Evolving Financial Crisis: The World Banking System is Insolvent

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Keeping up with today's dysfunctional markets is very difficult because they change hour by hour. The problems of Europe have stolen center stage from US problems. The focus is on Europe, but we all should remember trillions of dollars have been injected into the US financial system since mid-2007. All are attempting to maintain the façade that all is well, when in fact all is not well. Underlying assets are worth far less than their stated value. As a symptom of this corporate bank lending has fallen off a cliff and in Europe it doesn't exist. Without such lending there can be no recovery. The American implosion will now be repeated in Europe. The green shoots of recovery have now turned into poison ivy. The abyss has again been filled with more debt and more fiat currency. In the process the Fed and now the ECB have lost all credibility.

The $1 trillion initial package to save the euro thus far has been a failure as the euro continues its decent. This bailout plan has US fingerprints all over it. The elitists figured they could take down the entire system in 1-1/2 to 2 years, but the poster child Greece didn't cooperate, so all their plans have been split asunder. As far as the bailout is concerned will the effort be stopped in German courts and will the austerity programs in the weak countries work? Greek citizens say no. We will just have to see if they are serious. Do not forget that the bogus books in Greece are nothing different than almost all nations have been engaged in. Greece is no better or worse than the rest. Again, like the US, Europe is only trying to buy time. In fact, Mr. Trichet and Mrs. Merkel tell us officially that is what they are up too, buying time. This is not a situation where Greece acted alone; every nation has been doing something very similar. What is different this time is that the Greeks have responded with rage over the past month. As a result of that, the falling euro and skepticism as to whether the stimulus will work has pushed acceptance in the wrong direction.

Needless to say, all these machinations have led to deep disappointment in the wealthier EU member countries. At this point we don't see cooperation between Greeks and their government and the bureaucrats led by a Bilderberger. On the other side the other members of the EU and the IMF refuse to conduct a bailout, which is supposed to protect the members. The Greek government may have signed the treaty, but the Greek populace hasn't. Stringent austerity measures are not something they'll stand still for encompassing the next ten years.

The question also arises is $1 trillion going to be enough? Germany and France alone own $635 billion in PIIGS bonds.

World banks, particularly European banks, made some very bad decisions in buying bonds from the PIIGS nations, and that is what this finally boils down too. – the loans and bonds, the money for which was created from out of thin air. What this amounts to is another giant bailout by world taxpayers for banks, particularly European banks in this case. You might have also noticed that the ZEW German Investor Confidence Index fell from 53 in April to 45.8, reflecting further German reaction to the $1 trillion aid package. Many believe the eurozone will collapse and many want it to, especially in Germany. As a reflection of that the ZEW Index fell from 53 in April to 45.8 in May. The Index aims to predict developments six months ahead. German confidence is waning. Prior to the allocation of $1 trillion to aid Europe's basket cases, eurozone central banks bought the junk club med bonds. All the funds coming from taxpayers. If that had not occurred BNP Paribas, Unicredit, BBVA, Societe General and Santander would have collapsed. That is what this package is all about, bailing out the oligarchic banks.

Of course, Mr. Trichet, head of the ECB, tells us we have not changed monetary policy, which flies in the face of reality. He also tells us all the money will be returned to the people, the lenders. Of course that isn't true. Even if it was returned we have no way of verifying it, because everything is a big secret. What Mr. Trichet is not telling you is that secretly the Fed has been feeding liquidity into the ECB for 2-1/12 years, otherwise it would have been insolvent long ago. The euro has been a failure, as we predicted it would be 12 years ago. As the Fed feeds the ECB liquidity via swaps and other more subtle methods, the ECB feeds the banks fund to keep them from collapsing. In turn, the banks buy eurozone government bonds in another form of quantitative easing. Such phony antics don't fool real professionals, who know from history what the results will be. This 3-card Monte game is not fooling the average European, who for the last month has been wiping out gold and silver coin dealers in Germany and Switzerland. The euro is history. It is just a question of when. The fight for supremacy is now being waged between the dollar and gold, a battle the dollar cannot hope to win. What you are seeing is a flight to quality, something we have described for more than 50 years. Presently, as far as the euro is concerned, it's garbage in garbage out. The ECB and other central banks are buying junk bonds, toxic waste, how can it be expected the quality of their reserves are anything but junk? This is not only a euro-ECB problem, but it is also a Fed-dollar problem. How can any Europeans and Americans not want gold? Just like the dollar, and all currencies have been devaluing versus gold, so has and will the euro. The next steps for the eurozone and the US will be much higher inflation and perhaps even hyperinflation. This means Germany, the trading powerhouse, will become less competitive. They'll lose business and their profits will fall.

