

# THE KILLERS ARE WITH THE PATIENT

*There is nothing more dangerous than when those responsible for a nation's troubles are believed to be its savior.*

The Wall Street Journal had one fact correct regarding Wall Street's accelerating collapse when on September 20th they wrote: *When government officials surveyed the failing American financial system this week, they didn't see only a collapsed investment bank or the surrender of a giant insurance firm. They saw the circulatory system of the U.S. economy—credit markets—starting to fail.*

The Wall Street Journal was correct in that the circulatory system of the US economy was failing. Because the Wall Street Journal is the house organ of Wall Street investment banks and their co-conspirators in government, the Wall Street Journal blamed deteriorating credit markets for America's troubles, not those responsible—to wit, Alan Greenspan, Ben Bernanke, and their cohorts at the Federal Reserve Banks.

## ALAN GREENSPAN'S BASTARD SON

Ben Bernanke, Alan Greenspan's surrogate successor at the Federal Reserve is using Greenspan's discredited playbook to hopefully resuscitate America's economy. But pouring more credit into America's stalled economy will not restart the US economy anymore than pouring gasoline into a flooded engine will restart an engine.

Excessive credit caused the problem and more credit will only exacerbate it. The US central bank, the Federal Reserve, however is now backed into a corner, a corner from which there is no exit.

After credit markets contracted in August 2007, it was hoped that central bank intervention would reverse the deterioration of global markets that was then only beginning. A year ago, on October 1, 2007, I addressed that hope in my article, *The Winter of Our Discontent*:

As we collectively move towards the economic disaster awaiting us, the investment community is hoping the world's central banks will be able to save them from the crisis set in motion by this summer's [August 2007] credit collapse.

If the truth be known—and someday it will be—central banks are at the very center of today's problems. Indeed, they caused them. Today's disintegration of capital markets based on debt-based paper began in 1913 with the creation of the US Federal Reserve Bank, the central bank of the US.

...Debt-based paper money has led nations and the world down a very dangerous path. Facilitating expansion by encumbering future revenues with compounding debt inevitably indebts individuals, businesses, and governments beyond their ability to repay.

In the beginning, production expands, needs are met and everyone goes home happy. In the end, everyone's home gets repossessed. This is when the amount of debt has grown so large, governments, businesses, and consumers collapse under its collective weight.

That's where we are today. We lived off tomorrow and tomorrow has arrived. What a surprise.

Although in the past, continuing central bank intervention has proved inadequate, the ignorant, unknowing and desperate are yet again hoping that Paulson's latest plan will save them. But the collective solutions of Bernanke, Paulson, et. al. will again prove wanting.

Indeed, Paulson's and Bernanke's continuing attempts to reverse the accelerating credit contraction will only make the final rendering all the more devastating. What I wrote last year is true today—except, today, we are now one year closer to the inevitable end of this still unfolding crisis.

cont'd, *The Winter of Our Discontent* October 1, 2007

...As autumn approaches, this summer's credit crisis continues to spread through the global grid created by today's financial wizards—wizards so adept they do not understand what they have set in motion. That this summer's credit crisis surprised them the most is the most disturbing news of all.

The financial wizards of Wall Street and The City are hoping this summer's credit crisis is a bad cold at worst, that perhaps a slight fever and time will heal the illness and they can return once again to the task of carving out billion-dollar bonuses from capitalism's rotting carcass (*sic* capitalism, any economic system based on central bank issuance of debt-based paper money).

But the wizards of Wall Street and The City will be wrong this fall. This summer's credit contraction looks increasingly less like a cold and more like cancer which has metastasized and made its way into the lymph nodes of our global economy.

The credit contraction of August 2007 was not a cold. It was cancer and since then it has spread with increasing rapidity throughout the US and global economies; and, now, one year later, the ignorant, unknowing and desperate led by the deceitful, selfish and clever are hoping that its only pneumonia.

