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Too Stupid To Think
Too Paralyzed To Act

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Many years ago when I was a teenager, my late father had a friend who was in his sixties. His name was Johnny and he was overweight. He was in conversation with my father one day when he started complaining how his fluctuating and ballooning weight required him to buy bigger pants every few months which in turn then required him to look through his wardrobe to find the pants that would fit him as his weight went up and down.

My dad admonished him and told him to lose weight and keep it off. Johnny said it was not possible. It was then that I threw in my two cents worth into the conversation:

"Have you ever thought of buying pants with an elastic waist and possibly one with an elastic waist and a cord that you could tighten when your weight drops a little?"

Well that was it. I had solved old Johnny's problem once and for all. I was feeling quite proud of myself. Needless to say my solution eventually killed Johnny because he kept growing until a fatal heart attack put him into a not so elastic coffin a couple of years later. Since then I have often wondered if he was buried wearing one of those elasticized pants as well.

It seems to me that the central banks of the world have adopted my elasticized waist solution and have continued to print not only money but also solutions that have simply not reined in continually expanding budgets and debt. In fact most of society is walking around with elasticized pants of some sort due to personal or business debt. Now this will all end badly when the world's financial system has a fatal heart attack or when the elastic breaks and we lose our collective pants. Let us be honest, all the QE's, LTRO's, ESM's etc are elastics that will one day snap because they are not solutions.

There are limits of course to how long this can go on for although I must say I have been fascinated by the current alchemy's ability to stave off the day of reckoning to date. But reckoning will come and the bill will have to be paid with write-offs, bankruptcy, change of lifestyle, change of attitudes and perhaps even war.

Most of the world's balance sheets are now in the red. And those that are seemingly in the black carry financial assets of dubious quality given that they consist of loans to others that are either unserviceable or unrepayable. As I have said in a previous piece, if a farmer included a dead horse on his balance sheet his bank manager would laugh. In the banking world of today however, this is not only allowed but also encouraged by the regulators.

So what is to be done?
The answer is difficult because the existence of a fractional reserve system complicates matters quite significantly. Let me explain why this is so with an example. If you hold a piece of gold and look at yourself in the mirror you can still see one piece of gold. That to me is a gold standard because the image is the fiat dollar we all hold and the piece of gold is the image's backing. This is quite convenient because the fiat dollar (the image) is much lighter and easier to deal with.

What fractional reserve banking does though is quite wickedly clever. The person holding the gold holds

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So Long…US Dollar

Marin Katusa
Casey Energy Report

There's a major shift under way, one the US mainstream media has left largely untouched even though it will send the United States into an economic maelstrom and dramatically reduce the country's importance in the world: the demise of the US dollar as the world's reserve currency.

For decades the US dollar has been absolutely dominant in international trade, especially in the oil markets. This role has created immense demand for US dollars, and that international demand constitutes a huge part of the dollar's valuation. Not only did the global-currency role add massive value to the dollar, it also created an almost endless pool of demand for US Treasuries as countries around the world sought to maintain stores of petrodollars.

The availability of all this credit, denominated in a dollar supported by nothing less than the entirety of global

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First Deflation Then Inflation, Phase One & Two

Christopher Laird

People wonder why gold is not already say $5000 (it certainly could be) right now, given the fact that the US Fed alone and the US treasury have either given directly or bought (or guaranteed) up to $20 trillion USD worth of world bad debt/bonds/CDS/derivatives, you name it.

That money went to US and European and other world banks and financial institutions into a literal rat's nest of opaque levered multilayered contracts and leverage…

Jumping Ahead

It would seem that the gold price should simply reflect all that money that was thrown out there, no? Answer at this stage? No.

Ok if all that incredible amount of money (and we are only talking the Fed at the moment, not the Chinese, the Japanese, nor the ECB all with say at least another close to ten $trillion USD worth, meaning in their own currency but we just use the USD to compare the amount here) they all threw into the flames….

Flames is a good analogy. What happened is this…They are attempting to keep alive a world awash in debt and all that money is merely being used to cover huge losses at financial institutions…which are basically like zombie banks now…and all the while the public funds are being depleted at a rapid rate. Ultimately at the end of the day, all those trillions, which would have been far better spent say, paying off the total of US mortgage debt, like Iceland did, which would have caused a total resurgence of the US economy.

