

The Global Monetary System in Crisis

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The recognition of currency war, which has been going on for years, reflects the failure of international cooperation and the failure the G-20 to find a solution of the beggar-thy-neighbor policies of almost every nation. The result has been growing geopolitical dislocation, which G-20 has yet to find a solution for. These efforts, until recently, were turned upside down by the failure of the Copenhagen Summit in the summer of 2009, when it was discovered that global warming was a giant scam. This was proof positive that global leadership was nothing less than a group of common criminals. Economic and financial failure has brought about global austerity measures, and bickering over trade and currencies as well. As this transpired the economies of the US, UK and Europe slid downward in socio-economic, crisis, which in some cases has degenerated into violent demonstrations.

The US and UK are in economic paralysis due to the major changes anticipated in next week's elections of House and Senate delegates. The President isn't even going to be in Washington to witness the massacre of the Democrats. He just refuses to deal with it, as a long line of bureaucratic appointees head back to Harvard, foundations, think tanks, the Council on Foreign Relations and the Trilateral Commission. This as the Chairman of the Fed unveils plan two of quantitative easing, the creation of money and credit out of thin air, which in reality has been going on in the bond market since early June. Another bit of subterfuge dreamed up on Wall Street.

The Fed is monetizing a stimulus plan that the administration is no longer capable of assisting, due to an enraged public. On the other hand, large dollar holders are loudly complaining that the Fed's policies will cause major inflation and a falling US dollar. Of course, the flip side is if the Fed doesn't act in this manner the US economy will collapse and with it the world economy. The dumb Chinese, Japanese and oil producers should have long ago accumulated gold and gotten rid of dollars. That was not to be as they in fact enslaved to US leadership by yields and exports. The expenditure of \$5 trillion over the next two years by the Fed will only take the US economy sideways at best, and in turn take the dollar to new lower levels. All the insiders know the plan won't work, but it will buy time, perhaps so they can have another war as a distraction, as they have done many times before in history. Even the public knows it won't work having been alerted by information pouring out of talk radio and the Internet. The US is already in austerity. Just look at real unemployment of 22-3/4%. This is getting worse not better and that means a change in control in the House and Senate could well bring about a constraining of fiscal and monetary policy.

The US is on a path to socio-political chaos as the dollar falls and the world monetary system comes unglued. Those countries in decent monetary and fiscal condition will pull away from dealing with the US and that has already occurred with Brazil that doesn't want inflationary dollar investments entering their country, thus, they have implemented a dollar investment tax. The US cannot return to the past. Its leadership lost that opportunity in June

of 2003 when they decided to go ahead and take down the economies of the US, UK and Europe in order to force the inhabitants of these countries to accept world government. A main cog in this plan was the implementation of free trade, globalization, offshoring and outsourcing, which has cost the US in just ten years 8.5 million jobs.

There is no chance now of return as countries pull away from US and UK financial markets. These moves will protect these countries for a time, but eventually they will feel the sting of economic failure and instability as trade wars and tariffs become the norm. Washington will cease to be the world leader. The currency and trade wars have only just begun. They could not be avoided by either side. There is about to be a convergence of problems. Things that previously were not connected that will burst forth without warning. That will eventually lead to the implosion of the system.

These factors will be accompanied by social unrest, which we have just seen the beginnings of in Europe. This time of social, monetary and fiscal turmoil will last at least into 2014 before any solutions are put on the table. An easy solution is multilateral revaluation, devaluation and default. This would be very painful, but would stop the power by today's elites in the US, UK and Europe and the unmasking of their treachery.

Throughout Europe and the US there has and will continue to be a rise in patriotic movements, which those who control governments already have labeled terrorists. These are people like us who bring truth and exposure of facts to the attention of the public.

We are currently facing a new crisis in the US in the mortgage markets and in their securities, which has been aided and abetted by a disintegrating legal system. This comes to real estate at a time when it is on life support. The states cannot be of much assistance because most of them are broke, which is another distinct problem.

The US has already abdicated its role of world leader. Even leadership from Wall Street and banking is dreadful. Worse yet there is no one to take its place, as the world lies adrift in a sea of trouble. The atmosphere is explosive because no one wants to give up anything. The financial markets will all eventually fall and the flight to gold and silver as the only real money will gain acceptance, as we predicted long ago. Americans and others have failed to see the future and they'll pay dearly for not paying attention.

One of the interesting developments of the new currency wars is a concept that, the nations that will be the most successful, are the nations that devalue the fastest. One of the things nations miss is that the cheap currency that propels exports; also raises the costs of imports. Another fallout is others won't want to own your currency and if you devalue a currency enough it becomes worthless, or nearly so. A good example of that was in the 1930s where only tariffs were successful. As a rule those tariffs were not steep. The threat, of course, is that nations get mad at one another and war follows.

What these nations have been doing is similar to quantitative easing, or simple fiat creation of money and credit. These actions are the antithesis of sound money.

The Forex, foreign exchange market, trades \$4 trillion a day and its projected to trade \$10 trillion daily in the next couple of years. Money flows are already wild to say the least. Many foreign currencies have been rising versus the dollar. Some nations such as Brazil have already instituted capital controls by putting taxes on foreign purchases of local sovereign debt. Those not into the foreign game are buying US Treasuries, gold, silver and

commodities.

The FOMC and the Fed, even though they know it won't work, are becoming more and more accommodative. You will get some idea of their plan next week. The result will be a falling dollar, which is not really monetary policy, but grasping at straws in the wind. You will find nothing of sound money here and as a result markets will ultimately not survive. Remember, we could return to the circulation of gold and silver. 76 years ago gold coins were widely circulated and silver was in everyone's pocket just 47 years ago. It is not impossible. It could happen again over the next few years.

It was just two weeks ago that the dollar revisited 76.54 on the USDX. It had rallied over the past four months from 76.88. It is currently about 77.28. Every time it tries to rally it gets knocked down again. That is a long way from 89 where it was seven months ago. One thing is for sure, as long as we have ill-fated policies such as QE2 the dollar will continue to fall.

We also found it of interest that Bill Gross of PIMCO found the Fed has taken Charles Ponzi one-step further. He says, "Has there ever been a Ponzi scheme so brazen?" No, there has not, said Bill. When the Fed meets next Wednesday it could signify the end of a great 30-year bull market in bonds.

What should be noted is that the Fed is intent on generating another asset bubble to accommodate the sale of Treasury and Agency bonds and to give Wall Street and banking more funds to speculate with. This will renew the elitist wealth effect and in the process send the dollar lower, which in turn will increase inflation, which is already sapping consumer buying. The Wall Street gang plan to use Fed funds to jack up the market, which is already overpriced by 20%, is an act of pyromania. In addition, the average increase in 15 commodities yoy to October is 35%. Food costs are up 48% and energy 23%. Real inflation is up 7%, not the 1.6% the Fed lies about.

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