor*, and remains a frequent guest on CNBC and Bloomberg TV. Tice has taken the role of a Cassandra to warn investors about the dangers of investing near the end of a secular bull market and the problems with relying on credit growth to expand the economy, and he has debated nearly every bullish Wall Street strategist. In September 1999, Mr. Tice hosted the New York symposium, "The Credit Bubble and its Aftermath" to alert the media, investors and policy makers about the risks created by the historic expansion of credit. In June 2001, Mr. Tice testified before Congress regarding conflicts of interest of Wall Street and the consequences of capital markets that lack integrity.

Since his role at Federated, Tice currently serves as President of Tice Capital and executive producer and financier of a major motion picture entitled Soul Surfer, released in 2011. He also started a significant charity, TrueSpark, which hopes to inspire millions of children to learn character development from great movies.

You can read more about Mr. Tice at www.tice.com

Tyler Whitney (Executive Producer)

Tyler Whitney is an entrepreneur and consultant living in New York City. Tyler has served on the staff of multiple free market organizations in addition to the Presidential campaigns of Ron Paul and Gary Johnson. Currently, he runs his own public relations and marketing firm.

Glossary

An index of key economic terms and concepts covered in THE BUBBLE

Nontraditional Mortgages – Mortgages that did not follow the traditional lending standards of having good credit and a 20% down payment. Adjustable rate and no doc loans are also considered nontraditional.

Community Reinvestment Act – A bill passed by Congress that required mortgage lenders to fulfill a quota for low and moderate income home buyers in certain communities. Overall, the role of the Community Reinvestment Act on the housing bubble was minor.

Adjustable Rate Mortgages – Mortgages where the interest rate can vary based on certain benchmarks. Many of the home mortgages during the housing bubble were adjustable rate and had higher interest rates after the first two years of lending.

Fannie Mae and Freddie Mac – Government Sponsored Enterprises that subsidize and guarantee home mortgages. Their liabilities were implicitly guaranteed by the government. The government took them over in September of 2008.

Interest Rates – Interest rates reflect the supply of savings and the demands for loans. The rates reflect people's time preferences on whether they prefer consuming now or later. The Federal Reserve can also artificially lower the interest rate by creating money out of thin air.

Federal Reserve – The central bank of the United States. The Federal Reserve manipulates interest rates by increasing the money supply.

Austrian Theory of The Business Cycle – When the Federal Reserve artificially lowers interest rates, asset bubbles are created in the sectors of the economy most affected by the rate of interest and the sectors the government subsidizes the most.

Fractional Reserve Banking – The process where a bank loans out customer's deposits, while promising to redeem their deposits at any time.

Bank Runs – When too many depositors of a bank all simultaneously attempt to withdraw their money at once. Without the FDIC, banks fail when they are exposed for fraudulently promising money to two people.

FDIC – This highly leveraged government entity guarantees bank deposits, allowing bankers to lend out their deposits with significantly diminished risk.

Rating Agencies – A cartel set up by the SEC that rates the technical quality of bonds and securities on Wall Street. Rating Agencies rubber stamped the housing bubble.

Stimulus – A government attempt to improve the economy by increasing spending. Both George W. Bush and Barack Obama tried this.

Deflation – Price deflation occurs as the economy grows, since more goods split between the same amount of money means prices have to go down. Monetary deflation occurs when the actual supply of money decreases. This correction is needed to fix the businesses that rely on fake money.   The Federal Reserve always attempts to fight both kinds of deflation by creating money out of thin air.

Inflation – When prices increase due to an expansion in the money supply. This is caused by the Federal Reserve borrowing and printing money which debases the currency. Even when prices generally stay the same, monetary inflation is still occurring, robbing people of the fall in prices they should have been rewarded with as the economy expands.

Stagflation – A stagnant economy with high unemployment and inflation. This occurred during the 1970s in America when the money supply increased along with government spending. Keynesian economists believed this to be impossible, while Austrians had been predicting it for over a decade.

Greenspan Put – The widespread belief in the market that Alan Greenspan would intervene to bail out the financial sector whenever threatened. This was based on his reaction to the Savings & Loan Crisis, the bailout of the Mexican Peso in the 90's, the bailout of LTCM, the liquidity approaching Y2k, and his actions forcing the interest rate down to 1% for a full year after September 11th.

Economic Stimulus Act of 2008 – A fiscal stimulus bill signed by President Bush in February 2008 after New Century Financial Corporation and Countrywide failed. The stimulus attempted to increased spending in the economy by handing out printed money.

Bailouts – In 2008, the Federal government bailed out AIG, numerous banks, and the major auto companies. Not only did this use taxpayer money, increase the national debt, drastically increase the monetary base, it also sent the message to banks to continue risky behavior in the future.

Discount Window – To help banks that are low on liquidity, the Federal Reserve has a special rate for short term loans to banks. The discount window was used to help struggling banks during the financial crisis.

Housing and Economic Recovery Act – A 600 page bill signed by President Bush in July of 2008. The legislation expanded Fannie and Freddie's lending authority, gave the federal government the power to take over Fannie & Freddie if they ever needed, and increased the national debt limit by 800 billion dollars.

TARP – A 442 page bill signed by President Bush that allowed the Federal Treasury to buy toxic assets from banks. Once it was passed, the federal government used the $700 billion to force banks to take loans and give partial stock ownership to the government.

American Recovery and Investment Act – A $862 billion dollar stimulus program signed by President Barack Obama. It was passed to boost government spending on pork spending such as construction projects.

Quantitative Easing – When interest rates are pushed so low they reach the barrier of 0%, the Federal Reserve has attempted quantitative easing. Instead of targeting an arbitrary interest rate percentage, the Fed just chooses an arbitrary amount of dollars.

Government Debt Bubble – The current levels of government spending are unsustainable. When the spending is lowered, assets and sectors of the economy propped up by government will be replaced with businesses that satisfy actual consumer demands.

National Debt – The current national debt is approaching $16 trillion dollars. That is over 100% of GDP and equates to over $50,000 for every man, woman and child in America.

Unfunded Liablities – As the current generation of Americans retire, there is a crisis for funding Medicare and Social Security. The projected costs for upcoming Medicare and Social Security spending is over $100 trillion dollars.

Credits

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