But they threw this money where it would not reach the general population. And since the general population is who accounts for the 70% of US GDP - i.e. consumption, and not only a few millionaires and billionaires, all that money was wasted…. Thus, clearly that money was literally burned, but with the

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another mirror behind the piece of gold and when you look into the mirror you can see an almost endless number pieces of gold. Everyone feels happy and the banker is even happier than everyone else because he lends out those images to all the cretins of this world and collects real interest onillusory images. Just remember - only the first image is real.

This is going to be an image that is going to be difficult to destroy because the process of removing fake images is called deleveraging and it can easily destroy the system if done incorrectly. At best we should only hope to rein in its growth.

Well the solutions to our debt soaked world are of two kinds. Those that you can proactively adopt and those that are imposed upon you. With the former you continue to be master of your fate and with the latter you become a slave. Iceland is an example of the former and Greece is a fine example of the latter.

It was therefore with interest that I read today that a certain John Butler has put out a new book titled 'The Golden Revolution: How to Prepare for the Coming Gold Standard.' In a nutshell he foresees a return to the gold standard possibly within a year and gold going to $10,000 per oz.

These price predictions always have me shaking my head in disbelief but today I gave the prediction a little more thought. Why? Because governments and central banks ARE the biggest holders of gold bullion. Members of the EU for example have over 10,000 tonnes which if re-valued by a factor of 6 would be the equivalent of 60,000 tonnes which at today's price of gold would equate to over 3 trillion dollars. Now that is a real fire wall, a real bazooka and a real means of re-capitalising banks whilst allowing them to finally recognize and write-off a lot of the toxic mutton they are currently dressing up as lamb as well as giving some much needed respite to debtors.

They can either do this pro-actively and be masters of their fate or they can wait for the elastic to break and then watch as a panicked public first tries to withdraw its funds from the bank and then heads for the bullion shops.

This idea is not new but I am forced to repeat it in the hope that they will overcome their stupidity and paralysis before we see a chaotic resolution to the present impasse.

A revaluation of course is not a magic solution, a silver bullet or manna from heaven. It is simply a reset button that will go along way to restoring some semblance of balance and solvency to enable debtors to breathe and the system to re-ignite. It will in some ways aid the removal of many of those fake images we see in the mirror without breaking the mirror.

Even us plebeians with the odd gold coin, gold ring or gold chain could be allowed to cash in on the big price rise as long as it was handed over to the bank to extinguish debt and thus deleverage the system without breaking it. In fact our sales of gold back to the system would further recapitalise it.

The masters as well as the slaves of this world will still have to understand that this is a one off solution because if they fell into the trap of subsequently and constantly revaluing gold at an official level it would still lead to the same current mess.

In addition to a revaluation, the world therefore has to accept that unfunded liabilities are just images of images, that unbridled consumerism is not sustainable, that trade imbalances do not work out well for the creditor or debtor nations, that growing inequalities in income and assets between the have's and have not's are like pushing all the poor passengers on a bus to the last two rows or to one side which in turn causes a blow out or an accident, that trickle down economics is just a euphemism for the top 1% pissing down on the bottom 80%, that ZIRP and poor lending standards are anathema to economic stability, that unemployment is corrosive to society and so on and so forth.

The little man on the street may or may not understand the complexities of the world's finances but he does understand a repossessed house, a loss of his job and a hungry child. It is not within his power to recalibrate

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So Long…US Dollar

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trade, enabled the American federal government to borrow without limit and spend with abandon.

The dominance of the dollar gave the United States incredible power and influence around the world… but the times they are a-changing. As the world's emerging economies gain ever more prominence, the US is losing hold of its position as the world's superpower. Many on the long list of nations that dislike America are pondering ways to reduce American influence in their affairs. Ditching the dollar is a very good start.

In fact, they are doing more than pondering. Over the past few years China and other emerging powers such as Russia have been quietly making agreements to move away from the US dollar in international trade. Several major oil-producing nations have begun selling oil in currencies other than the dollar, and both the United Nations and the International Monetary Fund (IMF) have issued reports arguing for the need to create a new global reserve currency independent of the dollar.

The supremacy of the dollar is not nearly as solid as most Americans believe it to be. Even more, the United States is not the global superpower it once was. These trends are very much connected, as demonstrated by the world's response to US sanctions against Iran.

US allies, including much of Europe and parts of Asia, fell into line quickly, reducing imports of Iranian oil. But a good number of Iran's clients do not feel the need to toe America's party line, and Iran certainly doesn't feel any need to take orders from the US. Some countries have objected to America's sanctions on Iran vocally, adamantly refusing to be ordered around. Others are being more discreet, choosing instead to simply trade with Iran through avenues that get around the sanctions.

