Certified Gold Exchange, Inc.

Views and Analysis on the Economy and Precious Metals

ORE-VISION

A QUARTERLY NEWSLETTER

2nd QTR 2010

VOLUME 26, NO.2

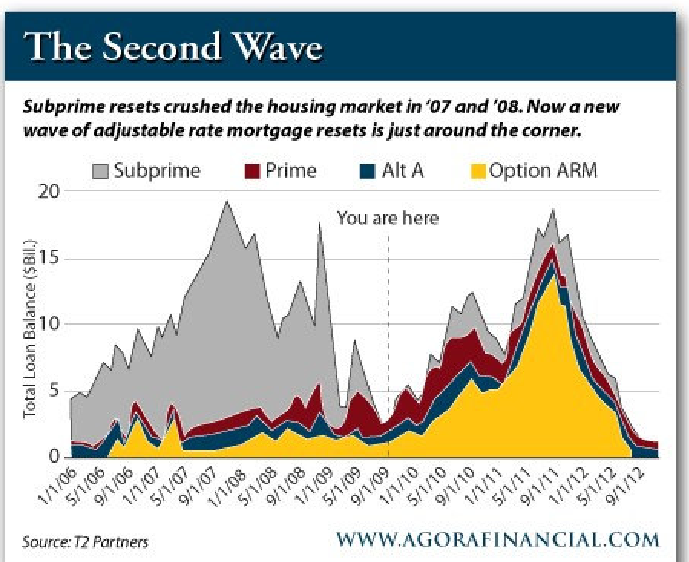
Economic Black Hole: 20 Reasons Why The U.S. Economy Is Dying And Is Simply Not Going To Recover

Even though the U.S. financial system nearly experienced a total meltdown in late 2008, the truth is that most Americans simply have no idea what is happening to the U.S. economy. Most people seem to think that the nasty little recession that we have just been through is almost over and that we will be experiencing another time of economic growth and prosperity very shortly. But this time around that is **not** the case. The reality is that we are being sucked into an economic black hole from which the U.S. economy will never fully recover.

The problem is debt. Collectively, the U.S. government, the state governments, corporate America and American consumers have accumulated the biggest mountain of debt in the history of the world. Our massive debt binge has financed our tremendous growth and prosperity over the last couple of decades, but now the day of reckoning is here. And it is going to be painful.

The following are 20 reasons why the U.S. economy is dying and is simply not going to recover….

#1) Do you remember that massive wave of subprime mortgages that defaulted in 2007 and 2008 and caused the biggest financial crisis since the Great Depression? Well, the "second wave" of mortgage defaults is on the way and there is simply no way that we are going to be able to avoid it. A huge mountain of mortgages is going to reset starting in 2010, and once those mortgage payments go up there are once again going to be millons of people who simply cannot pay their mortgages. The chart below reveals just how bad the second wave of adjustable rate mortgages is likely to be over the next several years….



Continued on page 5

Gold and Economic Freedom

Alan Greenspan [written in 1966]

An almost hysterical antagonism toward the gold standard is one issue, which unites statists of all persuasions. They seem to sense - perhaps more clearly and subtly than many consistent defenders of laissez-faire - that gold and economic freedom are inseparable, that the gold standard is an instrument of laissez-faire and that each implies and requires the other.

In order to understand the source of their antagonism, it is necessary first to understand the specific role of gold in a free society.

Money is the common denominator of all economic transactions. It is that commodity which serves as a medium of exchange, is universally acceptable to all

Continued on page 2

Also Inside This Issue:

Are US Taxpayers Bailing Out Greece?

Ron Paul

Last week we were reminded that ours is not the only country suffering from severe economic turmoil. The Greek government is the latest to come close to default on their massive public debt.

Greece has insufficient funds in their treasury to make even the minimum payments that are now coming due. Their debt level is about 120 percent of their gross domestic product and their public sector absorbs what amounts to 40 percent of GDP. Any talk of cutting costs and spending is met with violent protests from the many Greeks heavily dependent on government payments. Mounting fears of default have sent shockwaves through their creditors and all of the eurozone countries.

But there have been statements made by the European Central Bank to calm fears and give assurances that Greece will get the aid it needs. Details of agreements are not forthcoming.

Is it possible that our Federal Reserve has had some hand in bailing out Greece? The fact is, we don't know, and current laws exempt agreements between the Fed and foreign central banks from disclosure or audit.

Greece is only the latest in a series of countries that have faced this type of crisis in recent memory. Not too long ago the same types of fears were mounting about Dubai, and before that, Iceland. Several other countries (Spain, Portugal, Ireland, Latvia) are approaching crisis levels with public debt as well. Many have strong ties to Goldman Sachs and the case could easily be made that default could have serious implications for big US banking cartels. Considering the ties between the Fed and these big banks, it is not outlandish to wonder if the US taxpayer is secretly bailing out the entire world, country by country, even as our real unemployment tops 20 percent.

