

# The Con In Central Bankers' Confidence

*Rising gold prices are a cold sore on the lip of central bankers. In the world of paper money, it's a clear sign something's not right*

Central bankers are the keepers of the keys to the kingdom. The kingdom, however, is on the edge of bankruptcy and in danger as never before. Comparisons are now being made to the Great Depression of the 1930s. The comparisons, however, are just that.

In some ways, the situation is similar. In many ways, it is not. In a very fundamental way, the conditions are much worse. The systemic strains on the global financial system are today much more profound than even during the Great Depression.

The Great Depression of the 1930s was unique in the history of capital markets built on debt-based money, *sic* capitalism. Until the creation of the Federal Reserve System, the US economy had been a savings-based, not debt-based, economy. The difference between the two, although rarely understood, is profound

The price paid for credit-based expansion is debt. Increasing the debt-based money supply increases the amount of debt; and, over the naturally limited life of a debt-based economy, the constantly increasing and compounding levels of debt will grow until the economy collapses.

Compounding debt, the wellspring of bankers' profits, will eventually destroy the economy on which it lives. The time it takes to do so is dependent on the strength and productivity of the underlying economy.

No economy, however, no matter how strong initially, can out run the constantly compounding debt of credit-based money—not even the United States.

## THE GREAT DEPRESSION, VERSION 1.0

In 1913, the Federal Reserve System began feeding debt-based money into the previously savings-based US economy; and in just ten years, the newly available cheap credit poured into the stock market and drove shares prices to historic highs. In 1929, the stock market collapsed and the Great Depression began in 1933, only thirty years after the Federal Reserve Act was approved.

It was the vast amounts of cheap credit from the Federal Reserve that fueled the meteoric rise of the stock market bubble in the 1920s, a bubble so large its collapse plunged the US and the world into the first Great Depression in the 1930s; and, now, today, the same is again about to happen.

The amount of debt that will soon come crashing down will make the Great Depression seem exactly as it is, a prelude to something much larger and much more dangerous—a possible hyperinflationary deflationary collapse that will soon dwarf the merely deflationary collapse of the 1930s.

This time around, the Federal Reserve and its government enablers, *sic* co-conspirators, have created far more leveraged debt than existed during the historic 1920s stock market bubble. The housing bubble of 2002-2006, created in the wake of the 2000 dot.com bubble (remember that?) is the biggest bubble in history and again we will relearn the lesson that the more that goes up, the more will come down.

### THE GREAT DEPRESSION, VERSION 2.0

Modern economics is a shell game, a 300 year old confidence game designed to hide the fact that bankers' credit replaced real money, credit created out of thin air by private bankers and public government that leaves compounding debt, and ultimately economic destruction, in its wake.

Recently, because of the increasing collusion between bankers and government, the line between private banking and public government is gone. They are now one and the same—only the union hasn't been publicly announced because of anticipated opposition to the now consummated marriage.

Central bankers are modern day confidence men who have so embedded themselves into the fabric of everyday commerce that people are convinced they need credit in order to survive; like Elvis Presley in his final days believed he needed prescription pills to live.

Just as Dr. "Nick", Elvis Presley's pill doctor, is responsible for killing Elvis with his over-prescription of drugs, Dr. Bernanke, the current US credit doctor, and his predecessor Dr. Greenspan will be remembered for their fatal over-prescribing of central bank credit to the US and world economy. Too much of a good thing is and has always been in the end, a bad thing.

### THE ILLUSORY SAFETY OF DENIAL

Americans often tell themselves that safeguards are in place that will prevent another Great Depression; and, as we are now on the edge of another such collapse, it would do us well to take another look at those "safeguards" to see how safe we actually are—*or aren't*.

The daisy chain of debt defaults set in motion by the collapse of the 1920s bubble caused 15,000 banks to fail between 1929 and 1933. So in 1933, the US government responded by passing the Glass-Steagall Act to prevent another such collapse.

Unfortunately, the Glass-Steagall Act was designed to deal *not with the cause* (debt-based Federal Reserve bank notes fueling excessive speculation) *but with the results* (bank failures and loss of savings). Nonetheless, the Glass-Steagall Act of 1933 is the reassurance Americans believe will insure that “it won’t happen again”.

Glass-Steagall prohibited investment banks from again acting as commercial banks. No longer could investment banks (which make speculative bets) own commercial banks (which accept savings deposits from customers) and thereby risk the savings of depositors.

