Certified Gold Exchange, Inc.

Views and Analysis on the Economy and Precious Metals

ORE-VISION

A QUARTERLY NEWSLETTER

3rd QTR 2005

VOLUME 20, NO.3

GOODBYE MIDDLE CLASS; HELLO HOUSE POOR

Richard Benson

There's no question that home building, home sales with large capital gains, and record mortgage financing drives the economy, creating millions of jobs and generating billions of dollars in wages and tax revenues each year. Nothing plays a more crucial role in providing individual financial security for millions of Americans than homeownership. Obviously, the drivers of homeownership are a good steady income and cheap and readily available mortgage credit. *Indeed, looking at housing prices rocketing up, our government tells us we have never had it better!*

For many households, however, who have not stepped onto the first rung of the housing ladder, affordability conditions have deteriorated, especially among lower income households. The homeowner rate is less than 50 percent for households in the lowest income bracket, while it surpasses 90 percent for those in the top income bracket. Higher income clearly widens the choice of available homes for purchase and increases the likelihood that a household will qualify for a mortgage. Around 1980, when asked what level of personal income would qualify as middle-class, George H.W. Bush replied: $50,000. Only 5 percent of the U.S. population made that amount of money at that time. With inflation, that's over $100,000 today.

While the United States has traditional values of hard work, entrepreneurship, and individualism, we have a large and growing number of people in our country who live hand to mouth and paycheck to paycheck. Since factories are no longer built in our country and the cost of living is increasing at an astounding pace, it's likely that the lower-middle class will struggle to own a home for generations to come. The working poor are dreaming about white picket fences and becoming middle-middle, while the middle-middle aspire to become upper-middle and beyond so they can afford to build one of those Mc-Mansions we've all seen that absolutely dwarfs the older, split-level homes the baby boomers grew up in.

There are five separate social classes in American society. They are the Upper, Professional Upper-Middle, Middle-Middle, Lower-Middle or "working poor", and the Lower. America used to be a land with a few upper class, some lower middle class and the rest were somewhere in the professional upper-middle and middle-middle category. Factory workers were middle-middle. Now when a worker loses their job at the factory and takes a job at Wal-Mart for one-third of his previous wage, are they still in the middle?

A new class seems to be developing. I call it the "House Poor". In this over-heated real estate market where homes are selling above list prices and speculative buyers are quickly flipping properties at a record pace, the House Poor are keeping up with the rising cost of living by paying the bills through home equity extraction, home-equity loans and cash-out refinancing. While many homeowners believe they can live like the upper class and appear to be wealthy, they'll be the first to end up in the poor house. Those easy money real estate speculators who purchased several investor properties are now beginning to see that renters are more difficult to find the0se days but the bills to maintain their properties keep coming in.

Continued on page 2

THE BEGINNING OF THE GREAT LAND GRAB

Dr. Richard S. Appel

June 27, 2005, will likely go down in U. S. history as the day when the American People lost one of the unalienable rights bestowed upon us by our Founding Fathers. For to our detriment, it was on that fateful day that the Supreme Court of the United States expanded its interpretation of a major tenet of the Fifth Amendment to the Constitution.

Eminent domain is defined by my Webster's Dictionary as "the power of the state to take private property for public use with payment of compensation to the owner". This is granted by the Fifth Amendment. Prior to last Monday, this power was relatively sparingly utilized by various local, state and federal governments.

Continued on page 2

Also Inside This Issue:

- **China: U.S. Dollar may not be worth the paper it is printed on.** By: Axel Merk
- **Inflation Breeds Many Evils.** By: Dr. Hans F. Sennholz
- **Forbidden Fruit.** By: Randolph Buss
- **Greenspan's Concerns.** By: Editor

THE BEGINNING OF THE GREAT LAND GRAB

Continued from page 1

When a property was condemned under eminent domain, it was typically done to acquire land along the right of way for building a railroad or roadway, supplying water, or for the construction of a government facility such as a post office or a prison. Additionally, urban renewal and the destruction and replacement of slums with low cost housing, was effected by various governments working in conjunction with private enterprises. In all of these earlier limited instances, from the founding of our nation, each eminent domain "taking" was done to benefit some direct need of the American People at large.

