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A Precious Metals Renaissance? What the Federal Reserve Bank's Endless QE Means for Gold and Silver

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As the Syria Crises continues with unfolding developments every day, an economic crisis looms.

The US economy is on the verge of sliding in to a severe recession that will eventually lead to a depression. When? It is hard to say. Federal Reserve Chairman Ben Bernanke announced this past Wednesday at a news conference that the Federal Reserve Bank will continue quantitative easing (QE). In a statement he said:

> *"In the Committee's assessment, the downside risks to growth have diminished, on net, over the past year, reflecting, among other factors, somewhat better economic and financial conditions in Europe and increased confidence on the part of households and firms in the staying power of the U.S. recovery. However, the tightening of financial conditions observed in recent months, if sustained, could slow the pace of improvement in the economy and the labor market. In addition, federal fiscal policy continues to be an important restraint on growth and a source of downside risk"*

The Federal Reserve Bank will continue its asset purchases of 85 billion a month since its forecast seems less optimistic as the economy is heading towards a downturn for the worst. Reuters reported that the Federal Reserve's forecast was indeed dire stating that "*In fresh quarterly forecasts, the Fed cut its forecast for 2013 economic growth to a 2.0 percent to 2.3 percent range from a June estimate of 2.3 percent to 2.6 percent. The downgrade for 2014 was even sharper*".

The Federal Reserve Bank will decide when to reduce or "Taper" quantitative easing policies pending on the US economic reports they will monitor in the future. The decision will have consequences on the US and world economy. The Federal Reserve's projected forecast says that the economy is in decline for 2013 and 2014. It affects average people who use basic living essentials such as food and gas. The Federal Reserve Bank's decision only benefits the top 3% of the population, of course the wealthy 3%. Marc Faber, a Swiss investor who has appeared on numerous Main Stream Media (MSM) outlets such as Bloomberg News and CNBC and who is the publisher of gloomboomdoom.com commented on the Federal Reserve chairman's statement and said:

> *"My view was that they would taper by about $10 billion to $15 billion, but I'm not surprised that they don't do it for the simple reason that I think we are in QE unlimited. The people at the Fed are professors, academics. They never worked a single life in the business of ordinary people. And they don't understand that if you print money, it*

benefits basically a handful of people maybe–not even 5% of the population, 3% of the population," Faber continued *"And when you look today at the market action, OK, stocks are up 1%. Silver is up more than 6%, gold up more than 4%, copper 2.9%, crude oil 2.68%, and so forth. Crude oil, gasoline are things people need, ordinary people buy everyday. Thank you very much, the Fed boosts these items that people need to go to their work, to heat their homes, and so forth and at the same time, asset prices go up, but the majority of people do not own stocks. Only 11% of Americans own directly shares"*

The Federal Reserve Bank was created by the Federal Reserve Act of 1913 also known as the Owen-Glass Act to monitor and regulate the banking system by managing the supply of money through purchases and sales of government securities also called Monetary Policy. It also acts as an institution that oversees the transfer of funds through the banking system. It was established to provide a "superior currency" or "elastic currency" issued by the Federal Reserve Bank (which is a private bank) that replaces all paper currencies as "notes" from individual private banks based on the quality of their credit. In perspective, the Federal Reserve is supposed to assure a functional banking system and that the economy remains healthy. The Federal Reserve is the main central bank, the government's bank and the regulator of financial institutions. You can say that the Fed is the money manager of the entire United States population and the world. It was created by the elites of the banking and corporate dynasty's according to economist and political theorist Murray N. Rothbard, who was instrumental in the development of modern libertarianism said "T*he financial elites of this country, notably the Morgan, Rockefeller, and Kuhn, Loeb interests, were responsible for putting through the Federal Reserve System as a governmentally created and sanctioned cartel device to enable the nation's banks to inflate the money supply in a coordinated fashion, without suffering quick retribution from depositors or noteholders demanding cash.*

What will happen if the Federal Reserve were to stop or even slow down QE? Home mortgages would rise sharply allowing a housing market crash. Fed Chairman Bernanke admits that he does not want to risk raising interest rates if he stops QE because home mortgages would lead to an increase in home foreclosures. Bernanke described the Fed's policy decision "not to taper" or reduce its current bond purchases of $85 Billion to $65 Billion per month until they see an improvement in the economy to what he described as a "precautionary step". Bernanke said that a "Tapering" of QE would only occur if the economy improved. He also said that it will end by Mid-2014 this past June. Bernanke said:

