# Global Economic Depression. The "Solution" to The Debt Crisis: More Debt

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It was 15-months ago that we projected that the second half of 2011 and onward would present many financial and economic problems, and we have not been disappointed. There was federal debt and its renewal, which we are now suffering through, municipal debt problems, the lack of any kind of solid recovery and financial problems emanating from Europe. Making the situation more difficult is the statistical exposure at Princeton University that more than $5 trillion has been spent since 9/11 to create new wars in Iraq, Afghanistan, Libya and Pakistan, with more in the works.

Running neck and neck has been the federal debt issue and the second bailout of Greece and its affect on the debt problems of five other close to insolvent nations. Perhaps with the exception of Germany the world economy is in disarray. Every major economy otherwise is in trouble in one-way or another. That means we have a very unstable international monetary system in which some sovereign nations are in desperate shape. The effects of QE1 and 2 and stimulus 1 and 2 and their equivalents have thus far proved to be futile. In spite of that most nations are about to embrace QE 3 or something akin to it, and make the same mistakes over again.

We are now approaching the autumn session in the temperate zone and we advise you to hold on tightly to your seats, because this is going to be a very bumpy ride. The political antics being displayed in regard to the US debt extension are going to cause a fall out, particularly in the US Treasury market as interest rates again to start to rise. What you have witnessed in the US Congress is not inducive to stability and recovery. In fact just the opposite is the case. If you combine US with European problems you have double trouble.

Over in Europe the Greek crisis has become a European crisis. We wonder when Europe is going to wake up to the fact that Wall Street and the City of London are attempting to destroy the euro as a viable alternative to the dollar as the world's reserve currency. In spite of this the euro has so far held its own, as the dollar has faded against not only the USDX, but against gold and silver as well. There are those who believe that the euro and the EU have been revitalized, but we see Europe somewhat differently. The movement of more nations into the euro has not been due to stability, but to a weakening US dollar and assistance from China and Russia. The elitist powers in NYC and Washington have no intention of losing the dollar as the world reserve currency.

We said 1-1/2 years ago that the solvent countries could not handle the bailout of six nations that were on the edge of bankruptcy. If the EU-IMF-bank bailout of Greece goes as planned within 1-1/2 years Greece will not have met its commitments and the game will be on again. There is no question at that point that the solvent nations will balk, the euro will fall and perhaps even the EU. That is because the contagion will have spread to the other five troubled countries. These events will in turn trigger the debt bombs in England and the US. The interconnectivity that the elitists wanted so badly will finely be their undoing. The precursor to this is the rating downgrade we have witnessed just recently.

The world economy is slowing down and that is going to compound problems. That is why transnational conglomerates and others continue to lay off staff and hoard cash. They have an idea of what is on the way. This is why QE cannot end until forced to be ended by hyperinflation. At the same time the value of assets is wasting away, although held up in part by inflation.

Governments worldwide continue to issue debt, as central banks broaden their balance sheets. More than $5 trillion has been added to the world's money supply and there seems to be no end in sight to this desperate, reckless policy. The notion of too big to fail has been adopted worldwide.

As we predicted eight years ago when we said Fanny Mae and Freddie Mac were broke and would be absorbed by government, we also said eventually housing would be nationalized. Once the too big to fail banks cannot handle the foreclosed properties on their books they'll allow the taxpayer to step in via Fannie, Freddie, FHA and Ginnie Mae and assume the debt. Eventually government could end up owning all the housing stock, which would give them great leverage over the individual. National Socialism is the end goal. This just didn't happen. Loose credit, a credit bubble crisis and an eventual collapse in the credit structure came about. It was engineered, it just didn't happen. Do you believe it's normal for bankers to issue loans to totally unqualified buyers? Of course it isn't. These were and are prudent bankers, that don't make those kinds of errors, unless told to do so. The big banks are in serious trouble as are municipalities, states and the federal government, as a result of what the Fed and the banking system have done. People have lost confidence in the Fed, the banks and government, and that shouldn't surprise anyone. These observers see secret arrangements via the Fed, Bank of England and the ECB. They also question the costs and success of bailouts, increases in money and credit when the recipients are the financial community and governments. Little help has been given to citizens of these nations. These same people are now questioning why these nations are allowing central bankers to try to extend the problems into the future by using short-term palliatives? They are also asking why banks were lending to sovereigns when they shouldn't have been doing so, under any circumstances. Even the low rates the banks charged were ludicrous.

