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The Creation of the Second Great Depression

Ron Paul

Whenever a Great Bipartisan Consensus is announced, and a compliant media assures everyone that the wondrous actions of our wise leaders are being taken for our own good, you can know with absolute certainty that disaster is about to strike.

The events of the past week are no exception.

The bailout package that is about to be rammed down Congress' throat is not just economically foolish. It is downright sinister. It makes a mockery of our Constitution, which our leaders should never again bother pretending is still in effect. It promises the American people a never-ending nightmare of ever-greater debt liabilities they will have to shoulder. Two weeks ago, financial analyst Jim Rogers said the bailout of Fannie Mae and Freddie Mac made America more communist than China! "This is welfare for the rich," he said. "This is socialism for the rich. It's bailing out the financiers, the banks, the Wall Streeters."

That describes the current bailout package to a T. And we're being told it's unavoidable.

The claim that the market caused all this is so staggeringly foolish that only politicians and the media could pretend to believe it. But that has become the conventional wisdom, with the desired result that those responsible for the credit bubble and its predictable consequences – predictable, that is, to those who understand sound, Austrian economics – are being let off the hook. The Federal Reserve System is actually positioning itself as the savior, rather than the culprit, in this mess!

- The Treasury Secretary is authorized to purchase up to $700 billion in mortgage-related assets at any one time. That means $700 billion is only the very beginning of what will hit us.
- Financial institutions are "designated as financial agents of the Government." This is the New Deal to end all New Deals.
- Then there's this: "Decisions by the Secretary pursuant to the authority of this Act are non-reviewable and committed to agency discretion, and may not be reviewed by any court of law or any administrative agency." Translation: the Secretary can buy up whatever junk debt he wants to, burden the American people with it, and be subject to no one in the process.

There goes your country.

Even some so-called free-market economists are calling all this "sadly necessary." Sad, yes. Necessary? Don't make me laugh.

Continued on page 5

Ben Bernanke's Pretense of Knowledge

Doug French

In response to the meltdown of financial institutions, unprecedented power has been unleashed by the federal government. Between actions by the Federal Reserve, the TARP, guarantees made by the FDIC, and other direct bailouts, the total comes to nearly $8 trillion.

That's over 30 times the inflation-adjusted cost of the S&L bailout, according to Bianco Research.

But the mainstream financial press is urging the Fed to do much, much more. "Look, this is no time for the Fed to act like a bashful virgin," ex-Fed operative Vincent Reinhart told Barron's. Reinhart used to be the director of monetary affairs under

Continued on page 2

Also Inside This Issue:

Citigroup Predicts 2,000 Gold in 2009"

By David Vaughn

The horror of this financial crisis continues to grow.

The debate continues over bailing out the auto industry. What do you think? If a bailout occurs it will only be the first in a never-ending line of industries seeking help. The world is now quickly changing and moving with a determined force we have not witnessed in our generation or the generation before.

Any of you out there have teenagers? Wow! For years when my own were young I wondered what was the big deal? What human being could change so dramatically in just a very short period of time? But childhood is followed by puberty and puberty is followed by hell (the teenage years.) It is frustrating because we see the same mistakes we made at their age. And we want to warn them and to prepare them but for the most part they want to experience the true rewards of failure themselves. They just don't want to listen to anyone once that magical age of 13 is reached. Their minds become as hard to crack as turtle shells. And inside is only mush and toxic waste. Failed derivatives. Oh, do I have a teenager? Watching the financial world disintegrate before my eyes is often easier than trying to understand a simple teen.

I just heard a financial commentator on CNBC state that the "buy & hold " strategy does not always work because many stocks now are less than they were 10 years ago. I actually heard the man say that there may be times when it is appropriate to sell. I understand the President elect is negotiating to keep and to continue using

Continued on page 4

Ben Bernanke's Pretense of Knowledge

Continued from page 1

Greenspan and now toils for the American Enterprise Institute. Ironically, Mr. Reinhart says that because we are now in a"dangerous period," the central bank "needs to be aggressively buying all sorts of paper, including toxic assets like collateralized debt obligations, non-agency mortgage-backeds and non-investment-grade corporate bonds in order to bring liquidity to the markets and raise security prices." That would be the paper much of which was created during the monetary expansion ramped up by Reinhart and his former boss.