"*Well, it's our intention to try to set policy as appropriate for the economy, as I said earlier. We are somewhat concerned. I won't overstate it, but we do want to see the effects of higher interest rates on the economy, particularly in mortgage rates on housing. So to the extent that our policy makes conditions–our policy decision today makes conditions just a little bit easier, that's desirable. We want to make sure that the economy has adequate support and in particular, is less surprising the market or easing policy as it is avoiding a tightening until we can be comfortable that the economy is in fact growing, you know, the way we want it to be growing. So, this was a step–it was a step, a precautionary step if you will. It was a–the intention is to wait a bit longer and to try to get confirming evidence whether to these–to whether or not the economy is, in fact, conforming to this general outlook that we have.*

Euro Pacific Capital's Peter Schiff wrote an article titled *'The Taper That Wasn't'* following

Bernanke's September 18th Speech and said:

> *But the reality is that the economy will never regain true health as long as the stimulus is being delivered. Despite trillions already administered, the workforce is shrinking, energy usage is down, the trade balance is widening, savings are depleting, inflation is showing up in inconvenient places, debt is up, and real wages are declining. So while QE has succeeded in hiding the truth, it hasn't accomplished anything of substance. Unfortunately, the Fed is only interested in the headlines.*
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> The US economy and its dollar is rapidly declining. Bloomberg Business reported the effects of the Fed's Policy plan on the US dollar after the announcement and stated the following:
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> *The dollar declined to an almost seven-month low as the Federal Reserve unexpectedly refrained from reducing its $85 billion in monthly bond purchases and will keep pumping money into the economy.*
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> *The U.S. currency fell the most against Brazil's real and Turkey's lira among its 16 most-traded peers after Fed policy makers "decided to await more evidence" of economic progress, including holding its interest-rate target at almost zero until the unemployment rate falls below 6.5 percent. A survey of economists conducted by Bloomberg forecast a $5 billion reduction of Treasury purchases. The pound strengthened versus the dollar after Bank of England minutes showed policy makers saw no need for more stimulus.*

This will cause gold and silver to rise in price and demand in the coming months and years ahead. Printing of unlimited US dollars only devalues the currency. The "elastic currency" is the Fed's way of controlling inflation so that prices don't rise in a rapid pace. The "elastic currency" is controlled by either increasing or decreasing the money supply either to prevent inflation or a recession.

Now is the time to purchase metals, whether gold or silver. It is a protection vehicle for a fragile US Dollar. We know many nations in the World including Russia and China are buying tons of gold as they purchase fewer dollars. But as an individual, gold and silver seems as the safe bet. Marc Faber predicts a rise in gold prices in an interview with hardassetsinvestor.com that *"Looking at the fundamentals, looking at how debt will continue to increase and how central banks will continue their monetization not only in the U.S. but on a worldwide scale, I assume the price of gold will trend higher. Most likely we've seen the lows below $1,200."* Faber also said that gold will reach the $1,900 mark but he also admits that he does not know when the price of gold would increase "*Eventually we will be over $1,921. The question is, Will it be this year or in five years? That I don't know. But as I have argued repeatedly, I think that part of your assets should be held in physical gold. I emphasize physical gold."* Citigroup analysis Tom Fitzpatrick also said in a King World News interview that *"we believe we are back into that track where gold is the hard currency of choice, and we expect for this trend to accelerate going forward."* He also said that silver can go to over $100.

The unlimited printing of the US dollar, a coming war within the Middle East with Syria and possibly Iran and the European economic crises will ignite a gold and silver revolution that will empower sovereign countries and individuals. Many countries especially in the BRIC nations are turning to gold bullion for trade and national investments as a safe haven instead of the US dollar. China and Russia have been hoarding gold reserves at a pace parallel to the Federal Reserve printing press. Silver on the other hand is a metal that has intrinsic value as gold. Can silver be used to back a particular currency? Yes. Can it be used for trade? Yes. From the Byzantine Empire to the Roman Empire to modern times, silver can be used as an international standard for trade and commerce.

During the Spanish empire, a large untapped area of pure silver was discovered in Potosi, Bolivia allowing Spanish Pieces of Eight in conjunction with the newly discovered silver deposits as an international trading currency for more than 400 years. By 1717, Sir Isaac Newton who was the master of the Royal Mint introduced a new mint that contained both silver and gold allowing Great Britain to enter into a gold standard. By 1873, Germany adopted the gold standard in collaboration with the new gold coin. The United States converted to a gold currency in the same year, and over the next 35 years, all other nations changed to gold, leaving China, Hong Kong (UK) and Weihaiwei (a city in eastern Shandong province in China) on the silver standard. The silver standard finally came to an end when it was abandoned by China and Hong Kong in 1935. Silver ingots were the first metal used for trade more than 4,000 years ago. During Mediterranean trade routes, the Athenian empire used the silver "tetradrachm", a coin that was used as an international standard. The history of how Gold and Silver was used as a currency in the past is a glimpse of what the future of precious metals can offer nations and individual investors alike.

