

The Financial Guillotine

"The Last Debt Orgy"

By [Sharon B. Kayser](#)

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Former Federal Reserve Chairman, Greenspan: 'We can guarantee cash benefits as far out and at whatever size you like, but we cannot guarantee their purchasing power' - February 15, 2005

It is very common among 'sound money' believers to entertain some kind of fascination with Greenspan who spoke out against 'irrational exuberance and 'infectious greed' at the end of the dotcom cycle as he now warns that '[the Fed is not a magic piggy bank](#)'. For them, Greenspan will always be remembered as the engineer who has unleashed the Horsemen, calling for America's demise and the world by extension. The Maestro and his cheerleaders from around the planet should be very happy that the 'guillotine' has become an historical relic, because what is happening is, without a doubt, reminiscent of the events that led to the devastating hyperinflation and the bloody French Revolution. Loose monetary policy and decades of faulty interest rates are the absolute main culprits. When interest rates fail to control the amount of debts, the opposite happens: it then increases the burden of debt inexorably. Just like printing too much money inflates prices while provoking currency devaluation. More money is then needed to purchase the same goods and services. This is an insidious process that corrupts many minds, from the top down. The top takes advantage of the bottom. And that is why the gap between the rich and the poor worsens, and the middle-class ends up being destroyed. As The above quote by The Maestro stipulates, the FDIC won't be able to do a thing when the USD will become peanuts - eventually.

While it remains to be seen as to whether chaos and unrest will be witnessed, revolutions also tell us that nothing has changed under the sun and this alone should question us very deeply. Instead of resorting to violence how about starting to put faith in the idea that our neighbors are smart enough to grasp ECON 101, because if we don't, things are only going to become a lot uglier before they get better...

More Of The Same Old Cherished Delusions

To start with, the TV broadcasts have once again done everything they could to hide a backdoor giga-bailout orchestrated by the Fed to keep the economy lubricated: the banks have borrowed a record \$437.5 billion per day from Fed, Reuters attested candidly as of October 16. Let's also mention that the Fed announced a few day before that it would to provide broad access to [unlimited borrowing](#). So what happens when one has to borrow \$100 to honor \$100 loan? So, you can imagine where the irresponsible actions of the monetary elites are going to lead us, can't you? But this is nothing surprising from Helicopter Bernanke who has fervently pursued Greenspan's task aimed at eradicating the cash-strapped middle-class in favor of foreign banks holding too many dollars, and which

they were about to dump if anything was done. Ellen Brown, who monitors the situation closely, sums it up like this: FMae and FMac, along with AIG [had to be bailed out](#) to prevent the 1 quadrillion dollar derivatives from detonating – temporarily.

Furthermore and astonishingly, this also means that these \$700B dollars were just a part of a political sponsored media circus to create a diversion. For the record, let's consider the Fannie and Freddie debacle: [Barney Frank in 2003](#) said that Fannie Mae and Freddie Mac were not facing any kind of financial crisis... then we have [Bill Clinton](#) who asserted that Democrats resisted standards for two institutions... on the top of that we now have [Obama who is a top recipient](#) of Freddie and Fannie lobbies pushing for no-doc loans, nothing-down houses, equity-line hustles, phony appraisals, in short gleefully shaking the money tree in every direction they could. By the way, did you know that as economic storm was brewing, Congressional Wealth [grew 11%](#) last year? While condoning any bailout is unethical for obvious reasons (it only makes matters worse and prevents from prosecuting the evil doers), we also have a classic case government failure. By now it should be obvious that these [two lenders must go](#). More concretely, the American citizens are being tested and must show how far [their resilience](#) toward theft can go. Despite themselves they have become the facilitators of toxic and illiquid loans that have come home to roost. Do not count on the Newspapers facing [historic debt burden](#) to tell you the truth.

Our government and its owners appear to be testing how much the American public will tolerate. A few years ago, no one could have imagined that the silent majority would quietly accept thefts of this magnitude from a government that stopped tiny payments to single mothers with poor children in the name of welfare reform because the program's \$10 billion cost was breaking the federal budget. This isn't socialism, it's fascism. — Sean Olender, sfgate.com

Last October 11, [the Times.uk](#) asserted that Lehman Brothers demise triggered the hugest corporate debt defaults in history as grave concerns as to whether Washington's \$700B bailout fund will be enough to avert a financial meltdown. It emerged that the Fed Bankers are anxious that if the Treasury is not able to accelerate the speed at which it launches its rescue scheme, it will have no effect. Of course, they know, they are just buying time. It is not without a reason that the IMF Warns of [Global Financial Meltdown](#). As lawmakers and Wall Street Bigwigs are patting each other's backs, it should be useful to mention that [Lehman CEO contributed heavily to Democrats](#) – over Republicans nearly 5-to-1!