Continued on page 4

Gold and Economic Freedom

Continued from page 1

participants in an exchange economy as payment for their goods or services, and can, therefore, be used as a standard of market value and as a store of value, i.e., as a means of saving.

The existence of such a commodity is a precondition of a division of labor economy. If men did not have some commodity of objective value, which was generally acceptable as money, they would have to resort to primitive barter or be forced to live on self-sufficient farms and forgo the inestimable advantages of specialization. If men had no means to store value, i.e., to save, neither long-range planning nor exchange would be possible.

What medium of exchange will be acceptable to all participants in an economy is not determined arbitrarily. First, the medium of exchange should be durable. In a primitive society of meager wealth, wheat might be sufficiently durable to serve as a medium, since all exchanges would occur only during and immediately after the harvest, leaving no value-surplus to store. But where store-of-value considerations are important, as they are in richer, more civilized societies, the medium of exchange must be a durable commodity, usually a metal. A metal is generally chosen because it is homogeneous and divisible: every unit is the same as every other and it can be blended or formed in any quantity. Precious jewels, for example, are neither homogeneous nor divisible. More important, the commodity chosen as a medium must be a luxury. Human desires for luxuries are unlimited and, therefore, luxury goods are always in demand and will always be acceptable. Wheat is a luxury in underfed civilizations, but not in a prosperous society. Cigarettes ordinarily would not serve as money, but they did in post-World War II Europe where they were considered a luxury. The term "luxury good" implies scarcity and high unit value. Having a high unit value, such a good is easily portable; for instance, an ounce of gold is worth a half-ton of pig iron.

In the early stages of a developing money economy, several media of exchange might be used, since a wide variety of commodities would fulfill the foregoing conditions. However, one of the commodities will gradually displace all others, by being more widely acceptable. Preferences on what to hold as a store of value, will shift to the most widely acceptable commodity, which, in turn, will make it still more acceptable. The shift is progressive until that commodity becomes the sole medium of exchange. The use of a single medium is highly advantageous for the same reasons that a money economy is superior to a barter economy: it makes exchanges possible on an incalculably wider scale.

Whether the single medium is gold, silver, seashells, cattle, or tobacco is optional, depending on the context and development of a given economy. In fact, all have been employed, at various times, as media of exchange. Even in the present century, two major commodities, gold and silver, have been used as international media of exchange, with gold becoming the predominant one. Gold, having both artistic and functional uses and being relatively scarce, has significant advantages over all other media of exchange. Since the beginning of World War I, it has been virtually the sole international standard of exchange. If all goods and services were to be paid for in gold, large payments would be difficult to execute and this would tend to limit the extent of a society's divisions of labor and specialization. Thus a logical extension of the creation of a medium of exchange is the development of a banking system and credit instruments (bank notes and deposits) which act as a substitute for, but are convertible into, gold.

A free banking system based on gold is able to extend credit and thus to create bank notes (currency) and deposits, according to the production requirements of the economy. Individual owners of gold are induced, by payments of interest, to deposit their gold in a bank (against which they can draw checks). But since it is rarely the case that all depositors want to withdraw all their gold at the same time, the banker need keep only a fraction of his total deposits in gold as reserves. This enables the banker to loan out more than the amount of his gold deposits (which means that he holds claims to gold rather than gold as security of his deposits). But the amount of loans, which he can afford to make, is not arbitrary: he has to gauge it in relation to his reserves and to the status of his investments.

When banks loan money to finance productive and profitable endeavors, the loans are paid off rapidly and bank credit continues to be generally available. But when the business ventures financed by bank credit are less profitable and slow to pay off, bankers soon find that their loans outstanding are excessive relative to their gold reserves, and they begin to curtail new lending, usually by charging higher interest rates. This tends to restrict the financing of new ventures and requires the existing borrowers to improve their profitability before they can obtain credit for further expansion. Thus, under the gold standard, a free banking system stands as the protector

Continued on page 4

Lehman Brothers: accounting to us all

David Davis

Lehman's case shows how auditors accepted banks' machinations, instead of acting for the public good

Last month, two weeks before he died, Sir Brian Pitman, a chief executive and then chairman of Lloyds for 18 years and one of the wisest commentators on today's banking crisis, appeared before the Future of Banking Commission. He said "One of the great differences between banking, financial services generally, and other activities, is that you can increase the profits of the outfit simply by changing the risk profile … And [you] will wind up short term with very big profits, and if you gear up the remuneration system appropriately, become rich quite quickly."