It's ironic. The United States fashioned its Iranian sanctions assuming that oil trades occur in US dollars. That assumption - an echo of the more general assumption that the US dollar will continue to dominate international trade - has given countries unfriendly to the US a great reason to continue their moves away from the dollar: if they don't trade in dollars, America's dollar-centric policies carry no weight! It's a classic backfire: sanctions intended in part to illustrate the US's continued world supremacy are in fact encouraging countries disillusioned with that very notion to continue their moves away from the US currency, a slow but steady trend that will eat away at its economic power until there is little left.

Let's delve into both situations - the demise of the dollar's dominance and the Iranian sanction shortcuts - in more detail.

Signs the Dollar Is Going the Way of the Dodo

The biggest oil-trading partners in the world, China and Saudi Arabia, are still using the petrodollar in their transactions. How long this will persist is a very important question. China imported 1.4 million barrels of oil a day from Saudi Arabia in February, a 39% increase from a year earlier, and the two countries have teamed up to build a massive oil refinery in Saudi Arabia. As the nations continue to pursue increased bilateral trade, at some point they will decide that involving US dollars in every transaction is unnecessary and expensive, and they will ditch the dollar.

When that happens, the tide will have truly turned against the dollar, as it was an agreement between President Nixon and King Faisal of Saudi Arabia in 1973 that originally created the petrodollar system. Nixon asked Faisal to accept only US dollars as payment for oil and to invest any excess profits in US Treasury bonds, notes, and bills. In exchange, Nixon pledged to protect Saudi oilfields from the Soviet Union and other potential aggressors, such as Iran and Iraq.

That agreement created the foundation for an incredibly strong US dollar. All of the world's oil money started to flow through the US Federal Reserve, creating ever-growing demand for both US dollars and US debt. Every oil-importing nation in the world started converting its surplus funds into US dollars to be able to buy oil. Oil-exporting countries started spending their cash on Treasury securities. And slowly but surely the petrodollar system spread beyond oil to encompass almost every facet of global trade.

The value of the US dollar is based on this role as the conduit for global trade. If that role vanishes, much of the value in the dollar will evaporate. Massive inflation, high interest rates, and substantial increases in the cost of

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QE: Past, Present And Future

Steve Saville

Considering how popular the term "Quantitative Easing", or "QE" for short, has become, it's remarkable that many commentators on the financial markets appear not to understand what QE is. It is, by definition, an increase in the money supply brought about by the central bank in an effort to reduce the cost of credit.

Since the money supply can be increased by commercial banks as well as the central bank, QE can more specifically be defined as an increase in the Monetary Base (bank reserves plus currency in circulation) implemented to reduce the cost of credit. This is because the Monetary Base is the monetary aggregate that the central bank (the Fed in the US) directly controls in its efforts to manipulate the economy.

With the above definition in mind we can easily show that there has been no QE in the US since the completion of "QE2" last June. We simply need to point out that since the end of June-2011 there has been a slight DECLINE in the US Monetary Base -- from $2.64T to $2.63T. Not coincidentally, minimal change in the US Monetary Base since last June has been accompanied by minimal change in the total quantity of Reserve Bank Credit.

There have been some shifts between items on the Fed's balance sheet over the period in question. For example, the amount of US Treasury securities held by the Fed increased by $57B and the amount of Mortgage-backed securities held by the Fed decreased by $75B. But the total size of the Fed's balance sheet is almost exactly the same now as it was at the completion of QE2.

Consequently, anyone who claims that the Fed has been engaged in QE over the past 9 months either doesn't understand QE or is more concerned with promoting an agenda than being accurate.

There has been a sizable increase in the US money supply over the past 9 months, but this increase is due to the combination of US dollars fleeing Europe's beleaguered banking system and an expansion of US

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the system but it is within his power to rise up when he comes to his wits end. The top 1% and the leaders of this world have both the income, the assets as well as control of the banking, legislative, judicial and policing apparatus to avoid such an outcome with a just and peaceful solution. In fact it is their moral and financial imperative to do so unless a complete meltdown and war are part of their master plan.

