

DEBT ADDICTION DEPRESSION DESTRUCTION

Modern economies were created by the collusion of bankers and government. The banks are now collapsing and only the governments are left. It's like watching a two legged man trying to stand on his one remaining leg. How long will he remain upright and in what direction will he fall?

Recently on the Oprah Winfrey Show, one of the most popular TV programs in America, a family of five—a father, mother, their two teenage sons and a baby—were featured because all, except for the baby, were addicted to heroin.

Four addiction treatment centers offered to take one family member without charge in the hopes of ridding the family of its collective addiction to heroin; the single requirement being that each member must personally phone the treatment center to accept the offer and be on a plane within 24 hours.

The only difference between this tragic America family addicted to heroin and the nation of America now addicted to credit is that the family has said it is ready to kick its habit. America is not.

CREDIT ADDICTION IS NOT A METAPHOR IT IS THE TRUTH

America is so hopelessly addicted to credit that unlike the family that understands its addiction to heroin has destroyed everything they once had, Americans don't even yet understand they are addicted.

Americans today view the on-going credit contraction much as heroin addicts view the disappearance of heroin—with anxiety, dread and fear. Americans are so addicted to the flow of credit from the Federal Reserve that they no longer believe they can live without it.

THE SUBSTITUTION OF COUPONS FOR COINS AND THE MODERN BUSINESS CYCLE

The business cycle is a phrase describing the cyclic but ambulatory phase of credit addiction. The phrase, business cycle, did not come into usage until the banker's credit based paper was substituted for gold and silver coinage in the 17th and 18th centuries in a monetary sleight of hand best described as the substitution of coupons for coins.

The bankers' paper money was alleged to be as good as the gold and silver coins it replaced. But if that was true, there was no reason to replace gold and silver with paper money in the first place. But, in fact, there was a reason to do so.

The substitution of paper money for gold and silver occurred because the banker's paper money allowed governments to wage war on credit and bankers to profit by collecting interest on paper money legitimized by government's fiat decree.

This collusion between bankers and government has lasted for more than three hundred years. It is now about to end as the bankers' unnatural business cycle is, at last, approaching its natural end.

The modern business cycle, i.e. economic expansion and contraction, is assumed to be as natural as the waxing and waning of the moon. But the phases of economic expansion and contraction are assumed to be natural only because the substitution of credit for money has lasted for so long.

The unnatural availability of credit causes an unnatural expansion of economic activity. This "economic expansion" is later followed by an "economic contraction" wherein the debts introduced by the unnatural availability of credit cannot be repaid. The business cycle is as unnatural as the monetary system upon which it is based.

Like a medical profession that only seeks to prolong the patients' condition, central bankers are concerned solely with maintaining the present system, not curing our ills, a system comprised of cycles of credit and debt that produces profit for bankers, power for governments and debts for the rest of us.

This is why governments have now put the well-being of bankers above the well being of the citizens they are pledged to protect. Government is concerned above all with the continuation of its own power and the basis of that power has been the constant supply of central bankers' credit whereby present citizens and future generations are indebted to pay for its expenditures.

Soon, America's addiction to credit will end. But unlike the family featured on Oprah Winfrey, the addiction will not end because of the free volition of those addicted—America's addiction to credit will end because credit will no longer be available. Banks, the intermediaries of credit between central banks and the users of credit, are now insolvent.

CREDIT AND DEBT—THE BANKERS' SUBSTITUTE FOR MONEY

Modern economics is, in truth, a monetary pathology akin to a blood disease wherein the body's blood supply has been supplanted by a blood substitute for the purposes of power and profit.

Money is supposed to be a unit of value and a carrier of wealth. Instead it has been transformed by bankers into a means by which bankers' credit has been inserted into every aspect of human commerce and ambition.

Debased by bankers, money, the lifeblood of commerce, has instead become a conduit of credit and debt which like the AIDS virus over time weakens all systems and all societies. Now, we are about to pay the price for allowing bankers to issue their credit as our money. Systemic collapse is next.