It is tempting to assume that human beings are a lot more clever nowadays but are they really so? What is left from the 'Industrial Revolution' and its ideology behind that compelled women to join the ranks of the work force, claiming that they would help the family enjoy an unprecedented wealth. Unfortunately this is not what has happened. The reality shows that the average working families are today in debts up to their eye balls and one of the parents often has two jobs. Due to inflation, nearly 30% of US families now subsist [on poverty wages](#). Their children are burdened with student loans that will take 30 years to be repaid. What quality of life may a young couple into medicine expect today with loans topping [half-a-million dollars?](#)

The party is over for the borrow-and-spend culture, for an economy based 72% on consumer spending, nothing will never be the same, [Peter Schiff](#) concludes. America's [\\$53 trillion debt problem](#) is very real. According to Michael Hudson, writing in the May 2006 issue of Harper's Magazine, are Americans unwilling to [face reality](#). In the meantime, Wall Street banks in

[\\$70bn](#) staff payout, or 10% of US government bail-out package while admitting that the bailout [won't work](#) as of Oct 18, 2008. So much for the 'brightest college degrees club' managing the planet - indeed!

It's clear that the government would like us to use the capital," Mr. Dimon said on a conference call with analysts on Wednesday. "If you are a bank that is filling a hole, you obviously can't do that."

While Europe blames and curses America for the global credit crunch, it is ironic that European banks have turned out to be deeper in debt than their US counterparts, contends [Evans-Pritchard](#) on 10/5/08. Europe put [\\$2.3 trillion](#) on the line to protect the continent's bank. So much for an EU treaty called The Stability Pact as they are staring into the abyss and wondering who's going to [bail out the Euro](#) next? Probably not the UK: the Bank Of England unveiled [£500B rescue package](#) early this month. On October 16, 2008, ECB went nuclear as EU leaders called for a '[civilized](#)' capitalism. Cynically, World Bank President Mr. Zoellick confesses that the G-7 is not working. Indeed when debts are not kept under control, predictions and estimates are always wrong. Instead of getting back to the basics of ECON 101, Zoellick urged the creation of a new larger Group that would include China, Russia, Saudi Arabia and others to solve the world's economic problems. A New World Order!

Long time viewed as a financial Eden, Iceland too has gotten a taste of the '[kiss of death](#)'. As the Icelandic krona is about to become history, Lawmakers have no other option left than contemplate an IMF bailout. To refresh your memory, the IMF is the same lender of the last resort whose advice plunged Mexico, Argentina, Russia ([which might go bust again](#)) and lately Japan into financial turmoil. We can only wish Icelanders a lot of luck!

As a matter of fact, indebtedness knows no boundaries (classes and cultures): early this month even [Pakistan](#) went under and as a result, is being threatened with a currency crisis. Pakistani leaders still hope to be able to borrow \$10B from the bankrupt UK and US. Ireland, long time considered a taxation heaven for European firms, is currently undergoing a massive adjustment due to [the bust of its housing bubble](#). To make the matters worse, a columnist from the independent.uk asked if [Switzerland](#) could become the next Iceland... Thousands of miles away from Ireland, a bad omen suggests that [Russia's Crash](#) looks very similar to that of 1929, a Bloomberg columnist reported. Indeed, Russian equities this year have lost 67% so far. As you read this, the Indonesian President suspended the stock exchange indefinitely '[to prevent deeper panic](#)' Delaying outcomes is absolutely senseless because at some point, we'll end up reaching an exponential threshold where conflicting interests and lies - [will collide](#) at once.

With a flawed diagnosis of the causes of the crisis, it is hardly surprising that many policymakers have failed to understand its progression. Today's failure of confidence is based on three related issues: the solvency of banks, their ability to fund themselves in illiquid markets and the health of the real economy. [economist.com](#)

Although (credit induced) financial plagues dot Mankind's history, the financial media often presents debt crises (ie: business cycles) as being facts of life. However, this didn't prevent them from lauding the housing mania at every level they could, as if this time was different. Would they all be suffering from amnesia? Please do your homework and google 'The Bubble That Broke The World' and you will discover the dreaded similarities between the roaring 1920s and today's. .. Flawed diagnosis? are they stupid or do they have a plan?