In addition, the world is going to have to pay-off the arms manufacturers to close most of their facilities or else give them a monopoly over some other peaceful and profitable activity, because these guys will not accept redundancy lying down. Let us not forget that had the slave owners of the south been compensated for releasing their slaves rather than starting a civil war, the final cost would have been much much smaller in both human and financial terms. But as one blogger recently said, "men are attracted to war just like moths are attracted to electric light globes."

Failing that, the masters of the system are going to have to figure out how to eliminate all of us baby boomers as we turn 65 so that unfunded liabilities and pensions can also be eliminated so as to allow the younger generation to have the chances that we had at their age and to avoid the world imploding in on itself. I call this the Final Solution - Part II.

Until the participants of this world decide whether to be proactive solution solvers on the one hand or cannibals and combatants on the other, the relative safety of gold and silver is perhaps the best material protection in an imperfect and material world.

What more can I say?

Article By:
Peter Souleles
Sydney Australia
April 26, 2012

Is Gold Still Cheap?

Steve Saville

We addressed the above question last year and arrived at the answer: no, gold left bargain territory long ago. We remain bullish on gold not because we think gold is still cheap, but because we expect it to get a lot more expensive.

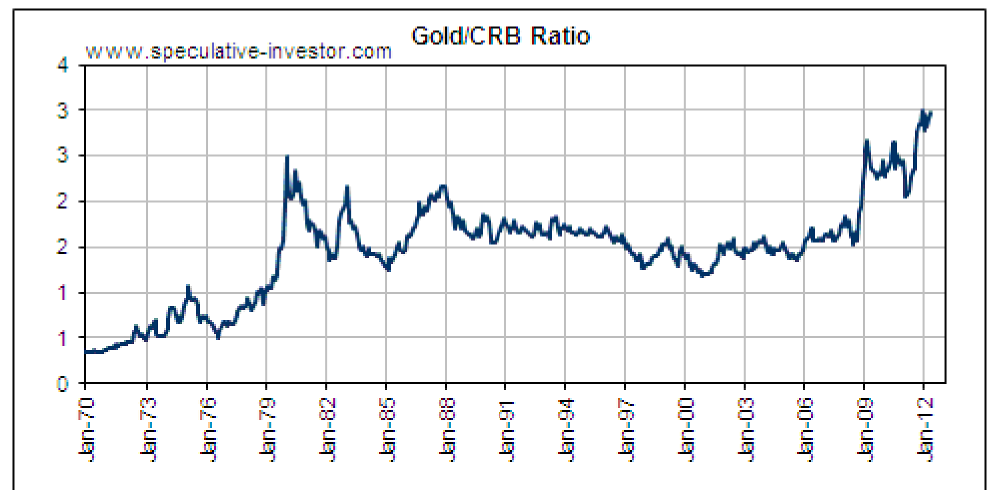
This isn't a "greater fool" game that we are playing, in that our belief that gold will become a lot more expensive over the years ahead isn't based on the expectation that people will be silly enough to pay a much higher valuation in the future for an asset that is already over-valued today. It is, instead, a position based on the observation that the world's most important central banks and governments remain committed to a course that ends in catastrophe for their economies and currencies.

To put it another way, gold may well be expensive relative to the current economic backdrop, but it is cheap relative to what the economic backdrop will be 5 years from now if the current policy course is maintained. And at this stage there are no signs that the current policy course will not be maintained.

Evidence that gold is no longer in the bargain basement is provided by the following long-term monthly chart of the gold/commodity ratio. Relative to commodities in general, gold hit a 50-year high late last year.

In fact, last December's peak in the gold/commodity ratio could have been an all-time high. This tells us that the gold market has fully discounted the bad policies of the past several years.

As an aside, it also tells us that the fabled gold market manipulators are doing a lousy job and should be fired (gold's excellent performance over any reasonable investment timeframe is no doubt why promoters of gold-suppression theories tend to focus on timeframes that could only be of interest to daytraders).



Evidence that the gold market hasn't yet discounted the effects of continuing along the current policy path is the general lack of understanding of the damage that these policies cause. Almost everyone in power or in a position to influence those in power believes that the economy can be helped by the artificial lowering of interest rates, the creation of money out of nothing, and increased government spending. And almost everyone believes that the government is responsible for creating jobs and managing the international trade balance.

This means that almost everyone is oblivious to the fact that whenever the government intervenes in the economy it causes distortions that impede real economic progress. As long as such beliefs are dominant, economic weakness will lead to counterproductive policy responses, which will lead to additional economic weakness, and so on.