What he described was exactly what Lehman Brothers was up to in 2008, before its collapse. Not only did Lehman gear up its leverage with just $25bn of capital to support $700bn of assets and liabilities, but it also failed to disclose $50bn of off-balance sheet assets by using an accounting gimmick internally nicknamed Repo 105.

According to last week's US bankruptcy proceedings report, "Lehman's auditors, Ernst & Young, were aware of but did not question Lehman's use and nondisclosure of the Repo 105 accounting transactions". This despite a whistleblower bringing it to their attention. They claim they did nothing wrong.

The accountants were correct, in a narrowly defined sense. The Repo 105 scam and its near relative, Repo 108, were technically legal but certainly morally repugnant. Bank balance sheets are supposed to inform, not deceive, and accountants are supposed to ensure that they do so accurately and precisely.

Lehman's bankruptcy was, of course, the trigger for the global financial collapse – but more important, the practice of deliberate deceit and opacity exemplified by it was one of the systemic causes of the crunch. At the end of the boom, some parts of the financial services industry looked like the insatiable in pursuit of the incomprehensible.

The Lehman accounting gimmick is of course just an extreme version of a whole suite of techniques designed to maximise leverage without degrading the credit rating of the bank or company using it. Too often, however, a method supposedly designed to reduce risk merely concealed risk, and very often the effect was to increase system risks to phenomenal levels.

It was in large part the willingness of the accountancy profession to accept the opacity of banks' accounts, and the instruments they invested in, that blinded the regulators to the risks, and that deceived the investors into believing that high returns could be had.

There is nothing new in the idea that markets suffer from herd instincts, and that the sum of individual benefit can lead to collective harm. That is why we have rule systems and laws. The real keepers of these rule systems are the central banks, the competition authorities, the regulators, the credit rating agencies, and the accountants. If one part of this system fails, it all fails.

That's why the accounting problem with banks is fundamental. When accountants signed off a set of accounts, they used to attest that it represented a "true and fair view" of the company's activities. Today the accounting firms avoid such useful assessments.

Instead, they simply state that it meets one of the two international accounting standards. That is not good enough. When they sift through the records of a bank, they are acting as the agents of the wider public. It is time they recognized this.

It may be that we need to impose a direct responsibility to the regulator on the auditors. Maybe we need to ensure that bank audit committees are entirely independent of the bank's executives. Whatever, there is no doubt that we need this profession to shine far more light on the darker recesses of the financial services industry if we are not to face a repeat of our problems.

Article by:
David Davis
March 17, 2010
Guadian.co.uk

Papandreou Seeks EU Aid Deadline, Challenging Merkel

James G. Neuger and Jonathan Stearns

Greek Prime Minister George Papandreou set a one-week deadline for the European Union to craft a financial aid mechanism for Greece, challenging Germany to give up its doubts about a rescue package.

Papandreou said he may turn to the International Monetary Fund to overcome Greece's debt crisis unless leaders agree to set up a lending facility at a summit March 25-26. The IMF option has already been dismissed by European Central Bank President Jean-Claude Trichet and French President Nicolas Sarkozy, who say it would show the EU can't solve its own crises.

"It's an opportunity to make a decision next week at the summit,'' Papandreou told reporters in Brussels today. "This is an opportunity we should not miss. When you have that instrument in place, that could be enough to tell the markets hands off, no speculation, let this country do what it's doing."

Greece pinned its hopes on the Brussels summit as German officials voiced qualms about an EU-led rescue, potentially backtracking on a commitment hammered out by finance ministers just three days ago. Greek bonds and the euro fell.

'Game of Chicken'

Greece, which was brought to a standstill on March 11 by the second general strike this year to protest government austerity measures, needs to raise about 10 billion euros ($14 billion) to refinance bonds that come due on April 20 and May 19.

Papandreou said Greece cannot afford to keep paying current market rates.
"Don't underestimate the game of chicken that's being played right now between Greece, the EU and the IMF," Mohamed El-Erian, co-chief investment officer at Pacific Investment Management Co., told Bloomberg Radio. "I suspect at the end of the day, the IMF will come in, but it's going to be a bumpy process."

Continued on page 6

Are US Taxpayers Bailing Out Greece?

Continued from page 2

Unless laws are changed to allow a complete and meaningful audit of the Federal Reserve, including its agreements with foreign central banks, we might never know if this is occurring or not.

This global financial crisis is a predictable result of secretive central banking and unsound fiat currency. Governments are entirely committed to this system of fiat money and fractional reserve banking for obvious reasons: it enables them to do what they love most, namely, spend hoards of money with near impunity. Without the limitations of sound money, governments will spend without limit.

