

Mounting Unemployment in America: Poverty and “Social Explosion”

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The social net has become a bit more frayed. Soon extended unemployment benefits will cease and 2 million Americans will have to dip into their savings, if they have any. This is an outgrowth of the effects of free trade, globalization, offshoring and outsourcing. We have lost 8.5 million jobs over the last ten years to this destructive process. We have seen more than 42,000 manufacturing plants leave the country as well. There are now more than 17 million Americans unemployed and the U6 official government unemployment figures 17%. If you remove the bogus birth/death ration, the real figure is 22-5/8%. Over that ten-year period we have lost about 5.5 million manufacturing jobs or about 1/3rd of that labor force. As recent as 1985, 25% of output was in manufacturing, now it is close to 11%. America's physical infrastructure is in a shambles, so that transnational conglomerates can bring us cheap goods to suppress inflation and bring these companies mega-profits, which they keep stored offshore to bypass taxation. They presently have \$1.7 trillion in such profits.

This in part has been caused by deficit spending and the creation of money and credit since August 15, 1971, when the US left the gold standard. It is not surprising as a result that 81% of the US economy is considered in poor shape and that the IMF fears a social explosion. You could call this a financial death spiral. There is no question the economy is moribund and the next stage could be dead in the water and that is after QE1 which saw \$2.5 trillion enter the economy. The first installment of QE2 is in process and that \$600 billion will grow to another \$2.5 trillion, to be followed by Q3 and a further injection of another \$2.5 trillion. There are those who say QE2 should be eliminated. We wonder if they realize that if it is, that the American economy, and most of the world's economy will collapse. If we had allowed a severe recession to play itself out in the early 1990s all this would have never happened, but that is not what Wall Street and banking wanted. We should have bitten the bullet three years ago, but the elitists wanted to take the problem at least one step further to be sure the final result would bring about one-world government. Readers, that is what this is really all about.

We have a foreclosure crisis in real estate of epic proportions caused by the criminal behavior of banks. The use of food stamps reaches an all-time high each and every day. Soon unemployment will be more than 23%. If you want to see where we are headed look at the unemployed figures projected from the 1930s. U3 was 25.2% and U6 was 37.6%. In addition if you use the 1990 methodology the CPI inflation figure is about 4.5%. If you use the 1980 basis real inflation is 8.5%. We have ceased looking at official government figures because very simply, they are bogus and have no connection to reality. The unemployment situation is so bad that millions are filing for disability. That comes after extended unemployment benefits end.

It is not that people do not want to work but that there are simply few jobs available. 8.5 million of our jobs have gone to foreign nations with cheap abundant labor and they won't return until we erect tariffs on goods and services. As a result 14.3% of adult Americans live in poverty. That is cash income before taxation of \$22,000, or less, for a family of five. This does not include existing assets or food stamps or unemployment benefits. This situation is similar to the early 1960s, which was solved by the Keynesian "War on Poverty" and another no-win war. As we recall, the last time fewer Americans were employed in manufacturing was in 1941, when unemployment was 16.2% and we had another war. Incidentally, we do not believe in coincidence. It should be noted that we not only face labor differentials of 90%, but America's regulatory environment is purely anti-business and anti-growth, as our competitors face no such handicaps. These factors began the exodus and that will continue until there are no jobs and the American economy collapses. The World Trade Organization, WTO, NAFTA, CAFTA and all the other sweetheart deals with other countries have to be eliminated, and they will be purely because soon the US will be strictly in a survival mode. America is left with a service economy and that does not produce wealth. Then there is the declining dollar that has put the US on sale. It has gotten so bad that states, cities and counties are selling off ports, parking meters, bridges and highways. Foreigners are happy to comply in their effort to dump depreciating dollars. In addition unfunded US liabilities are about \$90 trillion, plus the current short-term liability of \$14 trillion. This is debt that cannot possibly be repaid.

Consumers in great part are living off credit cards, as they try to pay them down. Recently consumer debt fell 1.4%. That means in the intermediate and longer term consumers cannot consume enough to maintain consumption at 70% of GDP. The flip side of that is that 13% of the economy is deficit spending. If government spending was eliminated GDP would fall at a 10% rate.