Unfortunately, the recently handed down Supreme Court ruling has expanded the Fifth Amendment's scope. Never before did a private entity directly benefit from the "taking" of the property of others through eminent domain. This ruling sets the stage for abuse. It has the potential to harm a yet unnamed number of ordinary citizens to primarily increase government tax revenues, and for the benefit of a few private enterprises and individuals.

The Supreme Court's finding was the final decision in the case of Kelo vs. New London, Connecticut. The city of New London desired to condemn a number of well-maintained residences along its waterfront, and transfer their title to a private company. The sixteen homes were to be torn to the ground. In their place was to be built a series of buildings including a hotel, condominiums, and office space.

The Supreme Court for the first time found that this eminent domain transfer to a private entity fit within the meaning of the Fifth Amendment.

Continued on page 3

GOODBYE MIDDLE CLASS; HELLO HOUSE POOR

Continued from page 1

Indeed, homes have a tendency to actually make you poor because they need to be finished and furnished; older homes become deep money pits; roofs need replacing; drains clog; termites gnaw at foundations while squirrels and mice move in; pipes break; furnaces fail, and, in the south, mold and mildew can't even be insured; walls need paint; bricks cry out for tuck-pointing and yards need constant care. Worse yet, when it comes to the state and local government, they are always looking for someone to tax. As soon as you buy a house, you have just raised your hand and announced "please tax me"! While some localities offer tax breaks to primary residents, second home and investor property owners get hit full bore on tax increases!

> *(Historical trends indicate less than half of Americans owned their homes at the beginning of the 20th century. Homeownership remained fairly stable until the onset of the Great Depression during which many homeowners lost their homes. In the subsequent two decades, the homeownership rate rose dramatically with the rate easily topping 60 percent by 1960. Modest gains were made during the 1960s and 1970s, but during the 1980s the rate leveled off. Homeownership once again trended upwards during the 1990s as mortgage rates steadily declined and the economy expanded at rates not experienced in many years. (Statistics today indicate about 69 percent of Americans own their homes - a record high. However, the statistics count people who have purchased a home as owners yet many homebuyers today will never really own!).*

A growing number of homeowners are realizing they can no longer afford to live in their home even though they're "mortgage free"! The conservative sane homeowner who purchased a home over five years ago and refinanced a 30-year mortgage - without taking money out - is now stuck paying higher inflated taxes. Indeed, the home's value hasn't really gone up because the price and the cost of everything associated with maintaining it is spiraling out of control. *In a very real sense, as the house price rises, the value is forced down because it becomes so much more expensive to pay for the darn thing!*

In paying so much for real estate today, it's virtually certain the middle class homebuyer will never really own the home outright. With a mere 5 percent or no money down, today's buyer rarely uses his own money to buy. Besides, the mortgage is so big, they would have to win the lottery to pay it off. Moreover, who in their right mind would grossly overpay for an investment property?

Nationwide, 23 percent of homes purchased are investment properties, with some localized markets well over 50 percent. Today, about 15 percent of homes purchased are bought by sub-prime borrowers, and a majority of those need to use an ARM mortgage to qualify. Mortgage payments, as a percent of income, are steadily rising and approximately 10 percent of Americans spend more than 50 percent of their monthly income on the mortgage payment. While the statistics say 69 percent of people own their homes, at least a full 10 percent have no stake in the property and with the slightest disruption in income, will give the house back to the bank. For the investment property market, I really wonder how many people will stick around to pay the insurance, property taxes and mortgage when the price is going down. Calling them homeowners is a joke. *If you really own something it means it is paid for and it can't be taken away!*
Only the upper class can really afford what was once a middle class house unless, of course, you are willing to "take cash out of your house" just to pay for living in it. When housing prices cool down but the cost of living keeps going up, the "phony equity" in the house will quickly vanish. When that occurs, today's buyers will be literally eaten alive by housing costs. So, when it comes to class, the Middle will lose it and truly become the House Poor.