They will spend money to hire their cronies, pay off special interests, give out favors, create dependence and generally distract from the terrible job they do at their chief mandate, which is to protect the liberties of the people. Fiat money is a blank check to government, which is very dangerous, and we are witnessing the death throes of the system as the bills come due and the underlying capital is squandered away.

Because of our globe-straddling empire and lingering reserve currency status, perhaps no one has a more vested interest in keeping this system cobbled together than our own government and the Federal Reserve. The agreements that Iceland and Dubai and Greece have negotiated can amount to little more than kicking the can down the road, as their overall spending habits remain largely intact, fiat currencies are still legal tender and more debt is issued on top of unsustainable debt. The American people have the right to know if they are going to be the ones holding the bag in the end because the Federal Reserve secretly put them on the hook for it. This knowledge would be a key factor in peacefully dismantling this immoral and unconstitutional system.

Article by:
Ron Paul
February 22, 2010

Gold and Economic Freedom

Continued from page 2

of an economy's stability and balanced growth. When gold is accepted as the medium of exchange by most or all nations, an unhampered free international gold standard serves to foster a world-wide division of labor and the broadest international trade. Even though the units of exchange (the dollar, the pound, the franc, etc.) differ from country to country, when all are defined in terms of gold the economies of the different countries act as one-so long as there are no restraints on trade or on the movement of capital. Credit, interest rates, and prices tend to follow similar patterns in all countries. For example, if banks in one country extend credit too liberally, interest rates in that country will tend to fall, inducing depositors to shift their gold to higher-interest paying banks in other countries. This will immediately cause a shortage of bank reserves in the "easy money" country, inducing tighter credit standards and a return to competitively higher interest rates again.

A fully free banking system and fully consistent gold standard have not as yet been achieved. But prior to World War I, the banking system in the United States (and in most of the world) was based on gold and even though governments intervened occasionally, banking was more free than controlled. Periodically, as a result of overly rapid credit expansion, banks became loaned up to the limit of their gold reserves, interest rates rose sharply, new credit was cut off, and the economy went into a sharp, but short-lived recession. (Compared with the depressions of 1920 and 1932, the pre-World War I business declines were mild indeed.) It was limited gold reserves that stopped the unbalanced expansions of business activity, before they could develop into the post-World Was I type of disaster. The readjustment periods were short and the economies quickly reestablished a sound basis to resume expansion.

But the process of cure was misdiagnosed as the disease: if shortage of bank reserves was causing a business decline-argued economic interventionists-why not find a way of supplying increased reserves to the banks so they never need be short! If banks can continue to loan money indefinitely-it was claimed-there need never be any slumps in business. And so the Federal Reserve System was organized in 1913. It consisted of twelve regional Federal Reserve banks nominally owned by private bankers, but in fact government sponsored, controlled, and supported. Credit extended by these banks is in practice (though not legally) backed by the taxing power of the federal government. Technically, we remained on the gold standard; individuals were still free to own gold, and gold continued to be used as bank reserves. But now, in addition to gold, credit extended by the Federal Reserve banks ("paper reserves") could serve as legal tender to pay depositors.

When business in the United States underwent a mild contraction in 1927, the Federal Reserve created more paper reserves in the hope of forestalling any possible bank reserve shortage. More disastrous, however, was the Federal Reserve's attempt to assist Great Britain who had been losing gold to us because the Bank of England refused to allow interest rates to rise when market forces dictated (it was politically unpalatable). The reasoning of the authorities involved was as follows: if the Federal Reserve pumped excessive paper reserves into American banks, interest rates in the United States would fall to a level comparable with those in Great Britain; this would act to stop Britain's gold loss and avoid the political embarrassment of having to raise interest rates.

The "Fed" succeeded; it stopped the gold loss, but it nearly destroyed the economies of the world, in the process. The excess credit which the Fed pumped into the economy spilled over into the stock market-triggering a fantastic speculative boom. Belatedly, Federal Reserve officials attempted to sop up the excess reserves and finally succeeded in braking the boom. But it was too late: by 1929 the speculative imbalances had become so overwhelming that the attempt precipitated a sharp retrenching and a consequent demoralizing of business confidence. As a result, the American economy collapsed. Great Britain fared even worse, and rather than absorb the full consequences of her previous folly, she abandoned the gold standard completely in 1931, tearing asunder what remained of the fabric of confidence and inducing a world-wide series of bank failures. The world economies plunged into the Great Depression of the 1930's.

