THE NEXT WAVE

UNDERSTANDING THE
NEW GOLD RUSH

By John Truman Wolfe
Chapter One

The Fight for Our Money

Richard Lawrence got within eight feet of the elderly gentleman with the cane, who was walking with a group of friends. It was close enough. He pulled a gun and fired.

The sound of the pistol shot echoed through the hall.

It was January 30, 1835 and the shot was aimed at President Andrew Jackson, who was leaving a funeral he had attended at the House of Representatives.

The gun went off but, miraculously, the bullet did not leave the barrel. And if that was a miracle, get this: when the first gun misfired, Lawrence drew another pistol and fired that one at the President.
Again, the sound of the shot was heard, but again, no bullet left the gun. Misfire squared.

After the second attempt, Jackson, who was 67 at the time, started beating Lawrence with his cane as other members of Congress who were with the President, including Tennessee Congressman Davy Crockett, subdued the man.

Later, when the guns were inspected and then tested, both fired perfectly. Old Hickory was on the side of the angels that day.

Lawrence spent the rest of his days in an insane asylum.
John Frederick Parker, the D.C. policeman who was supposed to have guarded the entrance to President Lincoln’s box at Ford’s Theatre on the night of April 14, 1865, left his post and went to a tavern to have a drink with the President’s coachman. Parker had previously been charged with being drunk on duty, conduct unbecoming a police officer and visiting prostitutes several times by the D.C. Metropolitan Police Department.

Maybe not the guy to choose as a presidential bodyguard, but that was his job that fateful night. And he abandoned his post.

This allowed John Wilkes Booth, a well-known stage actor of the day, easy access to the Presidential box, where he snuck in, pulled a .44-caliber Derringer out of his pocket and fired a single shot into the back of the President’s head, entering below the left ear.

Booth then fought with Maj. Henry Rathbone who was in Lincoln’s box, cut him severely in the arm with a bone-handled knife and then jumped twelve feet from the box to the stage. However, his riding spur caught on the Treasury flag decorating the box. He landed awkwardly on the stage, fracturing his leg. He rose, limped rapidly
across the stage and out the side door where his horse was waiting.

Lincoln was tended by two doctors in the audience and then carried across the street to a boarding house, where he died at 7:22 on the morning of April 15th.

Booth, along with fellow conspirator David Herrold, took refuge in the tobacco barn of a farm in northern Virginia where, several days later, he was tracked down by Union soldiers. Herrold surrendered. Booth refused. The Union soldiers set the barn on fire and, while it was burning, one of the soldiers shot Booth through a hole in the side of the barn.

It was 9:30 on July 2, 1881, on a hot summer morning in Washington, when President James Garfield and his Secretary of State, James G. Blaine, entered the Baltimore & Potomac railroad station.
Escaping the capital’s infamous summer heat and humidity, the President was intending to catch a train to leave for his summer vacation.

Charles Guiteau, a failed lawyer and insurance salesman with crazed eyes and a wispy beard, came up behind the President and shot him twice. The first shot lodged next to Garfield’s spine. Guiteau fired again, this shot hitting the President in the elbow. Garfield fell to the ground.

The President was taken to the White House and was attended by as many as eighteen doctors, many of whom, over a period of several weeks, stuck their dirty fingers in the President’s wound next to his spine looking for the bullet. It was the infection that eventually killed him.
Guiteau was captured by a police officer at the scene. He was subsequently tried, found guilty of murder and hung.

Tragic stories all. But what is common to all of them might surprise you. Yes, they were all Presidents; all were shot at – two assassinations, one miracle.

But what they have in common is a passionate opposition and resistance to a “National Bank.”

Let me explain.

For America’s first one hundred and twenty-five years, there was an ongoing battle – a war, really – between those that wanted the government to issue its own currency, as called for in the Constitution, and those who wanted to establish a private corporation to issue the country’s currency and charge for the privilege of doing so.

The fight over the establishment of a central or national bank stems from the earliest days of the American Republic. It was the country’s first Secretary of the Treasury, Alexander Hamilton, who favored a national bank, and Thomas Jefferson, the first Secretary of State, who opposed one.
“I sincerely believe, with you, that banking institutions are more dangerous than standing armies; and that the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale.”

Thomas Jefferson, letter to John Taylor, May 28, 1816

However, Hamilton convinced President Washington that such a bank was needed, and the First Bank of the United States was established in 1791 with a twenty-year charter. The First Bank of the United States was a private bank and 70% of its stock came to be owned by foreigners, something Jefferson and others feared would happen.

Many researchers have claimed that Hamilton, though a patriot, had ties to the Rothschild banking interests in Europe. Indeed, when the bank’s charter came up for renewal in 1811, Nathan Rothschild, then in control of the Bank of England, infamously said:

“Either the application for the renewal of the charter is granted, or the United States will find itself involved in a most disastrous war.”
Jefferson and his allies were able to kill the charter’s renewal in 1811. The next year, 1812, war broke out between the U.S. and Britain.

The War of 1812 ended in 1815 and added $82 million to the U.S. national debt – a huge figure at the time. War debt always seems to justify deviant financial solutions. The next year, 1816, the Second Bank of the United States was founded with a twenty-year charter.

No president, and perhaps no public figure, has been so vehemently opposed to the formation of a national bank as Andrew Jackson.

“The bold effort the present (central) bank had made to control the government… are but premonitions of the fate that await the American people should they be deluded into a perpetuation of this institution or the establishment of another like it."

Andrew Jackson

This second central bank would die at the hands of President Jackson, who refused to renew the bank’s charter in 1832. The attempt to assassinate Jackson failed.
Abraham Lincoln’s plight was more difficult. In early 1862, the Union war effort was costing $1.5 million a day. Soldiers were not getting paid, neither were suppliers. He desperately needed money to finance the war.

He approached Wall Street and international bankers, seeking to borrow the money. The bankers told Lincoln they would lend him the money at rates from 24%-36%.

“The money powers prey upon the nation in times of peace and conspire against it in times of adversity. It is more despotic than a monarchy, more insolent than autocracy and more selfish than bureaucracy. It denounces, as public enemies, all who question its methods or throw light upon its crimes. I have two great enemies, the Southern Army in front of me and the bankers in the rear. Of the two, the one at the rear is my greatest foe.”

Abraham Lincoln

Lincoln could not bear to put the country in this kind of debt and, after consulting with advisors, decided to bypass the banks entirely – not always a healthy thing to do.

He went to Congress and got them to authorize the Treasury to print $450 million of government currency.
You get the picture here. These bankers are in the business of getting and keeping governments in debt and living on the interest, and Lincoln just looked at it and decided he didn’t need them. He got Congress to authorize the Treasury to print and issue $450 million.

No bankers needed. This was debt-free, interest-free money.

“We gave the people of this Republic the greatest blessing they ever had – their own paper money to pay their debts.”

