

THE FOUR TIRES OF THE APOCALYPSE

The engine used to run on premium, e.g. gold and silver; now it's being run on credit which over time will destroy the engine and everything else.

The euro, the yuan, the yen, and the dollar are *The Four Tires Of The Apocalypse*, an event that recently appears to have come out of nowhere. It didn't. Its apparently sudden appearance is new only to those who wished to see otherwise.

The destructive juggernaut now bearing down on the financial house of cards constructed by central bankers contained within it the seeds of its own destruction from its very beginning. Over time, those seeds would turn into Cerberus, the hound of hell, on whose mercy Bernanke *et. al.* now depends.

Epochs, like movies, need time to reveal protagonists and antagonists, as well as victims, villains and victors. We are now at the end of an epoch and as the final scene opens, the program notes are becoming disturbingly clear.

We find ourselves participants in the last and final act of capitalism and its credit based capital markets—or more correctly, credit and/or debt markets masquerading as free markets.

THE BIRTH OF CERBERUS THE GENESIS OF THE JUGGERNAUT

Capitalism did not appear until the Bank of England began issuing its debt-based paper money in 1694. The issuance of credit as money gave rise to capital markets where debt-based money replaced savings-based money

The Bank of England's debt-based money drove out gold and silver coinage as Gresham's Law clearly illustrates—bad money drives out good. No one would willingly pay gold or silver for what paper coupons would just as easily buy.

Capital markets are debt-markets made possible by the fiat issuance of central bank debt-based money. After central bankers' faux money replaced gold and silver coins, commerce appeared to change forever; but that too is now about to change.

The rise of central banks parallels the substitution of paper debt-based money for gold and silver. When a disease spreads, so, too, do its symptoms. Replacing gold and silver with debt-based money was to eventually cripple commerce itself, albeit after a three hundred year run at the table.

Previous to central banking, commerce was founded on currencies composed of gold and silver. But with the advent of central banks, credit was substituted for gold and silver and

after three centuries, credit-based economies are now on the verge of collapse, the juggernaut is in the shop and the long awaited apocalypse has arrived.

SOMEBODY BETTER CHECK THE TIRES

The euro, the yuan, the yen, and the dollar—the four major fiat currencies—are *The Four Tires Of The Apocalypse*; and although the economy's engine, the credit markets, have seized up and are receiving most of the attention, somebody should take a look at the tires.

The mechanics, the central bankers, are instead focused only on the engine. Their solution again proves that good mechanics are hard to find. Like hacks at the corner garage, they're pouring more credit into an already flooded engine, a sure sign they don't know what they're doing.

They're not even looking at the tires. They should because the tires are fiat made of paper. The front tires are the Japanese yen and the Chinese yuan. The rear two are the euro and the US dollar; and it's the two rear tires that now pose the greatest threat, the driver's side rear, the US dollar, in particular—and the spare in the trunk, the British pound has a leak.

Of the four, the Chinese yuan is the newest, which in credit-driven economies is a plus, as usage in such economies equals more debt. Nonetheless, the Chinese yuan is not capable of carrying more than its present load although it is presently holding its own.

The other front tire, the Japanese yen, unlike the Chinese yuan, is well-worn and its tread is almost gone. Its debt load is enormous (the highest ratio of debt to GDP of all major economies) while its pressure, *sic* interest rate, is the lowest of all, incapable of handling more.

Currently at only 0.5 % because of an almost fatal blowout in 1989, the Japanese yen still hasn't yet recovered—that the tire is still in service after its severe blowout is in itself something of a miracle.

But the two rear tires, the euro and the US dollar, are the source of our future trouble as they are particularly vulnerable to the continuing collapse of credit markets. The euro and dollar, like all fiat currencies, are dependent on the strength of their underlying economies, economies addicted to credit from increasingly insolvent banks, banks which are in far more trouble than presently believed.

Like someone who has HIV and has only confessed to having the clap, the money-center banks in Europe and the US are holding assets both on and off their balance sheets that are virtually worthless, with actual losses totaling \$1.6 trillion, four times what the banks have yet admitted; and because the value of fiat currencies are a function of their economies, the collapse of the US dollar and euro may be ahead.

PUBLIC MONEY PRIVATE BANKS

It is now clear that central banks are using national treasuries to indemnify losses incurred by private banks. This should come as no surprise. Once private bankers and public government colluded to debase the currencies of their nations in order to enrich themselves, the joining of the two was inevitable and it is happening as we watch.

The last and final act of capitalism will be characterized by the looting of what little remains in our national treasuries as central bankers bail out the banks that caused our present problems. The only thing new is our surprise that it is happening.

The consequences, however, will not end there. The consequence of the public bailout of private banks will be the collapse of fiat currencies, currencies which have been the very basis of government and bankers' power—power which will be swept away when fiat currencies collapse.

THE END GAME

Capitalism and credit markets—the bastard offspring of fiat money and central banking—are now in their final stage; and the default of fiat money will herald the end of the reign of central bankers in our affairs. No fiat system has ever survived. The present fiat system will be no exception to that rule

For those worried about private property, have no fear. Capitalism has nothing to do with the private ownership of property as maintained by private bankers and their corporate sponsors. The private ownership of property existed long before capitalism and will exist long after.