With a logic reminiscent of a generation earlier, statists argued that the gold standard was largely to blame for the credit debacle which led to the Great Depression. If the gold standard had not existed, they argued, Britain's abandonment of gold payments in 1931 would not have caused the failure of banks all over the world. (The irony was that since 1913, we had been, not on a gold standard, but on what may be termed "a mixed gold standard"; yet it is gold that took the blame.) But the opposition to the gold standard in any form-from a growing number of welfare-state advocates-was prompted by a much subtler insight: the realization that the gold standard is incompatible with chronic deficit spending (the hallmark of the welfare state).

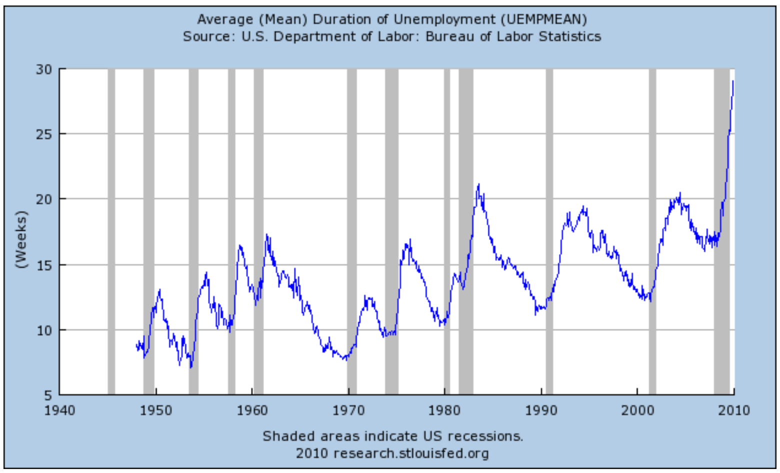
Continued on page 8

Economic Black Hole: 20 Reasons Why The U.S. Economy Is Dying And Is Simply Not Going To Recover

Continued from page 1

#2) The Federal Housing Administration has announced plans to increase the amount of up-front cash paid by new borrowers and to require higher down payments from those with the poorest credit. The Federal Housing Administration currently backs about 30 percent of all new home loans and about 20 percent of all new home refinancing loans. Tighter standards are going to mean that less people will qualify for loans. Less qualifiers means that there will be less buyers for homes. Less buyers means that home prices are going to drop even more.

#3) It is getting really hard to find a job in the United States. A total of 6,130,000 U.S. workers had been unemployed for 27 weeks or more in December 2009. That was the most ever since the U.S. government started keeping track of this statistic in 1948. In fact, it is more than double the 2,612,000 U.S. workers who were unemployed for a similar length of time in December 2008. The reality is that once Americans lose their jobs they are increasingly finding it difficult to find new ones. Just check out the chart below….



#4) In December, there were also 929,000 "discouraged" workers who are not counted as part of the labor force because they have "given up" looking for work. That is the most since the U.S. government first started keeping track of discouraged workers in 1949. Many Americans have simply given up and are now chronically unemployed.

#5) Some areas of the U.S. are already virtually in a state of depression. The mayor of Detroit estimates that the real unemployment rate in his city is now somewhere around 50 percent.

#6) For decades, our leaders in Washington pushed us towards "a global economy" and told us it would be so good for us. But there is a flip side. Now workers in the U.S. must compete with workers all over the world, and our greedy corporations are free to pursue the cheapest labor available anywhere on the globe. Millions of jobs have already been shipped out of the United States, and Princeton University economist Alan S. Blinder estimates that 22% to 29% of all current U.S. jobs will be offshorable within two decades. The days when blue-collar workers could live the American Dream are gone and they are not going to come back.

#7) During the 2001 recession, the U.S. economy lost 2% of its jobs and it took four years to get them back. This time around the U.S. economy has lost more than 5% of its jobs and there is no sign that the bleeding of jobs is going to stop any time soon.

#8) All of this unemployment is putting severe stress on state unemployment funds. At this point, 25 state unemployment insurance funds have gone broke and the Department of Labor estimates that 15 more state unemployment funds will likely go broke within two years and will need massive loans from the federal government just to keep going.

#9) 37 million Americans now receive food stamps, and the program is expanding at a pace of about 20,000 people a day. The United States of America is very quickly becoming a socialist welfare state.

#10) The number of Americans who are going broke is staggering. 1.41 million Americans filed for personal bankruptcy in 2009 – a 32 percent increase over 2008.

#11) For decades, the fact that the U.S. dollar was the reserve currency of the world gave the U.S. financial system an unusual degree of stability. But all of that is changing. Foreign countries are increasingly turning away from the dollar to other currencies. For example, Russia's central bank announced on Wednesday that it had started buying Canadian dollars in a bid to diversify its foreign exchange reserves.

#12) The recent economic downturn has left some localities totally bankrupt.