The gold bull market is being driven by the vicious cycle whereby bad policy begets economic weakness, which provides the excuse for more bad policy. It won't end until there is an economic and monetary catastrophe or there is widespread understanding of the root of the problem, because one or the other will have to happen before a major constructive political change will be possible.

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food, clothing, and gasoline will make the 2008 recession look like nothing more than a bump in the road. This will be a crater. The government will be unable to finance its debts. The house of cards, built on the assumption that the world would rely on US dollars forever, will come tumbling down.

It is a scary proposition, but don't bury your head in the sand because countries around the world are already starting to ditch the dollar.

Russia and China are leading the charge. More than a year ago, the two nations made good on talks to move away from the dollar and have been using rubles and renminbi to trade with each other since. A few months ago the second-largest economy on earth - China - and the third-largest economy on the planet - Japan - followed suit, striking a deal to promote the use of their own currencies when trading with each other. The deal will allow firms to convert Chinese and Japanese currencies into each other directly, instead of using US dollars as the intermediary as has been the requirement for years. China is now discussing a similar plan with South Korea.

Similarly, a new agreement among the BRICS nations (Brazil, Russia, India, China, and South Africa) promotes the use of their national currencies when trading, instead of using the US dollar. China is also pursuing bilateral trades with Malaysia using the renminbi and ringgit. And Russia and Iran have agreed to use rubles as a means of currency in their trades.

Then there's the entire continent of Africa. In 2009 China became Africa's largest trading partner, eclipsing the United States, and now China is working to expand the use of Chinese currency in Africa instead of US dollars. Standard Bank, Africa's largest financial institution, predicts that $100 billion worth of trade between China and Africa will be settled in renminbi by 2015. That's more than the total bilateral trade between China and Africa in 2010.

The idea of moving away from the dollar is also finding support from major international agencies. The United Nations Conference on Trade and Development has stated that "the current system of currencies and capital rules that binds the world economy is not working properly and was largely responsible for the financial and economic crises." The statement continued, saying "the dollar should be replaced with a global currency."

The International Monetary Fund agrees, recently arguing that the dollar should cede its role as global reserve currency to an international currency, which is in effect a basket of national currencies.

There is also a host of countries that have started using their own currencies to complete oil trades, a move that strikes right at the heart of US-dollar dominance. China and the United Arab Emirates have agreed to ditch the dollar and use their own currencies in oil transactions. The Chinese National Bank says this agreement is worth roughly $5.5 billion annually. India is buying oil from Iran with gold and rupees. China and Iran are working on a barter system to exchange Iranian oil for Chinese imported products.

Speaking of Bartering for Oil… How about Those Iranian Sanctions?

The United States and the European Union based their Iran sanctions on the financial system behind Iran's oil trade. The country uses its central bank to run its oil business - the bank settles trades through the Belgium company Swift (Society for Worldwide Interbank Financial Telecommunication) and the trades are always in US dollars.

Once they take full effect in July, US and EU sanctions against Iran will make transactions with the Iranian central bank illegal. When that occurs, this official avenue of trade will shut down. In fact, Iran was shut out of Swift a few weeks ago, so that road is already blockaded.

But the arrogance in the sanctions is the assumption that Iran can only use this one, dollar-based avenue. In reality, the Islamic Republic is considerably more agile than that; removing its ability to trade in the official manner is only encouraging the country to find imaginative new methods to sell its oil.

Since the sanctions were announced, Tehran's official oil sales have certainly declined. Iran actually preemptively halted oil shipments to Germany, Spain, Greece, Britain, and France, which together had bought some 18% of Iran's oil. But covert sales have curbed or perhaps even reversed the reduction in shipments. It is impossible to know the details, as buyers and sellers involved in skirting the sanctions are being very discreet, but the transactions are undoubtedly happening.

As mentioned above, Iran is selling oil to India for gold and rupees. China and Iran are working on a barter system to exchange Iranian oil for Chinese imported products. China and South Korea are also quietly buying Iranian oil with their own currencies.

The evidence? Millions of barrels of Iranian oil that were in storage in Iranian tankers a few weeks ago now seem to have disappeared. Officially, no one knows where the oil went. Was it rerouted? Has production been shut in? Is the oil being stored elsewhere?

Oil is fungible, which means one barrel of crude is interchangeable with another. Once it leaves its home country, it can be nearly impossible to know where a barrel of oil originated, if its handlers so desire. And it's not just barrels that are hard to track - even though oil is carried on ships so large they are dubbed "supertankers" it is surprisingly difficult to keep tabs on every tanker full of Iranian oil.