We now see it is only a matter of time before Wall Street and the City of London realize how vulnerable their stock and bond markets really are. The financial system is in a shambles and all they care about is profits. The deal last presented and passed by the legislators' means very little. The next Congress can change things by a vote. The whole bailout bill is on the come. Future triggers will not decrease Medicare and defense spending, because they will never happen. It was all political theater, and it was really all about cutting Medicare and Social Security as well as the imposition of a 12-member panel, which will resemble a star chamber preceding. The result will be continued distorted markets and more of the same spending. Little will be cut and the latest version of QE 3 will move forward, as inflation moves higher. The question is has the stock market already discounted such a deal and will gold and silver treat the agreement as a non-event? The market is hard to call, but gold and silver have been rising due to the dollar being replaced as the world reserve currency by gold and the fact that inflation is 10.6% and rising. The big losers are the American people and Congress.

You do not have to be a space scientist or brain surgeon to figure out that official GDP growth figures for the last quarter of 2010 and the first and second quarters are bogus. The last 2 quarters until they are changed again, showed GDP growth of 1.3%. If you extract inflation and QE 2 and stimulus of at least $1.8 trillion to $2.4 trillion doesn't work, then what will work? The Treasury and the Fed don't seem to know or they wouldn't be doing what they are doing. They know they have to continue, because the Fed in recent years admitted that they were the cause of the Great Depression by putting insufficient funds into the system. Obviously they won't do that again. Thus, they are doing just the opposite and they know that does not work either. One asks oneself, how can anyone who knows this have any confidence in the monetary system? It was this loss of confidence that took down the system in the 1930s and that is what will lead to its failure again.

The heart of the issue in the Fed and the Treasury is that they have to come to terms regarding fiscal spending, monetary stimulus and market manipulation. The markets are not free and the operations of the "President's Working Group on Financial Markets" is simply driving more and more players out of the market, even professionals. It is impossible to trust or have confidence in such a system. Economic and market support should be limited, if used at all. We are looking at three years and $4.3 trillion of support, without which the economy would have collapsed. As a result recoveries have been of short duration with no lasting effects.

The Fed continues to deny the inevitable as does the ECB in the euro zone with bailout after bailout. The GAO tells us the Fed lent out $16.1 trillion two to three years ago and says nothing about it being paid back. The only way we found out what the Fed had done was by the Dodd-Frank legislation. The Fed may think re-flation is fine, but tell dollar owners who lose value every day. The idea that dollar profits will be perpetually recycled by exporters into Treasuries has begun to come to an end. If the greenback is weak and weakening why continue to hold it? That is why foreign forex holdings by foreign central banks has fallen from 70% a few years ago to 59%. This is why the Fed has to create money and credit to absorb about 80% of Treasury issuance. Many of these countries are relatively unsophisticated and are now beginning to endure lower exports. We are even seeing that occur in the export powerhouse of China. The Fed probably will buy as many Treasury, Agency and toxic waste bonds as necessary, but that does not address the underlying problems. It only demeans the dollar further and expedites foreign US dollar sales. It is true Asian central banks have a great stake in the US economy, but that is waning as exports falter and that may cause forced dollar sales to meet domestic financial needs. There is no question central bankers worldwide are hopelessly interconnected, and that they have to share an interest in helping sustain dollar strength and value. The question is will the dollar just get worn down as it has been, or will there be an event that will change that?

The EU, ECB and the IMF believe they have a second bailout formula in place, but acceptance won't come for another month and it is possible it won't come at all. That is if German, Dutch and Finnish citizens have anything to say about it. From Greece we are told hordes of experts are invading Greece to put values on Greek properties illegally put up as collateral secretly for the first bailout. It is a fire sale of Greek assets in the making as their country is stolen out from underneath them. At the same time 100,000 taxi drivers are demonstrating countrywide, because government wants to strip them of their licenses, so that foreign operators can enter the country and take over the businesses.

Thus far the Fed has been successful in keeping the wolves at bay, but for how long and at what cost. They cannot do what they are doing forever. Higher inflation is nipping at their heels and it is growing exponentially. Underlying creditworthiness comes under scrutiny every day. Everyone involved knows the system is dysfunctional and all are hoping the system does not disconnect. Sooner or later it must fail, as debt overwhelms monetary creation. Those who want safety from these machinations have one place to turn to and that is gold and silver related assets. If you do not move to protect yourself now there may be little or nothing to protect in the future.



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