Abraham Lincoln

The money was printed green on one side and so were called Greenbacks. Lincoln paid the soldiers, those supplying the war effort and the civil servants running the government (and prosecuted the war to a victory for the Union).

Greenbacks, though an emergency solution to financing the war, were so successful that Lincoln strongly considered making this permanent policy.

Robert E. Lee surrendered to General Grant at Appomattox on April 9, 1865. It was five days later that Lincoln took his wife Mary to Ford’s Theater. He
would die the next morning with a bullet in his head. The matter of making the Greenback currency permanent was still being considered.

Shortly after Lincoln’s death, the Greenback legislation was revoked.

In the years following Lincoln’s death, there were efforts to restore Greenbacks. The international banking interests, including our good friends, the Rothschilds, who were actively manipulating U.S. financial policy at the time, opposed these efforts.

Enter President James Garfield, who took office in 1881 and vehemently resisted the idea of a private national bank.
“Whosoever controls the volume of money in any country is absolute master of all industry and commerce.... And when you realize that the entire system is very easily controlled, one way or another, by a few powerful men at the top, you will not have to be told how periods of inflation and depression originate.”

James Garfield

While some claim the above quote is a paraphrase, a few short weeks after making this statement, President James Garfield was assassinated.

Here you have two of America’s greatest presidents (Jackson and Lincoln – Garfield was only in office a few months when he was assassinated) passionately opposing the formation of a national bank.

So, what’s the big deal?

The big deal is that a national bank is not a “national” bank; it is a private bank – a private corporation owned by shareholders, not the government.

And what do national banks do? They create the country’s currency (print it, or these days just click a mouse) and then lend it to the government who, in their addicted stupors, pay interest on it.
That’s right, the government borrows the money from a private corporation and pays interest on it, when, in fact, it is Congress that the Constitution designates to issue money. There would be no debt or interest on the debt if the government issued the coin of the realm.

What’s the matter with this picture?

There are two choices:

One is to have the government, Congress, create the country’s money as the Constitution so provides, which results in no debt, no interest.

This was the system the Colonies used to marvelous success, according to a quote attributed to Benjamin Franklin. This was in response to a question about colonial prosperity from someone when he was traveling in England:

“It is because, in the Colonies, we issue our own paper money. We call it Colonial Script, and we issue only enough to move all goods freely from the producers to the consumers;
and as we create our money, we control the purchasing power of money, and have no interest to pay.”

Some have challenged the authenticity of this quote coming from Franklin, but even if not, you get the idea how government-issued money (script) would work.

The second choice is to have a private corporation create the money with a book entry and the click of a mouse, and then charge the government (thee and me) interest on the money they “lend.”

Keep in mind that the central bank has NO money; they just create a book entry out of thin air and place a credit in the government’s bank account (which happens to be in the Federal Reserve Bank of New York).

The choice would seem to be jaw-droppingly simple. But then those bankers have some serious leverage.

There is no way to know if these assassinations, or attempts, were due to the opposition of these presidents to a national bank. But it’s a stunning coincidence.

The good guys (Jackson and Lincoln) won some battles, but in the end, lost the war. At 6:03 PM on December 23, 1913, after years of planning by bankers and politicians tied to the Bank of England and J.P. Morgan, Congress
passed the Federal Reserve Act, establishing the Federal Reserve Bank, and President Woodrow Wilson signed the bill into law.

Franklin Roosevelt called the bombing of Pearl Harbor on December 7, 1941, “A day which will live in infamy.” And so it was. But it didn’t take long for us to pick ourselves up and counterattack. The Japanese surrendered less than four years later (August 14, 1945).

The attack which was launched on America on December 23, 1913 was more covert and, in many ways, more deadly. And is, sad to say, stronger than ever almost 100 years later.

What has the establishment of a central bank, the Federal Reserve Bank, got to do with ownership of gold and silver?

Everything.
CHAPTER TWO

THE FED

The Federal Reserve Bank began operations in November 1914 and is more active today in the manipulating of the American economy than ever. We are not going to follow the vampirish footprints of the Federal
Reserve Bank for the last ninety-eight years here. Others, such as G. Edward Griffin, in his *The Creature from Jekyll Island*, have already done so admirably.

We will, however, note that the nation’s central bank was created at a secret meeting on Jekyll Island, off the coast of Georgia, by seven men in 1910 – five bankers and two politicians beholden to them. After crafting their plan, it then took them three years to get Congress to approve it. But once it was done, they never looked back.

Those attending the meeting were:

**Senator Nelson Aldrich**, an influential Republican Senator and the Chairman of a Congressional Commission established to break up the power of the Wall Street banking cartel.

Aldrich was also a business associate of J.P. Morgan and John D. Rockefeller, Jr.’s father-in-law. (Why are these Congressional Commissions always staffed with the very people they are created to regulate?)

**Abraham Andrew**, a high-ranking official of the U.S. Treasury.

**Frank Vanderlip**, National City Bank President. National City Bank of New York was, at the time, the largest bank in the country. It represented the interests of William Rockefeller and other international banking interests.
**Henry Davison**, a senior partner of J.P. Morgan.


**Benjamin Strong, Jr.**, who would become the first President of the Federal Reserve Bank of New York, and was the head of J.P. Morgan’s Banker’s Trust Company.

**Paul Warburg**, a German-born, naturalized American who was a partner in Kuhn, Loeb & Company and represented the interest of the Rothschild banking dynasty in England and France. He was appointed to the Board of the Federal Reserve when it commenced operations in 1914.

These seven men (and those they represented) were the human tentacles of the *Creature from Jekyll Island*. They promoted the creation of a central bank as a means to stabilize the money supply and prevent financial panics such as those that had occurred in 1907 – a panic created by their mentors at the Bank of England for the explicit purpose of offering a central bank as the solution.

Their true purpose, however, was clearly set forth by the godfather of international bankers, Amsel Rothschild:

>“Let me issue and control a nation’s money and I care not who makes its laws.”

Of course he doesn’t.
In the words of James Carville, Bill Clinton’s wily campaign strategist:

“It’s the economy, stupid.”

It is the amount of money in circulation that controls an economy and, if you control the economy, you control the nation.

Additionally, as these bankers knew well, governments are addicts. They are addicted to spending. They’re junkies and the central bankers have the needle.

Welfare, War, Interest (on their debt) – they spend as if living on a gargantuan credit card called The Federal Reserve Bank, which permits them to always spend more than the government’s income.

To make up the difference between what they spend and what they rake in from the public in taxes, they borrow – from the central bank. They do this by issuing IOUs called bonds that carry interest.

At some point, logic would dictate that the bonds must be repaid. You can’t keep borrowing forever.

Governments do repay the bonds, of course, with their tax revenues…. Just kidding. They “roll over” the old debt by selling new bonds to repay those that are maturing.
And since these geniuses (who pass laws about accounting and consumer financial protection) always spend more than the government receives, they not only sell new bonds to pay the old ones, they also issue new debt to cover the current shortfall (the U.S. budget shortfall this year is a mind-bending $1.3 trillion, five trillion in the last three years).