And the Iranians are using every trick in the book to move their oil undetected.

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Time To Confront Central Bank Liars

Jeff Nielson

I've had enough. Day after day of 100% manure from these propagandists. It's time to shout out that "the Emperors are wearing no clothes."

For three years we have had to listen to B.S. Bernanke (yes, his initials really are "B.S.") drone on and on about the mythical "U.S. economic recovery." I recently pointed out with an abundance of long-term charts and elementary reasoning that it wasn't even theoretically possible for the crippled U.S. economy to be growing.

However, don't take my word for it. Instead, let's look at the *actions* of B.S. Bernanke. Until Japan's failed experiment with taking interest rates to zero - and leaving them there - no nation in modern history had ever engaged in such recklessly insane monetary policy.

There is a very good reason why this had never happened before in economic history. Zero percent interest rates (as I have noted previously) are nothing less than the economic equivalent of a defibrillator. It is a last-ditch, desperation measure designed to attempt to shock some life back into a dying body.

Ultra-low interest rates (interest rates much lower than inflation) were never intended as a **permanent prescription** for any economy. They rape "savers". And with rapidly greying populations, we are becoming *societies of savers*. Leaving interest rates at near-zero is simply serial rape.

What happens when you rape savers again and again and again? They stop saving. They begin spending their paper as fast as they get it - the inevitable consequence of near-zero interest rates.

The math is simple. When you have "negative interest rates" (savings rates much lower than inflation), **every day that people hang onto their money it loses value**. So people spend that money today, rather than waiting until tomorrow to spend it - when it will be worth less (worthless?). And when all the consumers

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In the last week it became apparent that Tehran has ordered the captains of its oil tankers to switch off the black-box transponders used in the shipping industry to monitor vessel movements and oil transactions.

As such, most of Iran's 39-strong fleet of tankers is "off radar." According to Reuters, only seven of Iran's Very Large Crude Carriers (VLCCs) are still operating their onboard transponders, while only two of the country's nine smaller Suezmax tankers are trackable.

Under international law ships are required to have a satellite tracking device on board when travelling at sea, but a ship's master has the discretion to turn the device off on safety grounds, if he has permission from the ship's home state. Some tankers turned off their trackers to avoid detection last year during the Libyan civil war in order to trade with the Gaddafi government.

And Iran is about to gain even greater flexibility in disguising the locations of oil sales, as the National Iranian Tanker Company (NITC) is about to take delivery of the first of 12 new supertankers on order from China. The new tankers will add much-needed capacity to NITC's fleet at a time when the number of maritime firms willing to transport Iranian crude has dwindled significantly, forcing Iran's remaining buyers to rely on NITC tankers.

Thankfully for NITC, the 12 new VLCCs - each capable of transporting two million barrels of crude - will significantly expand the company's current fleet of 39 ships.

Sanctions or no sanctions, Iran is moving its oil. But even having your own, off-radar ships to transport oil bought in renminbi or rupees or won doesn't mean all these tricks and maneuvers don't have a cost.

Freight costs for each voyage add up to nearly $5 million, a sizeable hit for Tehran. Iran is often also shelling out millions of dollars in insurance for each oil shipment, because the majority of international shipments are insured through a European insurance consortium that is backing away from Iranian vessels because the EU sanctions will make such transactions illegal.

And since business is business, buyers are also demanding much better credit terms from the National Iranian Oil Company (NIOC) than normal. Traders are reporting agreements giving the buyer as much as six months to pay for each two-million-barrel cargo, a grace period that would cost Tehran as much as $10 million per shipment.

For Tehran to cover freight costs, insurance, and the cost of generous credit terms wipes out as much as 10 percent of the value of each supertanker load. Beyond that, customers are also negotiating better prices. For example, the flow of Iranian oil to China did slow in the first quarter of the year, but not because China endorsed the sanctions. Rather, Chinese refiner Sinopec reduced purchases to negotiate better prices with the National Iranian Oil Company. The country's imports from Iran are expected to climb back to the 560,000 barrel-per-day level in April.

That trade, along with non-dollar-denominated deals with India, Turkey, Syria, and a long list of other friendly nations, will keep Iran's finances afloat for a long time. The sanctions may be preventing Tehran from banking full value for each tanker of oil, but there is still a lot of Iranian oil money flowing.

