

War and the Global Economic Crisis: Collapse of the American Standard of Living

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Global Research, May 07, 2011

[International Forecaster](#) 7 May 2011

Region: [USA](#)

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

As the economy stumbles the American standard of living recedes. 44 million people are using food stamps and in one year that figure will be 60 million. Washington and Wall Street say, what me worry? Of course not they are the masters of the universe. We are 24 months into an inflationary depression and it still goes undiscovered. Who cares that the issuance of food stamps is up 80%, as long as the bonuses on Wall Street and in banking continue to flow and bureaucrats get higher and higher salaries and benefits? The high cost of health insurance, no longer affordable to most have increased and Medicaid users are up 17%, as the program costs increased 36%. Those on welfare rose 18%, as costs rose 24%. It is now evident to many that the choice of early retirement in the late 1990s at 52 and 59 years old was a big mistake. Many must now work into their 70s, or starve. Many retirees are forced to reenter the workforce. Recently there were 2,000 job openings and 75,000 people applied. How is that for recovery? The birth/death ratio is bogus and real unemployment is 22%. The economy needs 2 million new jobs a year and that is impossible. Good paying jobs are still being offshored and outsourced. How about the millions without jobs now for years? While all this transpires the Fed bails out Wall Street, banking and government and leaves crumbs for the dispossessed.

It always gets us when these acceptable writers use soft or euphuistic phrases to describe creeping national state socialism. The big picture is dreadful, but government, Wall Street and the media won't tell you that. Truth has nothing to do with business. They all spin one lie after another, just as you have recently seen with a certificate of live birth and the death of Mr. bin Laden. It reminds one of the old song, "Anything Goes."

Those running Washington from behind the scenes know America can never pay off and liquidate its debt. That is why there is little effort to do so. The real idea is to destroy the system. It reminds one of Argentina in 1999, before they defaulted on 2/3's of their debt only in a much bigger way. The dollar, because it is the world reserve currency, and that nations hold about 60% of foreign reserves in US dollars affects the entire world. America's Wall Street, banking and government has had a 66-year party and everyone gets to pay for it. The next step, rather than austerity, will be confiscation of all, or part, of pensions, that \$12 trillion pool of government and individual retirement funds. Needless to say, such irresponsible actions only delay the inevitable monetary collapse.

Tagging not far beyond is England and Europe, both of which have used the same template for so many years. In the US and all of these nations we see more than 50% of the population functionally illiterate and this same group country to country essentially pays little or not taxes, and receive benefits from government. That does not include the illegal alien population in each country that pays virtually no taxes. Spending far beyond tax

receipts can only mean eventually that the deficits will destroy the system. That means a lower standard of living, which has already manifested itself in all three regions. Such profligacy has in the US, UK and Europe caused the Fed, the Bank of England the European Central Banks to create money and credit out of thin air monetizing buying and holding sovereign debt as well as debt clogging the balance sheets of the financial sector. In Washington the administration is considering an oil tax increase as the public pays more than \$4.00 a gallon and in Germany it's \$9.00 a gallon. Expect more of this non-income tax taxation. Each tax increase and each loss in services brings less purchasing power, as inflation rages.

All these entities each day find it harder and harder to sell bonds to support their debt load, thus, revenues have to be increased. In the US the top 10% of taxpayers will end up paying 75% of total income taxes. This has already started an exodus of high-income earners to leave the country over the past 15 years, and the numbers are increasing exponentially. That in turn throws an added burden on middle class taxpayers.

At the root of the problems of all these nations is Keynesian economics, which has become the basis for corporatist fascism. The growth of money and credit worldwide has been exponential and continues apace as nations refuse to cut spending and central banks continue to be fonts of money and credit for their financial sectors and for governments. The financial system worldwide is awash in liquidity, which is accompanied by low or near zero interest rates. If those conditions were to be higher interest rates and less monetization the world system would collapse, although governments are manipulating markets downward such as gold, silver and commodities. What they are accomplishing is very little versus the intermediate to long run. That is why in the long run gold, silver and commodities have to move higher, as investors flee the general stock and bond markets, that don't reflect the results of inflation. That is why inflation will worsen as central banks continue to spew out more money and credit, which is now euphemistically called quantitative easing. First we saw inflation rise in the developing world for a number of reasons, which has since moderated to a great extent. Inflation is growing at a realistic 4% to 6% overall. The problem lies in the developed world where real inflation runs from 8% to 20%. Nations such as the US, UK, China, India, Brazil, etc. are not only suffering high inflation, but they are exporting it as well. Not enough to keep inflation at bay in their own countries, but enough to make financial conditions in victimized countries difficult. As an example, take America's neighbors Canada and Mexico; instead of having a natural 3.5% inflation for 2011, their inflation at year-end will be 4% to 4.5%.