Continued on page 7

Legal Tender FAQ US Department Of Treasury

Question: What are Federal Reserve notes and how are they different from United States notes?

Answer: Federal Reserve notes are legal tender currency notes. The twelve Federal Reserve Banks issue them into circulation pursuant to the Federal Reserve Act of 1913. A commercial bank belonging to the Federal Reserve System can obtain Federal Reserve notes from the Federal Reserve Bank in its district whenever it wishes. It must pay for them in full, dollar for dollar, by drawing down its account with its district Federal Reserve Bank.

Federal Reserve Banks obtain the notes from our Bureau of Engraving and Printing (BEP). It pays the BEP for the cost of producing the notes, which then become liabilities of the Federal Reserve Banks, and obligations of the United States Government.

Congress has specified that a Federal Reserve Bank must hold collateral equal in value to the Federal Reserve notes that the Bank receives. This collateral is chiefly gold certificates and United States securities. This provides backing for the note issue. The idea was that if the Congress dissolved the Federal Reserve System, the United States would take over the notes (liabilities). This would meet the requirements of Section 411, but the government would also take over the assets, which would be of equal value. Federal Reserve notes represent a first lien on all the assets of the Federal Reserve Banks, and on the collateral specifically held against them.

Federal Reserve notes are not redeemable in gold, silver or any other commodity, and receive no backing by anything This has been the case since 1933. The notes have no value for themselves, but for what they will buy. In another sense, because they are legal tender, Federal Reserve notes are "backed" by all the goods and services in the economy.

http://www.ustreas.gov/education/faq/currency/legal-tender.shtml

Papandreou Seeks EU Aid Deadline, Challenging Merkel

Continued from page 3

The yield on Greece's 10-year government bond rose 17 basis points to 6.26 percent at 4 p.m. in Brussels. The euro fell for a second day against the dollar, slipping as much as 0.7 percent to $1.3648. Credit-default swaps on Greek sovereign debt rose 7 basis points to 295, the highest in a week, according to CMA DataVision prices. "There's a good deal of brinkmanship involved to get the EU and euro group members to come up with a more concrete plan," said Klaus Baader, co-chief European economist at Societe Generale in London. "It's also directed at capital markets, to reassure markets that Greece is not about to go into default."

German Resistance

Opposition to handouts for Greece escalated in Germany, Europe's largest economy, the biggest stakeholder in the ECB and biggest contributor to the EU's budget. In the Netherlands, a traditional German ally in European fiscal debates, a parliamentary majority is against a loan for Greece, Financieele Dagblad reported today, German Chancellor Angela Merkel yesterday ruled out "overly hasty" aid pledges, shifting the pressure back to Greece to fix Europe's biggest budget deficit. Signs of a split in the German government emerged after Finance Minister Wolfgang Schaeuble endorsed a European solution at an EU meeting on March 15.

Attempting a rescue of Greece "without the IMF would be a very daring experiment," Michael Meister, financial affairs spokesman for Merkel's Christian Democratic Union, said in an interview yesterday. "Nobody apart from the IMF has these instruments."

'Worst of IMF'

Papandreou toyed with the idea of going to the Washington- based fund, saying today that Greece is already living in an IMF-style fiscal corset without the financing that goes along with it. "We are under a basically IMF program," he told a European Parliament committee earlier. "We don't want to be in a situation where we have the worst of the IMF, if you like, and none of the advantages of the euro."

The IMF stands ready to respond to a Greek aid appeal, which hasn't come yet, spokeswoman Caroline Atkinson told reporters in Washington today. Papandreou said he still prefers a European solution and that the EU announcing more explicit support for Greece would be enough to bring down borrowing costs without the need to actually tap emergency funds.

The risk premium on Greek 10-year bonds has more than doubled since the beginning of November on concern about the country's ability to bring down last year's deficit of 12.7 percent of gross domestic product, the largest in the euro's 11- year history. Greek 10-year yields were 314 basis points over German yields today, the widest spread since March 11.

Aid Request

"If the spread does not narrow ahead of the redemption of an 8.2 billion-euro Greek bond on April 20, Greece may ask for financial support," Holger Schmieding, chief European economist at Bank of America-Merrill Lynch in London, said in a note to investors.

Elected in October on a platform of higher salaries and spending, Papandreou's government has passed three packages of deficit reduction measures this year to try to convince the EU and investors it is serious about bringing the deficit down to 8.7 percent of GDP. Papandreou said the belt-tightening measures, endorsed by European governments this week, will fail unless Greece can get access to 10-year interest rates closer to the 3.10 percent paid by Germany, Europe's lowest. The IMF would be the quickest route to more affordable borrowing, since it can make short-term loans at around 1.5 percent, said Carsten Brzeski, an economist at ING Group in Brussels who used to work at the European Commission. EU lending rates would be at least 3.5 percent, he said.

