Euope and America: Gold and the Public Debt Crisis

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This past week the person, who calls himself President again engaged in extortion by threatening to shut down the government, default on bonds and deprive Americans of their Social Security and Medicare. We all know that is not going to happen unless the illegal alien wants to start a revolution. He can cut costs anytime he wants, but he is more interested in terrorizing the old and the infirm, so he can continue his wild spending. That is what his handlers have told him to do and that is what he will do. Social Security is not an entitlement, because we paid for it and it belongs to us. If politicians have stolen the funds, or these politicians cannot replace the borrowed funds, then the government should issue bonds and have the Fed purchase them, just as they have to bail out the financial sector not only on Wall Street, but also all over Europe. In addition, he might contemplate cutting spending.

His behavior in a congressional meeting this past week, or shall we call it a childish terror tantrum, was truly reminiscent of a deeply disturbed dictator. This was a psyop operation to force opposition politicians to capitulate to his demands, not to cut the budge and spend endlessly until the bottom falls out of the economy.

America is insolvent and has been so for a long time, and these games of massive deficits, stimulus and quantitative easing only delay the inevitable deflationary depression and economic and financial collapse, which has been deliberately created by Wall Street and banking to force us to accept World Government.

The actions of Senator Mitch McConnell were absolutely reprehensible and a disgrace. An effort to continue spending to keep his benefactors behind the scenes happy. His proposal was to allow the President to increase the debt three times before the end of 2012, which would be accompanied by Mr. McConnell's spending cuts. This would avoid a vote and allow the President to act as dictator. Another scam and no mandated cuts. What this boils down to is political theater and the elections not that far away. They'll be no cuts if any agenda passes, only cuts of future increases.

The national debt will not be touched and the wild spending will continue including $4 trillion to continue more wars. That means $1.5 trillion annual deficits forever. The climbing debt is 80% consumed by the Federal Reserve, which creates money out of thin air. Are we to believe that the Fed will create $2.5 trillion a year for the next three years and perhaps longer? The answer is yes, and the result will be hyperinflation, which will ruin the value of the US dollar. It is obvious the elites are not really looking for a solution; they simply want to destroy the value of the dollar to extinguish economic and financial stability, thereby forcing Americans, Brits and Europeans to accept World Government.

Europeans are finally realizing they cannot bail out six countries for more than $4 trillion without pushing themselves into insolvency. We pointed this number and possibilities out 1-1/2 years ago. There will be a Greek default followed by five other defaults, which will lead up to the end of the euro and perhaps the end of the European Union, that unnatural association. Such defaults over the next few years would wipe out most European banks and that will spread across the world. The catalyst for world financial catastrophe. The money being additionally loaned by EU sovereigns reaches Greece and does a U-turn and returns to European bankers to service debt. In the meantime via austerity Greece descends into a great dark pit. IMF funds take the same route of which almost 20% comes from US taxpayers. In addition the European bank exposure in Greece in part is covered, or insured, by American banks for $160 billion. The reason the banks do not want a default is that the US banks will have to pay off and they do not have the funds to do so. That event could trigger a world banking collapse, or another bailout via US taxpayers and the Fed. There is now no question that the euro will pass into history as another utopian nightmare. For those who were paying attention Greece and Italy should have been bailed out in 2001, not be admitted to the euro zone.

Contagion is doing its work and it is only a matter of time before the dominoes fall. Italy's public debt to GDP is world class at about 120% and as interest rates climb servicing gets more expensive. Italy and Spain are the real linchpins. If they default everything in those six nations collapses. As we said previously the financial contagion will not only take down the euro and euro zone, but probably the EU as well.

As a result of onerous debt Greek bonds have lost 50% to 75% of their value and the bonds of the other five insolvent countries are in fact in negative pursuit. In just the first quarter Greek spending has fallen 40% just as salaries have. As a result tax revenues have plunged, as we predicted they would some time ago. This is no way to help an economy.

Greece has $480 billion in debt outstanding and about $160 billion is insured by credit default swaps sold by NYC legacy or money center banks. The same thing is true regarding Ireland. Needless to say, the CDS exposure is a guess because there is no reporting or regulation on OTC derivatives. These banks and others as a result just make arrangements that please them. This is why these instruments of financial destruction should be totally banned.

The writers and users of credit default swaps and other derivatives are aiding in continuing this speculation by forces within governments, prominent people such as Sir Alan Greenspan and the media. A change in derivatives reporting is out of the question, so that they can be bought and sold unhindered. In the end when the writers get in trouble it is the taxpayer who guarantees the bill and gets to pay for it.

As you have seen recently in Europe there has an outcry concerning derivatives and the ratings dispensed by rating agencies. Russia and a number of other nations will no longer accept the ratings of S&P, Moody's and Fitch, because they are bogus and are politically motivated. What agencies do is write a report on a company or nation. Presently the report and demand the entity pay for the report. If they do not pay more often than not a new report follows that is not so flattering. It is called extortion. Wall Street and banking control these agencies. Look at the fraud and criminal collusion in the MBS-CDO market. Outright criminal fraud and the courts refused judgment. These people, who run these companies, should be in jail. They are not because they are part of those who run the system. The Europeans have known this for years, but for whatever reason they have tolerated it. The ratings given by the raters, and the massive use of derivatives have been responsible in great part for the credit crisis. They prompted massive speculation on a scale previously unheard of. It was used for enrichment as well as to keep the system functioning.

