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Bursting Bubbles. Waning Currency Systems and Insolvent Financial Institutions

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We keep searching Congress for leadership and all we see and hear is compromises and moneyed footsteps leading back to their controllers on Wall Street and in banking. We find few willing to stand up to the military industrial complex or the moneyed powers that control our country. Spending restraint is very difficult to find.

We are supposed to be two years into an economic recovery. Tell that to those with stagnant wages who have to fight against 10% inflation, which our government ingeniously tells us, is 1.9%. Some $900 billion or more will have been created out of thin air by the Fed and spent buying Treasury and Agency bonds, notes and bills and the $862 billion consigned to the economy in December will all have been spent. We are about to enter the next round in June. Will there be austerity or rampant inflation, the result of $1.8 trillion in spending, or will we get trillions more funding from the Fed? We think we will get the funding, because little help can come from Congress. If such events unfold you can expect an upward move in real interest rates to offset a negative rating and more injections of money and credit. As we meander through the statistics that are available and the lack of domestic and foreign support, we can only conclude that the

Treasury market is a bubble fostered by the Fed. When that bubble eventually bursts there will be no one there to pick up the pieces. The bankers and Wall Street have again gone too far. This bubble is far more dangerous than the real estate and mortgage bubbles, because it affects all financial markets and incomes. There is no entity capable of bailing out the system and that is why there is such a demand for gold and silver – the only real money. All the mortgage bubble did was soften up the Fed for this next coming blow. Adding to this misery is municipal, state, corporate and personal debt. The downgrade from AAA for US government debt is 100% surety over the next couple of years. It looks like it has been decided that European debt is to collapse first.

The ECB, eurozone IMF meeting in Athens in this coming week will decide that. We expect default but what the numbers will be no one knows. A default of 40 to 70 percent is in the cards. If the bankers insist on collateral such as almost all Greek government assets there will be no partial default; it will mean full default. The PM and his party does not have anywhere near the votes to get such legislation passed. The bankers and other sovereign lenders are stuck this time. It is ironic that six months ago Germany was offered 50% default by the Greeks and rejected it. The Germans did not understand the full scope of the PIIGS problems and they could not envision Belgium in the wings ready to join the failures. They could not see, as we predicted, a $4 trillion unpayable bill to bail out these victims of one interest rate fits all, a colossal blunder from the very beginning. In anticipation of this the bankers and others have mistakenly driven the euro to $1.48 and it may move higher because when the world sees Europe's terrible situation the euro will fall and that will keep a USDX dollar at 72.90 from plunging to 71.18 at least temporarily.

We do not believe Americans and most of Europe understand the impact of the European banking crisis. The meeting in Athens next week to restructure Greek debt probably will trigger a EU-wide banking crisis, which we have been warning about for the past two years. We do not see Greeks, Irish or Portuguese living in poverty for the next 50 years just to make sure the bankers get their money back, which the bankers created out of thin air. Greek debt to GDP is 150% and no country has ever survived such debt. There has to be default. In the wings Ireland, Portugal and Spain are watching intently to see which way they should fall. On the other side of the debate Germans and Finns do not want to spend one more euro on this problem. Let them default and leave the euro. They should have never been in the euro in the first place. The EU is fighting with Ireland as well over corporate taxation. If Ireland losses that advantage they'll go back to growing potatoes. Greek Parliament will not accept more austerity, Ireland may walk away from bailing out the banks and Portugal may just give up and default. Next week will be an exciting one that may change Europe forever.

Both the European, eurozone, and US banking systems are insolvent and nothing can be done to save them. Both systems have to default. That is why we say sooner or later a meeting will be held where all currencies will be devalued and revalued and there would be a multilateral default and debt settlement. It would also be an opportune time to implement a new world reserve currency or indexed trading unit, which in order to be acceptable would have to contain a 25% gold backing, which would force other currencies to adopt gold baking as well. The new setting for an official gold price would be at a level 4 to 5 times today's levels. Incidentally, it has been found historically that a bimetallic standard does not work.

In this process European countries would return to their own central bank structures and the US could eliminate the Fed and return to constitutional money. No more slush funds and TARP for the favorite few elitists corporations. The great orgy of theft from the American people for the past 100 years would be over. Then it would be time for the show trials where the guilty would go to jail and all their family's wealth confiscated. Those who committed treason would be hung. Corporate welfare for the rich would come to an end and their control of Congress would end as lobbying and campaign contributions would become part of history. Derivatives and other uncollateralized vehicles would be settled and eliminated permanently from the financial scene. The crime syndicate that had controlled our nation would have been destroyed and disbanded.

Such changes would be accompanied by an end to contrived wars. The military would be reduced by 50% for starters. Occupations and wars would end and our military generally would return home.

Insolvent financial institutions and corporations would be allowed to go bankrupt and corporate welfare would end. All fraud and corruption would end and those responsible for it dealt with.

Those involved in the mortgage bond fraud would be tried and sentenced including the people who ran the rating agencies.

The suppression of gold and silver will have ended and the infamous Executive Order, "The President's Working Group on Financial Markets," given to us by Ronald Reagan will no longer exist.

Confidence continues to wane in the monetary systems of the world, particularly of those in the US, UK and Europe. As we have seen low interest rates and vast amounts of money and credit have not been able to reignite the credit cycle. These deceptions cannot hide the fact that fiat currencies do not work. The absence of gold backing becomes more glaring each day. The 23-year war to suppress gold has not worked. The effort becomes more obvious as gold and silver rise higher and higher in spite of government-sponsored manipulation. This is not the first time the elitists have deliberately destroyed their own system in order to exert more power over the people and in this case implement world government. What the elitists have proven, much to their dismay, is that gold has to be at the heart of any monetary system and that this dream of engineering a world of fiat currencies simply does not and will not work. People worldwide are starting to discover that and the fact that some central banks like those in the US and UK are privately owned and act only in their owners self interest.

For 28 months the owners of the Fed have chosen to keep interest rates near zero. That level has been wonderful for bonds, stocks and speculation. They have kept bank leverage at an all-time high, so that those financial institutions can try to fatten their bottom lines. As a consequence the economy and the world has been subjected to overwhelming excess liquidity at higher business levels. As a result this asset bubble has created much higher inflation and as QE3 become obvious 2-1/2 to 3 years down the line we could well be wallowing in hyperinflation. Another result of such policies is higher permanent unemployment. There has been no effort at all to remedy unemployment, nor for that matter inflation as well. If inflation were to be kept low interest rates would be considerably higher. They will rise but not in any meaningful way for a few years.

Price inflation is already with us and the real rate is close to 10%. Our prediction of 14% by the end of 2011 now appears to be very conservative. Of course, the Fed tells us there is little inflation among many other lies they foist upon the public. Mr. Bernanke doesn't relate that almost zero interest rates and quantitative easing are largely responsible for current high inflation. He also does not discuss how the Fed's policies, really those of banking and Wall Street, have caused gas prices to rise and retail sales to rise. They are further manifestations of monetary policy gone wild. Wall Street's Fed man Bernanke doesn't like to talk about wages moving higher to offset inflation because those higher wages are inflationary. He wants them to remain where they are and could care less about the purchasing power of consumers. The idea is to keep the economy afloat and not really worry about wages and inflation, not unless it is to low. Like wages and inflation, food and fuel costs are not transitory. They'll rise or stay high for 3 to 5 more years.

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