THE FUSE ON THE DEBT BOMB HAS BEEN LIT

The post-1980 era of well-being, *circa* 1980-2006, experienced primarily by Americans and those who supplied their needs, i.e. exporters of oil and manufactured goods, was in essence a time bomb that would eventually explode; a time bomb filled with increasing amounts of inevitably defaulting debt.

Once the tie between currencies and gold was severed by the US in 1971, money and credit especially in America could be created in unlimited quantities and so it was. The whipsaw of the 1970s was succeeded by the “stability and prosperity” of the 1980s where the US went on a borrowing binge, trebling the US national debt in only ten years.

But the “prosperity and stability” of the post-1980 era was but an illusion that would later be destroyed by the inevitable collapse of the extraordinary amount of credit and debt which fueled it.

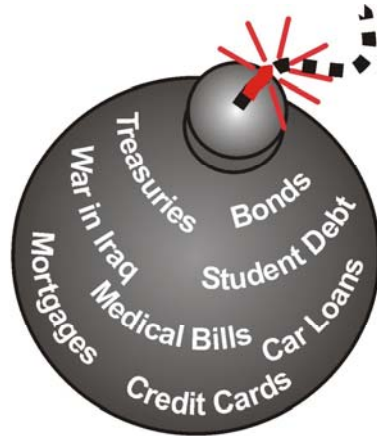
Between 1980 and 2006, the debt bomb was filled with ever increasing amounts of debt. Prior to 1980, debt was looked upon as a liability to be paid off. But after 1980, debt was considered best rolled over to be paid off perhaps sometime in the future.

After 1980, a critical change occurred in how debt was viewed. In America, the Reagan anti-government (except for the military) ideology resulted in the belief that the way to destroy government was to burden it with debt, an idea akin to believing that shooting oneself in the head will eliminate a troubling headache (it will).

The result of this short-sighted idiot-ology has been the unrestrained growth of debt under previously fiscally conservative Republican administrations, debts that will in the end destroy not only the US government but America itself.

I have my own views about the boundaries of government and how to effectively limit its powers and its unconstitutional and egregious excesses which are many. There are far better ways in which to do so and the gold standard, purposefully distorted and discounted by those both on the right and left who wish to overspend and exert control for their own ends, is a far better means of so doing.

Nonetheless, the post-1980 illusory era of prosperity and stability ended in August 2007 when an “unexpected” (unexpected by whom?) credit contraction froze global credit markets and the debt-based game of musical chairs called capitalism, i.e. capital markets composed of debt-based paper based on central bank debt-based money, came to a screeching halt—and, at that very moment, the fuse on the global debt bomb was lit.



The Debt Bomb is now about to explode!

The ambulatory phase of credit addiction is now over. Those addicted have refused intervention for decades and thereby invited the inevitable consequence wherein debt unattended is like a cancer unattended. In such instances, time is not your friend, it is your enemy—the deadliest enemy you have.

THE DERIVATIVES OF DEBT PROMISES PROMISES PROMISES

Debt derivatives, e.g. CDOs, CDSs, CLOs, etc., are all IOUs, IOUs rapidly becoming ICPs—I Can't Pay—all variants and derivatives of promises to pay with paper money which is backed by nothing except the promises of governments.

We have now reached the stage where the banker's charade of paper money and debt can no longer expand fast enough to even minimally service the debts it has created. What is next has been brewing for over three hundred years.

An era is now ending as are the advantages and inequities of that age. Unnatural cycles introduced by the hand of man are inevitably subsumed in the greater cycles of life. Were it not so, we would be in far greater trouble than we are now in—and we are now in very deep trouble.

Just as those who live by the sword often die by the sword, the same is true for credit. Once the source of England and America's immense power, central bank credit, now debt, is destroying what it previously built. What the bankers didn't expect is that they would be destroyed as well.