July 7, 2005

Article by:
Richard Benson
www.sfgroup.org

Continued on page 4

THE BEGINNING OF THE GREAT LAND GRAB

Continued from page 2

Justice John Paul Stevens wrote the opinion for the majority of Justices. His vote in favor was joined by Justices Anthony Kennedy, David H. Souter, Ruth Bader Ginsburg and Stephen G. Breyer. The dissenters were Justices Sandra Day O'Connor, Antonin Scalia, Clarence Thomas and Chief Justice William H. Rehnquist. In rendering the opinion of the majority of Justices, Stevens stated in part that "The city has carefully formulated an economic development plan that it believes will provide appreciable benefits to the community, including - but by no means limited to -new jobs and increased tax revenues". He went on to state that, "...To effectuate this plan, the city has invoked a state statute that specifically authorizes the use of eminent domain to promote economic development. Because this plan unquestionably serves a public purpose, the takings challenged here satisfy the public use requirement of the Fifth Amendment".

The future of countless Americans will now be exposed to suffering in the name of "serving a public purpose" in a potential myriad of new fashions. This, while simultaneously enhancing the wealth of some private enterprises and individuals.

The day after the decision was handed down I turned first to the New York Times for additional information. Surprisingly, although the Times' front page listed what they called major Supreme Court decisions on the "Ten Commandments", "File Sharing", "Revealing Sources" and "Domestic Violence", and devoted substantial first page space to three of them, not a single word discussed Kelo vs. New London. This was surprising because the New York Times doesn't normally devote extended coverage to Supreme Court decisions. Yet, in my opinion, they omitted any mention of the most important ruling while highlighting others of lesser merit.

Later that week a local newspaper, the Atlanticville, ran the headline, "High Court Ruling A Blow To Residents". The Atlanticville described the potential ramifications to a number of local residents who were involved in a similar case. Their three-block neighborhood on Marine Terrace, Ocean Terrace, and Seaview Avenue in Long Branch, NJ, was involved in a similar eminent domain lawsuit. If they lose the case, which is now likely due to the Supreme Court's decision, the 36 property owners will be forced to sell and vacate their homes. Their dwellings will then be "razed and replaced by upscale townhouses and condominiums." Upon learning of the Court's decision a local resident stated "It is a decision that invites corruption. It puts more power into the affluent and politically connected".

There are numerous other similar cases pending across the nation that will be affected by this high court decision! And, there are will likely be countless more to follow.

When Eminent Domain was earlier utilized the compensation for those who lost their property was often at below market prices. The offer was typically presented by the governing body involved. Frequently, the affected individuals could not afford proper legal representation and thus were forced to take whatever was offered. Others, who had sufficient capital to protect themselves, at least could fight for their just compensation. This situation will not likely change in the future, and those who do not have adequate funds to protect their rights may suffer similar fates. As is often the case, those who will be the most damaged have the least ability to defend themselves.

Tragically, this decision opens the door for many people to be legally forced from their homes. They now stand to suffer financially whenever government officials determine that the "public good" will be better served if their property is transferred into the hands of others.

Sandra Day O'Connor wrote the Court's dissenting opinion. In part she stated that, "Any property may now be taken for the benefit of another private party, but the fallout from this decision will not be random. The beneficiaries are likely to be those citizens with disproportionate influence and power in the political process, including large corporations and development firms".

Continued on page 4

China: U.S. Dollar may not be Worth the Paper it is Printed on

Axel Merk

The $18.5 billion bid by China's state-controlled Cnooc Ltd. to purchase the American energy company Unocal has created fear, anger and calls for intervention among U.S. politicians. As the U.S. trade deficit, currently around 6% of Gross Domestic Product (GDP), continues to climb, China has access to vast amounts of U.S. dollars that it has hoarded over the years. Until recently, Chinas has simply been buying U.S. Treasuries. In recent months, it has become clear that China is becoming a more active investor, showing interest in natural resources (timber, oil and gas assets) and U.S. enterprises (IBM's personal computer business and Maytag, among others).

China, already the world's largest importer of many raw materials, anticipates dramatically higher energy and natural resource requirements in the years ahead. The world's oil production capacity, according to some estimates, is approaching its peak and there will be increased global competition for natural resources. While China is securing capacity, the United States has not built additional oil refineries since the 1970s (nor have any nuclear reactors been built since).