Part of the liquidity game is not only to save the financial sector, but also to keep European stock markets from falling, much the same as the Treasury and Fed have done in the US via the Executive Order for "The Working Group on Financial Markets." The result has been higher inflation, higher stock markets in Europe, and a loss in value of everything denominated in euros and, of course, a gain by gold against the euro and all other currencies. The public doesn't see this nor do they understand. That is why we explain what is going on in simple terms in this publication. In Europe, as in the US, there is an all out war to keep stock markets from falling; least the public discovers they have been the victims of a Ponzi scheme. As you can see all things are not as they seem to be.

As a result of this monetary and fiscal profligacy we have a global financial breakdown in the works that no one will escape. Worse yet, no one has offered any solutions other than to throw money at the problem. Funds have been tunneled to the very parties that caused the problems in the first place. As a natural result gold has continued to rise in price as both the US and Europe have come to the realization that their political powers are controlled from behind the scenes by personages of great power and wealth and that part of the way to change that is to throw almost all incumbents out of office. This way at least for a time the control of these elitists can be neutralized and their power base rendered ineffective. That accomplished, legislation can be passed to reverse so many of the outrageous laws we have. The first issue would be to end corporate ability to keep two sets of books and mark assets to market, not to model. Such normal moves would rid us of too big to fail corporations; something our Senate has been incapable of doing. On Thursday the Senate is thought to be ready to pass a financial reform package and not a word has been spoken about cooking the books – like the situation didn't even exist. Such legislation would bring all manner of lawsuits and criminal charges as well. It is absolutely incredible that no AG or law enforcement official has for as far as we can remember, brought criminal charges against these lawbreakers. Just as an example, trillions have been lost in real estate and no corporation or individual has been prosecuted for criminal fraud.

Doesn't that seem strange to you? It has been seven years since we declared Fannie Mae and Freddie Mac insolvent. They were and were taken over by the taxpayer and yet not even civil charges for looting the two GSEs. Is it any wonder few are left who trust government?

The Illuminists who control central banks have in the process of taking down the financial system irretrievably exposed themselves before the world. Talk shows and the Internet worldwide are exposing everything they are doing, thus, when the system finally collapses most people will know who is responsible.

The world banking system is insolvent. Banks retain two sets of books, mark-to-model and hold vast inventories of residential and commercial real estate that they hold off the market.

There lending has been curtailed by 20% and only then to AAA corporations. The Fed has just taken on $1.7 trillion in toxic CDOs, and it will only take a small adjustment to the value of assets for the Fed to show a negative balance sheet. We wonder as well, what the FASB, the Financial Accounting Standards Board, and the BIS, the Bank for International Settlements in Basel, were thinking when they allowed mark-to-model, as apposed to mark–to-market, and keeping two sets of books? All those earnings and the financial conditions of hundreds of thousands of companies are completely phony.

All this is augmented by quantitative easing, or by throwing money at the problem, which has solved nothing. If a new stimulus program is not implement and the Fed does not add liquidity the system will collapse. QE has not ended. That liquidity is still in the system, although some has been sterilized. That is why, irrespective of official phony CPI figures, America is going to have considerably higher inflation. Make no mistake the Fed has created another bubble via the printing press, which ends up in monetization and inflation. This is why gold is a lock to go higher.

Bank failures are up to 72. It looks like by the end of 2010 we will see more than 200 banks fail and perhaps 300. Some, 2,000 are under the control of the Comptroller of the Currency.

Seven million homeowners will lose their homes this year. The second half of the year will be disastrous and we won't see the end of this until mid-2012, if we are lucky.

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