It shouldn't be assumed that it is in the human nature to live as if there were no tomorrows, to the contrary. To take the appropriate rational measures, they first need to be able to access unbiased information to begin with. The rock bottom line will always remain the transparency of a system itself. Today many have realized that the opacity of the fog was hiding the mother of all black holes. Unfortunately, there aren't that many different ways to define words like 'S.C.A.M', '[P.L.U.N.D.E.R](#)' and 'F.R.A.U.D' without running the risk of sounding redundant. This worldwide debt laundering will have to be paid with a hard landing. In order to do so, the Powers-That-Be (PTB) are readying themselves for the worse case scenarios, such as [shutting World's Bourses](#), creating [a single world currency](#), which has always been 'the end of the game', as [Ron Paul warns](#). Just [click here](#) to watch the video released on Oct 17: Worldwide Currency System to be Presented to U.S.A. by EU Leaders. Of course, a one-world-currency will not stabilize anything at all; the Euro has not insulated the continent from external economic dangers, far to the contrary. Until two years ago or so, Eastern Europe was booming like never while heavy-weight economies like Spain, France and Germany were already crushed by their own deficits. Having one single currency will just make it easier for the PTB to create booms and busts where they see fit. It is a conspiracy... and if the word 'conspiracy' disturbs you, please consider the following quote write several centuries ago:

To preserve their [the people's] independence, we must not let our rulers load us with perpetual debt. We must make our selection between economy and liberty, or profusion and servitude - Thomas Jefferson

Ignorance In Action Is Terrifying

The most astonishing story this month in my view was the confession of a manager whose one-year-old fund returned [866%](#) betting against the subprime collapse. While the origin of his wealth rests on unethical premises, he honestly accuses Harvard and Yale Cliques for their utterly deceiving behavior supporting the Aristocracy, which ended up making it easier for him to find idiots to take the other side of his trades. We can understand now why the S.E.C banned short selling, can't we? The only acceptable questions here should be: why did it take so long to take action... and why do such regulations exist in the first place, considering that debt-based economies are mere legalized casinos?

While the average consumer loses purchasing power daily, the rich consolidates and gets richer. This is, without a doubt, the biggest wealth transfer ever. It is very common to come across people who seriously think that the developing world is poor because of its corrupt leaders and a rampant lack of education, that the Western Powers have done everything they could to alleviate poverty. Really?! If so, how to explain that the [wheels are coming off](#) the global financial system? Yes, it's quite hard to get the message through among the public spectrum.

The 'Men At The Top' are geniuses. They have all mastered psychoanalysis: all They have is to do is to work along people's greed, phobias, laziness to think for themselves, gluttonous envy, superficial star system values, and fake altruistic claims... then seize opportunities created by the implementation of a century old economic fallacy, using societal inertia to rule as the absolute Masters.

Remorseful Paulson regrets 'mistakes': We're not proud of all the mistakes that were made by many different people, different parties, failures of our regulatory system, failures of market discipline that got us here... - 10/17/08, globeinvestor.com

Leftism in particular has enjoyed the bashing of Ayn Rand's Aristotelian derived philosophy named Objectivism, describing it as the greatest 'evil' on earth. Today Rand's Hymn On Money almost sounds like a [prophetic piece](#):

Do you wish to know whether that day is coming? Watch money. Money is the barometer of a society's virtue. When you see that trading is done, not by consent, but by compulsion—when you see that in order to produce, you need to obtain permission from men who produce nothing—when you see that money is flowing to those who deal, not in goods, but in favors...

Living beyond ones means will never make anybody happy. Because booms depend on the indebtedness of many, a debt based system can only be ruled by deceptions. It is not foolish to assume that 90% of everything we think we know is false. Nobody likes to be taken for a ride but our world debt orgy came with a very nasty string attached and called: '[Inflation Holocaust](#)'.

And you still have some difficulties to adjust your thoughts, just know that it is all deja-vu again: [650 Years Ago](#), Venice rigged the first, and worst, global financial collapse... causing widespread plague epidemics and the 100-year war between France and Great Britain.

The time of a real Intellectual Revolution is long overdue.

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