"Merkel is stuck," said Henrik Enderlein, a political economist at the Hertie School of Governance in Berlin. "If it's just a matter of the pricing of the bonds, then she cannot argue that a bailout is absolutely needed to avoid a devastating economic storm in the euro area. That's her conundrum."

Article by:
James G. Neuger and Jonathan Stearns
March 18, 2010
Bloomberg.com

Economic Black Hole: 20 Reasons Why The U.S. Economy Is Dying And Is Simply Not Going To Recover

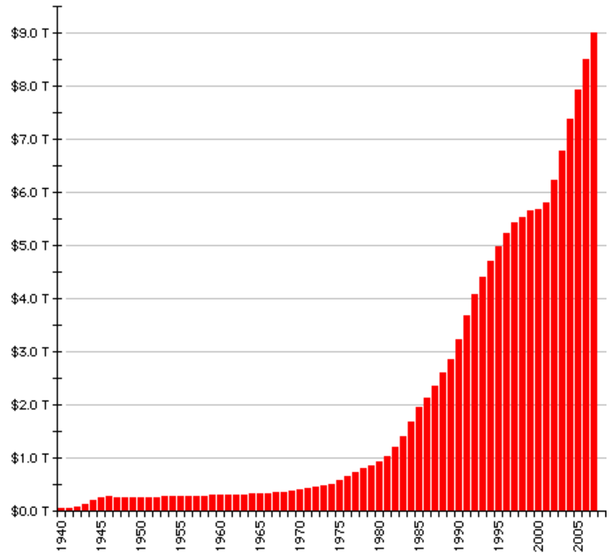
Continued from page 5

For instance, Jefferson County, Alabama is on the brink of what would be the largest government bankruptcy in the history of the United States – surpassing the 1994 filing by Southern California's Orange County.

#13) The U.S. is facing a pension crisis of unprecedented magnitude. Virtually all pension funds in the United States, both private and public, are massively underfunded. With millions of Baby Boomers getting ready to retire, there is simply no way on earth that all of these obligations can be met. Robert Novy-Marx of the University of Chicago and Joshua D. Rauh of Northwestern's Kellogg School of Management recently calculated the collective unfunded pension liability for all 50 U.S. states for Forbes magazine. So what was the total? 3.2 trillion dollars.

#14) Social Security and Medicare expenses are wildly out of control. Once again, with millions of Baby Boomers now at retirement age there is simply going to be no way to pay all of these retirees what they are owed.

#15) So will the U.S. government come to the rescue? The U.S. has allowed the total federal debt to balloon by 50% since 2006 to $12.3 trillion. The chart below is a bit outdated, but it does show the reckless expansion of U.S. government debt over the past several decades. To get an idea of where we are now, just add at least 3 trillion dollars on to the top of the chart….



National Debt from 1940 to Present

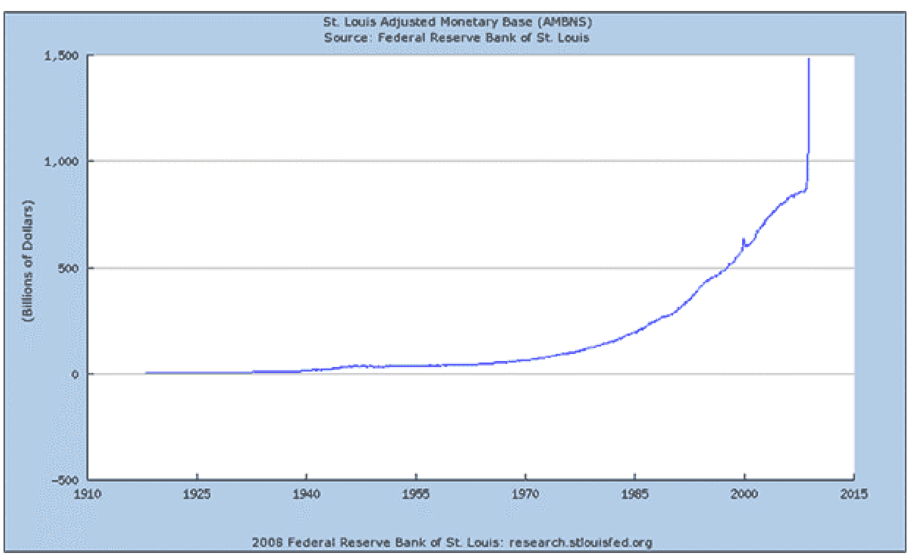
Source: U.S. National Debt Clock
http://www.brillig.com/debt_clock/

#16) So has the U.S. government learned anything from these mistakes? No. In fact, Senate Democrats on Wednesday proposed allowing the federal government to borrow an additional $2 trillion to pay its bills, a record increase that would allow the U.S. national debt to reach approximately $14.3 trillion.