In the meantime, the U.S. is consuming goods imported from China at a record pace. Because of the tremendous trade deficit, the Chinese are sitting on hundreds of billions of U.S. dollars. Now, as the Chinese want to use this money wisely, U.S. politicians cry foul. The Chinese must wonder whether the U.S. dollar is worth the paper it is printed on. It is acceptable to use dollars to buy consumer goods, but if they are put to use to invest in the future, red lights go off in Washington.

Warren Buffett has long argued that the

Continued on page 6

THE BEGINNING OF THE GREAT LAND GRAB

Continued from page 3

One has to wonder if Ms. O'Connor's surprise announcement a few short days later, of her retirement from the Supreme Court after 24 years on the bench, was not motivated by the direction that this decision is destined to take the country. From her own words she must have been deeply disturbed by this decision. For with it, the United States eliminated the ability of the average American to protect him or herself while it sanctioned another group of "citizens with disproportionate influence and power in the political process" to take their property away from them.

It is impossible to foretell how this unprecedented interpretation of the Fifth Amendment will affect all of us. However, it is likely that as time passes eminent domain will become more widely utilized to displace honest, law-abiding Americans from their homes and property.

July 5, 2005

Article by:
Dr. Richard S. Appel
www.financialinsights.org

Inflation Breeds Many Evils

Dr. Hans F. Sennholz

Many people know how to earn money, but few are aware of what the Federal Reserve System, acting on behalf of the U.S. Government, is doing to their money. It is inflating and depreciating the dollar at various rates - at double-digit rates during the 1970s and early 80s and at single-digit rates ever since. The present dollar is worth no more than 10 cents of the 1970 dollar and 50 cents of the 1980 dollar.

The reasons and explanations given for this loss may change over time, but the consequences are always the same. Inflation covertly transfers income and wealth from all creditors to all debtors. It dispossessed present creditors of nine-tenths of their 1980 savings and enriched debtors by the same amount. The dollar savings accumulated since then have shrunk at lesser rates but are fading away notwithstanding. No wonder, many victims readily conclude that thrift and self-reliance are useless and even injurious and that spending and debt are preferable by far. They may join the multitudes of spenders who prefer to consume today and pay tomorrow, and they may call on government demanding compensation, aid, and care in many forms. Surely, the hurt and harm inflicted by inflation are a mighty driving force for government programs and benefits.

In their discussions and analyses of various problems, economists usually avoid the use of moral terms dealing with ultimate principles that should govern human conduct. Ever fearful of being embroiled in ethical controversies they seek to remain neutral and "value-free." They do counsel legislators and regulators on the cost-efficiency of a policy but not on its moral implications. They may offer professional advice on the efficiency of money management but not on the morality or immorality of inflationary policies. They dare not state that inflation is a pernicious form of taxation which most people do not recognize as such. Authorities of money and banking rather than taxing authorities redistribute income and wealth under cover of ignorance. Placed on every person in the form of higher goods prices, the application does not fall equally and simultaneously on every buyer. The people who receive the newly created money first may actually benefit as goods prices readjust rather slowly. Others who receive it later or not at all will have to tighten their belts. Above all, inflation ravishes the savings of countless Americans and turns many into prodigal spenders and debtors.

The biggest debtor also is the biggest inflation profiteer. With some eight trillion dollars in debt, the Federal Government is by far the biggest winner. In fact, it gains not only from debt depreciation, which at just three percent amounts to some $240 billion every year, but also from Federal Reserve money and credit creation that enables the U.S. Treasury to suffer annual budget deficits of some $500 billion a year. Without the power to inflate and depreciate the dollar at will, the U.S. Government would be a different institution, like that which the Founding Fathers had envisioned. But endowed with the power of inflation it has become an almighty organization that redistributes income and wealth and refashions the social and economic order.

The primary beneficiaries of the new order are its own managers: legislators, regulators, and a huge army of civil servants. They are first in power, prestige, and benefits. Many U.S. Senators and Congressmen are the admired and esteemed benefactors of countless petitioners for handouts and favors. They are revered for every benefit they bestow. And there are the officials of the Department of Commerce with 7 benefit programs, the Department of Education with 34 programs, the Department of Energy with 6, the Department of Health and Human Services with 8, the Department of Housing and Urban Development with 14, the Department of the Interior with 3, the Department of Labor with 9, the Department of Transportation with 9, and various government commissions and authorities with another 10 programs. Federal politicians and agents are the wise and virtuous judges and juries of benefits amounting to more than $1 trillion every year. How "honorable" would they be, pray tell, without Federal Reserve assistance in financing the deficits and its power to print more money?

