

The Debt Ceiling Crisis: The Objective is to Scrap Social Security and Medicare

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There is still no debt limit for the US Treasury and the protagonists are still playing politics. That leaves a week to find a solution by August 2nd.

The first House passed a \$16.7 trillion cut, cap and balance bill calls for a cut in the fiscal September 1st budget for 2012 and a balanced budget amendment that goes into effect in five years. Why five years, so they can amend it in a couple of years? This is truly political theater. This has little to do with the budget and everything to do with political powers. Worse yet, unless it meets the President's approval, he will veto the bill.

Rating agencies such as Moody's have warned of downgrading US sovereign debt, or at best being put on a negative watch list. We believe this is just another part of the play, or part of Wall Street and banking efforts to get extending legislation passed.

The media is solidly behind the Democrats for an increase in the debt limit and little or no cuts in spending. Mainstream media has even taken sides blaming the problem on the Republicans. Usually such positions are more subtle, but not this time.

We see little attempt by Congress to really cut spending. All they are really interested in is spending more money. Congress knows if proper cuts are made it will be very negative for the economy. From their viewpoint and from the viewpoint of their handlers there has to be little or no cuts and an increase to \$16.7 trillion to take the economy past the next election in a year from November. A Republican plan to cut \$9 trillion over ten years has been rejected out of hand. The consideration now is for \$2.4 trillion. Obviously government cannot function unless we continue as we have been building more debt and Americans will just have to be patient until the whole debt edifice collapses. This kind of forced prosperity always has ended badly. Just look at history, it is all there for you to see. The same mistakes over and over again. America's Keynesianism is certainly the antithesis of sound money. That is what the basis to the problem is. The corporatist fascist model. The model that has been foisted upon us since 1935. Welfare and state socialism of one form or another. That is evidenced by food stamps, unemployment insurance and extended insurance, and the underlying concepts of Medicare and Social Security. Under these circumstances and that of debt impedes the investment of capital. That means there can only be limited prosperity, especially if regulations become more onerous and taxes rise.

If the public, and Congress for that matter, understand the concept of sound money we wouldn't be in the dilemma we are in today. Today money saved for the future is ravaged, so there is little saving and hyper-extended consumption. The problem created is inflation bordering on hyperinflation. Thus, the seed money needed to grow the economy is spent

and lost to investment. If we look at what inflation is doing we know money is not worth saving.

The dollar has lost some 98% of its value and from our viewpoint Americans are no longer capable of paying off their debt, which goes higher daily. Thus far they have been able to service that debt. There will come a time when they will not be able too, and then what happens? You need rising GDP and prosperity to service debt and that is not happening. \$4.3 trillion in debt has been created over the past 2-1/2 years to create an average growth of 3%. That has turned government and the Fed into money machines. Something they cannot do indefinitely. The flipside is we are already into double-digit inflation.

We have seen as a result of having no backing on the US dollar it has been a fiat currency for 40 years, and the result has been the dollar has fallen precipitously in value. Gold backing stability is non-existent and government and the Fed have been free to create money and credit as they please.

Those in financial power know this game cannot go on indefinitely and that is why they create wars as a diversion or as a cover, for a failing financial and economic system. Besides, war is very profitable for the Illuminists, especially when you are financing both sides.

The Fed's answer to the problems they deliberately created has been to supply endless supplies of money and credit. Thus, between 2008 and July 2010, they injected \$16.1 trillion into world banking sectors. \$7.75 trillion went to just four US banks, who happen to own the Fed. The remainder went to foreign financial institutions. The US big hitters were Bank of America, Morgan Stanley, Citigroup and Merrill Lynch. The result is that these banks are still broke and allowed among others to carry two sets of books. The other recipients were Barclays UK \$868 billion; Bear Stearns \$853 billion; Goldman Sachs \$814 billion; Royal Bank of Scotland \$541 and \$181 billion, or a total of \$722 billion; Credit Suisse of Switzerland \$262 billion; Lehman Bros. \$183 billion and BNP Paribas of France \$175 billion. This was all done in secret and the Fed was forced to reveal these transactions under the Dodd-Frank bank legislation. After these revelations it is not surprising that current real inflation is 10.6%. We expect it to be 14% by the end of the year. Next year QE2 and stimulus 2 will provide us with 25% to 30% inflation.

Here we have a government and Federal Reserve with no contingency plans if there were to be a default. They are using a method of keeping the economy going, that has proven to be a failure over and over again. Worse yet, they know what they are doing will fail. Just read the 1988 Bernanke-Boskin white paper on the subject. If Asia, particularly China and Japan continue to buy no, or only a little US debt, the bottom is sure to fallout of the US debt market. The Fed is currently buying about 80% of Treasury and Agency debt; does one really think they can monetize Asia's \$3 trillion Treasury holdings? This also means that Asia doesn't know what to do with their dollar foreign exchange. They have no contingency plans either. One of the dirty little secrets is that many other nations cannot hold sovereign bonds rated less than AAA. If the US has its credit rating lowered their holdings will have to be sold. We ask, to whom? Could it be the Fed? If it is that will quickly bring on hyperinflation.

We see that the escapades of the Treasury and the Fed have brought ire from the Chinese, who are telling them stop your foolishness with the debt limit immediately. In the Chinese Dagong the credit rating of the US has already been lowered to A+ from AA eight months

ago. Light pressure will continue from China until the US gets its act together.

The US rating agencies have been under great pressure by the White House to keep their mouths shut and stop their warnings regarding US government credit worthiness. That was accompanied by a plea to them to not say anything about credit. The administration is scared, especially after government credit was put on negative watch.

A game of chicken is being run in Washington by two groups of politicians run and owned by the same group of people behind the scenes. They all want enabling debt extension with a small touch of austerity. They want a deal that has the legs to keep the economy going until after the next election. The most important thing they want is a reduction in Social Security and Medicare, so those funds can be used to reduce debt and fund the military industrial complex. They also want starvation and the inability to buy drugs by the elderly to hasten their demise. That means less Social Security and Medicare spending. In two years we will also have the Obamacare death panels, where massive elimination will be put into motion. There is nothing the Illuminists despise worse than useless eaters. There is ample evidence that these elitists, by their own words, want to reduce world population by 60% to 90%, dependent on which of these persons you listen too. Last week Ted Turner opted for 90% on CNN.

That is what the fight regarding debt extension is all about. The only forthright and honest person in Congress to call it the way it is, is Ron Paul. He says the bill sanctions the status quo and that it is impossible to balance the budget without cutting military, Medicare and Social Security spending and that is impossible. The debt limit will be raised, but we fervently hope without Social Security and Medicare cuts. You have to understand your adversaries. These people in Congress are almost all paid whores and the people who control them with money are insane. If you can grasp that you can understand what really this is all about. Watch carefully which members won't allow military cuts and which want to cut SS and Medicare and then you will have identified the enemy.

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