The mainstream media is avoiding all discussion of the demise of the US dollar as the world's reserve currency. Even fewer people are talking about how sanctions based on Iran's supposed need to use the US dollar to sell its oil leave loopholes wide enough for VLCCs to sail right through.

Without acknowledging the elephant in the room, articles about Iranian tankers turning off their transponders or India using gold to buy Iranian oil invariably sound like plot developments in a spy thriller. Much more useful would be to convey the real message: The world doesn't need to revolve around US dollars anymore and the longer the US tries to pretend that the dollar is still and will remain dominant, the more often its international actions will backfire.

Article By:
Marin Katusa
Casey Energy Report

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start spending all their money as fast as they get it (and then *borrow more* at those near-zero interest rates), asset bubbles start cropping up all over the economy - starting with the real estate market.

This is what **must happen** with any/every economy with near-zero interest rates…with one exception. When does the human body no longer respond to a defibrillator? When it is already dead. When does an economy not "respond" to near-zero interest rates (i.e. explode into asset-bubbles)? When an economy is already dead.
All that Japan has accomplished with nearly two decades of near-zero interest rates is to prove beyond a shadow of a doubt (in hindsight) that its economy has been dead for all these years. Similarly, all that B.S. Bernanke has proven with his 3+ years of near-zero interest rates is that the U.S. economy is already dead .

We don't need two decades of near-zero interest rates to prove the U.S. is an economic corpse. Defibrillating an economy with near-zero interest rates for 3+ years (and getting no response) is proof of death just like defibrillating a body incessantly for three years would prove it's a corpse.

For the deluded apologists who claim there hasn't been enough time for the U.S. to pump-up all of its asset bubbles yet again, there is an inevitable precursor for interest-rate induced asset bubbles: ultra-high inflation. If the U.S. economy was not already deceased then 3+ years of 0% interest rates would have already led to out-of-control inflation.

Yet we have B.S. Bernanke insisting that U.S. inflation is extremely low - despite the $trillions of new paper he has been relentlessly injecting into it for nearly 4 years. Even John Williams of Shadowstats.com who engages in honest calculations of U.S. inflation insists that U.S. inflation is still only "high" (just over 10%), but nowhere near the "hyperinflationary depression" he originally predicted for the U.S. going as far back as 2003.

Then there is the U.S. Treasuries market. What do the "highest prices in history" for U.S. bonds indicate from an economic fundamentals standpoint? That the U.S. economy is in the midst of its worst depression. There is absolutely no possible way to rationalize the highest prices in history for U.S. bonds and a "growing economy" - especially with the U.S. dumping the greatest supply of Treasuries in history onto the market. Maximum supply and a growing economy directly imply **low Treasuries prices**, not the highest prices in history.

However, it would be unfair to single out B.S. Bernanke for all of this criticism. There is also plenty to criticize about Canada's central bank stooge: Mark Carney - yet another Goldman Sachs alumnus. Yesterday the Bank of Canada again left Canada's interest rate frozen at its own near-zero level.

What was this liar saying today? He was gushing about the "strengthening" global economy, and thus the Bank of Canada elevated its projections for global economic growth for 2012. Where was the interest rate increase, Mark?

Any Canadians with functioning memories knows that Mark Carney has been **lecturing Canadians incessantly for the past two years** about their "over-spending". As noted above, Mark Carney's interest rates are 100% responsible for that behavior - as (like most people) Canadians demonstrate an aversion to rape.

Meanwhile, real estate bubbles across most large Canadian cities swell ever larger, and teeter ever more ominously. Mark Carney's near-zero interest rates are 100% responsible for that as well.

In short, if Mark Carney believed one word of his own B.S. about a strengthening global economy then he would have raised interest rates yesterday, and indicated that many more increases were on the way. That would halt the "over-spending" of Canadians, rather than causing it. It would halt the growth of real estate bubbles across Canada, rather than causing them.

Just as with B.S. Bernanke, we see Carney's actions always and absolutely contradicting his own words. When people say one thing but do another we call them hypocrites. When people *intentionally* say one thing but do the *opposite* then they are simply liars.

Article By:
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April 18, 2012

QE: Past, Present And Future

Continued from page 3

commercial bank credit.

In the US, QE hasn't happened in the recent past and is not happening now. However, it almost certainly will happen in the future.