It is not a coincidence that England's banks are now collapsing. Recently, England has been forced to buy ownership stakes in English banks to prevent their failure, e.g. HBOS, Royal Bank of Scotland, and Lloyds. The same is true in the US as the Bank of America and Citigroup are themselves now vulnerable to government takeover.

It is no coincidence that America is in the exact same difficulty as is England, the nation against which it successfully revolted in 1776. The reason is that in 1913, England succeeded by banking which it had previously been unable to accomplish by force, *to wit* exert financial and political control over America, its former colony.

In 1913, the successes of the American revolt were effectively reversed when bankers recreated the central banking system of England in the US as the Federal Reserve Bank, a private bank with control over public money; and, consequently, that same banking system that enslaved the English to perpetual debt in the 19th century would now do the same to Americans in the 20th.

It is also no coincidence that in 1913 when the Federal Reserve Bank was established in the US so, too, was the 16th amendment which gave legal status to the national income tax, a right to tax not granted in the Constitution, a tax that had first appeared in England some sixty years before.

The bankers' hand has now thoroughly corrupted and indebted America as it had England before it. The means by so doing was national ambition and greed. It was the bankers' credit which fueled both the imperialist ambitions of England and America's later push for globalization. The cost, though, has been high as the ambition of each is responsible for that which in the end will destroy the basis of their power.

Today, the bankers hand itself has been undone. The liabilities of the vast majority of banks far outweigh their assets as their leveraged bets have gone bad leaving the banks legally bankrupt should they be forced to answer to the same standards they apply to those who owe them money.

While it is now too late to undo what has been done, it is not too late to prepare for what is about to happen, a financial collapse that will exceed even the suffering caused by the Great Depression. History is now moving quickly and the end of this epoch is near.

THE TIMES THEY ARE A'CHANGING

Gold has once again broken through the \$1,000 price level in US dollars. For some time, gold has broken through previous highs in other currencies; but the US dollar, the lynchpin of the bankers' fiat money system will be the bankers' final battleground.

Although the economic collapse is now in motion, there is still time to preserve what savings you still have. This is the end of a three hundred year system of credit and debt based on the debasement of money, a system now in its final stages. As the crisis moves forward, the time left in which to act will disappear. Soon, it will be too late to do so.

Two years ago, on March 1st, 2007, I presented my analysis of the US and global economy to Marshall Thurber's Positive Deviant Network, an analysis which predicted an economic collapse wherein real estate prices would fall 40-70% and stocks 70-90 %.

Today, two years later, although the collapse has started it has only just begun and cannot be stopped until it has fully run its course; and when it has done so, the global economic, social and political landscape will be dramatically altered. Wall Street was first, Main Street is next and, soon, everyone's street will be affected.



The Black Swan has arrived!

Events are moving so quickly that I am now changing my quarterly commentary to a monthly format. What was once predicted is now rapidly becoming a reality. Yesterday's possibilities are today's probabilities. The end times, the final resolution of past monetary sins, are upon us and quickly so.

During this period, I am fortunate to have had the acquaintance and friendship of Professor Antal E. Fekete. There are not many who possess a deep historic understanding of economic events in addition to a fundamental respect for humanity and the truth.

Professor Fekete's understanding of the Austrian School of Economics could not be more important than now, a time when access to credit is believed to be the key to "wealth", albeit a wealth as ephemeral and temporary as the paper money of which it is composed.

The Austrian School of Economics is based on the idea that freedom, the freedom of choice both in the marketplace and in life itself, will bring humanity the prosperity that human control cannot. It is an idea worth exploring.

Perhaps after the pain and suffering that the coming collapse will bring, mankind will finally learn the lessons that unbridled ambition, selfishness and control have to teach. We are now about to reap what has been sown.

Buy gold, buy silver and have faith. Better days will come.

On March 27-29, I will be in Hungary to listen to Professor Fekete discuss the current economic crises as well as other subjects. I will also be speaking. For information, contact GSUL@t-online.hu

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