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Views and Analysis on the Economy and Precious Metals

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# Does A Global Recession Loom In 2012?

**Dr. Doolittle**

This is the burning question for economists worldwide on the Eve of the New Year. This article is a compilation of many erudite sources and opinions copied from the Internet…plus my own thoughts.

**Economists: Another Global Recession Looms**

Most economists now expect another global recession in 2012 because the world economic outlook is much darker today than it appeared in the early autumn.

In fact, from policymakers such as International Monetary Fund head Christine Lagarde to Goldman Sachs chief economist Jan Hatzius, a mood of skepticism and apprehension prevails, CNBC reports.

Lagarde warned in September that the world economy had entered a "dangerous phase," and this month told journalists "the global economic outlook will be lower, and in certain parts much lower than what we had initially envisaged."

Hatzius says growth in many developed economies is being suppressed by higher taxes and efforts to pay back household and corporate debt. "That combination is likely to see another two years of sub-par growth in the major advanced economies, extending into 2013," he says.

Lagarde's concern is echoed by Pier Carlo Padoan, chief economist for the Organization for Economic Cooperation and Development. "We are concerned that policymakers fail to see the urgency of taking decisive action to tackle the real and growing risks to the global economy," he said.

The Brookings Institution's Eswar Prasad points out that things seemed very bleak in early 2009. "Here we are again," says Prasad. "But what is different now is that the crisis of 2008 has created a huge debt burden, so constraints on policy are much tighter now."

Of major concern is the possibility that a further economic downturn will greatly increase the stresses in the sovereign debt and bank funding market, creating a vicious downward spiral akin to 2008 and **the potential collapse of the euro.**

With the money supply contracting at the fastest rate since early 2009, Neville Hill, of Credit Suisse, observes, that "for institutions that set great store by monetary indicators - the European Central Bank and the Bundesbank, for example - that should be an alarming signal."

www.newsmax.com/InvestingAnalysis/Economists-Global-Recession/2011/12/15/id/421054

Global Recession Looms as Euro Crisis Deepens (VIDEO)

www.youtube.com/watch?v=R5Ep5rf14oA

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# U.S. Dollar Replaced By China, Japan -Gold Positive!

**Julian D.W. Phillips**

**The Globalization Process for the Yuan**

Japan and China will promote direct trading of yen and yuan without using dollars and will encourage the development of a market for companies involved in the exchanges, the Japanese government said over the holiday weekend.

Japan will also apply to buy Chinese bonds next year, allowing the investment of Yuan that leaves China to Japan to remain in China, the Japanese government said. Encouraging direct yen-yuan settlement should reduce currency risks and trading costs.

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# Economics in 2012: no gain, just pain as austerity brings misery to all

**Heather Stewart**

**With the eurozone on the brink of a new recession, this will be the year when millions of people bear the brunt**

The fluctuations of the financial markets and the relentless round of make-or-break euro-summits gripped the attention in 2011, but this will be the year when the shockwaves are felt by millions of people in Europe and beyond.

Throughout 2011, the language of bond yields, AAA ratings and credit default swaps leapt from City trading floors into everyday chit-chat as the eurozone crisis spiralled out of control.

Instead of answering first to their electorates, Europe's politicians became fixated on sating the demands of anxious investors in the bond markets for ever more drastic spending cuts.

Preventing Italian bond yields from topping 7%, and protecting France's AAA credit rating became central policy aims.

But reducing the eurozone's malaise to numbers flashing on a screen only served to mask the fact that millions of livelihoods were at stake in what the technocrats call the "real economy", but most of us would call real life.

The policy of collective austerity imposed at the behest of the money men has driven the eurozone to the brink of a new recession. In 2012 it will be swept over the edge, carrying with it the jobs of millions.

It's hardly surprising people became increasingly angry as they watched policymakers fail so comprehensively to protect them from the lash of the speculators.

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# Does A Global Recession Loom In 2012?

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**Most Economists Expect Another Global Recession**

**So acute are the risks that few economists are now willing to bet heavily against another global recession in 2012. By common consent, the world economic outlook is much darker today than it appeared in the early autumn.**

The eurozone crisis has worsened with contagion spreading through Italy and Spain and now lapping at the door of France. Recoveries remain feeble in other advanced economies. And emerging markets are beginning to feel the pressure.