## CHINA'S KEEPING THE PATIENT ALIVE

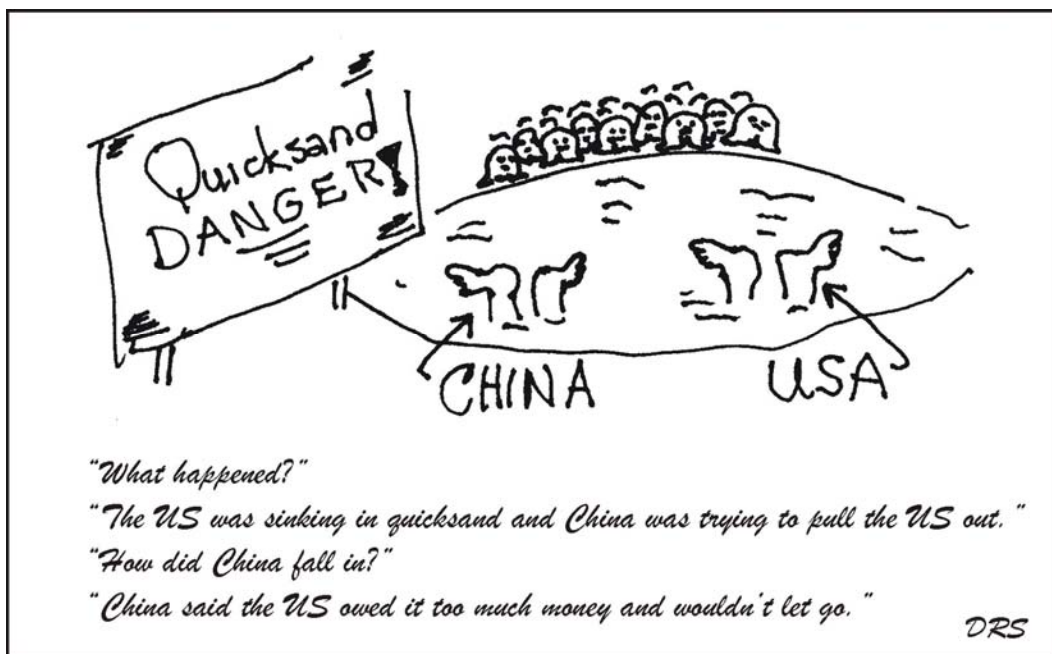
Some are alleging that the US government's accelerating bailout of banks, insurance companies et. al. is socialism. Although it is government intervention *in extremis*, such intervention in the markets does not constitute socialism.

The bailout of investment banks and corporations by the US government is fascism; the control and intervention of government by corporate interests designed to further corporate and state control. The multi-trillion dollar state support of JP Morgan, AIG, Fannie Mae and Freddie Mac and now perhaps soon GM, Ford, and Chrysler is fascism, not socialism.

*Fascism should more appropriately be called corporatism because it is the merger of state and corporate power.*

Benito Mussolini, fascist dictator of Italy (1922-1943)

What is ironic is that China, a self-described socialist state, is increasingly now responsible for the well-being of the US, a nation rapidly transforming itself into a fascist nation right before our eyes; and, while this might be the ultimate resolution of the two competing ideologies of the 20th century, I don't think so. Instead, it could be the end of both.



## CHINA, PAPER MONEY, AND THE WEST

Paper along with paper money was first invented in China and Ralph T. Foster's *Fiat Paper Money, The History and Evolution of Our Currency*, states that "On January 12,

1024, the Sung court directed the imperial treasury to issue national paper money for general use”.

Two centuries later, the Sung Dynasty’s paper money had lost almost all its value due to over printing. Later attempts were made to resuscitate paper money but all such attempts were to end in economic collapse. Foster sums up China’s experiment with paper money as follows:

*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 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.*** [bold, mine]

*Fiat Paper Money, The History and Evolution of Our Currency, Ralph T. Foster 2<sup>nd</sup> ed 2008, page 29, available email tdfd(at)pacbell.net or by phone 520-845-3015.*

In 1661, China formally outlawed the use of paper money and it wasn’t to reappear in China until the 1800s when English traders wanted to pay for Chinese goods with paper bank notes issued by the Bank of England. The Bank of England claimed its paper money was backed by gold and therefore “good as gold”.