Capitalism has everything to do with central bankers' issuance of debt-based money and the increasing power of government in our lives and the increasing profits of bankers at our expense.

Thomas Jefferson, the author of America's Declaration of Independence understood well the threat posed by central banks:

The central bank is an institution of the most deadly hostility existing against the Principles and form of our Constitution... Bankers are more dangerous than standing armies... [and] If the American People allow private banks to control the issuance of their currency, first by inflation and then by deflation, the banks and corporations that will grow up around them will deprive the People of all their Property until their Children will wake up homeless on the continent their Fathers conquered.

With the establishment of the Federal Reserve Bank in 1913, the American people allowed private bankers to destroy the economic freedom the founding fathers had fought to achieve.

That *first by inflation and then by deflation*, the banks and corporations as Jefferson warned are now in the process of depriving Americans and others of their homes and property by the issuance of credit and by default on those debts

The founding father fought a war in 1776; and 137 years later in 1913, Americans ceded back what they had won when they allowed private bankers to establish the Federal Reserve Bank in the US, a central bank which would do exactly as Jefferson said

Since the establishment of the Federal Reserve System, the US has been a slave to bankers and those in government who do their bidding, Today, Americans are bankrupt and indebted to those they allowed to issue their currency.

Today, America's once free markets are rigged and government officials lie openly and with impunity whenever it serves their purpose to do so, their words no more trustworthy than the statistics they produce in order to pacify a nation regarding the dangers they have put it in.

Soon, however, that will change. For the collapse of the fiat US dollar will also bring about the collapse of those who benefit from its false issuance—private bankers, corporations and those who govern for their benefit in our name.

Although we do not possess the requisite power to successfully oppose those who oppress us, we can however wait for their inevitable demise, a demise that will unfortunately be as devastating to us as it will be to them.

The collapse of the US dollar will be horrific as will be its aftermath. But the price of liberty is always high. It was high in 1776. It will be high again.

THE UNLEASHING OF CERBERUS

These days at Apocalypse Auto, the lights are on at midnight as the mechanics wonder what to do. This is not the first time the once apparently unstoppable US economic juggernaut has been in the shop.

Just a few years ago, when the dot.com bubble burst, the US economy was obviously badly in need of emergency repair. To Al Greenspan, the head mechanic at Apocalypse Auto, it was a dangerous situation.

In 1989, the Japanese stock market bubble had collapsed sending Japan into a deflationary spiral in which it was still mired and if the US suffered likewise, the US, Japan and world economies would be in deep trouble.

So, Al and the others at Apocalypse Auto did what they did. The story is best told by Professor Antal E. Fekete in *The Bubble That Broke The World*, June 2003, see <http://www.professorfekete.com/articles%5CAEFTheBubbleThatBrokeTheWorld.pdf>.

... Aladdin Greenspan let the genie out of the bottle. The genie is now at large, entirely on its own, roaming around the world, visiting disaster upon the economies wherever it may go: a depression possibly worse than that in the 1930s. Aladdin hasn't got a clue how to put it back in the bottle because if he tried, the genie would threaten to plunge the world into another bottomless pit, that of hyperinflation.

Greenspan [explained] the strategy the Fed has developed to combat deflation. He would climb the yield curve, that is, go out to buy government bonds of all maturities, if need be up to and including the 30-year Treasury bonds, in an effort to push interest rates down thereby enlarging the monetary base that would, according to him, contain the weakness in prices.

It is a long shot from open market purchases of bonds to a buoyant price level. After all, once in circulation, the new money created by the Fed is no longer under its control. It is under the control of the speculators. They will not necessarily deploy it in the commodity or stock markets, as the Fed is hoping. **They may see a better opportunity for profitable speculation elsewhere, say, in the real estate or the bond markets** [bold, mine].

Just as Professor Fekete predicted, central bank credit, *sic* “new money”, went out of central bankers’ control and created an even larger bubble, the US real estate bubble whose collapse is now threatening economies everywhere.

Central bankers are again trying to contain the forces they themselves set in motion. But, irreparable harm has already been done because the genie that Greenspan let out of the bottle was no ordinary genie, it was Cerberus, the hound from hell.

Cerberus, Hades’ three-headed hound, is now on the loose. It is a sign of the times that many still hope central bankers can save them from what is about to happen. But hope is as blind as the information upon which it feeds—for although the bankers let Cerberus out, they are powerless to put him back in.

GOLD & SILVER
THE BANE OF CENTRAL BANKERS
THE FOUNDATION OF OUR PAST AND FUTURE FREEDOMS

Note: Session V of Professor Fekete’s Gold Standard University Live (GSUL) will held November 11th through the 14th at Australian National University in Canberra, Australia. I will be delivering a talk during the session. Inquiries can be addressed to Philip Barton at feketeaustralia@yahoo.com.

Darryl Robert Schoon

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