The unfortunate reality is that the most influential people at the Fed believe that increasing the supply of money can help during periods of economic weakness, despite logic and a mountain of historical evidence to the contrary.

With a lot of economic weakness lying ahead it is therefore a very good bet that a lot of QE also lies ahead, at least up to the point where "inflation" is widely perceived to be "public enemy no. 1". The only real question concerns timing.

The next round of QE isn't likely to begin until after it becomes obvious to mainstream pundits that US equities have commenced a cyclical bear market and/or that the US economy is headed into recession.

This is the sort of cover that the Fed will need, especially with QE2 having clearly failed to do what the publicity machine said it would do.

The November Presidential election could also play a part in the timing of the next round of QE.

Bernanke will be reticent to inject himself into the political fray, but that's exactly where he will end up if he appears to be propping up the markets in the lead up to the election without the cover (excuse) described above.

In particular, Republican policymakers will be all over Bernanke if he implements pre-election stimulus programs without an 'excuse' in the form of an impending economic emergency.

Above is an excerpt from a commentary originally posted at www.speculative-investor.com on 12th April 2012.

Article by:
Steve Saville
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April 12, 2012

Is Gold Still Cheap?

Continued from page 4

Hopefully the latter will happen first, because living through the former wouldn't be fun even for those who had taken all the right protective measures.

How would we be able to tell that widespread understanding of the root of the problem was developing, and, therefore, that the gold bull market was in its final phase?

There would be many indicators. Of greatest importance, the Fed would be demonstrating the resolve to severely restrict growth in the money supply regardless of the short-term consequences for equity prices and GDP growth.

Also, politicians that were genuine advocates of small government (along Ron Paul lines) would be taken seriously by the mainstream media and would be frontrunners in elections, whereas advocates of Keynesian economic policies (along Paul Krugman lines) would not be taken seriously.

Above is an excerpt from a commentary originally posted at www.speculative-investor.com on 22nd April 2012.

Article By:
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April 22, 2012

The Outstanding Public Debt

National Debt:
15,639,721,972,736.18
The estimated population of the United States is **312,681,319**
US citizen's share of this debt is
$50,018.09
The National Debt has continued to increase an average of
$3.96 billion per day
Business, Government, Financial and Unfunded Liabilities Debt exceeds
$100 Trillion

First Deflation Then Inflation, Phase One & Two

Continued from page 2

cost of levering all the public governments and ultimately will cause interest rates to rise drastically. Ultimately. But the US has some time yet….

Phase Two

Phase one is debt deflation and money destruction. Gold is representing this situation perfectly, merely reflecting the inflated price of gold since (I am picking a date here) of about a 3 to one price hike in all goods and services (or make it 4 now) since 1980 when gold peaked at say $870 then dropped after Volcker raised US interest rates briefly to roughly 20 pct. which slammed US inflation which started in earnest after the oil shock…We have already discussed what phase one of a debt crisis does above. Let's discuss Phase Two…I know these paragraphs are a bit dense but I like to write short concise stuff at times.

In Phase Two, after the central banks have realized that they have attempted to monetize the entire book value of the world markets (Probably Greenspan's Gambit which is not well understood, where he stated he wanted to fight the next Great Depression, and probably thought he could simply monetize the markets in total and do a restart without an economic collapse) they will then have to start simply massively increasing public assistance and or direct aid to the rebelling and suffering populations.

At this point, inflation starts up again and interest rates start rising, rapidly. In this scenario the UST rate could jump from say 2 pct. on the US ten year, to 5 in a matter of months or one year. Gold at that point will double.

Inflation will start to appear in all things, particularly oil and food. A sort of downward spiral which is self reinforcing will further contract the economy, the attempts to maintain all debts of all kinds will fall by the wayside, and people will focus on shelter and such only. The same will go for the public sector debts.

How close we are to phase two, and gold spiking to first say a jump from $2000 to $4000 is hard to say. But gold is headed there. In the meantime, the world is caught in an economic debt deflationary cycle, and until phase two is reached will meander between $1500 and $2000 for 2012, with the exception that a Mid-East war would probably spike oil, and possibly gold over $2000. But gold has a few problems there because oil price hikes cause economic contraction so that is a bit complicated.

Anyway, we forecast gold to range from $1500 to $2000 for 2012 back in Winter 2011, and have been right. We also caught the last gold price collapse from near $1800 this year by two days warning subscribers. We also predicted the USD rally last year April 25, 2011 by about one or two weeks' notice, and no one I know of did that.

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