And that grim assessment is shared by economists in the private sector. As Goldman Sachs marked down its latest forecasts, Jan Hatzius, its chief U.S. economist, said that growth was being held back in many developed economies by higher taxes and efforts to pay back household and corporate debt. "That combination is likely to see another two years of sub-par growth in the major advanced economies, extending into 2013," he argued.

The verdict of Eswar Prasad, of the Brookings Institution, was even bleaker. "In early 2009, it was difficult to come up with a glimmer of hope. Here we are again. But what is different now is that the crisis of 2008 has created a huge debt burden, so constraints on policy are much tighter now."

**With the money supply contracting at the fastest rate since early 2009,** Neville Hill, of Credit Suisse, observes, that "for institutions that set great store by monetary indicators - the European Central Bank and the Bundesbank, for example - that should be an alarming signal".

www.cnbc.com/id/45662343/Most_Economists_Expect_Another_Global_Recession

**Global 2012 Outlook**
Policy make or break: We expect upcoming policy decisions in the US and Europe to hold the key to the global growth outlook. With a recession in Europe, anemic growth in the US and a further dimming of emerging market economies' growth prospects as our base case, we see global growth falling below its long-term average.

**Our bear case is a full-blown recession, and it won't take much to tip the balance.** Our base case assumes that European governments make a big step towards fiscal integration soon that stabilises confidence, and that US Congress extends most of this year's stimulus. Against the backdrop of recent policy mistakes, these assumptions may seem heroic. Failure on these fronts would risk a full-blown recession in the US and Europe, with global GDP growth falling below the 2.5% recession threshold.

**Fiscal dominance and monetary easing:** Central banks in much of the developed world now operate under a new regime of fiscal dominance, in which monetary policy is dominated by governments' inability to stabilise the debt or even fund themselves at reasonable interest rates. In such a regime, inflation targeting becomes irrelevant because debt concerns take the upper hand. It also means that central bank independence has been just a historical episode: **Central banks will be forced to solve the problem of unsustainable public debt by pushing real interest rates as far as possible into negative territory through conventional and unconventional ways of reducing nominal interest rates across the yield curve, and through orchestrating inflation.** While we see further monetary easing in the base case from the US Fed, ECB and the Bank of England, we do not expect Emerging Markets (specifically China) to be the knights in shining armour, as they were in 2009, when they eased monetary and fiscal policy to historical levels. Having said that, to the extent that Developing Nations policy help isn't immediate or aggressive, we believe that Emerging Markets' policy-makers are better off buying insurance via pre-emptive easing.

www.morganstanley.com/views/gef/

**President Barack Obama held a summit with European Union officials at the White House recently, calling for action on the eurozone debt crisis before it spirals out of control and causes another worldwide economic recession.**

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# U.S. Dollar Replaced By China, Japan -Gold Positive!

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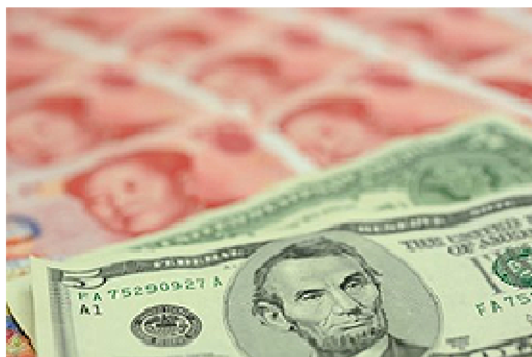
China also announced a 70 billion yuan ($11 billion) currency swap agreement with Thailand last week as part of a plan outlined in October to promote the use of the yuan in the Association of Southeast Asia Nations and establish free trade zones. Central banks from Thailand to Nigeria plan to start buying yuan assets as the global Yuan market continues to be developed quickly. Investing in Chinese debt has become easier for central banks as issuance of yuan-denominated bonds in Hong Kong more than tripled to 112 billion yuan ($18 billion) this year, and institutions were granted quotas to invest onshore. Japan will start to buy "a small amount" of China's bonds, a Japanese government official said, on condition of anonymity because of the ministry's policy, without elaborating. Yes, it is small, but the systems are now in place. Expansion of these is happening and has the potential to burgeon!



China is Japan's biggest trading partner with $340 billion in two-way transactions last year. The pacts between the world's second- and third-largest economies mirror attempts by fund managers to diversify as global, financial markets remain volatile and decaying. It marks a major leap forward of the internationalization of the Chinese currency, a step that has been developing for the last few years, from tiny beginnings. It signals that the Chinese banking system has developed to the stage where they can handle international transactions of note. The development of the banking system is clearly far advanced, so expect the enlargement of the international Yuan market to pause, as this leap in size settles in and any teething problems eliminated.

