

# THANKSGIVING IN AMERICA

*Collectively and individually, we all learn through crises. But only after a crisis is over do we recognize the lessons learned and become thankful for the fundamental and needed changes such crises bring. When this crisis is over, we too will be thankful for its gifts. But this crisis is not yet over. It has only just begun.*

## Thanksgiving Menu 2008

### *appetizers*

Mélange Of Frozen Markets  
Tossed Assets With Government Guarantees  
Frisée Of Foreclosures And Defaults

### *main dishes*

Évaporation de Credit à la Cold Turkey  
*House Signature Dish*  
Seared Investors In Bottomless Pit With Caramelized Investments  
Overheated Markets Without Oversight à la SEC  
Braised Bankers Rump With Bailout Coulis

### *desserts*

Sorbet Trio Of Shock, Disbelief And Insolvency  
Off Balance Sheet flambé

### *Featured wine*

Great Depression Grand Siècle 1933 méthode creditoise

## THE LAST HAPPY CHRISTMAS

Last fall when the crisis caused by the August 2007 credit contraction began to gain momentum, its effects were initially confined to the financial sector. The lives of most individuals were still not affected by the spreading contagion of defaults emanating from investment banks in New York, London, Tokyo, Europe and elsewhere.

In America, Thanksgiving Day occurs in November and begins the autumn holiday season which ends with Christmas and the New Years festivities. At this time last year, the financial crisis had not yet affected America's holiday celebrations although I knew it would soon do so.

Last fall, I predicted that Christmas 2007 would be remembered as “the last happy Christmas”. Today, the financial crisis has now reached the lives of those far removed from global financial centers and this holiday season will be unlike those previous. Next year, it will be worse.

### THE FAST BOYS BURN THE SLOW BOYS

In today’s credit/debt based economies, the flow of capital, *sic* debt and credit, between the fast boys, i.e. investment bankers—the packagers of credit, *sic* merchants of debt, and the slow boys, i.e. pension funds, insurance companies, investment funds, etc. needs to constantly grow.

As the quantity of debt-based money increases so too does the total amount of debt. This dynamic is heightened by the fact that debt is constantly compounding and the amount of debt is increased thereby almost exponentially.

As part of this process, the fast boys sell the slow boys debt-based “investments” on which the return is hoped to be in excess of inflation. Because the constant printing of debt-based money debases the value of previously issued “money”, savers are forced to constantly re-bet their savings in a world where the fast boys, the investment bankers, have a systemic advantage.

Because of their proximity to the spigots of credit, the fast boys, the investment banks, are able to bet the money of others (the slow boys) in such a way that they (the fast boys) profit immensely. When their bets are good, the fast boys profit far more than the slow boys whose money they leveraged. However, when the bets go bad, the results are shared more equally.

In credit/debt based economies, the sale of “investment” debt is critical in the confidence game that fiat money has forced on society. If such investment debt is not retired, sold, or rolled forward, the confidence game comes to a halt; and, when the merry-go-round of debt slows sufficiently, the game is over.

### CREDIT INTERRUPTUS AND LIBOR PAINS

This is where we are today. Between 2002 and 2006 when the fast boys sold billions of dollars of subprime AAA rated soon-to default CDOs to the slow boys, the slow boys realized the fast boys had burned them, leaving them, the slow boys, with enormous amounts of bad debt totaling hundreds of billions of dollars.

When this happened, not only did the trust between the slow boys and fast boys disappear, so too did the trust between the fast boys themselves. LIBOR, the London Interbank Offered Rate, moved quickly higher after August 2007 signifying that bankers no longer even trusted each other to repay their debts.

## A BANKER'S TRUST AND A WOMAN'S HEART

Trust is critically important in financial markets because debt/credit based economies founded on fiat currencies are little more than floating crap games where it is only a matter of time (perhaps a long time) until a crisis occurs that alerts the participants that the value of their paper assets including money can suddenly and without warning disappear.

Bankers by nature are often distrustful and women generally are not; but, in this area, bankers and women have something in common. As many know, when a woman's trust is violated the loss of that trust is often irreparable and the same is true, ironically enough, with bankers.

This is now the main concern of central bankers, the ringmasters of the financial circus masquerading as capital markets. Since August 2007, because the slow boys increasingly have shunned the debt-based offering of the fast boys, capital markets have remained frozen—and capital markets, like bicycles, do not do well at slow speeds.

## THE RINGMASTERS RESPONSE

Bloomberg News noted on November 24, 2008 that the US government has now pledged \$7.76 billion of taxpayer money to the banks and capital markets in the hopes of once again moving the sale of debt in now frozen markets.

The central bankers are doing this hoping that the slow boys will again return and begin buying the debt-based investments of the fast boys. This hope may well be in vain because now the underlying economies themselves are in serious danger of collapse.

Buying debt when economies are collapsing is not a good bet and the slow boys know this better than anyone else. More taxpayer money will not move the slow boys to purchase debt in today's market. It will take their belief that debt is once again safe and profitable—and in collapsing markets that belief is highly unlikely.

## THANKSGIVING IN AMERICA

This year, Thanksgiving in America will be different. The mood will be more serious and the thanks offered for what has been given and received will be more heartfelt; and those who previously warned about an economic collapse may be viewed more seriously by those gathered around the Thanksgiving table.

In early November in Canberra, Australia, participants heard Professor Antal E. Fekete and others discuss, among other topics, how much time remained before markets began their final descent into catastrophic collapse.

The professor said his view has now changed because of the speed and severity of recent events, that such a collapse will now occur sooner than he had previously expected, perhaps in two years.

Those who do not believe in such a collapse are also those who did not foresee the recent collapse of banks, hedge funds, money market funds and insurance companies or the collapse of global equity markets on a scale unseen since the Great Depression.

### THE PENDULUM IS A WRECKING BALL

The world is rebalancing itself and financial markets are not the only institution that will be affected in the coming years. Change is a constant occurrence in the universe and is now in the process of speeding up considerably.

A fundamental rebalancing of universal polarities is now in progress. It will affect economies, nations, religions, societies and all institutions that reflect the current paradigm. A new paradigm is on the way. It will be better than the present one—and that is something to be thankful for.

Darryl Robert Schoon

[www.survivethecrisis.com](http://www.survivethecrisis.com)

[www.drshoon.com](http://www.drshoon.com)

blog [www.posdev.net/pdn/index.php?option=com\\_myblog&blogger=drs&Itemid=81](http://www.posdev.net/pdn/index.php?option=com_myblog&blogger=drs&Itemid=81)