

# Crisis of Fiat Currencies: US Dollar Surpluses Converted into Gold

China, Russia, Iran are Dumping the Dollar

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Something is going on that your government does not want you to know about. Very few journalists have written about it and little or nothing has appeared in the mainstream media. The story could be one of major stories of our time.

Western powers have tried to destroy gold as a backing for currencies for many years. Presently the major media won't touch the story and that is understandable.

Something we have been writing about for years is the Shanghai Cooperation Organization known as SCO. Few have been listening and few have been interested in what their mission is and what they have been up to.

Some of the members are large oil producers and some, like China, are large oil users. Some have very large US dollar surpluses. As well, some are large commodity and gold and silver buyers. In fact, members are in a great part responsible for driving these prices higher. It is debatable, but we believe there is a conscious effort to accumulate gold and silver, dump dollars and to back their currencies with gold.

China and Russia are both large gold producers and for a number of years have been buying up domestic gold and silver production, so that it never reaches the market and does not affect prices. If anything the absence of sales tends to push the markets higher. As a matter of fact Russia and India are visible buyers. Even Iran with its oil surplus recently announced that they had purchased 340 tons of gold. Their recent gold purchases are very significant as affiliate members, which have access to the present and ultimate direction of the group. You might say buying gold has been a protective effort to shield members and close observers from the problems generated by dollar policies. They are accumulating gold, as many have been worldwide, for the past ten years, but particularly over the past few years.

This buying, for protection, has served to thwart the efforts of US policymakers, the Treasury, other central banks in Europe and the Fed, from being able to continue the blatant suppression of both gold and silver prices. The malefactors, except for forays into derivatives and futures, which are transitory, have lost control and suppression of gold and silver prices, and it is only a matter of time before all visages of any control will be visible. Since 1988, in August when Present Reagan signed the Executive Order creating, "the President's Group on Financial Markets" and the subsidiaries that have grown out of that policy, that the Treasury won many if not most of the battles. The SCO in part changed that and now they and the public are winning the war for a fair and free gold and silver market. The current class action lawsuits, including RICO, are a testament to the market

manipulation in silver, which is finally coming to an end. HSBC and JPMorgan Chase, the latter that is the major owner of the Fed, are going to be finally prohibited from rigging these markets. Their officers all belong in jail, but elitists never go to jail; they pay fines, and keep right on robbing the public.

Other SCO members and observers are accumulating gold as well, be it in smaller amounts. We might add that other nations observing Russia and China and their gold purchases are buying as well. These participants must believe that there could be a return to sound money; otherwise they wouldn't be gold buyers. Buying gold is certainly preferable to holding US dollars, which have consistently fallen in value versus other currencies over the past ten years. Then again all currencies have fallen versus gold over that period, some 19.6% annually. It is nice to see nations are finally waking up to the reality that fiat currencies will all over time deteriorate versus gold. The temptation is enormous to deficit spend.

The most interesting aspect of the SCO is that they do not strive for political agreement such as the European Union. They are interested in economic stability and development and security. There is no overall binding laws. Nations retain their sovereignty, which is the exact opposite of what the elitists in the US and Europe desire, and that is world government. The SCO has provided great flexibility something that is non-existent in elitist controlled countries. Another interesting facet is that the SCO probably represents half of the world' population, far more than the US and Europe. As these nations accumulate gold so does some of their citizens, which puts strong upward pressures on gold prices on a continuing basis.

In addition some of these nations, such as China, are spending dollars by buying natural resources and other things in other nations in an attempt to relieve themselves of excess dollars earned in trade. Both Russia and China fully realize that the US dollar is in serious trouble and has been for a number of years due to fiscal debt and the unbridled creation of money and credit by the Federal Reserve. They well know the dollar is in serious trouble and what the outcome will probably be.