**The next step after that is to go completely global!**

**First Step of Many Chinese Trade Bloc the Initial Target not the Deposing of the Dollar**
It would be wrong to see these moves as purposely attacking the dollar. China's motive is as simple as the world has seen new world power gain strength. We're witnessing the post-initial steps of the growth of a Chinese empire, encompassing its Asian trading partners and bringing them into a new Asian Yuan currency bloc. Initially, Chinese economic development has focused on internal growth spreading from the South and Eastern parts of China into the hinterland north and west of the country as the nation slowly but steadily lifts itself out of poverty. Financially, China isolated its currency from global influence as its banking system was so underdeveloped. But with government pressure and the capabilities the Chinese people banking is now racing to catch up. The Chinese government wants Chinese banking and trade to succeed and throws its full weight behind these developments. This has resulted in far quicker-than-anticipated entry into the global financial world. Careful to ensure that China benefits fully from these developments and not foreign businesses, China is sucking knowledge and wealth out of the developed world in its quest to fully develop its 1.3 billion people. It's naive on the part of the developed world -whether it is Europe or the States-to think that China will assist them with their debt and banking problems unless it ties directly into the development of China
.

**This is a financial war, involving, not lives but livelihoods, and China is winning every step of the way.**
The financial world may belittle the present moves as still very small in money terms in a global context, but structurally the move should make the developed financial world jump to attention.

**Consequences: Developed World Losing Power and Heads into Worse Crisis**

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# Six Former Fannie Mae And Freddie Mac Executives Charged With Fraud

### Associated Press

**Ex-CEOs Daniel Mudd and Richard Syron among executives accused of misleading taxpayers over sub-prime mortgages**

The Securities and Exchange Commission has brought civil fraud charges against six former top executives at Fannie Mae and Freddie Mac, saying they misled the government and taxpayers about risky sub-prime mortgages the mortgage giants held during the housing bust.

Those charged include the agencies' two former CEOs, Fannie's Daniel Mudd and Freddie's Richard Syron.

They are the highest-profile individuals to be charged in connection with the 2008 financial crisis.

Mudd and Syron led the mortgage giants when the housing bubble burst in late 2006 and 2007. The four other top executives also worked for the companies during that time.

The case was filed in federal court in New York City. Lawyers for Mudd and Syron couldn't be reached for comment.

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# UK Happy To Have Stayed Out Of The Euro

## AFP

A decade after the euro came into circulation, the British are more hostile than ever towards a currency that faces a battle for survival, and cannot hide their satisfaction at holding onto the pound. Yet such sentiment masks the fact that while the eurozone is struggling, the British economy is not exactly booming either.

According to a poll in the wake of Prime Minister David Cameron's veto at a crunch European Union summit, 65 percent of Britons said they believe the euro is doomed and only one in five respondents thought it would survive.

The Sunday Times newspaper caught the mood with its headline: 'It's bad, but at least we're outside the eurozone.' Anyone who hates Europe and the euro 'can boast in the pub that they were right all along,' it said.

Despite the hostility to the euro, the tangible benefits of Britain's decision to stay out of the single European currency appear to be limited.

Figures from the European Commission show that Britain's public deficit in 2011 will be greater than that of Greece and its debt will be roughly equal to that of France, despite an unprecedented set of painful austerity measures.

Meanwhile, unemployment is at a 17-year high and inflation is twice the rate of the eurozone. Essentially, Britain is still paying the bill for the financial crisis of 2008 which caused deep damage to its banking and financial services sectors, in which it is the leading nation in Europe.

Financial services were the reason given by Cameron for dramatically using the veto on a revamped EU treaty because he fears new regulations from the bloc would restrict the City of London's room to manoeuvre. However, Britain does have a distinct advantage compared to its euro-using neighbours — an autonomous central bank.

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# U.S. Dollar Replaced By China, Japan -Gold Positive!

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The reason why the developed world has seen the debt and banking crisis wreak such havoc, so far, is that its growth has diminished to the point where it's having difficulty employing their young.

