

THE BOMB IN THE CHRISTMAS STOCKINGS

Misplaced fears are the most dangerous of all



The Muslim terrorists of Mumbai are not our greatest threat nor will they cause the greatest suffering in the days ahead. That which will cause the greatest grief is the banker's system of credit-based paper money, a house of cards now in flames and about to burn all inside who still believe it to be shelter instead of a charnel house.

Those who have attended Professor Antal E. Fekete's Gold Standard University Live (GSUL) are not found around corporate watering holes discussing stock tips. Although aware of the markets, those in attendance have their focus on the system itself, on what caused its problems and what can be done to correct it.

Last June at Session IV of GSUL a group of Hungarian bankers were in attendance. I asked one why they had come to hear Professor Fekete. His answer was unusual, at least for a banker. He answered that they had realized their models could not explain current markets and, as a consequence, they were looking for models that could do so.

When most people are confronted with the inexplicable, instead of looking for other explanations they instead attempt to explain away what is happening. In times of systemic stress, the usual response is denial. The Hungarian bankers were obviously an exception.

What is extraordinarily dangerous today is the ubiquitous ignorance that exists about our financial system. Those who benefit the most from the current monetary pathology—bankers and government—through their influence in the corporate-controlled media and academia have effectively hidden the cause of society's problems from society itself.

By controlling the content and direction of social and academic dialogue, the present beneficiaries of our credit-based system of paper money have effectively prevented any real response to correct that which is now our greatest threat—the collapse of the global economy which will bring unimaginable suffering to most of humanity, a collapse that is now upon us.

The bankers' influence over government and the media has effectively stifled social and academic discussion about the real cause of our problems. Those who live off debt do not want its origins and their influence exposed to the light of day. As a consequence, society will suffer immensely though ignorant of the reasons why—which is exactly what bankers and governments prefer.

A DEPRESSION PLUS

We are about to experience a depression *in extremis*. Although similar to the Great Depression, what is about to happen has never happened before; we are about to experience something new, a depression in combination with a currency collapse, *une Grande Dépression à la papier-monnaie*.

Ralph T. Foster's important book, *Fiat Paper Money—The History And Evolution Of Our Currency* notes that paper money first appeared in China, which is also the first country to later ban its use.

Over the course of 600 years, five dynasties had implemented paper money and all five made frequent use of the printing press to solve problems. Economic catastrophe and political chaos inevitably followed. Time and time again, officials looked to paper money for instant liquidity and the immediate transfer of wealth. But its ostensible virtues could not withstand its tragic legacy; those who held it as a store of value found that in time all they held were worthless pieces of paper.

Page 29, Ralph T. Foster, *Fiat Paper Money—The History And Evolution Of Our Currency*, to order email [tfdf\(at\)pacbell.net](mailto:tfdf(at)pacbell.net)

While good ideas often spread, terrible ideas do also. Eventually, the “virtues” of paper money were too great for the West to resist; and like another Chinese invention, gunpowder, paper money was to be used in the pursuit of wealth, empire and, ultimately, war.

But, in the beginning, the West was highly dubious of this alleged Chinese invention. Foster's book notes that the first mention of paper money in the West was found in Marco Polo's account of his travels. The chapter heading which refers to paper money begins:

“HOW THE GREAT KHAN CAUSETH THE BARK OF TREES, MADE INTO SOMETHING LIKE PAPER, TO PASS FOR MONEY OVER ALL HIS COUNTRY”

Page 39, Ralph T. Foster, *Fiat Paper Money—The History And Evolution Of Our Currency*

The idea that the bark of trees could pass for money was met with disbelief, derision and ridicule in the West. Such a possibility was considered as absurd as the more modern idea that \$ 1.5 trillion of subprime “don't ask, don't tell” mortgages could be sold to banks, pension funds, and insurance companies as risk-free AAA investments.

The use of paper money was formally abolished in China in 1661. But, like the proverbial bad penny, it reappeared again in the 1900s. Bereft of alternatives, China wholeheartedly embraced the West's paper-based credit markets believing that perhaps in its 300 year "journey to the west" paper money had picked up some "western mojo" along the way.

Unfortunately, as China is about to discover, paper money was no more viable upon its return than in 1661 when it was banished. Once again, *economic catastrophe and political chaos will follow*—this time on a global scale.

