

Adding Fuel to the Financial Fire. Deepening Crisis. Bogus Economic Statistics Used as a Coverup

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Mr. Bernanke, Chairman of the Federal Reserve, a private corporation, would have us believe that, quantitative easing is the only way to save the US economy and to reverse the unemployment problem. He conveniently forgets to tell you that he authored a paper in 1988 with Mr. Michael Baskin that concluded that what Mr. Bernanke is doing with QE does not work. He told watchers of "60 Minutes" that the jobless rate would have been far higher; something like it was in the "Great Depression" at 25%. If Mr. Bernanke had taken time to have his minions do the research, he would have found that U3 at the peak of the "Great Depression" was 25.2% and U6 was 37.6%. As we write U3 is 9.8% and U6 is 17%. If you strip out the bogus birth/death ratio, real unemployment on a U6 basis is probably close to 22-3/8%, as yet, considerably less than in the 1930s, but impressively unacceptable. As those interested now know over the past three years the Fed has bailed out financial firms and many other corporations with funds provided indirectly by the US taxpayer. Little of this largess has fallen into employment and as a result unemployment has risen. It lies in the face of reality for Mr. Bernanke to tell us that QE2 will create employment when QE1 certainly did not.

What Mr. Bernanke has done is add fuel to the fire, which has given us one of the greatest financial scams of all time.

Part of the Fed's cover is the fiscal irresponsibility of government, which in 2010 created \$2 trillion in net liabilities, as federal benefits rose. That was the result of the Financial Report of the US, which rightly applies corporate-style accrual accounting. That includes interest on debt and federal benefits payable when they are incurred. This method illustrates the mounting liabilities of government entitlement programs, such as Medicare, Medicaid and Social Security. 2010's cash budget may have narrowed to \$1.294 trillion from \$1,417 trillion in 2009, but the real number was \$2,080 trillion.

We have discussed bogus government statistics for more than 20 years, especially over the past ten years. Growth projections for the year are hard to make when the numbers are what government wants them to be. The result is no nonsense - it is premeditated fraud. It is called cooking the books and if it weren't for John Williams our nation would be in the dark, as to what government is up to.

The term now being used within government is information management. In the inflation sphere when the desired result is needed in their basket of goods, and one element is rising, it is replaced with one that is not. This is a field where the goal is continually moved to suit those in control. As a result, the CPI has become useless. Substitution and hedonics are the

name of the game. Thus, the pretension of no or lower inflation can be projected, then inflation supposedly is not an issue when in fact it is. This is the Fed's fake justification for low or no interest rates. Using the 1990 inflation formula inflation is about 6-3/4% and using the 1980 formula the figure is 8-1/4%. That shows you the temerity and the arrogance of government and the Fed, which is well aware of what is going on.

The same fraud is committed in employment figures by the underestimation of real numbers of workers unable to find work. Then there is the notorious birth/death ratio, the ratio of the birth of new businesses and the death of old businesses and their net effect on the hiring and firing of workers. These government statistics are completely bogus. By way of example, U6 is 17%, but if you withdraw the B/D ration unemployment is 22-3/8%.

The heralded number by government and the mass media is the U3 figure of 9-3/4%, which is only the short-term unemployment number, certainly a false reflection of real unemployment.

As we noted in the last issue if consumers are saving and reducing debt how can consumption figures be growing? Does this mean that in order to maintain growth all the piggy banks have been emptied and all the cash has been removed from under the mattress? Of course not, it is because government figures are fake. Later they are revealed to be so, but that is too late. The desired psychological affect has already taken place. The lie of more consumption forces others to follow suit in what is termed the herd mentality.

The current method of quantitative easing will be as unsuccessful as was QE1 and what is worse is the government and the Fed are well aware of this. The elitists are buying time as they have for the past three years.

Government and the Fed engage in subterfuge, lies and psychological warfare to get the herd to buy generally on credit to increase consumer spending.

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