With such reduced cash flows, the size of debt burdens becomes overwhelming. When the developed world enjoyed strong growth, the present debt burdens were manageable. But not anymore! The central banks of the developed world have had to create new money to fill the holes left by the dropping value of financial assets and try to hold such money printing at those levels or see inflation take off; there will, however, come a time when the developed world will have to pay more interest to raise loans as trust in their currencies diminishes. Should this happen, their debt mountain will be completely unsustainable, not only in Europe but in the United States as well.

Should interest rates rise -and the Fed will not let that happen by choice-because of falling foreign investment in the dollar, then Treasury and other Fixed interest markets in the developed world would be in danger of collapsing.

**US Dollar as the Sole, Global Reserve Currency to End!**

Of considerably more importance is the impact on global foreign exchanges and the role of the US dollar as the world's sole global reserve currency. For more than two years now *Gold, Silver Forecaster* has been predicting that the day would come when Chinese exporters/importers would offer and bid prices for goods in the Chinese Yuan. Well it has arrived, albeit confined to Asian trade at the moment.

As of now, $350 billion in global trade will disappear, replaced by Yuan/Yen trade. Where will these dollars go? Over time they will be sold off and head home through a falling exchange rate. That's why we'll see the Yuan appreciate, but only initially, as the Chinese ensure that demand is met by foreign sales of Yuan for non-U.S. currencies.

As time passes the process of the internationalization of the Yuan will primarily be at the expense of the dollar. At some point in this process, the rise of the Yuan and the fall of the dollar from its throne will become visible on foreign exchanges and in the financial picture inside the U.S.A. and Europe. At best, we'll see the Yuan join the world's current leading currencies in global trade, but rising in the future to potentially the prime global, reserve currency at worst.

**But this process could take more than five years or less if the Chinese government pushes it hard.**

The consequential pressures on the global currency system, which presently is dependent on the U.S. dollar for its credibility, will undermine the entire global monetary system. When control of the monetary system was entirely in the hands of the developed world, both sides of the Atlantic, gold could be side-lined. But with this new Chinese empire, the new currency bloc has divergent interests from the developed world.

**The developed world is seeing the beginning of its loss of control over gold!**

Asia, as well as emerging nations worldwide, have seen the importance of gold in their reserves and continue to press for an increase in their holdings -almost preparing for the day when global cooperation is reduced by trade wars, protectionism and the like. The spectre of a world split into two financial and trading parts is now in front of us. While this is still in the future, it's a visible probability. In such a financial climate, consistent with its history, gold being independent of national obligations and links must return to the system in one form or another. But how?

Article by:
Julian D.W. Phillips
December 28, 2011
www.GoldForecaster.com

# Does A Global Recession Loom In 2012?

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According to White House spokesman Jay Carney, the PRESIDENT believes that "Europe needs to take decisive action, conclusive action, and it has the capacity to do so."

Earlier this month, Fitch reported that US banks have direct exposures to stressed European markets (PIIGS: Greece, Ireland, Italy, Portugal and Spain), and added that further contagion puts them at serious risk. The rating agency said that unless the debt crisis is resolved, the credit outlook for the U.S. banking industry is in jeopardy. The current outlook is stable, but "risks of a negative shock" are increasing and could change this projection. However, Fitch noted that U.S. banks have reduced their exposures to stressed European markets considerably.

**Moody's issued its own recent report, stating that the longer the crisis is allowed to go, the higher the probability of multiple sovereign defaults. If sovereign defaults occur, there also is the chance that those countries will leave the euro area. "Moody's believes that any multiple-exit scenario-in other words, a fragmentation of the euro-would have negative repercussions for the credit standing of all euro area and EU sovereigns," the rating agency said. IN CONSEQUENCE THE EURO CURRENCY MIGHT CRASH.**

With Europe slipping into a recession, the United States experiencing only a modest recovery, and Japan seeing a minor surge due to reconstruction efforts that will eventually taper off, the OECD sees the potential for economic disruption on a massive scale. Pressures on bank funding and balance sheets increase the chances of another credit crunch. Additionally, in the US, there is the distinct possibility that no action will be agreed upon to counter fiscal tightening, which could tip the economy into a recession that monetary policy would have little ability to correct.