Of course Fed chair Ben Bernanke is doing all he can to disabuse any and all that he is a bashful virgin. "Although conventional interest rate policy is constrained by the fact that nominal interest rates cannot fall below zero, the second arrow in the Federal Reserve's quiver — the provision of liquidity — remains effective," he told the Greater Austin (Texas) Chamber of Commerce. Bernanke told the Chamber audience that the Fed could buy long-term Treasuries and other agency securities on the open market to raise prices and lower yields. Indeed, Bernanke's employer purchased $5 billion worth of debt from Fannie, Freddie, and the Federal Home Loan Banks just a few days after he spoke.

All of this monetary pumping hasn't put anyone to work. The labor department reports that 533,000 jobs were lost last month. And if part-time workers wanting full-time work and anyone who has looked for work in the last year unsuccessfully are added to those who are included in the official unemployment rate, the total amounts to a 12.5 percent unemployment rate, according to the *New York Times*, "the highest level since the government began calculating the measure in 1994."

But the argument is that we must be patient with our wise men at the Fed and the Treasury. Monetary policy takes time to work, but, rest assured, the mistakes of the 1930s will not be made again. After all, Ben Bernanke is an expert on the Great Depression, we're told over and over. He knows what to do to make sure it doesn't happen again.

But as F.A. Hayek explained in his 1974 Nobel Prize acceptance speech, entitled "The Pretense of Knowledge," monetary and fiscal policies are the product of what he called the "scientistic" attitude, which is in fact unscientific in that it "involves a mechanical and uncritical application of habits of thought to fields different from those in which they have been formed."

Just as it was 34 years ago, when Hayek delivered this seminal speech, which is included in the soon-to-be published book *A Free-Market Monetary System*, there is the belief that there "exists a simple positive correlation between total employment and the size of the aggregate demand for goods and services; it leads to the belief that we can permanently assure full employment by maintaining total money expenditure at an appropriate level."

So while Bernanke, Treasury Secretary Hank Paulson, and soon-to-be Treasury Secretary Tim Geithner think they can crunch the data, make a diagnosis, concoct the right monetary witch's brew, and inject lots of it to make us all employed and living happily ever after, the fact is that's impossible. In the physical sciences, that may work; but, as Hayek explains, "such complex phenomena as the market, which depends on the actions of many individuals, all the circumstances which will determine the outcome of a process … will hardly ever be fully known or measurable."

The wise ones at the Fed and Treasury are only looking at factors that can be quantitatively measured and disregard any factors that can't. Thus, "they thereupon happily proceed on the fiction that the factors which they can measure are the only ones that are relevant."

No single observer could know all the factors determining prices and wages in a well functioning Marketplace. But because policy makers think they know, "an almost exclusive concentration on Quantitative measurable surface phenomena has produced a policy which has made matters worse,"

Continued on page 8

Trade And Currency Tensions In 2009

Christopher Laird

Most people know that, in recent years, there have been tensions between the US and China over two big issues.

One is that China runs big trade surpluses with the US, which the Democrats have been wanting to do sanctions on. The other is they keep their currency, the Yuan/RMB, weak compared to the USD, and that is also something the Democrats have wanted to sanction.

Now that the US economy is basically imploding, these tensions are getting worse. And that is a dangerous mix because, in the Great Depression in the 1930's, world trade and economies imploded and that led to big trade barriers and import taxes. It's said that those made the Depression longer and deeper.

Shrinking pie, fighting over the table scraps

There are many reasons the great depression happened, too much easy credit, bubbles in stocks and real estate, US monetary policies, etc. But these outcomes that led to trade wars were probably inevitable as each country tried to fight the economic collapse.

We are about to see a repeat of the same trade wars, in a collapsing world economy in 09, as each country desperately tries to hold onto a share of an increasingly shrinking world economy pie.