Evil acts tend to breed more evil acts. Inflationary policies conducted for long periods of time not only foster the growth of government but also depress economic activity. Standards of living may stagnate or even decline as growing budget deficits thwart capital accumulation and investment that are sustaining the

Continued on page 8

Forbidden Fruit

Randolph Buss

In today's Letter I look at the USA deficits. I come to my own conclusions here as to how this will play out based on the CURRENT pace of events and based on actions currently being taken by the US administration.

In real world anecdotal evidence brought back from colleagues in the US, the feeling is that there is a considerable maladjustment within the US taking place. The imbalance is causing an even more polarised society to manifest itself. The issues are centered around the strategy and politics for the War on Terror and the economic landscape.

Leaving the politics aside for now, as has already been reported upon in a previous Letter, the top 1%, or top 10%, of individuals within the US, is gaining ever more wealth while the lower 60-80% are struggling to keep status quo or, in fact, are not able to maintain a status quo.

Nevertheless, even while the wealth rate seemingly climbs, the infrastructure of the middle class seems to fall further into disrepair. Health, education, social organisations all fall further behind and polarise to the "have more" and the "have less".

In an economy over the last 15 years or so which has transformed itself from a "manufacturer of wealth" to a creator of "wealth", (*note quotation placement*) this holds alarming consequences for the masses, not the top 1% or 10%.

This I believe is a direct outgrowth from two significant facts : an oversupply of labor and an oversupply of liquidity. One can be controlled and one cannot. The so-called deflationary force of labour oversupply (*cannot be controlled*) is something that has recently come about after the fall of the Cold War in 1989, with the opening of the Berlin Wall. This opened the entire Eastern Europe and set in process also the re-alignment of communist China. This occurred in conjunction with the parallel rise of India at near the same time. A conducive factor in this picture has been the rise of the internet technologies and the ability to provide both instantaneous and secure communications but also the transport of knowledge and news in real time.

During the market euphoria/crash of 1999/2000 respectively, the Fed embarked upon a path to mitigate the aftermath of the biggest bubble in history by dropping the interest rates to historic lows and thus providing sufficient liquidity to the "system" (*can be controlled*) in order to stabilize or rather, defend against, undue pain on the part of individual investors who were the main holders of internet/technology stocks.

Meanwhile, the market place in middle America, due to the internet advances and labour supply, were (and still are) subjected to some deflationary forces of outsourcing due to labour arbitrage (cost disadvantages) but also are subjected to the new threat of Return on Investment.

Traditionally a society is built upon the money and risk of investors within a community. Inward investment produces goods of value which are consumed and sold at a profit all the while producing jobs and tax revenue for the said community. With the advent of labour arbitrage and financial over liquidity, two fundamental things for inward investment were taken away. Cheaper labour implied greater profit for equal investment, but elsewhere not at home. Hence the ROI could be maximised elsewhere even when taking into consideration any cross currency or legislative risks. This necessarily forced capital investment away from inland and the more expensive labour. The second force at work, over liquidity engineered by the Fed, has been turning the society from a manufacturing base to an asset or financial base. The reason for this is that the ROI could be more easily obtained and with less risk in an environment conducive of "free money". Why dirty ones hands with risky manufacturing enterprises inland when cheaper and more profitable enterprises can be done overseas? The downside of course is, I know of no economic empire created and maintained on consumption and inward asset management (*the equivalent of cutting each other's hair*).

The result has been an impressive growth in the financial and asset sectors in the US, but mostly driven by the housing and asset sectors of which no meaningful long-term GDP can be derived or meaningful products manufactured. Likewise, the housing bubble will drive an even greater wedge between the middle class unable to afford such continued higher prices and those wealthy individuals who are able to better control the risks in this game. The follow-on effect of the asset bubble will be (is) the accompanying debt bubble which naturally occurs for most consumers unable to provide reasonable down payments of 20-25% or able to handle an attendant rise in rising mortgage rates.

So moving from one liquidity issue to the next, the Fed is now faced with an even more cantankerous issue of how to deflate a debt bubble of the consumer without bringing down the inherent backers of that risk, the banks and equity houses who have passed the debt along through their books.