"If there is a sovereign debt default in the euro area, the contagion spreads," said Pier Carlo Padoan, chief economist at OECD. "And if there is no effective policy response, both at the country level and at the European level, we might have a very serious downside scenario with prolonged recession and rising unemployment.
www.afponline.org/Article_Detail.aspx?id=10737419466

**The solvency of the European sovereign debt market and its banks is tenuous at best, but near the brink of collapse at worst.**

If and until ECB prints near the magnitude of trillions to support the EU's 'house of cards,' the shadow of insolvency looms. HOWEVER, most likely the EU in desperation will try frantically pump Quantitative Easing to avoid dissolution. Consequently the euro currency will take a hit, thus easing it toward parity with the US$. In this case US stocks will inevitably fall toward its March 2009 low of 6500 (now support).

**IN SUMMARY,** the EU reprieve fuelled by massively printing euros will eventually pave the way for another 2008 plunge in US stocks.

In fact we might see a replication of the June 2008 to March 2009 scenario, where the euro currency plunged -19%, causing the US$ to soar +21%, while the US DOW Stock Index plummeted no less than -48%. See chart:
http://stockcharts.com/h-sc/ui?s=$XEU&p=D&st=2008-06-01&en=2009-03-06&id=p35467313767

**Ergo, a 2008 déjà vu might see the DOW plunge (not surprisingly) to about 6400 in 2012.**
The above scenario would be consistent with US recession conditions forecasted by some economists and market pundits.

**Euro Union UNEMPLOYMENT's Travesty of Justice**
One of the objectives of the Euro Union was to produce "full-employment" amongst its members. Unfortunately, it hasn't worked out that way. In deed and fact GERMANY has obscenely reaped the largest harvest of jobs at the expense of the hapless PIIGS.

Here are the UNEMPLOYMENT RATES as of October 2011 - COUNTRY............UNEMPLOYMENT RATE

Germany..........................6.3%
Portugal.........................13.0%
Italy.................................8.4%
Ireland............................14.1%
Greece............................18.2%
Spain...............................22.5%

Average Unemployment Rate amongst the PIIGS.......15.3%

Sadly, the Unemployment Rate suffered by the PIIGS is almost 3 TIMES THAT OF GERMANY -- and take note German Unemployment Rate is falling, while that of the poor PIIGS is rising.

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# Six Former Fannie Mae And Freddie Mac Executives Charged With Fraud

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According to the lawsuit, Fannie told investors in 2007 that it had roughly $4.8bn worth of subprime loans on its books.

The SEC says that Fannie actually had about $43bn worth of products targeted to borrowers with weak credit.

Freddie said about 11% of its single-family loans were subprime in 2007. The SEC says it was closer to about 18%.

"Fannie Mae and Freddie Mac executives told the world that their sub-prime exposure was substantially smaller than it really was," said Robert Khuzami, SEC's enforcement director.

"These material misstatements occurred during a time of acute investor interest in financial institutions' exposure to sub-prime loans, and misled the market about the amount of risk."

Fannie and Freddie own or guarantee about half of U.S. mortgages, or nearly 31m loans.

The Bush administration seized control of the mortgage giants in September 2008.

So far, the companies have cost taxpayers almost $150bn, the largest bailout of the financial crisis.

They could cost up to $259bn, according to its government regulator, the Federal Housing Finance Administration.

Article by:
Associated Press
December 16, 2011

# Does A Global Recession Loom In 2012?

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**UNEMPLOYMENT Rates of major countries**

www.bls.gov/fls/chart1.gif

**UNEMPLOYMENT Rates of minor Euro Union Countries - including the so-called PIIGS**

www.bls.gov/fls/chart2.gif

Source: www.bls.gov/fls/intl_unemployment_rates_monthly.htm

**CONCLUSION - The Euro Union is unequivocally biased to enhance the material benefits to the strongest member at the expense of its weakest members. Moreover, the mounting crush of the PIIGS debt can never be repaid. To be sure, deteriorating circumstances dictate an early demise of the ill-conceived Utopian Union, which has relentlessly morphed into Dante Alighieri's Fifth Ring of Hell.**

**THE ONLY SOLUTION FOR THE EU IS DISSOLUTION.**

**CHINA MIGHT SPARK A WORLDWIDE RECESSION**

The importance of China in global economics cannot be over-stated. Just consider a few factors:

- Relative Populations
- China 1,300,000,000 and counting
- Euro Union 500,000,000
- USA 300,000,000

**China has about 500 MIILION more population than the EU and USA combined.**
Today, China is the world's largest consumer of many vital commodities: Copper, Palladium, Iron, Rare Earths and Metallurgical Coal. Moreover, China is the world's largest producer of Steel and Cars, etc etc.

