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Roling the Dice: America’s Financial Dilemma

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There is no question that the world is at a boil. Germany is drawing anger; N. Korea has attacked S. Korea; flaying about the FED’s Mr. Bernanke blames China for America’s sad economic and financial dilemma; five suits, class action and RICO, have been filed against JPMorgan Chase and HSBC for having manipulated silver prices and class actions are rumored to be in process for naked shorting, which has been rampant in the market for years, a felony hedge fund investigation of insider trading, which the SEC has absolutely refused to pursue.

The US is still occupying Iraq and has a war raging in Afghanistan to protect the opium and marijuana crops, the largest in the world, which generate $300 billion in profits a year. Socialists, having recently relinquished power in the US House of Representatives are calling Republicans an axis of depression.

The New Fed policy of QE2 is considered by US detractors to be a step too far. The Fed has entered the inner sanctum of realm of no return. If QE 2 and a hidden QE3 don’t work, then the monetary game is over.

The Fed is in a desperate position and instead of letting depression take its course, the groundwork of which was caused by the Fed, Wall Street and banking, it is again rolling the dice intent on extending and buying time.

If the Fed and its owners refuse to bite the bullet great inflation will ensue dependent on the size of QE2. If it were to stay at $600 billion inflation would increase. If the Fed is forced to increase the injection to more than $2 trillion there will be far more inflation. Unfortunately, we cannot depend on government statistics because government has a track record and propensity for masking the truth. There are those that believe that this is a monetary experiment and that it is not. What we are seeing has been tried in different forms for centuries, quite unsuccessfully. As a result, to thinking people, the Fed and Mr. Bernanke have lost most of their credibility, and that view is justified. Mr. Bernanke’s recent reference to “rebalancing the global economy” is just another effort to justify current monetary policy. What Mr. Bernanke is really advocating is a world balancing where countries with surpluses use those funds to assist those with deficits. He wants a global village where interests of individual countries must reflect the interests of the global economy as a whole. Of course, nowhere to be found is sovereignty in this planned redistribution of assets.

This is the same goop Treasury Secretary Mr. Geithner fed us at the G-20 meeting. The concept of lets all of us go bankrupt together, utopianism at its finest. Fortunately in both cases the concept of global rebalancing went over like a lead balloon. Any honest economist knows this is a rehash of flawed policy. When government and the Fed abandoned the gold reserve standard on august 15, 1971, they knew where this would all end up, but they did it anyway in their march toward a world financial order and world government. After that historic date there would be no return to sound money until the system was totally purged. We have heard the call for almost 40 years of the amalgamation of nations for the interest of all. Individual countries must sacrifice their interests for the entire global economy. this is why the Fed has deliberately accommodated monetary excesses since then.

We have written about this embarrassment of planned destruction for 45 years and until recently our thoughts were ignored. Thanks to talk radio and the Internet, that reaches the entire world, we are finding that more and more people are waking up to the truth. Since the 1980s we have had one fiscal and monetary crisis – one after another. Now that the world is beginning to discover what Europe and the US have been up to for years these internationalists now find themselves in deep trouble. Their real problem is too many people now know what they are up to.

China just injected $2.3 trillion into their economy to spur domestic demand and create jobs. The result has been funds flowing into the stock market, real estate and the general financial sector, which has created a misallocation of funds and leaping inflation. Bank set asides were just raised, but that has happened a little too late to escape some major damage. Chinese are traveling to Hong Kong from the mainland to shop because the cost of goods is 10% to 95% cheaper. The Chinese obviously went along with US ideas to inflate domestic demand by stimulating their economy, so that consumption and imports would rise. Thus, we see China is having some of the same problems the US is having.

Leaving china behind for a moment we have to deal with corporate fascist Keynesianism, which believe it or not is being called radicalism even in mainstream circles of economic and monetary management. They are finally realizing that the Fed has inflated markets worldwide. In addition, it has long been a government and Fed policy to manipulate securities markets worldwide and provide finance as well. The insider trading the Justice Department is pursing is an example, as well as the JPMorgan Chase/HSBC silver manipulation cases. As we said, next comes naked shorting and front running. Let's hope somehow we can bring these sociopath criminals to justice and at least for a time have an honest system.

As a result the financial world has turned to gold, which is up 24% and silver up 65% this year.

Investors believe that the rescue of Ireland is a done deal – not so fast. The Irish are really irate at having to bail out the bondholders. As we said before this is all about the banks being bailed out by the taxpayer.

In the US aggregate household net worth is $12.2 trillion lower today than it was three years ago at its pre-depression peak, a horrible decline of 18.5%, all in order to bring about the conditions to implement world government. That is about $100,000 per household. That money is never coming back nor is what was once known as the American dream and way of life. Baby boomers see it coming and denial is grudgingly becoming acceptance. The ratio of household net worth to disposable personal income has gone from 639% to 472% and it is still plunging. The savings rate, out of fear has risen from minus 0.5% to 5.5%, but still has to double from here to help get the economy going again. At the same time the Fed and Treasury are telling Americans to take on more debt. Homeowners equity has collapsed below $7 trillion from $13.5 trillion, making the situation worse – employment is off 7.5

million and full-time jobs are off 10 million, the worst numbers in 11 years. Real unemployment is 22-5/8%.

If QE2 is terminated at $600 billion watch out, because the economy will head straight into a great dark pit. All the numbers we see are signaling a strong need for more than $600 billion.

Ireland's government has collapsed as front page headlines in Dublin blare we were lied too. We saw the same thing come out of Greece and next is Portugal and then Spain. Debt is being restructured and it won't last. Who wants to live in depression for 30 to 50 years, while bankers get richer and more powerful?

America's capacity utilization is 72.7%, up from 68.7% a year ago, but still in recession. Small business hiring is at a virtual standstill and part-time employment doesn't cut it in feeding the family. Two million workers are about to lose extended employment benefits. YTD three million already lost their benefits and are losing their homes and they cannot feed their families. Already 42.4 million Americans are on food stamps. That is up 550,000 in three months. We peg inflation at 6-1/2 to 7 percent, officially YOY it is 1.2%. The plight of a once great country, betrayed by Wall Street and banking, is a sordid mess with little hope of a quick recovery.

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