But in 1999 Glass-Steagall was repealed. Wikipedia’s recounting of the repeal, see [http://en.wikipedia.org/wiki/Glass-Steagall\\_Act](http://en.wikipedia.org/wiki/Glass-Steagall_Act) is well-worth the read:

*On November 12, 1999, President Bill Clinton signed into law the Gramm-Leach-Bliley Act, which repealed the Glass-Steagall Act of 1933. One of the effects of the repeal was to allow commercial and investment banks to consolidate. Some economists have criticized the repeal of the Glass-Steagall Act as contributing to the 2007 subprime mortgage financial crisis.[6][7]*

*...One reason banks are losing money is the repeal nine years ago of the 1933 Glass-Steagall Act, which separated commercial and investment banking after excessive risk-taking contributed to the Great Depression*

*...The repeal enabled commercial lenders such as Citigroup, the largest U.S. bank by assets, to underwrite and trade instruments such as mortgage-backed securities and collateralized debt obligations and establish so-called structured investment vehicles, or SIVs, that bought those securities.*

*...Citigroup played a major part in the repeal. Then called Citicorp, the company merged with Travelers Insurance company the year before utilizing loopholes in Glass-Steagall the allowed for temporary exemptions.*

*...the "finance, insurance and real estate industries together are regularly the largest campaign contributors and biggest spenders on lobbying of all business sectors [in 1999]. They laid out more than \$200 million for lobbying in 1998, according to the Center for Responsive Politics..." These industries succeeded in their two decades long effort to repeal the act.*

In 1999, investment banks, insurance companies, and real estate companies together gave \$200 million to US politicians in order to repeal the act specifically designed to prevent another Great Depression; and, now the idea that investment bankers such as US Treasury Secretary Henry Paulson fresh from Goldman Sachs will save America’s economy is absurd—for Paulson and his cohorts are not in Washington DC to save America, they are there to profit and save themselves.

The \$200 million lobbying effort by investment bankers, real estate and insurance companies to repeal Glass-Steagall prevailed but their task is not yet over. Investment bankers via the privately owned Federal Reserve System are now about to complete their control over the entire US financial system.

The following is excerpted from *Silver, Gold, & The Last American Hero, JFK*. Written March 2008, it was true then, it is true today and unfortunately will be true tomorrow. <http://www.drschool.com/articles%5CSilverGoldAndTheLastAmericanHeroJFK.pdf>.

*FED ASKS FOR OVERSIGHT OF ALL FINANCIAL MARKETS*  
*oversight n 1: synonym, overlooking, as in government oversight*

*Plan Would Expand Fed's Power To Intervene In Financial Crisis*  
*March 29, 2008*

*WASHINGTON (CNN) -- The Federal Reserve would have the power to regulate virtually the entire financial industry under a Treasury Department proposal to be announced Monday.*

*The proposal is part of a sweeping overhaul of the government's regulatory structure that Treasury Secretary Henry Paulson will propose in a speech Monday, said Treasury Department spokeswoman Michele Davis.*

*"I am not suggesting that more regulation is the answer, or even that more effective regulation can prevent the periods of financial market stress that seem to occur every five to 10 years," Paulson will say, according to a text of the speech obtained by The Associated Press.*

*According to Brookly McLaughlin, another department spokeswoman, Paulson will propose these changes:*

- Give the Federal Reserve authority to look at the financial status of any institution that could affect market stability;*
- Merge the Securities and Exchange Commission with the Commodity Futures Trading Commission;*
- Give stock exchanges more room for self-regulation;*
- Consolidate bank supervision into one regulator.*

*One of the most dramatic changes would extend the powers of the Federal Reserve -- designed to regulate the commercial banking industry -- to oversight of virtually the entire financial industry.*

*THE FOX IS IN THE HENHOUSE*

*After the recent collapse of Bear Stearns, the Fed announced that US funds will now be made available to international investment banks. Previous to this announcement, any loaning of US funds to investment banks was prohibited.*

*On March 28th, the first day the funds were available, the Fed loaned the banks \$75 billion dollars. These investment banks, called primary-dealers, are the inner circle of the Fed's funding mechanism.*

*That these primary-dealers are in need of US support is an indication of the rapidly disintegrating state of their balance sheets—and the lengths the Fed will go to protect their fellow bankers in the private sector with public money*

*...The bailout of the richest investment banks in the world by US taxpayers is tantamount to a kidnap victim being forced to defray their kidnappers' expenses. Someday, however, these bail-outs by the Fed will come to an end, but that end will not be pretty—for the end of central banking will be both unprecedented and brutal.*