And the Democrats, if they do what they have said before, will be very pro US domestic jobs, and will likely demand China to allow the Yuan to rise further against the USD. But that is like pulling the pin on a hand grenade, maybe while holding the lever down just before you throw it. That is because the US needs China to buy our ever-increasing stream of Treasury bonds. This is particularly so in 09 and on because the US fiscal deficit will exceed $1trillion in 09 alone with all the economic stimulus and bailouts.

And Europe is also complaining, and has been complaining, about cheap Asian imports and losing jobs to Asia. So the EU is going to be getting involved in the trade and currency wars too in 09.

As if the USD needed another reason to be threatened, it's likely the next US Administration will be more likely to post US sanctions on China, if they keep doing what they have been and keeping the Yuan weaker than it might be. And China is likely to then say, 'well ok, then we won't buy your Treasuries anymore', etc.

And then, if the US initiates trade barriers or tariffs, so will China, and we go back into the Depression scenario where there are mutual trade tariff wars and then even worse collapsing of world exports, including the US exports.

China afraid of one thing

And, this trade/currency conflict is likely to happen because China is very afraid of one thing and one thing only, and that is if millions of migrant workers in the big cities like Shenzhen, Beijing and Southern China will riot, like they already are recently, with China seeing 100,000 factories close by the end of this year. And then the workers are not paid the months of back pay they are owed, and big riots occur.

There are something like 130 million 'migrant' factory workers alone in China, who moved from the rural areas to the big manufacturing cities, and who are not registered as residents of those cities.

Continued on page 5

Fears of a million layoffs a month in corporate America

Heather Stewart & Ruth Sunderland

As many as a million American jobs could be lost every month by next spring as businesses struggle to raise capital in financial markets consumed by fear, according to a new analysis.

November was the worst month in the US labour market since the oil crisis of 1974, as more than 500,000 US workers were laid off, according to official figures released on Friday.

But Graham Turner, of consultancy GFC Economics, says the rising cost of corporate debt is now flashing a red warning signal that far worse is to come over the next few months and job losses are heading for levels last seen in the 1930s Great Depression.

Corporate bond yields have rocketed since the credit crisis began as investors flee risky assets in search of safe havens such as US Treasuries. That effectively means many firms are being forced to pay eye-watering interest rates to borrow funds.

Turner says when the gap between the yield on high-risk company bonds and US Treasuries widens sharply, unemployment tends to shoot up - and current credit conditions are pointing to a doubling in the pace of layoffs, to more than a million workers a month, by spring.

'The correlation is holding up all too well,' he said. 'It's very disconcerting.' He added that the pace of layoffs already happening in the US 'is indicative of panic'. During the 1970s oil crisis the panic was relatively short-lived, he says. 'But the worry now is that this will just roll on and on.'

Continued on page 7

“Citigroup Predicts 2,000 Gold in 2009”

Continued from page 2

his Blackberry. An ABC blogger voiced the following opinion.

“If he follows through on some of the things he is talking about, I am liking this guy more every day.” “I for one am willing to give the guy a chance to succeed or fail on the merits of his plan and his staff.” Blogger, ABC

Well, unfortunately, with the US debt now rising by vast multiples there just may not be anything left soon to continue to manage. We’re all going to the poor house.

“The Fed is basically printing money.”

I hear that quote repeated continuously on the news cable stations. 7 new trillion newly pressed American US dollars. At least the reality of the monetary rescue plan is being grasped. All printed new money with nothing backing it. The mortgage rate dropped a full half a point last week. So what does this matter to someone who has lost his job? Or totally become overwhelmed with a debt load that has become totally unmanageable? A little money is being spent out there in market land. I bought a 32-inch Samsung for a great give away price. This brand has the little big button on the bottom and in the middle of the TV. The button makes this model a definite buy.