As a result governments, corporations and individuals are dumping the depreciating dollar. That is what QE2 is all about and that is monetizing US debt, because fewer and fewer people will buy it. The Fed will end buying all the US debt and the dollar will collapse. In February, almost two years ago, we declared an inflationary depression. It's still going on. There is no growth in America. What is spent is debt by the US Treasury augmented by the Fed. Purchasing power is dropping off a cliff and that means America's standard of living is falling and will continue to fall. What will America do when the music stops? When no one will no longer buy US bonds? The Fed will buy them all eventually and that process is already under way. What happens if the Congress cuts back spending and austerity begins? That means cuts in many areas and higher unemployment and less consumption. That means a deepening depression. This shows you what few options the government and the Fed really have. They rescued Wall Street and banking and left the economy to shift for itself. If the Fed does not inject over \$2 trillion into the economy GDP could shrink by some 18%. This is a consequence the Fed doesn't dare tell you and the Congress about. That also means the dollar could fall 20% to 50% from current levels. Living standards would then fall a like amount, as government cuts extended unemployment, food stamps, Medicaid, Medicare and Social Security. At the same time persistent inflation will be a drain on purchasing power. This is where this is all headed and Wall Street, banking, the Fed and government are well aware of where this is headed. Where will the welfare come from? As a result there will be social unrest and dislocation. We are already seeing families moving together from one state to another and an exodus of inhabitants from high tax states to states with low or no state taxes and warmer climate. Major changes are already taking place. All kinds of big changes are coming. What can government do when they are

committed to \$105 trillion in debt and foreigners refuse to any longer fund its debt? Those who own gold and silver related investments will protect their wealth and those who have put food; a water filter and weapons away will have a good chance of survival.

Americans are not alone in this dilemma; many other nations are as well. Even Canada has a debt to GDP ratio of 150% and 60% would be in trouble with just the loss of one paycheck. Like in the US savings are miniscule. There is no incentive to save with 1% interest rates. The funds are either spent or invested in more speculative vehicles as they are in the US and in other countries. Do not forget savings are the lifeblood of the economy.

Open currency warfare is out in the open after having been under cover for many years. It isn't just the Chinese; it is everyone including the US, and this will eventually lead to trade wars, which is a battle exporters cannot win. Exporters with large US dollar positions are getting rid of them by buying bonds in other currencies, commodities, gold and silver. Many other nations are following their lead, as we explained earlier in reference to SOC, the Shanghai group. You also have Japan making its biggest currency intervention in years. Needless to say, the US blames everyone else when they have been manipulating the dollar for years. Just stop for a minute and think of what the Treasury's, Exchange Stabilization Fund is all about. It is about currency manipulation. No one is blameless, and if the US had not eliminated tariffs on goods and services we wouldn't have the problems we are having today. Lack of tariff protection has definitely driven America to the end – not to speak of the loss of 42,000 businesses and 8.5 million good paying jobs, which has resulted in 22-5/8% unemployment. Americans are still not paying attention. They still think the good things in life grow on trees and all they have to do is pluck them off free of charge. They still do not get it. We made gains in the last election from the socialists, but a paltry 100 seats in the Senate and House changed hands. They still are too dumb to understand that the crooks have to be thrown out, not re-elected.

If all of this wasn't bad enough we have a European debt crisis to make things even more difficult. The euro hit about \$1.19 in June and has since traded up to \$1.40 and back to about \$1.35 as the odyssey of debts hangs over Europe. The low euro made euro exports inexpensive over the months when it was down. That break has ended. We see the euro reversing from \$1.40 to \$1.30, but that fall won't be enough to push exports up again. That means no exit strategy, no higher interest rates and back to stimulus again. Greece, Ireland, Portugal and Spain will leave the euro zone and if Germany, France, Holland and Austria want to bail them out, they now know the price tag will be \$5 trillion.

Even the IMF is releasing warnings of falling world GDP, no recoveries and dire warnings of social crisis worldwide and massive world unemployment. What the elitist leadership behind the scenes in the US and Europe do not understand is when you have austerity economies slow down. They do not grow, they stagnate and have recessions and depressions. Why do you think you are seeing massive demonstrations all over Europe, soon to come to the US as extended unemployment ends? Britain can appropriately be called a dog's breakfast. In both France and Germany financial institutions are warning their clients that a global collapse could occur over the next two years. Serving high debt is no longer possible and that governments have reached the point of no return. The debt picture has so deteriorated that defense spending has to be cut in a major way.

This is probably your last opportunity to sell stocks and bonds. The only exception is gold and silver shares. Interest rates cannot go any lower and legislatures are unwilling to pass legislation for more stimulus. That job has been laid at the feet of the Fed. There is no one

left to save the US or the world economy. The Fed cannot, because it is too busy buying US Treasury and Agency debt. People are getting savvy fast on the secrets of the Federal Reserve. Before long everyone will be aware that the Fed makes money out of thin air. It won't be long and the Fed will be out of business and rightly so, because it is a criminal enterprise and the public is discovering that via the Internet and talk radio. The free ride for the insiders is coming to an end.

The conclusion of the failure of the Fed is about to be sound money, currency backed by gold. The struggle to suppress gold and silver are about to come to an end and they are about to again find their true place in the monetary establishments of the world. Gold will again become the ultimate world currency and it is proving that now and has proved that over the past 18 months.

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