What comes to mind is the recent flurry of credit rater downgrades of weak European countries and their sovereign debt. The problems these countries have were known more than ten years ago and now all of a sudden they become a major issue. If Wall Street and US banking control these agencies and the agencies keep downgrading these sovereigns what can be the motivation? We surmise the problems in Europe serve as a distraction from America's problems, but there could be a more compelling reason. That could be that the powers in NYC and Washington want to destroy the euro as an alternative to the US dollar as the world reserve currency. There could be a major conflict taking place at the highest levels behind the scenes, as to how the world will be run and finances are at the heart of the conflict. It is something to contemplate. We have already come to that conclusion. In this process lower sovereign debt ratings lead to higher interest rates that put more and more financial pressure on these already crippled countries. You can never fully contemplate what goes on in the twisted minds of these predators. Plots so diabolical and evil that the normal descent mind cannot comprehend them.

As we have pointed out the European Central Bank, ECB, has made many mistakes. This is a central bank, which is a semi-federal institution, which gets pressure from all sides. This state of affairs leads to hesitancy, which becomes incompetence. At the beginning of the credit crisis they had to be backed by the Fed that lent them trillions of dollars just for the ECB and other member banks to stay afloat. That was and is a dreadful state of affairs. It could be that the condition was in large part caused by the bonds rated AAA by raters and Wall Street, which were in reality BBB bonds. Those European institutions lost trillions of dollars and what is very strange is that there were no civil or criminal legal action regarding the fraud. Of course, when elitists are involved cases never reach court and when they do no one goes to jail. It is what we call a criminal culture.

The ECB was the bank that couldn't sell gold fast enough. Gold as a percentage of assets was 15%, it is now 5%. The ECB is leveraged at about 25 to 1, when 9 to 1 is normal. If assets fall in value 5% the ECB is wiped out. That could very easily happen. They currently hold about $280 billion in Greek bonds that are not worth the paper they are written on. That loss is double their capital base, which means they are insolvent, yet, they go on their merry way deceiving the world. Thus, it is not surprising that the ECB and mostly other central banks and commercial banks want to rape Greece of all its assets at 10 cents to 30 cents on the dollar. As you can see the Greek problem alone can take the euro and EU banks down in a pile of rubble. As a result of this situation the 17 euro zone members would have to recapitalize the ECB, or it could not function. The sovereign banks could contribute and the ECB could sell gold or it could print more money making its euro worth less and cause higher inflation. Even though the US and Japan are in more serious debt load problems the ECB is closer to losing control. Dealing with debt problems is enough for one nation, but having to deal with 17 or 27 nations is daunting.

It is not all that easy for the dollar. Including China foreign reserves kept in US dollars is about 60.5% down from 61.5% just three months previous. As long as the dollar is continually sold it will remain under pressure. If the euro falls by US design then you can understand why. It is because a weaker euro helps the dollar mask its problems. Everyone has to use currencies, but confidence in the euro, dollar, and yen are definitely in retrograde. The US dollar, although it is the world reserve currency, has lost and loses confidence every day because the American system is being looted by Wall Street and banking. As we write a new plan B is going to be discussed this week in regard to the extension of short-term US debt. Thus far the Republicans say they won't accept tax increases and the President has said he is willing to sacrifice Social Security and Medicare programs the public has paid into for more than 40 years in the case of Medicare and since June of 1935 in the case of Social Security. There has been absolutely no mention of cutting military spending, which has been more than $5 trillion. Thus, perpetual war for perpetual peace will continue and our elderly will starve and go without health care to insure early death, thus relieving government of the burden of having to care for them. Those who call this a political victory for the President are sadly mistaken.

The Constitution says to force default on public obligations of the US is plainly unconstitutional. That includes pensions that should not be questioned. The debate alone is unconstitutional. What we are seeing is an attempt of government to avoid obligations. The Constitution is not optional, it is the law, and the President and the Congress knows that. What should be in process is a discussion of the long-term deficit. That is the way to solve the crisis.

In addition nothing is being done to solve the underlying problem. The banks, Wall Street, banking, insurance and select corporations have had a temporary reprieve, but little has been done to put the economy back on track. Recoveries create tax revenues and reduce debt. That solution to too simple for Washington. They are more interested in cutting paid for benefits then cutting the profits of the military industrial complex.

We all know why Social Security and Medicare were created. They provided health care and income so that the old do not have to survive in poverty. They meet the basic needs of those who cannot help themselves. These programs would be self-sustaining if government didn't loot their contributions. Are we to all suffer as Congress refuses to come to grips with the real problem and continues to play politics? Are we to suffer because the President refuses to follow the Constitution? Are these players willing to destroy America, as we have known it? We believe that may be the case.

There is little confidence left in government and that is truly understandable.

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