#17) It is going to become even harder for the U.S. government to pay the bills now that tax receipts are falling through the floor. U.S. corporate income tax receipts were down 55% in the year that ended on September 30th, 2009.

#18) So where will the U.S. government get the money? From the Federal Reserve of course. The Federal Reserve bought approximately 80 percent of all U.S. Treasury securities issued in 2009. In other words, the U.S. government is now being financed by a massive Ponzi scheme.

#19) The reckless expansion of the money supply by the U.S. government and the Federal Reserve is going to end up destroying the U.S. dollar and the value of the remaining collective net worth of all Americans. The more dollars there are, the less each individual dollar is worth. In essence, inflation is like a hidden tax on each dollar that you own. When they flood the economy with money, the value of the money you have in your bank accounts goes down. The chart below shows the growth of the U.S. money supply. Pay particular attention to the very end of the chart which shows what has been happening lately. What do you think this is going to do to the value of the U.S. dollar?….



Continued on page 8

Economic Black Hole: 20 Reasons Why The U.S. Economy Is Dying And Is Simply Not Going To Recover

Continued from page 7

#20) When a nation practices evil, there is no way that it is going to be blessed in the long run.

The truth is that we have become a nation that is dripping with corruption and wickedness from the top to the bottom.

Unless this fundamentally changes, not even the most perfect economic policies in the world are going to do us any good. In the end, you always reap what you sow.

The day of reckoning for the U.S. economy is here and it is **not** going to be pleasant.

Article by:
This article has been contributed by The Economic Collapse blog for your reading pleasure.
January 2010

Gold and Economic Freedom

Continued from page 4

Stripped of its academic jargon, the welfare state is nothing more than a mechanism by which governments confiscate the wealth of the productive members of a society to support a wide variety of welfare schemes. A substantial part of the confiscation is effected by taxation.

But the welfare statists were quick to recognize that if they wished to retain political power, the amount of taxation had to be limited and they had to resort to programs of massive deficit spending, i.e., they had to borrow money, by issuing government bonds, to finance welfare expenditures on a large scale.

Under a gold standard, the amount of credit that an economy can support is determined by the economy's tangible assets, since every credit instrument is ultimately a claim on some tangible asset. But government bonds are not backed by tangible wealth, only by the government's promise to pay out of future tax revenues, and cannot easily be absorbed by the financial markets. A large volume of new government bonds can be sold to the public only at progressively higher interest rates. Thus, government deficit spending under a gold standard is severely limited. The abandonment of the gold standard made it possible for the welfare statists to use the banking system as a means to an unlimited expansion of credit. They have created paper reserves in the form of government bonds which-through a complex series of steps-the banks accept in place of tangible assets and treat as if they were an actual deposit, i.e., as the equivalent of what was formerly a deposit of gold. The holder of a government bond or of a bank deposit created by paper reserves believes that he has a valid claim on a real asset. But the fact is that there are now more claims outstanding than real assets. The law of supply and demand is not to be conned. As the supply of money (of claims) increases relative to the supply of tangible assets in the economy, prices must eventually rise. Thus the earnings saved by the productive members of the society lose value in terms of goods. When the economy's books are finally balanced, one finds that this loss in value represents the goods purchased by the government for welfare or other purposes with the money proceeds of the government bonds financed by bank credit expansion.

In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value. If there were, the government would have to make its holding illegal, as was done in the case of gold. If everyone decided, for example, to convert all his bank deposits to silver or copper or any other good, and thereafter declined to accept checks as payment for goods, bank deposits would lose their purchasing power and government-created bank credit would be worthless as a claim on goods. The financial policy of the welfare state requires that there be no way for the owners of wealth to protect themselves.

This is the shabby secret of the welfare statists' tirades against gold. Deficit spending is simply a scheme for the confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statists' antagonism toward the gold standard.

Article by:
Alan Greenspan
[written in 1966]

The Outstanding Public Debt
National Debt:
12,643,532,522,581.56
The estimated population of the United States is **308,892,664**
US citizen's share of this debt is
$41,046.21
The National Debt has continued to increase an average of
$4.03 billion per day
Business, Government and Financial Debt exceeds
$80 Trillion

ORE-VISION

Views and Analysis on the economy and Precious Metals

Published by Certified Gold Exchange, Inc.
PRECIOUS METALS ASSET MANAGEMENT

***New* PriceMatchPlus®**
1-800-300-0715
www.certifiedgoldexchange.com