Paul Volcker - "What this crisis reveals is a broken financial system like no other in my lifetime…" "Normal monetary policy is not able to get money flowing." “The Empire State index of manufacturing dropped to minus 24.6 in October, the lowest ever recorded. Paul Ashworth, US economist at Capital Economics, said business spending was now going into "meltdown", compounding the collapse in consumer spending that is already under way.” “Mr Volcker…warned that it is already too late to avoid a severe downturn even if the credit markets stabilize over coming months.” "I don't think anybody thinks we're going to get through this recession in a hurry…" "There has been leveraging in the economy beyond imagination…” telegraph.co.uk/finance/economics/3474683/Volcker-issues-dire-warning-on-slump.html, 11-17-2008

I get tired of the big 3 automotive industries blaming the American auto worker for their financial problems. If this argument is allowed to run its course the inevitability of wage price caps will become middle class reality. Kind of reminds me of how economic problems were attempted to be settled as the Roman Empire sank into near bankruptcy in the 3rd century. Their proposal was to force all work to become hereditary. What your daddy did you will do also. So much for ambition. And the only way out was to become a monk and join a Monastery. And remember in 1971 when then President Nixon imposed his much applauded (then) wage and price controls? An abject failure. Let’s first talk about these over paid bonuses the executives are getting for poor and failing performance.

“In a move widely applauded by the public and a fair number of (but by no means all) economists, President Nixon imposed wage and price controls.” “The initial attempt to dampen inflation by calming inflationary expectations was a monumental failure.” econreview.com/events/wageprice1971b.htm

Events we have become accustomed to for 30 years are now collapsing and unfolding right before our eyes and our wallets. Self improvement or self denial? Often, we have to lose everything to see what we have got and what is important. Obviously, the typical consumer world wide in civilized nations is waking to the reality that depression and economic chaos is not merely a long forgotten ghost from the past.

“Fifty-four more US banks added to 'problem list' “The Federal Deposit Insurance Corp. said Tuesday the list of banks it considers to be in trouble shot up nearly 50 percent to 171 during the third quarter - yet another sign of escalating problems among the institutions controlling Americans' deposits.” “As the FDIC report shows, the number of hobbled institutions is rising at a quickening pace, a trend that has already begun to reshape the banking industry.” “This quarter, the pace appears to be picking up - nine banks have already failed since Sept. 30, including Downey Savings and Loan Association, based in Newport Beach, California.” biz.thestar.com.my/news/story.asp

How I remember well the many, many times I heard and read just a few years ago that our financial system had safe guards today and we were immune from economic chaos. When I heard that I always had visions of the Titanic. We’ve entered an era that no one really believed would ever arrive in our life times.

“Citigroup says gold could rise above $2,000 next year as world unravels. Gold is poised for a dramatic surge and could blast through

Continued on page 6

Trade And Currency Tensions In 2009

Continued from page 3

Many of them are now living under bridges in those cities, and that is scaring the hell out of those local governments.

If China allows the Yuan to rise then their manufacturers are really punished. It's more than you might think because they have razor thin profit margins. A higher Yuan means less profits/exports for them. So China is not going to allow the Yuan to strengthen.

Big trade/currency disputes to emerge in 09

So, we can expect big trade disputes emerging in 09, on top of worsening economic news in every country - and because of that. Trade/currency disputes and a collapsing world economy go hand in hand.

As I mentioned in the last public article, the 'sense' that an actual depression is at hand happens about a year after the first big contraction in the economy.

So, by the later months of 09, people will be talking in terms of an actual depression all over the world. And the coming layoffs in the US and everywhere else are going to be huge in 09. These have only started to be big now since October of 08.

US consumer wilts, USD is in trouble

There was an interesting statistic that US credit card debt grew hugely in the last two months, at about a 43% annualized rate of growth. US consumers have switched heavily to credit cards since October 08.

But combine that with the fact that a major US bank analyst Meridith Whitney says that credit card companies are going to cut net credit limits by an astounding $2 trillion in 09, or about a 40 pct plus cut. So look for a huge fall in US consumer spending in 09. As they say, 'we have seen nothing yet'.

Then consider that German 10 year Bund yields have dropped to the lowest levels since before the fall of the Berlin wall, and US Treasuries have dropped to practically zero in short term maturities - it seems everyone just wants to sit in government bonds. IE no one expects this recession to be a short one. The only safe place to be is in cash, short term, it seems (to include US Treasuries for instance).

