

# THE CRISIS GOES FORWARD AS GOLD GOES BACKWARD

*Systemic crises are caused by the inability of systems to respond to stress. When systems can no longer adequately respond, systemic collapse ensues. We are currently witness to the end of a system of paper money based on credit and debt, a system now in the final stages of collapse.*

THE COMING DESTRUCTION OF PAPER MONEY IS GOING  
TO MAKE SHERMAN'S MARCH TO THE SEA  
LOOK LIKE A SUNSHINY DAY

In Sherman's "march to the sea", a military campaign that broke the back of Confederate resistance during America's Civil War, according to Wikipedia, the Union general, Sherman, *applied the principles of scorched earth, ordering his troops to burn crops, kill livestock, consume supplies, and destroy civilian infrastructure along their path.*

The American South, preferring to see the war in terms of a conflict between the industrial North and the agrarian South instead of over slavery, never forgave the North for Sherman's "scorched earth" campaign and its victory.

This Southern resistance lasted for one hundred years, from the end of the American Civil War in 1865 to the 1960s. But in the 1960s, societal change swept through America and the resurgent issues of civil rights and women's liberation set in motion a massive Southern backlash that sent the Democratic Southern voting bloc into the welcoming arms of the Republican Party.

This new alliance, composed of Republicans and former "Dixiecrats", shifted the balance of power in America for the next fifty years; and consequently consolidated economic power in the hands of America's financial and corporate elites in the Republican Party.

The concomitant unraveling of the wealth and power of the elites and the Republican Party in 2008 is not coincidence. Another more powerful shift than even the 1960s is now underway and current power structures and economic elites are being swept away in its presence.

This shift is not yet over. It has only just begun. While change happens in increments, sometimes those increments are seismic in scope instead of imperceptible and constant. Such are the changes in motion today. When they are over, the world as we know it will be gone.

*It's getting worse very quickly...It's like an avalanche in that it gains momentum. And that's what we're in right now, so it's a real crisis.*

Arnold Schwarzenegger, Republican Governor of California, December 1, 2008

Buckminster Fuller in his book on mankind's future, *The Critical Path* (1981), called this crisis, the *Twilight Of The World's Power Structures*. And just as Fuller predicted, the world's economic power structures began to fall. Communism collapsed in 1991 and now in 2008, Capitalism is following in Communism's footsteps.

All managed markets—whether managed by government allocation as under Communism or by government sponsored central bank credit as in Capitalism—are doomed to failure. The triumph of free markets over managed markets is coming.

### WHEN SYSTEMS COLLAPSE RESISTANCE IS FUTILE

Hope that recent political changes can resuscitate the system of central bank credit and paper money is futile. The new economic team appointed by President-elect Barack Obama is but a resuscitated version of the old team, the very ones responsible for the present system and its fatal problems.

From the November 28, 2008 Wall Street Journal:

#### *Thanksgiving Cheer From Obama*

*He's assembled a first-rate economic team*

*By Karl Rove*

*Mr. Obama ... picked as Treasury Secretary Tim Geithner...Mr. Geithner has been a key player with Treasury Secretary Hank Paulson and Fed Chairman Ben Bernanke in confronting the financial crisis. Every major decision in the rescue effort came only after the three agreed.*

*The National Economic Council director-designee, Larry Summers, is another solid pick. Mr. Summers has been an advocate for trade liberalization, he was the Clinton administration's negotiator for the financial deregulation known as Gramm-Leach-Bliley...*

Obama appointee Lawrence Summers' 1999 support of the Gramm-Leach-Bliley bill is indeed noteworthy as Gramm-Leach-Bliley repealed the Glass-Steagall Act, specifically passed in 1933 to prevent another depression.

Clinton's signing of the Gramm-Leach-Bliley bill in 1999 directly led to the financial deregulation responsible for the decimation of financial markets in 2008. Former Bush advisor Karl Rove is right. Acknowledgment is due both Summers and Clinton for their collective contribution to today's "free" falling markets.

It is no coincidence that both Lawrence Summers and another Obama appointee, Paul Volker have been instrumental in the past in the manipulation of the price of gold, the very indicator that bears witness to the false promises of paper money.

In 1988, Summers co-authored a paper, *Gibson's Paradox and the Gold Standard*, wherein he postulated that by fixing the price of gold, interest rates could be stabilized; an assertion as absurd as believing fixing the temperature of thermometers can prevent global warming.

Clever boys  
Far too clever  
For their own good  
And others

Summers' confederate (def., one who assists in a plot; an accomplice) in the war between paper money and gold on Obama's "team of hope", Paul Volker, is best known for his courageous raising of interest rates in 1981. Volker is less known for his remark that it was a mistake not to have earlier "managed" the price of gold.

Volker, Geithner, Summers, et. al. are all insiders in the imploding system of paper money. Appointing Volker to head the President's Economic Recovery Board may raise the hopes of the desperate but it will do nothing to stem the tides of change.

When systems fail, even those as able as Confederate General Robert E. Lee cannot prevent their collapse; and, when the present system fails—and it will fail, it will result in a far better world—a world in which we will again be free from slavery to debt, imposed by a conspiracy of bankers and politicians.

#### THE BACKWARDIZATION OF GOLD AND THE UPWARDIZATION OF GOLD AND SILVER PRICES

Those fortunate enough to attend the final session of Gold Standard University Live in Canberra, Australia (attendees from Europe, North America, South Africa, Asia as well as Australia and New Zealand), heard Professor Antal E. Fekete explain the origin and significance of trading the basis with respect to gold and silver.

Professor Fekete recently posted his article, *Red Alert: Gold Backwardization!!!*, in which he alerted readers that for the first time in history the cash price of gold is higher than the nearest futures price, indicating that buyers value the present physical possession of gold more highly than future possession.

Professor Fekete stated that when gold recently moved into backwardization on December 2<sup>nd</sup>, a historical line had been crossed, a line which signified whether or not the present system could be saved. Now, according to Professor Fekete, with gold in backwardization, it cannot.

While the war between paper money and gold and silver is still being waged, according to Professor Fekete the outcome is no longer in doubt as the present system is now beyond redemption. This has profound implications for the future price of gold and silver and for gold mining shares.

In the last Great Depression, the shares of Homestake Mining, the world's largest gold mine, went from \$4.19 in 1929 to \$495 in 1935, paying a \$56 dividend that year. In the coming depression, gold and gold mining shares should do just as well—and, after the onset of the depression, just imagine what hyperinflation will do.

### THE COMING CAPITULATION OF PAPER

Physical gold and silver, whether in hand or in the ground will be the last refuge for the trillions of dollars still invested in paper assets. With an estimated \$27 trillion of wealth already lost this year, the day is coming when the last believers in paper assets will finally look to gold and silver to preserve their dwindling wealth.

But when that day comes, those owning monetary metals will not exchange their gold and silver for paper money at any price, i.e. permanent backwardization; and the last believers in paper assets will be stuck with now worthless government issued coupons which previously had passed for money.

The recent historic backwardization of gold is a clear indication that sometime in the future a state of permanent backwardization will occur—and on that day, the world will finally be free from the tyrannical slavery of central bank induced indebtedness.

Freedom, oh freedom  
Someday we will be free  
Freedom, oh freedom  
How sweet that day will be

Darryl Robert Schoon

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