

## LOSERS IN THE CASINO OF PAPER MONEY

*When the Dow soared 936 points on October 13<sup>th</sup>, its 11.1 % rise was its best percentage advance since 1933—an advance which had occurred during the Great Depression.*

Five years after its 1933 historic advance, the Dow Industrials were down 90 % from its highs and in 1953, the Dow was still down 75 %. When speculative bubbles collapse, the losses are staggering and prolonged.

The 936 point rally on Monday will not be the only rally in this falling market. There will be more. There will be also more lows. We have not yet seen the bottom. We're not even close. That's not the fat lady singing that you hear. It's the sound of your stock broker throwing up.

### FALSE OPTIMISM

I know exactly what investors felt after Monday's rally. I felt the same false optimism when the Banker's Bailout Bill was initially rejected. Previously, I had cynically predicted the Bailout Bill would pass and when it was rejected, I was elated.

My elation, however, was premature. In the end, my cynicism proved correct. The \$700 billion bank bailout bill was approved and signed within the week as I had predicted. The capitulation of public government to private bankers was now complete.

In 1999, a \$300 million lobbying effort by banks and insurance companies had overturned the 1933 Glass-Steagall Act, an act specifically designed to prevent another Great Depression.

Now, because of its repeal, banks and insurance companies were again allowed to bet the savings of Americans in their drive for profit without regard for consequence; and not surprisingly, in less than a decade after its repeal, America is again on the verge of another depression.

By their repeal of the Glass-Steagall Act, the Democrats and Republicans sold out America; and, now in three weeks, on November 4<sup>th</sup>, Americans will again go to the polls and again vote for the same parties and politicians that sold them out.

### THE FACES OF THE POLITICIANS MAY BE DIFFERENT THEIR OWNERS ARE NOT

In advanced, *sic* failing, democracies such as America, both political parties are owned by the bankers who control the government and the nation by controlling the flow of credit. *Although the will of the American electorate was overwhelming opposed to the*

bank bailout bill, the President, congressional leaders of both houses and both parties, and the two presidential candidates were united in their support of the bailout bill and were consequently united in their opposition to the will of the people.

*Democracy, n. Government of the sheep, by the shepherds, for the wolves.*  
L.A. Rollins, *The Devil's Lexicon*.

## THE CASINO OF PAPER MONEY

Our present economy is best understood as a casino. In the casino, house chips in varying denominations, e.g. dollars, euros, pounds, pesetas, pesos, yuan, yen, krona, drachma, won, etc have been substituted for gold and silver.

This is because the casino is run solely for the profit of the bankers; and through control and issuance of their paper chips, the bankers are able to control much of what happens on the casino floor.

The bankers make sure that the governments who issue the paper chips do so at the direction of central banks. Through their influence over the central banks, the bankers control the flow of chips without which the patrons cannot play.

Question: Who are the patrons and what role do they play in the casino?

Answer: The patrons are the producers, savers, and entrepreneurs without whose activities the casino would come to a halt. In the casino, they are known as marks, suckers who provide the on-going profits of the casino.

The casino's hidden skim: Through the constant issuance of paper chips, governments insure the value of previously issued paper chips will fall thereby forcing patrons to gamble their earnings at the casino tables in order to preserve their paper savings and to perhaps gain by so doing.

The casino's hidden advantage: While the casino patrons, *sic* marks, can only bet their earnings and savings on a 1:1 basis, in the private gaming rooms upstairs, the casino owners are able to draw on house credit and leverage their bets by 20, 30, or even 40 times their original sum.

What went wrong: After 1999, the casino owners began betting the savings of the downstairs patrons (bank savings deposits and insurance investments allowed by the repeal of Glass-Steagall) and bet this money on subprime CDOs, credit-default swaps, derivatives, emerging market equities, commodities, etc. and used house credit to leverage their bets far beyond the original amounts.

At first, winnings skyrocketed driven by the vast amounts of leveraged money available from the repeal of Glass-Steagall, providing even more incentive for the casino owners to borrow and wager even more. But, in 2007, the luck of the house changed

Even in rigged games, if the sums bet are large enough, the losses can be staggering and can break the bank, *sic* the house/casino. With bets leveraged 40:1, a fall of only 2.5 % completely wipes out the bettor. A fall of 100 % takes out not only the bettor but the enormous amount of credit extended to the bettor by the house.

Some of the losses incurred by subprime CDOs are as high as 90 %. The losses on Lehman's bonds are over 90 %. The reason why financial markets are in such trouble is the trillions of dollars in credit extended by the banks is now gone and, as a consequence, almost all banks are bankrupt.

With the casino now broke, governments have announced that they will guarantee the value of all paper chips issued by the casino. Governments do not want bettors to cash in their paper chips because they know the banks are broke and do not have the cash to cover either their bets and/or the chips they issued.

Now the casino patrons are being forced to subsidize the casino while their governments are frantically issuing more chips hoping that by so doing the now terrified patrons will return to the now empty tables and continue to bet what little they have left.

Good luck.

#### THE END OF AN ERA

The failure of our credit based capital markets and our democratic process is symptomatic of the changes taking place on our planet. The bankers' system of paper money has so undermined all commercial activity along with our political institutions that the flaws of both are now obvious to all.

The bankers' system of credit and paper money began in England in 1694, was moved to the US in 1913 and from there spread to the rest of the world, much like STDs. Debt and worthless money like sexually transmitted diseases are unintended results of initially pleasurable activity, in this case, economic expansion.

Unfortunately, there is no penicillin that can cure our ailing economy; and the ones responsible, the bankers, are mistakenly hoped by many to have the answers. They don't. They made the problems and will only make them worse. Wait and see.

At the end of eras, institutions are found incapable of providing the solutions and answers they once did. Capitalism, which drove economic expansion for 250 years, is now stumbling and has fallen on its own sword, debt, which it once used to enslave others; and, democracy, previously the hope of mankind has become a caricature of the hope it once promised.

## BETTER TIMES ARE COMING

The end of eras are always succeeded by the beginning of another. Endings, however, are meant to clear away the old in order to make way for the new. We are seeing the collapse of that which is familiar. It has been an extraordinary era and its ending will be no less so.

Buckminster Fuller in his introduction to *The Critical Path* in 1981 wrote:

### *Twilight of the World's Power Structures*

*Humanity is moving ever deeper into crisis—a crisis without precedent.*

*First, it is a crisis brought about by cosmic evolution, irrevocably intent upon completely transforming omnidisintegrated humanity from a complex of around-the-world, remotely deployed-from-one-another, differently colored, differently credoed, differently cultured, differently communicating, and differently competing entities into a complete integrated, comprehensively interconsiderate, harmonious whole.*

*Second, we are in an unprecedented crisis because cosmic evolution is also irrevocably intent upon making omni-integrated humanity omnisuccessful, able to live sustainingly at an unprecedentedly higher standard of living for all Earthians than has ever been experienced by any;*

*..that humanity now—for the first time in history—has the realistic opportunity to help evolution do what it is inexorably intent on doing—converting all humanity into one harmonious world family and making that family sustainingly, economically successful.*

In 1981, Fuller predicted our present crisis. He also predicted its successful outcome. We are now in the crisis he predicted. You will not survive by hanging onto the old. You will survive by letting go. Buy gold, buy silver, have faith. Better times are coming.

Note: I will be speaking at Professor Fekete's last session of Gold Standard University Live to be held in Canberra, Australia from November 11<sup>th</sup> to the 14<sup>th</sup>. The focus of the session will be trading the gold and silver basis for profit. For further details, contact [feketeaustralia@yahoo.com](mailto:feketeaustralia@yahoo.com).

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