**Therefore, if China's economy 'catches a cold,' the western world economies might come down with recessionary pneumonia.**

**China fears lasting worldwide recession**

Jamil Anderlini in Beijing
Wang Qishan, the Chinese vice-premier responsible for overseeing the financial sector, has predicted the global economy will slump into long-term recession and warned that China will need to deepen financial reforms to cope with the fallout.

"Right now the global economic situation is extremely serious; and in a time of uncertainty the only thing we can be certain of is that the world economic recession caused by the international crisis will last a long time," state media reported Mr Wang as saying over the weekend.

His unusually bearish comments could set the stage for domestic monetary loosening as Beijing frets about a deflating property bubble at home and chronic economic woes in China's two largest export markets - Europe and the US.

Dire economic conditions also reflect growing concern among policymakers that the Sino nation's underdeveloped financial sector is facing heightened risks from a gathering economic slowdown.

www.ft.com/intl/cms/s/0/e0b044a2-1382-11e1-81dd-00144feabdc0.html

**A Second Great Recession in 2012...CHINA DOWNTURN THREATENS GLOBAL ECONOMY**

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# Economics in 2012: no gain, just pain as austerity brings misery to all

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From the street sit-ins of Greece's Indignati, to the thousands of young people who gathered in Puerta del Sol square in Madrid to demand a stake in their country's future, the public expressed their exasperation.

**In 2012, their anger is likely to become more widespread and intense.**

A recent report by the International Labour Organisation in Geneva warned of rising discontent in many countries about "perceptions that the burden of the crisis is not being shared fairly".

It said that even without a new global recession, it could take five years for employment rates to return to pre-crisis levels.

Young people have borne the brunt everywhere. In Spain, where the new government announced a radical package of austerity measures on Friday, the youth unemployment rate is now an almost inconceivable 45%; in Greece, it is 42.9%; in Ireland, 29.8%.

That will take a heavy toll in shattered dreams and frustrated expectations. As Heiner Flassbeck, of the UN Conference on Trade and Development puts it: "Those that were not part of the party are having hangovers: that's the problem."

And it's only going to get worse. When Europe's leaders – barring David Cameron – pledged to boost the eurozone bailout fund and draw up a new "fiscal compact" to enforce budget discipline last month, they hoped (yet again) to draw a line under the eurozone debt crisis and escape the unforgiving glare of the world's financial markets.

But even if the new framework is drawn up and agreed rapidly, Europe's economies, including Britain's, face a desperate 12 months.

Across-the-board austerity – the only prescription considered by "Merkozy" and their colleagues – will weigh heavily on growth in the eurozone and beyond, even if the immediate crisis is resolved.

Flassbeck fears that the global economy is facing a "lost decade", akin to the prolonged period of stagnation and deflation that has afflicted Japan since the early 1990s, as austerity is piled on austerity, and demand is depressed.

Alongside the long-term danger of stagnation, there remains an acute risk that Europe's financial system will seize up. There is growing evidence that eurozone banks, with their exposures to the debts of peripheral eurozone economies, are finding it difficult to borrow at anything but punitive interest rates.

Despite drastic emergency measures from the European Central Bank (ECB), including pumping almost €500bn (£420bn) of low-cost loans into financial markets on 21 December, the banks are struggling to finance themselves.

That means, as the ECB president, Mario Draghi, has acknowledged, that a credit crunch akin to that in the wake of the Lehman Brothers collapse in 2008 may already be under way. If that starts to undermine ordinary savers' confidence in their banks, it could be catastrophic.

Italian and Greek consumers have been draining their banks of deposits for months in what amounts to a slow-motion bank run. If it became a full-blown collapse, the situation could quickly spiral beyond the control of the authorities, which is why George Osborne has told parliament that the Treasury and the Bank of England have drawn up detailed contingency plans to cope with a eurozone meltdown. It could yet happen – and soon.

Even if the financial system is stabilised and the eurozone holds together, though, the fragile banks are likely to cut back lending to Europe's households and businesses.

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# UK Happy To Have Stayed Out Of The Euro

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Over the past three years, the Bank of England (BoE) has pumped the equivalent of Â£275 billion (330 billion euros, $430 billion) into the economy and bought large quantities of gilts, in contrast to the European Central Bank.
As a result, rates of return on British 10-year sovereign bonds are now near those on German bonds, meaning Britain is able to borrow on more favourable terms than most of its fellow EU nations.