US bond market the last bubble?

But, one interesting comment was that the US bond market is the 'last bubble', ie the super low rates being accepted means everyone wants them.

But if the US and China get into a trade/currency battle, that US Treasury bond bubble just might burst in 09 too, with drastic consequences for the USD.

So it's all rather dicey at the moment. We at PrudentSquirrel are definitely watching this situation.

Article by:
Christopher Laird
December 4, 2008
PrudentSquirrel.com

The Creation of the Second Great Depression

Continued from page 1

Our one-party system is complicit in yet another crime against the American people. The two major party candidates for president themselves initially indicated their strong support for bailouts of this kind – another example of the big choice we're supposedly presented with this November: yes or yes. Now, with a backlash brewing, they're not quite sure what their views are. A sad display, really.

Although the present bailout package is almost certainly not the end of the political atrocities we'll witness in connection with the crisis, time is short. Congress may vote as soon as tomorrow. With a Rasmussen poll finding support for the bailout at an anemic seven percent, some members of Congress are afraid to vote for it.

Call them! Let them hear from you! Tell them you will never vote for anyone who supports this atrocity.

The issue boils down to this: do we care about freedom? Do we care about responsibility and accountability? Do we care that our government and media have been bought and paid for? Do we care that average Americans are about to be looted in order to subsidize the fattest of cats on Wall Street and in government? Do we care? When the chips are down, will we stand up and fight, even if it means standing up against every stripe of fashionable opinion in politics and the media?

Times like these have a way of telling us what kind of a people we are, and what kind of country we shall be.

Article by:
Ron Paul
September 25, 2008

“Citigroup Predicts 2,000 Gold in 2009”

Continued from page 4

$2,000 an ounce by the end of next year as central banks flood the world's monetary system with liquidity, according to an internal client note from the US bank Citigroup.” “Citigroup said the blast-off was likely to occur within two years, and possibly as soon as 2009.” “Gold has tripled in value over the last seven years, vastly outperforming Wall Street…” telegraph.co.uk/finance/comment/ambroseevans_pritchard/3526645

Because this day has arrived and is staring us directly in the face it is difficult to write about it. The growing pain and loss is being felt all over the world by rich and poor alike. Castles made of sand being washed away by an incoming tide.

What companies are now doing well? Dollar General’s stock is near a 52 week high. Wal-Mart continues to see an increase in profits. Hedge fund assets are still falling and falling. 100 billion lost in October alone.

"The use of a growing array of derivatives and the related application of more-sophisticated approaches to measuring and managing risk are key factors underpinning the greater resilience of our largest financial institutions" Greenspan, May 2005

Well, I’m glad to see an “underpinning the greater resilience of our largest financial institutions." But while Greenspan was praising the use of derivatives and hedge funds just a few years ago one senator was warning the world almost a decade back.

“This bill will, in my judgment, raise the likelihood of future massive taxpayer bailouts.” “…if you want to gamble, go to Las Vegas. If you want to trade in derivatives, God bless you.” North Dakota Senator Byron Dorgan, 1999

And what about the new attention being focused on America’s finest delicacy…SPAM? The demand for cheap and inexpensive spam is growing by leaps and bounds. Employers are working around the clock in 24-hour shifts to keep the kitchen cabinets filled with America’s defined escargot.

“…Hormel is cranking out as much Spam as its workers can produce.” “But these days, consumers are rediscovering relatively cheap foods, Spam among them.” “We’ll probably see Spam lines instead of soup lines.” nytimes.com/2008/11/15/business/15spam.html

And what about the giant Citigroup? Citigroup, the nation's second largest financial institution is on the brink of failure. The 45 billion poured into it by our government is a mere pittance of its 40 trillion in derivatives and credit default swaps.

This bank is huge with over 2 trillion in deposits alone. When this bank goes bankrupt it will be a nightmare in the markets. If the government truly wishes to save this monstrosity it will take a great deal more than the trifling 45 billion poured into it thus far.