The Fed licks its chops, gets a truckload of bonds from the Treasury, clicks a mouse, deposits the money in the government’s checking account and starts collecting interest.

The mouse clicks are adding up.

The national debt is approaching $16 trillion as I write this, and it is growing at the rate of $49,000 a second.

I repeat: $49,000 every second.

Legislators are members of The Church of the Holy Beltway and it is a violation of their religious faith to cut government spending. Those that advocate reduced funding for war or welfare are crucified on the cross of MSNBC (for welfare) and Fox (for war) and then, if still breathing, are excommunicated from the church and expelled from the Beltway. So they borrow more, and the debt soars like a rocket out of Cape Canaveral.

This kind of operation is known as a Ponzi scheme.
It is this kind of operation that put Bernie Madoff in the Federal Pen.

And the central bankers? They sit like vultures in their apocalyptic penthouses as the country gushes red ink and then they drop by with a sympathetic smile, a tsk-tsk, and help the government shoot up.

Other central banks around the world do this, but the U.S. Federal Reserve Bank is the Jabba the Hutt of funny money.

It has been the “lender of last resort” not only to the United States government, but to the rest of the planet’s banking elite as well. You see, Congress has literally no control over the Fed’s ability to create money and Santa Claus it around the planet.

Absolutely none.
They can enter a 1 and twelve 0s into a computer, call it a trillion dollars and send it wherever they damn well please.

And, in the words of the great Dave Barry, “We’re not making this up.”

Taken from The Man himself.

“When you or I write a check there must be sufficient funds in our account to cover the check, but when the Federal Reserve writes a check there is no bank deposit on which that check is drawn. When the Federal Reserve writes a check, it is creating money.”


Due to the efforts of U.S. Congressmen Ron Paul and Alan Grayson, the first audit of the Federal Reserve in its hundred-year history was conducted by the Government Accounting Office (GAO). The findings were recently released. It revealed that Bennie and the Feds made $16 trillion in loans to U.S. and foreign banks during the financial crisis in 2008 and 2009.

Now, 16 trillion is an easy number to write, but to give you some sense of this amount of money, imagine that you are flying in a jet plane at the speed of sound: 760
miles per hour. Imagine that dollar bills are spooling out of the back of the plane at that speed. It would take 224 years for the plane to disperse $16 trillion.

Think about it.

But this was not a problem for Helicopter Ben, the current Chairman of the Fed (so named because of his reference in a speech in 2002 to dropping money from a helicopter to solve deflation – not enough money).

Truly out of thin air, Bennie clicked a mouse and made $16 trillion dollars in loans to all the usual suspects. Take a look at some of currency candy he served up:

- **Citigroup**: $2.5 trillion ($2,500,000,000,000)
- **Morgan Stanley**: $2.04 trillion ($2,040,000,000,000)
- **Merrill Lynch**: $1.949 trillion ($1,949,000,000,000)
- **Bank of America**: $1.344 trillion ($1,344,000,000,000)
- **Barclays PLC (UK)**: $868 billion ($868,000,000,000)
- **Bear Stearns**: $853 billion ($853,000,000,000)
- **Goldman Sachs**: $814 billion ($814,000,000,000)
- **Royal Bank of Scotland (UK)**: $541 billion ($541,000,000,000)
- **JP Morgan Chase**: $391 billion ($391,000,000,000)
- **Deutsche Bank (Germany)**: $354 billion ($354,000,000,000)
- **UBS (Switzerland)**: $287 billion ($287,000,000,000)
- **Credit Suisse (Switzerland)**: $262 billion ($262,000,000,000)
- **Lehman Brothers**: $183 billion ($183,000,000,000)
- **Bank of Scotland (UK)**: $181 billion ($181,000,000,000)
- **BNP Paribas (France)**: $175 billion ($175,000,000,000)
And many more, including banks in Belgium.


Senator Sander’s Article: http://sanders.senate.gov/newsroom/news/?id=9e2a4ea8-6e73-4b...

Which brings us to this: for one hundred years, international bankers, lead by the Bank of England and the Rothschild banking dynasty, sought to create a national bank in the United States. Presidents opposing it were assassinated.

Eventually they prevailed. And like some off-planet creature from a horror movie, the Fed was born.

The result? The United States is hopelessly bankrupt. Just the interest on our national debt last year was $454,000,000,000.

The interest.
Then again, government has more control over the Mafia than they do the Federal Reserve Bank. Which explains why we find that Bennie and the Feds were also able to spew trillions of digital fairy dust around the planet on a whim.

Printing money by the trillions has consequences.

It’s called inflation – a currency disease that has a profound effect on the price of gold and silver.
I pulled into the gas station, filled my tank and thought about filing my bankruptcy papers at the convenience store on the way out. I mean, $70 for a tank of gas.

Many people think inflation is an increase in the price of goods. That happens, but it’s only a symptom of inflation. Others define it as an increase in the amount of money in circulation. That’s part of it, too. But only a part.

Inflation is the result of more money in circulation than there are goods and services to buy.

Simple example: you’re on a small island. There are ten people on the island with you. You have the only orange for sale. Each of the ten people has $10 and is hungry. The money will “bid” for the orange, which is likely to sell for $10.
Same island, same orange, same ten people, but this time they each have $100. What will happen to the price of the orange? The price will soar, as the money available will bid the price up. The more money available, the higher the price of that orange.

However, note that if the number of oranges available increases at the same rate as the expansion of currency, the price will stay reasonably stable.

To repeat: if the amount of money in circulation increases relative to goods and services, prices rise. It takes a while to sink into the economy, but eventually prices rise.

With inflation, the currency actually becomes less valuable, as it takes more and more money to buy things. This is called currency debasement.

The opposite is also true: if the amount of money in circulation decreases, so too do prices. This is called deflation.

Same island, same ten people, same orange. But each of the people only has $1. You see how this works?

So the amount of money available determines the health of the economy. If there is enough money available to purchase what there is to buy, the economy hums. If the amount of money in circulation is reduced, the economy
falters or crashes. Factories could be producing in great volume, but if there is insufficient money available in society, no one buys.

Remember old man Rothschild: “Let me issue and control a Nation’s money and I care not who makes its laws.”

The Fed has complete control over the amount of money in circulation. It is they that can create inflation or deflation at will. And do.

The following is a graph of the supply of money in the U.S., called M2.

While the money in circulation has soared, the GDP (Gross Domestic Product) has remained relatively flat over the last several years.
Moreover, the M2 graph doesn’t take into consideration the countless trillions the Fed has been spewing out to banks around the planet.

In short, the Fed is minting dollars to cover government spending as well as supporting U.S. and foreign banks, in a tidal wave of money the likes of which the world has never seen.

And all the while, the products that are available for those dollars to purchase have stayed about the same or increased ever so slightly.