As the economies of the US and Europe become more deeply mired in problems the economies of SCO nations more and more resemble the free economies of old that were very successful. You might say they have found their way back to basics and sound money. As the dollar comes under further downward pressure more nations will probably join the SCO to escape the clutches of European and American imperialism and bureaucracy, which for some years has been onerous and unsuccessful. What we see is a natural path by nations to extricate themselves from the control of Wall Street and the City of London, which have dominated the world for so long. All these facts considered we believe gold will find its way substantially higher with the participation of these nations, a factor the West never figured on. These ten nations are sucking excess gold out of the market every day and that will continue indefinitely.

These SCO nations are well aware that the surge of hot dollars created by the Fed out of thin air are headed their way and with them inflation. Brazil was the first nation to attempt to stop this onslaught by imposing a 6% tariff on interest and dividend paying Brazilian securities, purchased with US dollars. Over the last two years between stimulus and the Fed \$2.5 trillion has been injected into the US and world financial system. As a result commodity

and gold and silver prices have exploded. This has caused the dollar to fall in value versus other currencies and gold. There is no question more and higher inflation is on the way, as the Fed gets into QE 2. You can also bet that QE2 will not be \$600 billion, but more than \$2 trillion. Inflation is already showing up in food, petroleum products, airline fares and in many other items that we use every day. As usual the government says there is little or no inflation. Even competent economists still use government's bogus figures. What can they be thinking of? They know what is going on as well as we do. That means we are embarking on the highest inflation rates in US history. Thus far the undertow of deflation has been superseded by government banking and Fed aggregate creation. The Fed, in order to subdue deflation and such spending has to always overshoot the inflation they create, so that they can be sure that deflation cannot take hold. This money and credit is in the process of working its way through the economy, spreading inflation as it winds its way through.

The only investors who are being afforded protection are those who have invested in gold and silver and commodities. That is less than 2% of the American population. We predicted in mid-May that QE2 and QE3 would take place for a combined \$5 trillion over the next two fiscal years. In fact, the Fed was late in starting in June and as a result 4th quarter GDP growth will probably be 1% and the 1st quarter of 2011 will probably be in the minus column, as unemployment heads to 25% and extended benefits run out. We are not seeing growth; we are seeing forced feeding.

The Fed's promises are not worth the paper they are written on. Ben Bernanke will print money until he cannot anymore and we have hyperinflation. That is because he has no other choice. He has no way out and he knows it won't work. Tragically, this is where we are headed and there is no way to stop what the elitists have put deliberately in motion.

As long as quantitative easing is official Fed and Wall Street policy, gold is going to continue to rise with silver, and the stronger the case is that gold is the real world reserve currency. That means all currencies will eventually have to be backed by gold. We believe that elitists have accepted this fact and that was borne out recently by World Bank President, CFR, Trilateralist and Bilderberger Robert Zoellick. We can assure you that was no slip of the tongue. That was a cleverly planted trial balloon to get public reaction.

We do not see QE2 and QE3 as incompetence or bungling. It happens to be the only option available to the powers behind government. The same errors committed during the Great Depression of the 1930s are being repeated and economists, including Mr. Bernanke know they do not work. Yes, the Fed contracted money supply and when they let it loose again, it was too late for it to be in anyway effective. Next comes tariffs as an outgrowth of: currency wars; interest and dividend penalties on the inflow of hot, inflationary dollars and retaliatory tariffs as a result of losing 8.5 million jobs and 432,000 businesses over ten years to free trade, globalization, offshoring and outsourcing. Smoot-Hawley tariffs and even dumb Fed moves were bad enough, but Hoover's raising of taxes by 150% was a monumental piece of stupidity.

At the root of all this is that the Fed is supposed to be saving the US economic and financial structure. They are not doing that, they are saving the banking system and Wall Street instead and these are the miscreants that caused the problem in the first place. The result of this policy of zero interest rates and easy money is that few are saving.

There you have it, planned destruction. Is it any wonder the SCO members and observers

are buying gold on every dip and will not stop doing so until they run out of dollars. Our only question is; what took them so long and why are they not buying more faster?

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