Did you know that women were primarily responsible for the growth of middle class prosperity in our generation?

“…the real earnings of families in the middle have risen only slightly…” “The meager income growth that these families have experienced has come not from hourly wages, but rather from growth in the labor force participation of married women.” Robert H. Frank, “Falling Behind”

The middle class really hasn’t seen real monetary growth these past 20 or so years. More a pseudo type of artificial prosperity. The extra “wealth” has come from equity loans, overtime, second jobs, and/or a wife holding down an excellent paying job.

Do you really believe we have seen an increase in true wealth these past decades? Well, consider the following below.

“…the net worth of the median household remained virtually unchanged between 1989 and 1999, a period during which the total net worth of American households nearly doubled.” Robert H. Frank, “Falling Behind”

So, if incomes remained the same for these years where did the money come for these more expensive houses we see in every new subdivision? Easy question to answer. Debt. A great deal more debt than the previous generation ever acquired. Wow! We talk about the rich getting richer and the poor getting poorer and this is a fact.

Continued on page 8

December job cuts exceed 100k

Jessica Dickler

Job cuts continue to mount in December as recession deepens.

NEW YORK (CNNMoney.com) -- The second week of December was another brutal one for jobs, as Bank of America and at least 20 other companies announced more massive cuts.

"The recent news does not bode well," said Rich Yamarone, director of economic research at Argus Research. "This is the reason it's going to be the longest recession we've had in post World War II history."

The week got off to a rough start on Monday when Dow Chemical (DOW, Fortune 500) said it would eliminate 5,000 positions and close 20 plants. In addition, Belgian-based brewer Anheuser-Busch InBev said it would reduce 1,400 positions; 3M (MMM, Fortune 500) also reported 1,800 cuts.

On Tuesday Sony (SNE), Danaher Corp. (DHR, Fortune 500), Wyndham Worldwide (WYN), the National Football League and Principal Financial Group (PFG, Fortune 500) announced job cuts totaling another 14,400 positions. Novellus Systems (NVLS) and electronics gaming company EA (ERTS) also announced staff reductions without specifying a number of employees.

On Wednesday, Office Depot (ODP, Fortune 500) unveiled its plan to cut about 2,200 jobs; British mining company Rio Tinto said it would cut 14,000 jobs worldwide; and SKF, a Swedish manufacturer of bearings, revealed plans to lay off 2,500 workers globally.

Thursday was particularly bad, thanks to news that Bank of America (BAC, Fortune 500) plans to slash up to 35,000 jobs over the next three years as it absorbs Merrill Lynch and contends with the deepening recession.

On Friday came the announcement that specialty chemicals maker Chemtura (CEM) will cut about 500 people, or 20% of its staff, because of declining sales. Fairchild Semiconductor (FCS) said it plans to cut about 1,100 jobs worldwide, or about 12% of its work force, to reduce payroll expenses.

All in all, 19 big-name companies announced 81,500 layoffs, according to company reports. That figure is likely larger, however, because it does not reflect job cuts happening at small- and mid-sized businesses.

This follows a slew of bad news the previous week, when AT&T (T, Fortune 500), Credit Suisse Group (CS), DuPont (DD, Fortune 500) and Viacom Inc. (VIA), among others, announced about 34,000 cuts.

Midway through the month, December's job cut total stands at 115,416.

In terms of job losses, December could be even worse than November, when 533,000 jobs were lost, according to the Labor Department. That was the largest monthly loss since December 1974.

"Generally companies like to make their cuts by the end of the year," explained David Wyss, chief economist at Standard & Poor's. As such, he expects there to be many more layoffs announced over the rest of the month.

Article by:
Jessica Dickler
December 12, 2008

Fears of a million layoffs a month in corporate America

Continued from page 3

On Friday alone, embattled car firm General Motors, fund manager Legg Mason, and motor parts supplier Gentex announced plans to shed staff.