Inflation damages the individual and his family in this way: as prices rise, one has to pay more just to maintain one’s standard of living. Wages rarely rise at a rate that keeps up with inflation.
It becomes a vicious and destructive cycle when governments turn on the spigot and gush money into the system, sending prices to astronomical heights. This is called hyperinflation.

Almost everyone is familiar with the story of the inflation that destroyed the German economy in the early 1920s.

“Prices went up quicker than people could spend their money.

“In 1922, a loaf of bread cost 163 marks.

“By September 1923, this figure had reached 1,500,000 marks and at the peak of hyperinflation, November 1923, a loaf of bread cost 200,000,000,000 marks.

“The impact of hyperinflation was huge:

“People were paid by the hour and rushed to pass money to loved ones so that it could be spent before its value meant it was worthless.

“People had to shop with wheelbarrows full of money.
Bartering became common – exchanging something for something else but not accepting money for it…

“Pensioners on fixed incomes suffered as pensions became worthless….

“The group that suffered a great deal – proportional to their income – was the middle class. Their hard-earned savings disappeared overnight.”

http://www.historylearningsite.co.uk/hyperinflation_weimar_germany.htm

While today the United States is nowhere near the inflation rate of the Weimar Republic (Germany) in the early 1920s, I call your attention to the graphs above and the fact that as this is being written, the Federal Reserve Bank is considering what is euphemistically referred to as QE III.

QE, as you likely know, stands for “Quantitative Easing.” This is the Fed’s financial psychobabble for “printing more money.” They have engaged in two rounds of Quantative Easing in the past few years and are now considering round three.
Below is a graph that is similar to the one above of M2 (money in public hands), but this one includes the public’s money as well as money banks have on deposit at the Fed.

In each case you get a sense of what’s coming.

Which leaves us where?

For the first hundred plus years of our history, there was a virtual war between those that opposed the establishment of a central bank (Jefferson, Lincoln, Jackson, Garfield), and those that wanted to establish one (Hamilton, the Rothschilds, Rockefellers and the Morgans).

Two of these Presidents were assassinated, many believe, because of their opposition to a central bank.
In 1913, a private corporation called the Federal Reserve System (the Fed) was established. It was given total control over the issuance of money in the United States of America.

The Fed creates and then issues this money out of thin air and charges interest on it.

Major New York banks, many with ties to the Bank of England, own the Fed.

The U.S. government is addicted to spending. In the last three and a half years alone, it has spent $5,000,000,000,000 (five trillion dollars) more than it has taken in. The Fed has lent the U.S. government, as well as banks foreign and domestic, countless trillions, spreading U.S. dollars around the globe like a fiscal plague.
The Fed’s printing press has created a tsunami of dollars, depreciating the value of the currency and its purchasing power.

While the value of the dollar has been eroding (see graph above), the prospect of a major inflationary cycle now looms.

What does one do to protect the savings that they have painstakingly put aside for their retirement or their children’s education?

Into what can one invest if the dollar is becoming worth less and less and less?

The question is a bit rhetorical.
There’s almost something mystical about holding a gold coin in your hand. It seems to radiate a sense of goodness and power.

Perhaps this comes from the ancient Egyptians, whose use of gold dates back to 4000 BC. To them gold had a magical potency and was imbued with certain spiritual and religious properties.

It shone like the sun and was thus credited with the powers of the Sun God. In fact, gold was called the Flesh of the Gods.

Surprisingly, the Egyptians didn’t use gold as money. It was used to make religious artifacts, royal jewelry and even adorn chariots. Gold jewelry was used by both men and women and, because of religious beliefs, was buried with them.
A stunning example was the 1923 discovery of the tomb of Tutankhamen, better known as King Tut. The boy king became pharaoh at the age of nine, and died when he was only nineteen. He was buried with a massive treasure trove of gold. His sarcophagus (burial casket) contained three gold coffins – each one smaller – one inside the other. The last coffin, which contained the mummy of the young pharaoh, was made entirely of gold and a death mask covering his face was made of solid gold and inlaid with jewels.

Gold and silver were first minted as money by Croesus, the king of Lydia, an ancient kingdom in what is now Western Turkey in about 564 BC.

The Chinese also began coining gold around this time.

Croesus, as seems to be endemic in all rulers, wanted to expand his empire. And so, what else, he invaded Persia. But Croesus was not quite the general that Alexander the Great (who conquered Persia two hundred years later) was. He himself was captured, and that was the end of the kingdom of Lydia.
But the idea of minting gold coins as money caught on with the Persians who, under King Darius, subsequently minted their own gold coins and collected taxes in gold (think ancestors of the IRS).

When Alexander the Great captured Persia in 330 BC, he continued the use of the gold coins, but replaced Darius’ image with his own. Who else.

Meanwhile, the use of both gold and silver coins had already spread to many of the Greek city-states. When Rome conquered Greece in the first century BC, many of those states continued to mint their own gold and silver coins.

Rome used gold and silver, as well as other metals, for coins. The gold coin was called the aureus, the silver coin was called the denarius. There were also brass and copper coins. These were used for about 600 years – from the middle of the third century BC until the middle of the third century AD.

Silver was the primary coin of exchange during the Middle Ages, as gold took on more of the role of a store of value and was saved, though gold and silver coins were both used throughout Europe during these years.

In the United States, the first gold coins were minted in 1795. Various forms of gold and silver coins have been part of American monetary history since our founding.
While fiat currency (paper currency issued by governments) played a role in U.S. monetary history, as we have seen above, all of that changed in 1913.

All of which does not make you a Ph.D. in the history of money. But to make the point, which is well said in the Wikipedia article on “Metal as money”:

“For all of recorded history at all times and in all circumstances, gold remains money. Thus gold is the ultimate form of payment. Interestingly, as evidence of its monetary nature, gold is the only commodity produced by humans to be hoarded.”

Gold isn’t only the ultimate form of payment, it is the ultimate refuge for those seeking protection of their assets when governments are running their printing presses overtime.

“Deficit spending devalues the dollar, leading investors to turn to gold for refuge…. When the world money supply grows, interest rates are low, and the stock market is volatile, things look promising for the most valuable of the precious metals.”

Citing Frank Holmes of U.S. Global
Michael Maloney, in his *Guide to Investing in Gold and Silver*, makes the same point:

“When paper money becomes too abundant, and thus loses value, man always turns back to the precious metals.”

Later, he points out:

“…where we are economically, which is on the brink of economic disaster, [is] what we will call the perfect economic storm.”

Maloney’s book was written in 2008. If we were on the brink of economic disaster and the perfect financial storm in 2008, we have actually started to spiral down that vortex in 2012.

The PIIGS (Portugal, Ireland, Italy, Greece and Spain) are in an economic meltdown, as we speak, that will usher in a global financial Chernobyl.