As we predicted a year ago, QE3 will become reality, although it will be called something else. Not only in the US, but also in the UK, Europe and other countries, as well. If the issuance of money and credit were to stop and interest rates were to rise the world would head into deflationary depression. That is why the music has to continue. Sooner or later it will stop and when it does the bottom will fall out of the world economy and financial system.

The Fed continues to create money and credit and prices continue to rise and will do so for at least 1-1/2 more years. If we get the equivalent of QE3 that will be extended 1 to 1-1/2 more years. Dependent on how big a QE3 could be two to three years ahead, inflation could range from 25% to 55%. As this affects the US economy the banking system will remain weak and near insolvency. As inflation rises in a moderate fashion in the developing world the first world will see inflation rise higher quickly.

We currently see yields on Treasuries falling again from 3.60% on the 10-year note to 3.22%, as the Fed manipulates lower yields into position. That would be in anticipation of higher real interest rates caused in reaction to QE3. This is all rear guard action to try to create employment from a sector that remains under intense pressure. Any job creation is being offset by the high layoff rates of municipal and state workers. These measures by the Fed will also continue downward pressure on the dollar and upward pressure on gold and silver and commodities. Any tightening by the government or austerity measures to reduce the fiscal deficit would be disastrous. That is if you want to keep the game going at today's level. It is a different story if you really want to solve the problem.

As we switch to the Middle East we see serious trouble coming. In fact it probably is the groundwork for World War III, the event needed from an historical prospective to begin a new world war to cover up the economic and financial collapse now taking place. Why else would the US and UK stir up rebellion in Syria, the home of a Russian naval base and in Libya where the Chinese just recently had to remove 29,000 workers due to a US and UK created rebellion. Libya supplies relatively inexpensive quality oil to China in large quantities. As these adventures unfold it becomes more obvious that a new war is being set in motion. As a reaction we see China saying they want to reduce their dollar forex position by 2/3's or by \$2 trillion. The US won't let that stop them, so China is going to be a large dollar seller and part of those funds will go in gold and silver. That means the dollar will definitely fall lower both in terms of other currencies, but more importantly versus gold and silver. Dollar bulls are very hard to find. Those negative regarding the dollar we doubt have a clue that WWII is underway. What has come to the attention of those negative on the dollar is that the US is developing into a Nazi police state. The US government wants to know exactly where all the assets of every American are and at the same time set compliance rules on foreign banks and institutions, which have US persons as clients legally. For Americans, foreign countries have to report any real estate owned by Americans in their country and on January 1, 2013, annually these nations banks have to send 1/3rd of all bank assets to the US IRS ostensibly to pay taxes, which in most instances have already been paid. It is a grab of the assets of Americans who dare to live in another country. As a result the US government gets little or no respect outside the US. The US is a pariah and the laughing stock of the rest of the civilized world. What people other than Americans could believe the fantasies of the obviously phony "live birth certificate" and the death of a man that had already been dead for almost 10 years. The foreign opinion is that the sheeple deserve it.

As an adjunct to this the US government is going to keep US troops in Iraq beyond the end of the year. The Iraqis have to approve this action, so we'll have to see what happens. It is obvious the US has no intention of permanently withdrawing their troops. The excuse is based on the Shiite uprising in Bahrain and the massive Saudi intervention, along with events in Yemen where the dictator has agreed to leave. Iraqis believe that accommodation with Iran is the only way to coexist. They see Iran as the only real power in the region. They also recognize Iran as an emerging regional power. Thus, we see Iran balking at the US leaving 20,000 troops in Iraq.

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