November's jobs figures were so much worse than analysts had expected that the Dow Jones share index actually rallied by 259 points, more than 3 per cent, as investors bet that Washington would have to launch a major new rescue package for the economy even before President-elect Barack Obama takes over the White House in January.

The scale of the layoffs in the US, which pushed unemployment to 6.7 per cent, could also point towards a further deterioration in conditions in the UK: David Blanchflower, an independent member of the Bank of England's Monetary Policy Committee and labour market specialist, warned recently: 'What happens in the US tends to be repeated six to nine months later in Britain'.

David Frost, director-general of the British Chambers of Commerce, believes Britain's companies are gearing up for large-scale layoffs. 'There will be a huge raft of redundancies. I am sensing that talking to firms. The worry is that next year the job losses will be just horrendous. All sectors are taking the hit. In the middle of the year it was construction and estate agencies. Now it is services, the automotive industry, retailers. Firms are waiting for Christmas and if they can't see any improvement they will cut their payrolls.'

Woolworths administrators made 450 of its office staff redundant on Friday, but the future of the 25,000 staff who work in its stores remains uncertain.

Article by:
Heather Stewart and Ruth Sunderland
BBC

Ben Bernanke's Pretense of Knowledge

Continued from page 2

said Hayek back in 1974. Nothing has changed.

Bernanke and company are making matters worse by endlessly inflating and bailing out dysfunctional firms. The result will be more unemployment, not less. But not-so-bashful Ben is arrogant enough to believe that he can step on the monetary gas, make things all better, and then return the Fed balance sheet to normal (whatever that is). Perhaps Chamber members believed him when he said, "To avoid inflation in the long run and to allow short-term interest rates ultimately to return to normal levels, the Fed's balance sheet will eventually have to be brought back to a more sustainable level. The FOMC will ensure that that is done in a timely way."

The government's money men are engaging in what Hayek referred to as "the fatal conceit," thinking they have the knowledge to fix and plan the economy. They can and will only make matters worse.

Article by:
Doug French
December 6, 2008

The Outstanding Public Debt
National Debt:
$10,655,213,728,441.89
The estimated population of the United States is **305,261,738**
US citizen's share of this debt is
$34,905.17
The National Debt has continued to increase an average of
$3.74 billion per day
Business, Government and Financial Debt exceeds
$60 Trillion

"Citigroup Predicts 2,000 Gold in 2009"

Continued from page 6

During around 1980 and 2000 the bottom 40% of households saw a reduction in net worth of over 25%. And what about the top 1% of our privileged society? They saw an increase of over 40% of their net worth. The rich get richer. The poor get poorer still.

Around 1980 there were 13 billionaires. Today there are over 374 billionaires.

Richard Daughty – "So if the dollar is going down in value, but gold and silver hold their value like they have for the last few thousand freaking years, doesn't it ever sink into your tiny, little pea-brains that they will be going up in price?" kitco.com/ind/Daughty/nov242008.html

In short I'd say that today anyone with a previous net worth of 100,000 dollars or less is extremely unhappy. This money was tied up in home values and portfolios. And the economic crisis is bringing those values down, down, down. No one believed in cash and what they placed their wealth in has gone "caput."

But for those who have maintained piles of cash and zero debt they are in heaven. Buying very depreciating assets with abandon. Wells Fargo sure followed this policy. Warren Buffet also.

"RUSSIAN ANALYST PREDICTS DECLINE AND BREAKUP OF USA" "A leading Russian political analyst has said the economic turmoil in the United States has confirmed his long-held view that the country is heading for collapse, and will divide into separate parts." "THE DOLLAR IS NOT SECURED BY ANYTHING."

"It is already collapsing. Due to the financial crisis, three of the largest and oldest five banks on Wall Street have already ceased to exist, and two are barely surviving. Their losses are the biggest in history. Now what we will see is a change in the regulatory system on a global financial scale: America will no longer be the world's financial regulator." drudgereport.com/flashrur.htm, 11-25-2008

Hang in there with the gold. Gold is still going to be around even when all this present economic mess settles down in ten or so years.

Article by:
David Vaughn
December 2, 2008
Gold Letter, Inc.