And the U.S. Federal Reserve, having merrily flushed $16 trillion into the U.S. and European banking systems a few short years ago, is now considering another injection (think a depraved doctor shooting an addict up with Horse).
All the while, the international bankers, who have covertly staged this play, sit in their pin-striped offices waiting for their bankrupt sovereign clients to come pleading for a fix.

But then, we are getting ahead of ourselves.

Nothing drives a country into debt, and then currency debasement, faster than war.

The use of gold and silver coins during the Golden Age of Greece helped the city-states of the Aegean Peninsula flourish and prosper.

But the glory that was Greece (Pericles, the Parthenon, Socrates, the birthplace of democracy – a true golden age), vanished on the cross of war and, what almost always follows, an inflated currency.
After more than two decades of war, the Athenians came up with a bright idea of how to continue to fund the hostilities. They debased their gold and silver coins by adding 50% copper. This was the first time a government had mandated a currency that was not pure gold or silver or a mixture of the two.

The result? The amount of money available doubled, but the value of the currency plummeted. The value of the real gold and silver coins soared. As Mike Maloney tells it:

“…as a consequence it [the debased currency] became practically worthless. But obviously, once the public woke up to the debasement, anyone who had held on to the old pure gold and silver coins saw the purchasing power increase dramatically.”

War and inflation so weakened Greece that Rome conquered them in the first century BC.

Rome ruled the known world for half a millennium or more. But the pattern that had destroyed Greece was repeated by the Roman Empire – on steroids.
In the years following *Pax Romana* (27BC to 180AD), which were the glory years of the Roman Empire, the civilization became wracked by war and inflation. Gold and silver coins were bastardized with copper and bronze, inflating the currency.

In the fourth century, Emperor Diocletian doubled the size of the military, vastly expanded government, and instituted a massive welfare program. The government engaged in a program to provide free wheat to about 20% of the population. (In case this doesn’t sound familiar, trillions have been spent on our endless wars, Iraq and Afghanistan, and currently 15% of the U.S. population is on food stamps).

To pay for these programs, he dramatically inflated the currency by minting massive amounts of bronze and copper coins (today, of course, it is the Fed and its digital printing press).

This resulted in a ravaging hyperinflation that eventually crashed the economy, which reverted to a barter system and resulted in a staggering increase in the value of gold.
Governments have debased currencies, creating devastating inflation for their countries, almost since the dawn of time. Wikipedia lists thirty-two examples of such events in countries dating back to ancient Egypt.

“Don’t you find it odd that world leaders aren’t asking folks to save at every chance to protect assets and retirement sources? I mean if we knew the next few years would bring major drought would our government tell us to water lawns and wash cars at will? If we knew famine was in our future would leaders tell folks to eat hardy or ration food? Then why is it economies around the world continue to grow government, print money, and encourage more debt if economic uncertainty is at hand?

“Yes gold will continue to go up because it is slowly becoming one of only a few means to save, buy, and invest. Like the last spot of land in times of flood, world wealth will continue to run to the high ground of gold until fiscal responsibility returns. Until then gold will only go higher.”

http://theprospectorsite.com/blog/?p=3979
From Argentina to Austria, Bolivia to Brazil, Germany to Greece, Zimbabwe to Zaire, countries have debased their currencies and crashed their economies.

Don’t look now, but the United States of America is on its way to being added to that list.

The U.S. dollar, which fueled American prosperity and has been the world’s reserve currency for almost seventy years, is now under attack internationally – an attack which will remove it as the very foundation of the global financial system and send its value plunging.
Chapter Five

The Take-Down of the Dollar

“Gold and Silver are money. Everything else is credit.”

J.P. Morgan

At 6:30 on the overcast Tuesday morning of June 6, 1944, the largest amphibious assault in world history occurred at Normandy – an event that would eventually lead to the defeat of Adolf Hitler’s Third Reich.

One month later, though the war was still raging in Europe, seven hundred and thirty delegates from the forty-four Allied nations gathered at Bretton Woods, New Hampshire to restructure the world’s financial system.
One of the results of Bretton Woods was the creation of the International Monetary Fund and the World Bank. As a note on history, both of these institutions have become global predators, turning third world countries into hopelessly indentured states. The senior American representative to Bretton Woods, Harry Dexter White, a high-ranking official from the U.S. Treasury Department, oversaw their creation and early direction.

White was subsequently found to be a Soviet agent, actively engaged in espionage for the USSR. Besides passing secrets to the Russians, White had placed several Communists inside the U.S. Treasury. Yes, really.

This is a story in itself, but is not the main point of our book here. Because the most important thing to occur at Bretton Woods was elevating the U.S. dollar to the status of king of the global economy.
They did this by establishing the dollar as the primary currency in all international trade. It was agreed that the dollar would be backed by gold and that the central banks of other nations could exchange any dollars in their possession for gold at the U.S. Treasury at the rate of $35 per ounce.

As such, it was in high demand. Central banks hoarded it because the Yankee Dollar was “good as gold.”

This system held sway until the late 1960s, when the massive printing of dollars to fund the Vietnam War inflated the currency to such a degree that foreign governments started turning in their dollars for gold.

War – it always drives nations to inflate.

We had printed far more dollars than we had gold to back them and could not meet this demand. As a “solution,” Richard Nixon “closed the gold window” in 1971, cancelling the Bretton Woods system and turning the American dollar into just another fiat currency with no tie to gold whatsoever.

By rights, this should have dethroned the dollar.

But that didn’t happen.

Shortly after closing the gold window, Nixon negotiated a deal with Saudis: they would only accept dollars in payment for oil. In exchange, Nixon guaranteed that the United States would protect and defend the Saudi Arabian oil fields from attack.
Also as part of this arrangement, the Saudis agreed to use oil profits to purchase U.S. Treasury debt.

The U.S. spending spigot was now turned on full blast.

It was this arrangement – the so-called petrodollar agreement – that enabled the dollar to continue to serve as the world reserve currency.

The dollar may no longer have been backed by gold, but every nation needs oil. Since purchases had to be made in dollars, the central banks of the world had to accumulate and hold them dear.

The use of dollars to buy oil then expanded to other areas of international trade. In essence, the dollar became and has been the only medium of exchange in international trade for the last four decades.

And that’s the simple story of how the U.S. dollar became the world’s “reserve currency.”

Many of these governments also bought U.S. Treasury debt, as these bonds were redeemable in dollars.

This circumstance has enabled the U.S. to continue to run massive budget deficits for wars and social programs for decades, inflating the dollar without seeming regard for the corrosive effect the practice had on the American economy.

Financial seppuku.
Author and economist, Adrian Salbuchi, tells it well in his book *The Coming World Government: Tragedy and Hope*.

