

No Economic Exit Strategy: Only the Speculators on Wall Street are having a Good Time...

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Policy makers within the Treasury and the Fed are only interested in delaying and extending the timeline trying to find and extricate themselves from one of the most dangerous fiscal and monetary failures of all time. They know they and their controllers have no solution. QE1 and QE2 have temporally saved them financially, but have not saved any economy, especially the American economy. In addition it has added to the severity of the crisis.

As a result gold, silver and commodities have traded higher over the past few years, albeit in a rollercoaster fashion, as a result of de-leveraging, a once in a century event. Foreign and domestic markets have remained relatively high due to the large liquidity injections of the period. That means without continued liquidity they could be in serious trouble. In addition in the US the real estate markets have not yet hit bottom, unemployment is high and will eventually go higher. As Keynes said you can't have a recovery unless employment increases and we have some 20 major countries on the edge of insolvency. Those problems are worsening and that is borne out by the ECBs decision to restart its version of QE2. The main players know what they are doing is not going to work. Just look at the monetary policy of the last three years. It bailed out the financial sectors, allowed giant bonuses to be handed out to the people responsible for the debacle and we saw only a few crumbs thrown to the public. In the US the government extended the real estate failure by having Fannie Mae, Freddie Mac, Ginnie Mae and FHA engage in a new round of subprime and ALT-A mortgages. Trillions were thrown into a market that has become an even worse basket case than it was – if that was possible.

Europe is worse than it has ever been in spite of so-called rescues. While on radio and TV and in the press in Greece, England, Ireland, France and Germany, we told listeners long ago that the only way for Greece, Ireland, Portugal and Spain to go was via default, leave the euro, bring back their old currencies at low levels and leave the euro zone as they cut domestic spending by 1/3 and raise taxes slowly. That way they would have a five-year depression. By taking a bailout they will be slaves of the banks for the next 30 to 50 years. These are the banks that should have never made the loans and bought the bonds in the first place, because they knew it was imprudent, and that the funds for these purchases in part were created out of thin air. All that is being done for Greece and Ireland is that governments are lending them money, so these countries can pay off the banks, so the banks won't go under. As you can see there is no exit strategy in the US or Europe.

It looks like Fed Chairman Ben Bernanke's QE2 will be limited to about \$1 trillion, but he indicates, as we predicted, that QE3 could be on the way. Again exit strategy for now is dead. Mr. Bernanke and Europe continue in denial and their efforts thus far have been

political, pathetic and have hinged on only one thing, saving a corrupted financial sector elite.

As a result of demand, interest rates have begun to rise in the US. The US 10-year note has risen some 5/8% to more than 3%. It could be that ultra low mortgage rates are a thing of the past. Corporations have been taking advantage of low rates and issuing trillions of dollars of bonds to build a cash war chest to face a further depression. We wonder what they will do when the banks go under and their uninsured hoards of dollars disappear with the banks? At the same time the US stock market rallies on the liquidity created by QE2, which allows the financial institutions to gamble even more. Over three years, trillions have been thrown at the markets and the economy and the results have been dismal. Not only are interest, mortgage rates and unemployment rising, but also the economy is not responding. The stock market is being manipulated upward by government to extend a feeling of well being, because once the stock market collapses the game is over. It is the only place not currently under great pressure save gold, silver and commodities. The Democrats continue their political game on tax cuts as income is starting to be taken in 2010, not knowing if tax cuts will remain in place. That could cause massive selling in the market, as Ben Bernanke tells us 5% to 6% unemployment is many years away.

As far as recovery is concerned we are barely to the plus side in spite of trillions being poured into the economy. Only the speculators in banking and on Wall Street are having a good time. This is the same monetary and fiscal management that was witnessed in the late 1920s. Credit growth and financial flows increased exponentially. Almost all economies are making the same mistakes, thus, no one is going to escape. The damage by country will vary, but the fallout will be unmistakable.

Inflation officially is 1.2%. Real inflation is 6% to 7%, but that is not the real current reason for gold, silver and commodities rising. It is the fall and fiat nature of all other currencies. Gold has been telling us that it is now the premier currency in the world. That is what is causing a flight to quality. The dollar rally is again weakening in spite of the plight of Greece, Ireland, Portugal and Spain. This shows an inherent weakness that cannot be overcome soon or easily. Even America's municipal bond market is a shambles. Major states are in the same straight as the PIIGS in Europe. Only the US federal government can bail them out with more deficit spending. What a tragic state of affairs.

The Global Economic Crisis



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