*Central banks and investment banks are two sides of the same coin; and, now that the coin has been debased and recast with subprime securities and other suspect forms of debt; investment banks and their enablers, the central banks, are as vulnerable as those they once exploited.*

*Their increased vulnerability will soon be triggered by any number of events, e.g. bank insolvencies, collapsing currencies, slowing economies, money-market failures, counterparty derivative defaults etc., each one powerful enough to bring down a faltering house of cards built on a foundation of rapidly shifting sand.*

You need not remember the above predictions. You will remember them soon enough when they occur. Private bankers have controlled the US economy since 1913. Their success has led to our present problems. Their failures will lead to our future problems.

But the bankers' work is not yet complete, there are still a few coins on the floor they inadvertently missed and their greed will cause them to bend over to pick them up. Perhaps then they will be vulnerable to the people's will—which brings us to another subject, the peoples' will.

## THE LAST BUBBLE

Sometimes the patrons of strip bars—influenced by alcohol and their own delusions—believe the dancers truly desire them. While at the time it is a pleasant thought (for the patrons), it is not true and does not last, at least not long after the last bill has been stuffed into the stripper's G-string.

Self-delusion, however, is not confined to strip clubs although it regularly rises and is paid for there. Self-delusion is far more common than commonly thought as the more widespread the delusion, the less the delusion is apparent to the deluded.

America is unique in many ways but in some ways it is representative of other nations and other people. After all, its national character was forged by the many different

nationalities that comprise it; and, in that way, it is both unique and reflective of humanity as a whole.

It appears to Americans as well as to others that through democracy, the peoples' will determines the nation's destiny. However, this is no more true than the delusion that strippers lust for whom they dance.

Delusions, whether private as in the confines of a strip club or collective in the case of nations, are just that, delusions. The repeal of the Glass-Steagall Act by the Gramm-Leach-Bliley Act in 1999 is a case in point. Since 1933, Glass-Steagall has given Americans some measure of protection. Since 1999, however, such feelings of protection have been delusional.

The Gramm-Leach-Bliley Act which repealed Glass-Steagall (note: Gramm, Leach, and Bliley were all Republicans) was passed along party lines in the Senate (Republicans for, Democrats against); but it was passed in the House of Representatives with both Republican and Democrat support, and was signed into law by a Democrat, President Bill Clinton.

#### FREE ELECTIONS MEAN NOTHING WHEN POLITICIANS ARE FREELY BOUGHT AND SOLD

The passage of the Gramm-Leach-Bliley Act was either an example of the "hands-across the aisle" sentiment that sometimes causes both parties to join in supporting a common cause; or, it was an example of the far more common "greased-palms of politicians selling out the public good for private gain" syndrome lubricated by \$200 million in lobbyists money.

Glass-Steagall was designed to protect America from another Great Depression, a time where one in four had been out of work, where 60 % of banks had failed, and where bread lines were as common as family misery. But in 1999 Glass-Steagall was repealed by those elected to represent the peoples' will.

The subversion of democracy did not happen overnight or by chance. It was built into the process itself. Alexis deToqueville in his seminal work, *Democracy In America* written in the 1830s, believed that America's version of democracy suffered from a fatal flaw, a flaw that derived from the American character itself.

DeToqueville observed that Americans had two conflicting desires: (1) The desire to be free, and (2) the desire to be led. It is America's second desire that has now led to the undoing of the first.

Irrespective of America's truly revolutionary Declaration of Independence and extraordinary Constitution, America today has become a debased mockery of the founding fathers' original dream and the manifestation of DeToqueville's dire

predictions; and, this November, Americans will again go to the polls to choose “their masters”.

This is what DeToqueville said of the process:

*It is in vain to summon a people, who have been rendered so dependent on the central power to choose from time to time the representatives of that power; this rare and brief exercise of their free choice, however important it may be, will not prevent them from gradually losing the faculties of thinking, feeling, and acting for themselves, and thus gradually falling below the level of humanity.*

In 2008, America is now the world’s number one jailor. Its prisons hold 25 % of the world’s entire prison population and a 2002 Department of Justice ruling allowed Americans to torture as long as the torturer “in good faith” did not believe permanent harm would result (torture being defined by the US Department of “Justice” as only those "extreme acts" that cause pain similar in intensity to that caused by death or organ failure). <http://www.chicagotribune.com/news/politics/sns-ap-cia-interrogations,0,7435986.story>.