“There is, however, no indication whatsoever that this shortfall [budget deficits] will force the United States to limit its war efforts in Iraq or Afghanistan, or curb domestic social policies, or freeze other war expenditures and the military build-up poised on Iran. Quite the contrary, they are increasing them more and more. So then, the obvious question is:

“*Where does the United States get the Financial Resources to pay for all this?*

“The answer to this question is quite simple: it raises this money by printing U.S. Dollar Notes and U.S. Treasury Bills and Bonds (5 and 30 year maturities, respectively), taking advantage of the high ‘export’ factor the Dollar has been enjoying, which enables the U.S. Government to print and issue money, and immediately push it out of its domestic economy and primary international financial circuits, thus avoiding what would otherwise explode as severe inflation of the Dollar. If
we look at the gigantic figures involved, we can quite properly define this phenomenon as covert (hyper) inflation that has remained hidden from public view... for now.”


And there’s this: the revelation that the $16-trillion printing extravaganza only came to light because Congress passed legislation that called for an audit of the Fed’s activities during a few key months of the financial crisis. But years have passed since that audit, Europe is in financial flames as this is being written, and God only knows the amount of dollars that have been dumped into the European financial system in recent years by Bennie and the Feds.

The financial crisis of 2008-2009 changed all of that.

In my book Crisis by Design: The Untold Story of the Global Financial Coup (www.johntrmanwolfe.com), I presented the evidence that the same international bankers who put the Bretton Woods system in place, and then the petrodollar system in place, have now decided to take full control of global finance.
There has been a decision at the highest levels of international finance, to move the dollar off of center stage – to dethrone the king – to take the dollar (and the U.S.) down as the dominant force in international finance and to replace America and its currency with what they call a GMA, a Global Monetary Authority.

In other words, the intention of the financial crisis was to create such chaos in the international financial markets that finance ministers and sovereign governments would look to some kind of international entity – some world body – to “save” them.

Most people do not know that a Global Monetary Authority was put in place on April 2, 2009: an entity called the Financial Stability Board, which was inserted into and operates from the Bank for International Settlements in Basel, Switzerland, the central banker’s central bank.

The steps of how that was done and who was involved is covered my book *Crisis by Design: The Untold Story of The Global Financial Coup*.

The point here is that a massive shift in control of the global economy is taking place as we write – what is going on in Europe now is the second act in a staged
play to consolidate control of international finance in the Bank for International Settlements, with the IMF playing point guard.

Meanwhile, the dollar, which has been gushing out of the Federal Reserve like a broken sewer line flooding the entire planet with paper crap, has become so inflated that it is now being shunned by other countries and is losing its status as the world reserve currency.

Growing numbers of countries are ditching the dollar for use in international trade – for the purchase of oil as well as other forms of trade.

Russia and China recently made an agreement whereby their bilateral trade will be conducted in their own currencies – the ruble and the renminbi. This is an event that would have been unheard of a few short years ago.

Several other non-dollar-based currency agreements have also been put in place in the last few years. China and Japan – the second and third largest economies in the world – recently struck an agreement whereby their trade will be conducted in their own national currencies – the yen and the yuan/renminbi. (The Chinese currency is referred to as either the yuan or renminbi).
This from the June 24, 2012 edition of William Buckler’s exceptionally regarded investment newsletter, The Privateer. Buckler’s intelligence is world class.

“The significance of China and Japan agreeing to bypass the U.S. Dollar in allowing the market to set exchange rates between their two currencies is many-sided. But there will be two major effects. The first is that the global trading currency status of the U.S. Dollar will be increasingly diminished. With that will come a decreasing demand for U.S. Dollars as a trading intermediary in deals between nations. What has now begun in China and Japan will inexorably expand over the rest of Asia, and it won’t stop there.

“A displacement of U.S. Dollars as the common denominator of global trade is only one small step from the displacement of the U.S. Dollar as the reserve currency. Asia makes no secret of the fact that it wants OUT of the post-Bretton Woods U.S. Dollar ‘centric’ world. It also makes no secret of the growing demand for physical Gold throughout the continent. Asia
John Truman Wolfe is stockpiling Gold on both a central bank and individual ownership level. Four years of plus $US 1 TRILLION annual U.S. budget deficits – with no end in sight – has convinced Asia that Gold is their best chance to ride out the mess they are sure is coming."

http://www.the-privateer.com/

The list goes on. The economic organization known as the BRICS – Brazil, Russia, India, China and South Africa – has established an economic pact and has agreed to conduct trade in their own national currencies.

Marin Katusa of Casey Research makes the case in an article posted at EscapeArtist.com.

“For decades the U.S. dollar has been absolutely dominant in international trade, especially in the oil markets. This role has created immense demand for U.S. 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 U.S. Treasuries as countries around the world sought…..
“The value of the U.S. 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 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 U.S. dollars forever, will come tumbling down.”

http://assetprotection.escapeartist.com/newsletter/so-long-us-dollar

In addition, the International Monetary Fund (IMF) and the United Nations have both recently called for replacing of the U.S. dollar as the world reserve currency.

As the demand for the dollar falls, so too does its value. Just as Mike Maloney lays out in his book, this inflation of the dollar, which has now taken on a global perspective, has driven the price of both gold and silver to new highs.

Gold is trading around $1,600 and silver around $30 as we write this. Yes, they’ve been higher – gold reached $1,900 and silver about $49.
But if you think the bull market in precious metals is over, think again.

With the United States continuing to create annual trillion-dollar deficits in the world economy, which is no longer in desperate need of dollars, the value of the dollar will continue to sink, and precious metals will rise.

It has been always thus.

Larry Edelson, editor of The Real Wealth Report, and one of the nation’s leading precious metals experts, noted in a May 2012 interview with Martin Weiss, Chairman of the highly respected Weiss Group:

“There’s at least four trillion dollars of new paper money sloshing around the global economy, just beginning to impact select markets and investments.

“And there’s trillions more on the way. This money is clearly going to drive the price of gold, silver, oil and almost all natural resources higher like never before in our lifetime.”

http://www.moneyandmarkets.com/transcript-8-shocking-new-forecasts-for-2012-and-beyond-49635

Gold, he said, “…will ultimately soar to at least $5,000 per ounce!” He also called for $150 per ounce silver.
As a clue to how this is playing out, just take a look at what the central bankers are doing.

The headline of an article in the June 12, 2012 edition of the *Wall Street Journal*:

“CENTRAL BANKS ARE BACK TO BUYING GOLD.

“…central bankers are back buying gold. Think it’s no big deal? The last time we saw the so-called official sector as such a consistent and major buyer was in 1965.

“Central banks increased their gold hoards by 400 metric tons — each equal to almost 2,205 pounds — in the 12 months through March 31, up from 156 tons during the prior year, according to recent *World Gold Council* data.”

I am not a fan of central banks, but they are the ones calling the shots. So what do they know, that most people do not?

And if that is not enough, one only needs to confront the financial perfect storm called “derivatives,” to understand the need to protect oneself with precious metals.
CHAPTER SIX

DERIVATIVES

Jamie Dimon preened before the political paparazzi when he testified about J.P. Morgan’s $2-billion loss trading derivatives recently.