The seemingly only way possible for this situation to be solved will be a continued liquidity creation by the Fed. Meanwhile the fallback solution of saving and inward investment to re-build the middle class is lacking. What could the US convincingly build and export at a profit verses China or India or SE Asia? (*As technology and society moves forward, the pyramid of technology slows and becomes more expensive while needing ever fewer workers to provide that expertise.*) Who would be the issuers of such investment capital / credit? Could a better and less risky ROI be obtained elsewhere by international investors? Why would inland investors risk capital here when investments within asset management sector earns a higher rate of return?

Continued on page 6

China: U.S. Dollar may not be Worth the Paper it is Printed on

Continued from page 3

U.S. trade deficit is akin to selling out U.S. assets to foreigners. His once abstract warnings are now becoming vividly clear: With a huge trade deficit, foreigners are going to own ever larger chunks of U.S. assets. And unlike Americans, who seem to derive great satisfaction from consuming goods frequently with a nearly insatiable appetite, the Chinese are investing in their energy needs of the future.

That is not to say that the Cnooc bid and others from China are not shocking. The culprit, however, is not the Chinese government, but the U.S. fiscal and monetary policies that foster an environment of exploding trade imbalances and abysmal domestic savings. We believe this policy puts long-term pressure on the dollar, especially as Asian countries realize that their dollar reserves will not be honored if they are used for something of value to them.

As far as this particular transaction is concerned, Cnooc is only interested in the Asian assets of Unocal and will spin-off the U.S. assets. U.S. calls to intervene are unlikely to be successful as it is difficult to argue that U.S. "national interests" are being jeopardized the way this offer is structured. What bugs many is that Cnooc is 70% state controlled and has access to financing at below market rate interest rates. According to Chevron, also interested in acquiring Unocal, this is unfair state intervention.

Politicians will fight over this transaction in the coming weeks and may be able to force China to open up their markets further, so that foreigners can take control of more Chinese owned firms. But much of the discussion will miss the point: China, having become a

Continued on page 7

Forbidden Fruit

Continued from page 5

The **forbidden fruit of the Fed** was to take and bite the obvious low-hanging "liquidity apple" during the 2000 crash. What the Fed maybe did not realize, or decided to disregard, was the need for a backup plan to re-establish credibility once the crisis dissipated. Unfortunately the liquidity spill over from continued low interest rates has now taken on a life of its own with no Master Exit Plan.

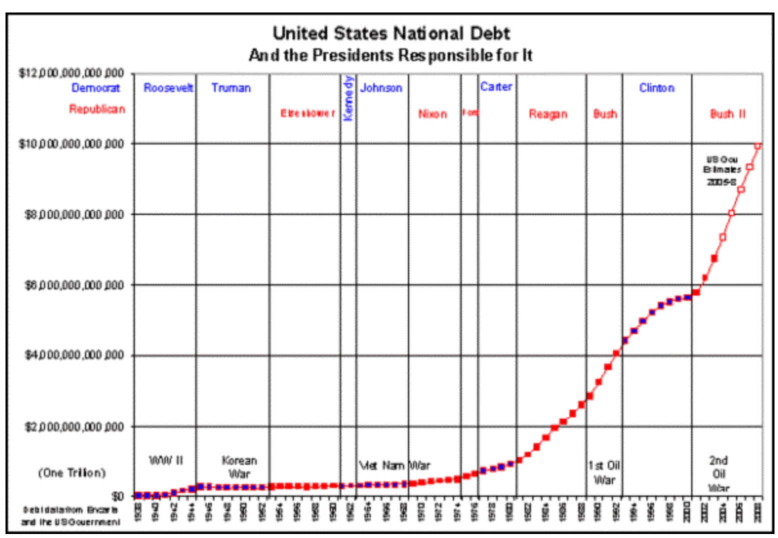
The Exit Plan for extraction from this situation will become more painful and more risky as time moves on. With every increase in the budget and trade deficits, with every increase in debt to foreign owners of US Dollars, and the servicing of that debt, with every decrease in national savings the room for maneuvering by the Fed (and consumers) becomes less and less.

