

Mounting Public Debt. The Looting of Federal Pensions, Social Security and Medicare

By [Bob Chapman](#)

Global Research, July 09, 2011

9 July 2011

Region: [USA](#)

Theme: [Global Economy](#)

Government debt will be in the vicinity of \$1.5 trillion this year. Ever since May 16th short-term debt has been frozen at about \$14.3 trillion. Up until May 16th the year-to-date fiscal debt was \$783.135 billion. That means if no August 2nd agreement is reached, \$275 billion will be needed up to August 2nd, a total of about \$700 billion will be needed by 9/30/11, the end of the fiscal year. Those funds are to come from federal pensions, Social Security and Medicare. How will these funds be paid back? We do not know, but we would guess there could be legislation to commandeer private pensions, 401ks and IRAs. On the other hand an alternative is for the Fed to create \$700 billion and buy the Treasury debt. That alone, with normal funding, could reach over \$2 trillion. That means they would have to create another additional \$850 billion to keep the economy from slipping into a great dark pit. That means additional net funds that would have to be created out of thin air of close to \$3 trillion. That means mega inflation 2 to 3 years down the line. In addition the US debt to GDP should be more than 100% by the end of the fiscal year 9/30/11.

We guess the Fed can keep interest rates near zero until borrowers finally get fed up with low returns and a loss in principal, as the dollar deteriorates. It was four years ago when rates were 5-1/4%. Rates in time will return to that level and cause economic and financial devastation. We can also assure you Treasury buyers are not driving rates down and bond prices up, the Fed can take full credit for that. Those who seek safety in low interest Treasuries are giving up purchasing power. In today's markets there is no such thing as safety.

There are those that believe it is time to start to raise interest rates and that the time for stimulus is past. They are probably correct, but the problem is the economy cannot stand on its own. Although deflationary depression will come eventually to force it now would mean a great war or series of wars would now have to begin.

It also has become self-evident to the populace or at least half of Americans that we cannot keep amassing debt and boosting the economy with stimulus. Their fears are reflected via much higher inflation and major unemployment, both of which are worsening daily. They have experienced three years of this, so to be told by the President, the Fed, the Treasury and Wall Street that what they are experiencing is transitory, reaches deaf ears.

Another grandstanding act by the President and his handlers was the latest release of oil from the Strategic Petroleum Reserve – only enough to replace one day's worldwide consumption. This was supposed to show the administration's concern that Americans were paying too much for gasoline and inflation was cutting their purchasing power. Their attempt was a failure, but the sale brought in badly needed cash to fund the growing deficit.

We believe that was really what the exercise was all about. The move also had its negative affects on the commodity and gold and silver markets, at least for a few days. The failure of these financial and economic false flag operations shows you the underlying weakness of the financial and economic structure and the strength of commodities and gold and silver. Every move Wall Street and banking makes lasts only days or a week, then it is right back to the forceful underlying trend. We believe these elitists are now starting to question whether what they are doing will work. An example was the massive naked short covering not seen in years in gold and silver. JPM, HSBC and others lost the battle in silver and capitulated by covering. This was a major event. They knew the RICO class action lawsuit against them was about to be announced, so they covered a good portion of their shorts that were being used to suppress silver prices. Gold reacted by rising almost \$35.00 and closing up \$32.60 and silver rising \$2.25 and closing up \$1.80. The professionals know what this means. The cartel has suffered a huge defeat and if JPM and HSBC lose in court, which they should, it will cost the elitists tens of billions of dollars. The question is how will they arrange to transfer the losses to the public, or will the losses be big enough to take JPM and HSBC under. Only time will tell, but the result will be less control over gold and silver markets and a slight move back to free markets. They cannot take too many losses like this. What it shows you is that these people can be beaten and that we will win this war against these criminals.

Over the past few years, lenders have cut back on lines of credit, which has made many Americans unable to access affordable credit. The engine that has driven the economy for many years, cheap available credit, has come to an end and accessibility will become more difficult in the future. A few years ago we noted the availability of credit was beginning to be reduced and in time would reduce consumption. Over those ensuing years many Americans are no longer in the credit system because they cannot meet lending or regulatory qualifications. This is a direct reflection of 22.6% unemployment and massive home foreclosures. The unemployment numbers are even worse than meet the eye. The statistics define the private sector too broadly. In May, the distortion continued with private businesses adding 83,000 jobs of which 34,000 were in health care, social services and education, which are all subsidized. Thus, the real addition was 49,000. Over the past two years 980,000 jobs were added, 7.7 million jobs lost and of 8.4 million jobs lost so far in the inflationary depression only 291,000 have been added. If you cover 11 years instead of five years, 11.7 million have been lost. Real private sector employment was 83.1%. In 12/09 the number was 83.8% and in 1950, 86.2% or a 3.6% drop.

The government needs to revive domestic manufacturing, because foreign nations deliberately devalue their currencies and pay slaves wages. The only thing that can change this is tariffs on goods and services. Thus, tightened lending standards and horrible unemployment keep homebuyers from buying into that monstrous inventory for sale. Never mind buy buying a house, those unemployed cannot open a bank account nor do they own a debit or credit card. Credit scores may have risen to 696, the highest in at least four years, but it doesn't help the unemployed. The other underlying cause is that consumers simply have too much debt, even though delinquencies have fallen 30% in two years. Those with jobs are doing ok, but persistently higher inflation is eating big chunks of their power to consume.