Jamie apologized, looked pensive before the legislators, but smiled for the cameras.

What else is a guy who makes $23 million a year going to do?

Still, $2 billion vanished in the blink of an eye in their derivatives “misstep.”

How could that happen? What the Hell are these things?
They are what Warren Buffet has called *Financial Weapons of Mass Destruction*. And they could bring down the entire global financial system almost as fast as Jamie dropped a couple of billion, driving the price of gold and silver to unheard-of levels.

Sound alarmist? Perhaps, but the public needs to understand what’s at stake here.

Derivatives are financial instruments that *derive* their value from some underlying asset.

The term was slammed into the public consciousness during the financial crisis of 2008-2009 among discussions of the infamous mortgage-backed securities.

Mortgages were packaged up and sold in bundles to banks and others. The actual mortgages were the underlying asset; the bundle – the package of mortgages – was a security, like a stock or bond, which was the derivative.

But mortgage-backed securities are not the boogeyman of international finance today – oh no.

The two main types of derivatives that have pushed the global financial system to the edge of fiscal Armageddon are Credit Default Swaps and Interest Rate Swaps.
You should know what these things are because you are going to be hearing more about them.

**CREDIT DEFAULT SWAPS**

A Credit Default Swap (CDS) is a fancy name for a financial instrument that is really nothing more than a bet on whether a loan will be repaid or not. They are wagers, placed by bankers and other pinstriped bookies in an enormous, floating casino with virtual crap tables in the U.S., Europe, Asia, and the Middle East.

In the simplest terms, credit default swaps are wagers as to whether or not some entity – a government or a corporation – will repay a loan in the manner in which they have agreed.

Governments and corporations borrow money by issuing bonds, which are promises to pay – IOUs.

Here is a simple example of how a CDS might work: The country of Greece (like virtually all governments on this debt-ridden planet) spends more than it gets in tax revenues. To cover the shortfall, it borrows. It does this by selling government bonds of one kind or another.
These bonds are backed by the “good faith and credit” of the government. The good faith and credit of the government rests on its ability to tax its citizens.

To make the purchase of the bonds a more secure investment, the investors (those buying the bonds) are likely to purchase a credit default swap, which guarantees the repayment of the bonds from the seller of the swap, should the government default.

The investor pays a fee to the issuer of the swap, much like an insurance premium. While it acts like insurance, a credit default swap isn’t an insurance policy – not technically. It is an agreement, a guarantee, issued, for example, by a bank or an insurance company, to pay the amount due to the investor if Greece defaults.

Kind of like a co-signer. This transfers (swaps) the risk from the government to the entity issuing the guarantee (thus the name, Credit Default Swap).

But the betting doesn’t stop there. No, no.

*Others now make new bets* on the original swap. In other words, bets are made on the bets. And then bets are made on those bets and… it is a towering pyramid of wagers on wagers on wagers on whether or not some debt will be repaid.
Goldman Sachs, let us say, decides to place a bet that the Greek government will have a hard time repaying its bonds (won’t repay them as promised).

Another bank, say Deutsche Bank, the German financial giant, takes Goldman’s bet; they think Greece will perform. Goldman may have Greek bonds to protect or is just playing banker baccarat. In any case, Goldman pays Deutsche Bank a fee for the coverage and credit default swap is born.

(Would Goldman leak information to the financial press that the Greek economy is actually in worse shape than it appears so they can win the bet and pocket a few billion? Nah.)

Still others can place bets on the Goldman/Deutsch Bank swap. Bets like these, where the gamblers have no interest in the underlying security, are called “Naked Swaps.”

This market is a ginormous, pyramiding Ponzi scheme. The face value of outstanding credit default swaps globally is currently about $25 trillion. That's trillion, with a “T.”
A major market for credit default swaps in recent months has been the PIIGS – Portugal, Ireland, Italy, Greece and Spain. These are the hobos of Europe hanging out in the back streets of Frankfurt with their tin cups extended to the European Central Bank. The cost of default swaps in these countries has skyrocketed as the European Financial Crisis has blossomed.

INTEREST RATE SWAPS

But the problem in the PIIGS isn’t Credit Default Swaps, it’s the fact that what is occurring there is representative of the entire planet – a world mired in a vast, interconnected Ponzi scheme of more than $1.1 quadrillion of derivatives, more than half of which are bets on the direction of interest rates.

Six hundred trillion dollars of these derivatives are interest rate swaps – a casino that is so vast, even the people who built it have lost control.

Interest rate swaps, like credit default swaps, are bets – they are bets on whether interest will rise or fall. An investment bank thinks rates will go up. Another bank thinks they will go down.

And they bet.
Here’s an example: the City of Los Angeles raises $100,000,000 by selling municipal bonds to build a new sports stadium.

The bonds are sold with a floating interest rate, which is tied to the federal funds rate (FFR) set by the Fed – say, FFR + 2% – and is at the closing, let’s say, 4%.

But the city’s budget is extraordinarily upside down and, if rates go up, they’ll never be able to handle the interest payments. What to do?

In the distance we hear a bugle signaling a cavalry charge. This is followed by the sound of screeching tires as a Humvee stretch-limo the size of the Hindenburg squeals around the corner, roars up the street and pulls to a stop in front of the mayor’s office.

The chauffeur exits the driver’s side, walks briskly around the car and opens the rear door. The first person out is a Julia Roberts lookalike in a Valentino pantsuit. She is wearing designer shades and is carrying a Prada briefcase. She is followed by an unusually tall man wearing a midnight blue Armani suit with teal pinstripes. He is ostrich-egg bald, is wearing granny glasses and has a Tumi laptop bag slung over his shoulder. He is furiously working the keys of a Blackberry while talking on a Bluetooth headset.
Goldman Sachs has arrived.

The City of Los Angeles and Goldman strike a deal.

The City will pay Goldman a fixed rate of 4% so their interest expense is guaranteed not to rise. Goldman, in turn, will pay the city a floating rate – the Fed Funds Rate +2%, so they can pay their bondholders per the terms of the bond purchases.

That is an interest rate swap. If the Fed Funds Rate goes up, Goldman loses; if it goes down, they win.

And like credit default swaps, there are bets on this swap and bets on those bets and then bets on the bets of the bets and... stay with me ... a $600,000,000,000 – six hundred billion dollar house of cards.

A quick refresher on $1 trillion.

If you laid a trillion dollar bills end to end, they would stretch 96,906,566 miles – more than enough to reach the sun.

If you stacked a trillion one-dollar bills on top of each other, they would climb to a height of 67,866 miles. If you laid that stack on the ground, it would wrap the Earth two and a half times. http://www.bobkrumm.com/blog/?p=2114
How Exposed Are U.S. Banks?