It has always been my premise, and still is at this moment until I see significant progress or evidence to the contrary, that the end game for the Fed will amount to continued and significant liquidity pumping in an effort to stave off pain for the consumer and its backers. The result may very well be: ***"The extreme of any position will ultimately become its opposite."*** In other words, that what they are trying to solve, no deflation, will only become more of a problem, raging deflation, albeit at a later date.

It is a very difficult situation about which to come to any certain conclusion, but at this point, I still maintain that the Fed will create the environment for a type of hyperinflation in conjunction with higher interest rates but likely not high enough to really bring the situation under control, as this would likely crush the consumer. It will be a "twilight zone", neither here nor there. The lynchpin for the US economy may very well controlled by foreign creditors, and as usually is the case, one thinks first of himself and then his friends, if at all. International economics and economic competition is not known for its magnanimous gestures throughout history.

The deficit charts relating to political parties in office is only intended to provide visual support and is in no way indicative of a bias for the democratic or republican parties - the graph is simply for illustrative purposes only.

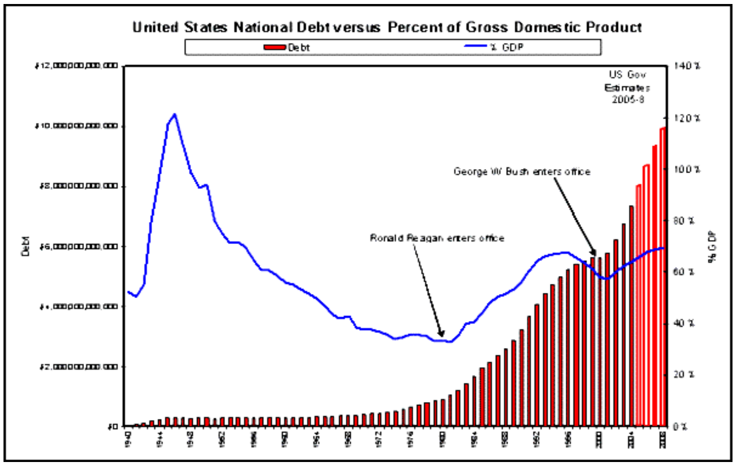
United States National Debt

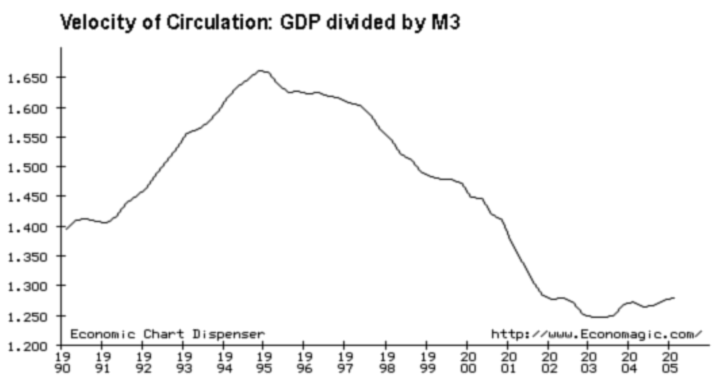


Continued on page 7

Forbidden Fruit

Continued from page 6





Well, that's it for today... for more on this article and more charts please visit the homepage www.dinl.net in the Latest Letter box.

More on this in upcoming issues - if you would like to know more, please sign up for a free subscription to Der Invest Informant here. As well, please visit the site daily and read my Latest Letter.

I would like to take a moment to let you know how much I enjoy your newsletter for just the reasons that you mention as your goals in your recent note to subscribers. I have commented to friends and students that your analyses and musings are among the most altruistic and well written that I have found online. G. O., Geneva, Switzerland

Mr. Buss, Excellent letter as always of course. I cannot express my gratitude of "having eyes and ears", within the European Community. You, Sir, are simply, an information resource of inestimable value. Danke Schoen!! JZ, USA

timestamp : 23:12 CET 13 July 2005 / Berlin, Germany

Randolph Buss
editor@dinl.net
www.dinl.net

China: U.S. Dollar may not be Worth the Paper it is Printed on.