What America is seeing today is a flat lining economy. When the credit crisis began, and it is not over, real GDP fell 4%, vs. 25% in the early 1930s. Can you imagine where the economy would be without the bailout of the financial sector, government and to a lesser degree the economy? We are talking about perhaps \$5 trillion that we know about. If you take away

unemployment, extended unemployment, food stamps, Medicaid and various other social services, we could be in the same spot today as we were in the 1930s. We have been without recovery for almost five years. At least the Great Depression had recovery in 1933 and 1934. We may not have a WWII on the horizon, but we sure have many perpetual wars for perpetual peace. Today the excuse is rogue states and terrorists, which are just excuses to have more undeclared wars.

We have to laugh at noted economists who continue to bleat about unemployment in the 1930s that was 25% and today it is only 9.1%. In the 1930s U3 was 25.2% and U6 was 37.6%. Today U3 is 9.1%, U6 is 16.3% and if you extract the birth/death ratio it is 22.6%. There were two recoveries in the 1930s, but both aborted. Over the past few years we have seen transitory gains and actually very little result for some \$4.3 trillion in spending. Even so-called conservative economists use government-generated statistics, which they know are bogus. How can they hope to come up with the correct answers for future economic and financial problems? In addition most do not get involved in geopolitics, which severely hampers prospectives and projections. Along those lines those who wish for lower commodity prices are engaging in wishful thinking. Not only do we see fire, draught and floods, but we also see geopolitical dislocation and a flight from stock and bond markets to the safety of commodities, gold and silver. That is not going to end anytime soon.

Economists still see recovery without tariffs, recovery, which always eludes them. For several years workers have worked to a maximum of their ability and they still can compete with the emerging world, due to almost zero interest rates. Employers when confronted with a choice of hiring more employees choose to move the work to offshore locations. Attitudes such as this seal the fate of working Americans.

As you can see corporate America has lost its direction. They have become creatures of internationalism, participating in the extinction of the US and its world reserve currency, the dollar. The culture in corporate America is decidedly corruption augmented by government's drive to implement corporate fascism very reminiscent of Germany and Italy in the 1930s, which was a trial run for today's government.

The world's problem is debt – too much of it. Corporate America, particularly Wall Street, thinks debt creation can go on indefinitely as they continue to loot America. The US economy is doing a slow motion swan dive and the corporatists do not care because they believe they'll become part of this new World Order. What they do not understand is they are stuck in neutral, as they proceed with their looting operations. Worse yet all, or almost all of the gold belonging to America citizens is gone. The US dollar is like so many other fiat currencies. People often ask, what currency should be in and the simple answer is none, except to function from month-to-month. The record is there one for all to see, all currencies have on average lost value versus gold and silver for 11 straight years. What more can be expected as deficits for all countries mount year after year? This is why almost all governments are trapped. They have to continue to create money and credit or their economies will collapse. The problems are still all there. Greece and the other five lame ducks, the euro and the EU. The European banking system is still staring over the abyss. We have no debt extension. 4% of the SPR has been sold with no net effect on the oil price or availability. To refill the salt domes will be very costly, while in the meantime government has more money to waste. While all this transpires the military industrial complex is laughing all the way to the bank.

The result is investors continue to flee to gold and silver albeit in small numbers. All gold

and silver investments only aggregate 0.8% of Americans. What will prices be when 15% of Americans become involved, as that number did in 1980? The success of gold and silver are just a direct reflection of monetary profligacy and the debasement of the US dollar. For the past 2-1/2 years gold has taken over as the only real currency and the dollar can only regain status by again backing the currency with gold. After the recent criminal correction in gold, silver and commodities in just three days, as we predicted the losses have been regained. The suppression cartel is losing its power and soon will become a nonentity. Very soon all will see new highs.

The big question is why hasn't government and the Fed tried to solve the economic situation? The answer is they have no intention of doing so, because they want the public on their knees economically and financially so they can impose World Government. We have news for them, this time they are going to lose and lose it all. Yes, there is going to be a great war or a series of wars you won't escape that. These criminals are not going down without a fight and it will be a very nasty struggle.

The banker situation in Greece, that is the rape and looting of the country, is a set piece of what bankers intend to do in all countries.

As we enter the twilight of the American nation we have never been so overwhelmed by the servile incompetence of Congress and its entourage of bureaucrats. We call them team A and team B. As each administration changes the participants change, but their length of service lingers on for many years. They represent the same masters who control them from behind the scenes with the same mission, but with slightly different approaches in order to make it seem change is being made. A great many of these servants from academia although very bright, never had an original thought in their life, never have worked in the business world and all are disciples of John Maynard Keynes and his corporatist fascist philosophy. Is it any wonder our nation is in the state it is in?

These are the same geniuses who created massive increases of money and credit starting 11 years ago, only to cap it off with QE1 and QE2 and stimulus 1 and 2, that have only served to rescue an insolvent financial sector and a corrupt insolvent government, which is still in progress. Wall Street and banking have been treated to massive amounts of money supplied by American citizens, who have seen their life savings foreclosed on. They borrow from the Fed at almost zero percent interest rates to invest in higher yielding bets, and wild speculation in totally rigged, manipulated markets. Just to show you how Wall Street's rigged game works a number of major firms go for months without having a losing trading day. That is impossible unless the game is rigged, which it is for certain elitist, Illuminist corporations. These profit centers are created to offset the massive losses sustained in bad loans, mortgagees and from other speculations. Banks were leveraged 70 to 1 on average. It is now 20 to 40 to one, up from a normal 9 to 1. As a result government sees only 20% of its debt offerings being bought by Americans and foreigners. The remainder is being bought by the Federal Reserve, which for the most part creates money and credit out of thin air to meet these needs.

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