Bank of New York Mellon $1,375 trillion in derivatives
State Street Financial $1,390 trillion in derivatives
Morgan Stanley $1,722 trillion in derivatives
Wells Fargo $3,332 trillion in derivatives
HSBC $4,321 trillion in derivatives
Goldman Sachs $44,192 trillion in derivatives
Bank of America $50,135 trillion in derivatives
Citibank $52,102 trillion in derivatives
JPMorgan Chase $70,151 trillion in derivatives
Total derivatives exposure of the nine biggest U.S. banks $228.72 trillion

ref: http://demonocracy.info/infographics/usa/derivatives/bank_exposure.html

Historically, 60% of derivatives are interest rate swaps.
Do the math.

This is a colossal global casino, built on hot air and greed.

Which brings us back to what is truly driving the actions of the Fed, the International Monetary Fund and the Bank for International Settlements.

Perhaps you have noticed that the Federal Reserve (which we remind you, is owned by Goldman Sachs and other major New York banks, not the U.S. government) has kept interest rates at zero for the last three and a half years.
What happened to the banks that bet on low interest rates using interest rate swaps? They made billions in profit. Why? Because they arranged to receive fixed rates from borrowers (cities, states, universities) in exchange for floating rates. The floating rates were tied to the Federal Reserve’s Fed Funds Rate, which was lowered to zero during the “financial crisis” by Helicopter Ben and has remained there.

Consider the fact that the financial crisis seems to have missed J.P. Morgan, who made about $5 billion in profit on interest rate swaps during the first nine months of 2008, the very heart of the crisis.

Goldman Sachs made similar profits on these swaps, as did Wells Fargo, to name a few. Of course, the cities, counties and states that took the other side of these bets
on the advice of investment bankers to protect their bonds got slaughtered. But let’s not be too harsh on them. According to Goldman Sachs’ CEO, Lloyd Blankfein, following his testimony before Congress, he’s just a banker “doing God’s work.”

We love you, Lloyd.

But here’s the problem.

The majority of the more than half quadrillion dollars in interest rate swaps are held mainly by banks. As we documented above, the nine biggest U.S. banks hold a quarter of a quadrillion in derivatives. An estimated $136 trillion are interest rate swaps (the U.S. Gross Domestic Product, basically the value of our annual production of goods and services, is $15 trillion).

Stay with me here.

With rates at zero, what’s the only way they can go?

That’s right, up.

And what will happen to those banks with trillions of dollars of interest rate swaps in their portfolios when rates start to climb?

The planet is drowning in a multi-trillion-dollar game of interest rate roulette, whose players will suffer massive losses when rates reverse.
And at this point, this isn’t entirely up to Bennie and the Feds. The U.S. Government went $1.4 trillion in debt last year and recorded a $1.3 trillion deficit this year.

Which means?

Which means that, at some point for China, Japan or the tooth fairy to buy our Treasury Bills, rates will have to rise. China is not drinking Tim Geithner’s Kool Aid. And the U.S. government will have to raise rates at some point to entice others to buy our fiscal waste. If we don’t raise them, the market will force them up.

Not, says Helicopter Ben, on my watch. The Bald One bought $600 billion worth of U.S. Treasury last year. Ben calls the Alice in Wonderland money injection: “Quantitative Easing.” That was the second round of quantitative easing – the first one was an unqualified disaster – this one has been the same. According to reports, QE 3 is being discussed.

Ben is nothing if not brilliant. If he takes to the presses and buys Timmy Geithner’s debt, he doesn’t have to rely on his comrades in the People’s Republic of China to buy it. Rates will stay low. And the trillions of dollars of interest rate swaps – which are owned by the same people who own his bank – will be safe.
Ben should be up for a Nobel Prize.

Except that’s not what happened as a result of QE 2. Finance ministers from around the world issued statements implying that Ben was smoking something. And as noted by Mike Larson of Money and Markets, some of the key U.S. government bond yields not only didn’t go down, they soared.

And what did our lenders, the Chinese, do? The Chinese credit rating agency, Dagong Global, downgraded the debt of the United States, citing “…the detrimental effects of the QE 2 plan and the U.S.’s sizable debt load.”

Oops.

What will happen when someone sticks a pin in the derivatives balloon? Not a $2 billion J.P. Morgan sneeze. No, not even the flu. It will be double bronchial pneumonia.

What would you rather be holding when that happens, pieces of paper or gold and silver?
CONCLUSION

Even if you don’t see this scenario ending in a financial cataclysm, it should be clear that the value of the U.S. dollar is eroding and will continue to do so as the addicts in Congress, with the needle in their budget from the Fed, continue to inflate currency in a suicidal effort to fund wars and welfare.

Yes, there are voices in Congress that are heralding a financial catastrophe if things do not change – Ron Paul, Tom Coburn and a few others – but budget deficits continue to expand like a deadly fiscal tumor.

We have a national debt growing at the rate of $49,000 a second.

Gold and silver have been money for millennia – not years, or decades or centuries – millennia.
Yet even then, ancient governments eventually corrupted the metal, debasing their currencies to finance wars and welfare as virtually every major power has done in the history of the world.

And when they did so, pure gold and silver increased in value dramatically. In times of economic uncertainty, people always came home to gold and silver to protect their assets and benefit from the natural appreciation in price.

“The historical record is clear on what happens when countries embark on fiscal and monetary paths today’s leading economies are embracing. If gold’s recent price performance is anything like the calm before Germany’s hyperinflationary storm, this is a time to be accumulating more gold.”

Louis James, Senior Metals Investment Strategist, Casey Research, Casey Daily Dispatch June 18, 2012.

This is not just another “recession.” It’s not a bump in the economic road. This is a predictable consequence of a government gone mad with spending, aided by a power-hungry central bank with its own agenda.
And now the global sponge that has been soaking up dollars for decades is saturated. Will this stop the spending binge in Washington? Does the junkie refuse the needle? And even if it slows, Bennie and the Feds can pump more dollars into the global financial system as they did with the $16 trillion in 2008-2009.

The international bankers from Europe sunk their fangs into the neck of America and Western Europe in the 19th and early 20th Century. They let nothing stand in their road.

There is much that can and should be done politically. But that is the subject of another book. Our purpose here is to arm you with enough information to understand that in this day, at this time, owning precious metals not only offers protection from a global financial crisis rapidly spiraling out of control, but will allow you and your family to ride The Next Wave of the gold and silver bull market.

A simple, fast and easy way to do that is to shift some of the assets you are holding in an IRA or a 401K into gold or silver or both.
Let’s be honest, this economy is a financial *Titanic*. It is sinking before our very eyes. You have worked a lifetime to build and save some retirement assets. Don’t let mindless bankers and politicians destroy them with policies that continue to debase paper money.

“Deficit spending is simply a scheme for the ‘hidden’ confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights.”

Alan Greenspan – Gold and Economic Freedom (1966)

For your sake, the sake of your family and heirs, protect those assets by converting some of the assets held in your IRA or 401K into precious metals.

We hope the message rings loud and clear.