Silver can be a investment tool that can help protect your wealth. This past March, an interview was conducted with Eric Sprott, Chairman of the Canadian based Asset firm, *Sprott Inc* by Lelde Smit of the Financial News Network. Sprott was optimistic with the future prospect of silver. _

> *Lelde Smits: So Eric, how does your outlook for the price of gold compare to your forecasts for the price of silver?*
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> Eric Sprott: Well as you know I happen to believe that this is the decade for silver, and why do I say that? Because I see what people are doing with their money in terms of investing in silver, and silver used to trade at a 16:1 ratio to gold – it trades at a 55:1 ratio to gold, but I see lots of buying in the silver market visa vie the gold market.
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> Silver's a very, very small market and I think silver will triple the performance of gold this decade. And, we're seeing part of it already, of course we did get up to $50 and then we faded again. But I think silver will re-assert itself – I'm an optimist for gold – but I think silver is the place to be.

People all over the world are not waiting any longer to purchase gold or silver. Recently in China more than 10,000 people were waiting in line to purchase gold in case of any economic downturn in the Chinese economy or in its currency. Gold is a good way to protect your wealth from any economic uncertainty. Indonesia also witnessed a demand in the purchasing of gold jewelry as gold prices fell. According to Bloomberg News *"Gold jewelry demand in Indonesia is set to expand to a four-year high as consumers in Southeast Asia's biggest buyer join India to China in increasing purchases as prices slump and the middle class expands"* the report also said that the *"Consumption of necklaces, bracelets and rings will probably climb to 40 metric tons this year, according to Iskandar Husin, secretary-general of the Indonesian Goldsmiths and Jewelers Association. That's a 30 percent increase from 30.8 tons in 2012, and the most since 41 tons in 2009, data from the London-based World Gold Council show."* China and Indonesia is just a couple of examples on how the demand for precious metals has increased over the years whether because gold prices have fallen or by economic uncertainty. It will further increase the demand for precious metals since the Federal Reserve Bank recent decision "not to taper" QE. The Fed knows that this is a disastrous policy for the US economy.

The US government also knows that the economy is heading for a collapse. Is this why they want a war with Syria? Is it to distract the American people from the real economic situation they will face in the future? Marc Faber did say that *"The endgame is a total collapse, but from a higher diving board. The Fed will continue to print and if the stock market goes down 10%, they will print even more. And they don't know anything else to do. And quite frankly, they have boxed themselves into a corner where they are now kind of desperate."* Reuters' interviewed investor Jim Rogers who resides in Singapore said on August 28th that "I own oil, I own gold, I own things like that if there is going to be a war … they're [going to] go much, much higher." And that "Stocks are [going to] go down … commodities are [going to] go up." In another interview by usawatchdog.com Trends Researcher Gerald Celente predicts that *"It will be worse than the panic of '08. It will be deeper. It will be more painful because they will not be able to pull off the stimulus game again."* Celente says that *"We are going into the Greatest Depression, but they will try to boost it in some way, and that's when gold and silver prices will skyrocket."* Celente also predicts war in the Middle East *"When all else fails, they will take us to war. We are seeing war drums beating louder and louder throughout the Middle East as the Middle East is collapsing."*

The Fed's decision to continue its $85 Billion in bond purchases is a step towards economic uncertainties for the US economy and the value of its dollar that would have an impact on the world's economy. Countries and individuals are purchasing precious metals preferably gold and silver to protect themselves from economic downturn.

That is why the US and its allies want a war, because their economy is in trouble. Washington's only real economy is the Military-Industrial Complex and Wall Street's financial schemes including the Federal Reserve Bank who continues to print money out of thin air. My suggestion is to prepare now, while gold and silver is still relatively affordable. Because once any economic indicator that suggests that the US economy is not getting any better or an outbreak of a war in the Middle East, both gold and silver will increase in price as with everything else including food, liquor and gas.

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economic, media and historical spheres. He has been published in Global Research, The Progressive Mind, European Union Examiner, News Beacon Ireland, WhatReallyHappened.com, EIN News and a number of other alternative news sites. He is a graduate of Hunter College in New York City.