This is stark evidence of the devolution of the “rule of law” that has occurred in the United States of America in recent years. Perhaps America has not yet fallen below the level of humanity as DeToqueville predicted. As some might and will argue, it all depends on who sets the bar.

Just recently, in June 2008 the US Congress passed a bill submitted by President Bush that allows the US government to spy on Americans and to indemnify those that already have done so, i.e. AT&T and Verizon. Both presidential candidates, John McCain and Barack Obama voted for the bill.

IF YOU ASPIRE TO THE SEAT OF POWER  
YOU MUST FIRST DROP YOUR DRAWERS

I am not saying Americans or others should not vote in elections; but, if they do, they should be cognizant of what they expect will be accomplished. Most Americans still hope their votes once every two or four years will correct the direction this once great nation has taken. They will not.

Those candidates who actually challenge the corrupt system which now masquerades as a representative democracy have been marginalized. Ron Paul on the right and Dennis Kucinich on the left represent the best of the two opposing political polarities.

Ron Paul’s bills to abolish the Federal Reserve System and Dennis Kucinich’s bills to impeach President Bush and Vice-President Cheney for crimes against the nation should be heard and subjected to meaningful debate. Neither will occur. Real democracy has now been silenced in our now unreal world.

## HOPE IS ON THE HORIZON

Delusions die hard. But like the patrons in strip clubs, only when the money is gone, does reality return and so in 2008, America may now be on the verge of a reawakening. With gas above \$4 a gallon, its credit cards tapped, home foreclosures rising and its telephones increasingly called by bill collectors from India, Americans, like the patrons in the strip club, are realizing their wallets are now empty—the money's now gone, America's last bubble is about to pop.

## THE LAST FORUMS FOR LIBERTY

I want to extend my deep thanks and gratitude to the sites that publish these writings and the writings of others, writings that draw attention to the crisis that now threatens the US and indeed the world. It is no coincidence that the gold and silver focused websites have become the last forums for liberty.

The loss of our freedoms has been accomplished by the collusion of two powerful forces, private bankers and public government. Both those forces, however, are counterfeit. Bankers no more represent real money than governments today represent those they govern; and the power of both derives from the false money that has fueled the ambitions of each.

When bankers and government first colluded in England in 1694, they replaced gold and silver with government counterfeit coupons and the world has not been the same since. It is little wonder that over the years, bankers have become more and more wealthy, governments have become more and more powerful, and we, the citizenry, have become more and more impoverished and indebted to bankers and enslaved to government.

It was on the internet, on gold and silver focused websites where I first encountered the writings of others who knew well before I of the dangers unseen by those who could not then see. Because of them and because of the websites that posted their writings, I have gained some understanding and insight into the critical issues that now confront us.

Professor Antal E. Fekete, see [www.professorfekete.com](http://www.professorfekete.com), was one of those writers. When I first read his articles, I didn't understand the value of a gold standard which the professor adamantly espoused.

I didn't understand that the true value of a gold standard—apart from valuing gold and silver as real money—lay in its natural bounds on the powers of government, bounds against which governments attempt to override.

Mao Zedong once proclaimed that political power comes out of the barrel of a gun. While that may be true, it is only partially true; for here in the West, since 1694, political power has increasingly come from the issuance of debt-based fiat money from central banks, money that can corrupt all who benefit from its false issuance e.g. politicians, academics, regulators, corporate officers, the military, etc.

Buckminster Fuller was fond of calling our planet, Spaceship Earth. It's a good name but it might do us well to note that, of late, our Spaceship Earth has become a bit wobbly. The icecap on the North Pole has now melted, geophysical calamities are on the rise, gold and silver have been replaced by pieces of paper, and those who purport to speak in defense of justice, liberty and democracy are lying through their teeth.

Welcome to 2008. 2009 comes next. 2010 comes after that.

Note: Session V of Professor Fekete's Gold Standard University Live (GSUL) will held November 11<sup>th</sup> through the 14<sup>th</sup> at Australian National University in Canberra, Australia. It may be the last time GSUL is offered in its present form. The opportunities to hear a thinker of Professor Fekete's stature and intellect are rare and priceless. I will be delivering a talk during the session. Inquiries can be addressed to Philip Barton at [feketeaustralia@yahoo.com](mailto:feketeaustralia@yahoo.com).

Darryl Robert Schoon

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