Foster also points out that although Kubalai Khan's methods of encouraging the use of paper money were brutal, i.e. *the penalty for not accepting paper money in trade was death*, the Great Khan was certainly not ignorant in the ways of money, as Marco Polo noted:

But what really captured Polo's attention was how all the gold and silver went to the imperial treasury, while the population gladly received paper.

Page 41, Ralph T. Foster, *Fiat Paper Money—The History And Evolution Of Our Currency*, to order email [tfdf\(at\)pacbell.net](mailto:tfdf(at)pacbell.net)

WE KHAN TOO

Today, paper money is more common than herpes and far more dangerous (and hopefully not with us forever). When paper money loses its value, economies collapse which is now about to happen.

Kubalai Khan's experiment with paper money, however, gives us an important clue about what to do. As long as everyone accepts paper money, we should exchange our paper money for goods and services. But, like Kubalai Khan, our savings should be held in gold and silver.

WHAT LIES AHEAD

A depression is now beginning. The last depression, i.e. the Great Depression, lasted approximately ten years. While it is not possible to know how long this depression will last, we do know this depression will be much worse than the 1930s. It will be a depression *in extremis*, a depression in combination with a currency collapse.

The US dollar is a now a fiat currency, a paper coupon issued by the US government stating it is legal tender. Without the ink, however, it is similar in all respects to Kubalai Khan's currency which started out as the bark of a tree made into something like paper to pass for something like money.

When the US dollar was accorded the status of a reserve currency by the Bretton-Woods agreement in 1944, it was convertible to gold upon demand by other nations. Today, it is convertible only to whatever speculators decide. Someday, as with all fiat currencies, it will be zero.

Some believe that a US default on its debts will occur this year. Such a default may or may not happen soon but it will happen someday. When the US allowed private bankers to issue the US dollar (via the Federal Reserve in 1913) thus changing the dollar from a savings based currency to a debt based currency, the death warrant of the US dollar was signed. Its burial was only a matter of time, a time which has almost arrived.

It has been less than one hundred years since bankers and businessmen conspired to create the Federal Reserve Bank to control America's finances and to profit from the economic expansion of this once great economic power.

The consequences of that conspiracy are now around us—a collapsing dollar, a collapsing economy and, now, a collapsing nation. Using soundbite slogans, the bankers convinced Americans that its markets were free while they controlled the markets through the issuance of credit.

Thomas Jefferson warned about what would happen if private bankers controlled America's currency. Jefferson's warnings were ignored, forgotten and buried by the press, academics and politicians who were paid to promulgate the false promises of bankers. Americans took the bait, swallowed it and are now about to be flayed.

THE BANKERS SINK WITH THE SHIP BERNARD MADOFF—THE POSTER BOY OF DEREGULATION

The irony is that, today, bankers themselves are being destroyed by the very system they created. The excessive issuance of debt-based money by bankers is destroying bankers and banks as well as businesses, families, and governments.

Bankers' influence turned government oversight into culpable blindness giving bankers the rope they needed to hang themselves. The soundbite of self-regulation ultimately spawned the largest Ponzi scheme ever, a decades long \$50 billion theft by investment banker and former NASDAQ Chairman Bernard Madoff—accomplished directly beneath the blind eye of SEC oversight

Madoff's extraordinary accomplishment is the *pièce de résistance* to the hallowed soundbite of free markets. I am a strong believer in freedom and free markets but only fools and dupes believe that today's credit driven financially manipulated markets are free. Follow the money, not the soundbites. Follow the truth, not the bullshit.

CHRISTMAS AND THE COMING NEW YEAR

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This year's holiday season will not be like last year's, i.e. "the last happy Christmas". Americans especially have been living in a self-induced bubble of illusion and denial which has now popped along with the real estate and stock market bubbles.

Reality is finally beginning to dawn on those who believed their denial would save them from what they fear. What is happening is a surprise only to the indentured slaves of debt who believed the banker's promise that credit would give them their dreams; instead, that credit has now become debt and their dreams have become nightmares.

The past year has destroyed the illusion of eternally expanding growth driven by eternally expanding credit. Salome was never so attractive; but now, society must pay the price for having succumbed to the bankers' beckoning pole dance.

Only if we learn from history will we not repeat it. But if China's experience with paper money is any indication of mankind's learning curve, I suggest you put your savings into gold and silver—and soon.

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