Continued from page 6

major player in the global market with deep pockets, will want to put its dollars to use. The Chinese have subsidized their currency to sell cheap goods to the U.S. In return, they have accumulated billions of dollars. Now they will find out whether these dollars are worth anything at all as they try to use them to secure their future natural resource needs. If disappointed, China and other Asian countries may accelerate their diversification out of the U.S. dollar and into a basket of hard currencies.

June 27, 2005

Article by:
Axel Merk
www.merkfund.com

Greenspan's Concerns

Greenspan has issued several warnings about the potential perils interest-only mortgages and other exotic home loans can pose to homeowners as well as lenders if home prices, which are now surging — suddenly fall, or if interest rates were to rapidly escalate.

"We don't need any legislative remedy. This is totally under the regulatory authorities of the banking agencies," Greenspan said.

With home prices soaring in many local markets, some home owners are turning to risky mortgages and stretching their finances to buy a home that they otherwise could not afford, analysts say.,

If interest rates jump, some borrowers could have trouble making their mortgage payments.

In addition, a significant drop in the price

Continued on page 8

Greenspan's Concerns

Continued from page 7

of a house could leave some home owners with a mortgage that costs more than they could receive by selling their residence. That would leave them owing their mortgage lender money.

Greenspan repeated his interest in seeing Congress put limits on the now massive portfolio holdings of Fannie Mac and Freddie Mac. He warned anew that their huge debt could imperil U.S. financial markets.

Fannie Mae, the No. 1 U.S. buyer of home mortgages, and its rival, Freddie Mac, which ranks as the second-largest buyer, were created by Congress to inject money into the home-loan market. Fannie Mae and Freddie Mac buy mortgages and bundle them into securities for sale to investors worldwide.

While Greenspan didn't say by how exactly much he would like to see Fannie Mae and Freddie Mac's portfolios' trimmed, he said their holdings should be "significantly below" where they are now.

July 21, 2005

The Outstanding Public Debt

National Debt:
7,862,443,389,867.23
The estimated population of the United States is **296,580,820**
US citizen's share of this debt is
$26,510.28
The National Debt has continued to increase an average of
$1.64 billion per day
Business, Government and Financial Debt exceeds
$37 Trillion

Certified Gold Exchange, Inc.
3150 Carlisle Blvd. N.E. Suite 101
Albuquerque, NM 87110

Inflation Breeds Many Evils

Continued from page 4

standards. Inflation misleads businessmen in their investment decisions, which causes much waste and many bankruptcies. In fact, it is the root cause of the boom-and-bust cycle, which wreaks havoc on economic activity. Indeed, inflation breeds many evils of which most Americans are unaware.

Since 1971 when President Nixon abolished the last vestiges of the gold standard and repudiated all obligations to meet international obligations with payments in gold, the U.S. dollar has been the dominant world currency. It enables Americans to buy massive quantities of foreign goods and services, suffering annual trade deficits of more than half a trillion dollars now, and making payment in ever depreciating dollars. Foreign central and commercial banks as well as many foreign individuals are using their dollars with the hope that they will retain their purchasing-power in the long run. Asian creditors are holding more than $2 trillion in claims, Japan and China alone an estimated $1.5 trillion between them.

A dollar depreciation rate of just 3 percent strips Japan and China of some $45 billion in purchasing power every year. They undoubtedly are suffering such losses in silence because they are mindful of the many benefits they are receiving from amicable relations with the United States.

American capital is rushing into China, building many plants and introducing modern technology while some 20,000 young Chinese are studying at American colleges and universities. At the same time Japanese and Chinese companies are investing surplus dollars in the United States, assuming control over American corporations. If the United States government should ever disrupt this peaceful relationship with discriminatory trade restrictions and painful barriers, the Asian creditors may dump some dollar holdings. The dollar crash would be heard around the globe.

There is no conscience in politics. Economic policies may be changed, reformed, and readjusted because they are ineffective, unproductive, and unpopular, but rarely ever because they are immoral. Debt may be a grievous bondage to an honorable man, but it may be a "national bond" which, in President Roosevelt's words, "is owed not only by the nation but also to the nation." Surely, politicians have a code of laws to observe and obey, but honesty in matters of debt and money is not one of them.

If it is true that we cannot do wrong without suffering wrong, we must brace for more grief to come.

June 20, 2005

Article by:
Dr Hans F. Sennholz
www.sennholz.com