However the injections of liquidity by the BoE have also contributed to the relative weakness of the pound, which currently buys around 1.15 euros, a mighty fall from its peak of 1.75 euros in May 2000.

That exchange rate helps to sell British products abroad, but Britain still imports far more than it exports.

The pound is failing to benefit from the euro's problems because interest rates in Britain stand at a record low 0.5 percent, deterring foreign investors.

Joshua Raymond, an analyst from City Index, said that 'had Britain joined the euro, it (Britain) would have been vastly worse off today. 'The downside potential from being dragged into the sovereign debt [crisis] directly, as opposed to the current indirect picture ... negates any positives from a previous adoption of the single currency', such as greater trade ties.

Colin Ellis, of BVCA, an industry body for the private equity and venture capital sectors in Britain, told AFP that 'stuck inside the euro, the Bank of England would not have been able to buy up such a substantial share of UK government debt.'

Stephen Gallo, of Schneider Foreign Exchange, said Britain's EU partners who are grumbling about its refusal to adopt the currency should actually ask themselves 'how much worse it would be for the euro if Britain were in it'.
'If it were, the UK would almost certainly have needed a bailout.'

Article by:
AFP
December 27, 2011

# Economics in 2012: no gain, just pain as austerity brings misery to all

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And that's where the abstract idea of a credit crunch becomes reality: people lose their homes as mortgage lending is reined in; businesses lay off staff because they can no longer fund their operations. All this, ultimately, because of politicians' contorted efforts to placate the financial markets.

Yet even at the IMF, usually considered the bastion of the so-called "Washington consensus" of privatisation, free-flowing capital and balanced budgets, chief economist Olivier Blanchard recently blogged that financial investors had contradictory feelings about austerity, because it can often hit growth, and make it harder, not easier for governments to repay their debts. "They react positively to news of fiscal consolidation, but then react negatively later, when consolidation leads to lower growth – which it often does," he said.

So even for the financial markets, at whose behest Europe's leaders are holding the axe over their hapless citizens, 2012 looks like being a very unhappy new year.

Article by:
Heather Stewart
January 1, 2012
The Guardian UK

**The Outstanding Public Debt**

National Debt:
**15,140,733,051,793.46**
The estimated population of the United States is **311,965,719**
US citizen's share of this debt is
**$48,533.32**
The National Debt has continued to increase an average of
**$3.94 billion per day**
Business, Government and Financial Debt exceeds
**$100 Trillion**

# Does A Global Recession Loom In 2012?

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It's official -- one of the global economy's main engines is **revving down**, according to the Chinese government: "We believe China is nearing the end of the period of high economic growth," said Yu Bin, director general for the ruling State Council's research center. "What we need is moderate and reasonable economic growth." "China had been growing at high speed for three decades," Yu said. But now, he said, China's fundamentals are changing, including demography and the demand and supply of labor.

**The People's Republic isn't struggling for breath, like the US, let alone confronting its economic mortality, like the eurozone.**

But the seemingly unstoppable run of double-digit growth (propelled in part by Beijing's currency manipulation) is over. Chinese government officials expect GDP, which has been ticking down all year and which in the third quarter declined to 9.1 percent, to fall below 9 percent in 2012. Over the longer term, China forecasts 7-8 percent growth over the next five years.

Signs of a downturn in China have been unmistakable for some time. Manufacturing activity is down, hurt by sagging demand in Europe and the U.S. Local governments are suspending land sales.

That reduces municipal tax revenue and public spending, especially in key commercial centers like Guangzhou and Shanghai. As the country's business conditions cool, foreign investment is waning for the first time in more than two years. Chinese stocks are also wobbling.

www.chariweb.com/2011/12/china-to-trigger-second-great-recession.html

**CHINA'S SHANGHAI STOCK INDEX IS A GROWLING BEAR MARKET**

**Since its late 2007 peak, the SHANGHAI INDEX has fallen 68%.**

http://stockcharts.com/h-sc/ui?s=$SSEC&p=D&yr=5&mn=5&dy=0&id=p42543559291

Further, YTD 2011 the SHANGHAI INDEX is down a whopping 21%.

http://tinyurl.com/7zl2lbo

And with 2012 Recession looming on the Sino horizon, there very well might be another 2008-like crash (when the SHANGHAI INDEX plunged 68% in only 12 months).

**INDEED A GLOBAL RECESSION LOOMS IN 2012**

Article by:
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