The Chinese, suspicious of western ways and rightfully so, demanded instead to be paid in their circulating currency, silver; and, as the British badly wanted China’s porcelains, teas, and silks, this forced the British to buy silver on the open market in order to purchase goods from China.

If the British bank notes were *de facto* fully backed by gold as claimed by the Bank of England, there would have been little need for England to go to war in order to instead force China to accept British opium. But the British claim of 100 % convertibility to gold was more a public relations gesture than an actual reality, at least in the large amounts demanded by the growing China trade.

BUYERS ALWAYS PREFER PAYMENT WITH PAPER MONEY  
SELLORS ALWAYS PREFER PAYMENT WITH GOLD OR SILVER

The subjugation of China, first by the England and the West and then by Japan, continued until the Chinese Communists forced out the Japanese who had previously forced out the Russians, the British, the Germans, the French and the Americans.

But in the intervening years, between the British invasion in the 1840s and the Chinese Communist victory one century later, the Bank of England with the aid of the US Federal Reserve had instituted the universal acceptance of central bank issued paper money everywhere in the world and China was no exception.

Wikipedia recounts the long experience of China with paper money and hyperinflation:

As the first user of fiat currency, China has had an early history of troubles caused by hyperinflation. The Yuan Dynasty (1271-1368) printed huge amounts of fiat paper money to fund their wars, and the resulting hyperinflation, coupled with other factors, led to its demise at the hands of a revolution. The Republic of China went through the worst inflation 1948-49. In 1947, the highest denomination was 50,000 yuan. By mid-1948, the highest denomination was 180,000,000 yuan. The 1948 currency reform replaced the yuan by the gold yuan at an exchange rate of 1 gold yuan = 3,000,000 yuan. In less than 1 year, the highest denomination was 10,000,000 gold yuan. The highest denomination by a regional bank was 6,000,000,000 yuan issued by XinJiang Provincial Bank in 1949. After the renminbi was instituted by the new communist government, hyperinflation ceased with a revaluation of 1:10,000 in 1955.

Although China first outlawed the use of paper money in the 17<sup>th</sup> century, it now possesses over a trillion dollars worth of fiat paper money here in the 21<sup>st</sup>, the majority in the form of recently issued US paper dollars.

Now, the problems of hyperinflation may soon again affect China—because if the US continues to print its way out of its increasing problems, hyperinflation of the US dollar will destroy the value of China’s “monetary” reserves.

Although China has a much longer history than does the US, both the world’s oldest civilization, China, and the relative newcomer, the US, will face a dangerous economic future if the US continues to accelerate the growth of its money supply. But no one can control the US in this regard, not even the US.

Flooded by the West’s paper money  
China has joined the West’s game against its will  
How long will the game continue?  
How long before China can reassert its will?  
Heaven moves in its own time

#### EARTHQUAKE, FIRE & FULFILLMENT OF THE PROPHECY

The August 2007 credit contraction was like a financial earthquake that unexpectedly shook global markets. It began as a series of crises that have continually escalated demanding greater and greater taxpayer resources.

Now, the house itself is on fire but the cause and the proposed solution are always the same. The cause is always investment bank greed. The proposed solution is always more taxpayer money to bailout out more investment banks. This is not a solution. This is societal blackmail.

When the US handed over the issuance of its money to the Federal Reserve in 1913 it did so in violation of the US Constitution. It illegally gave the right to issue US currency to a private bank and set in motion forces that would lead to today's extraordinary crisis.

Today's extraordinary banking crisis was not unexpected—as private bankers claim and we believe. Today's crisis was inevitable and was in fact prophesized long before it happened. We were warned about this very occurrence two hundred years ago by no less than a founding father of the American republic, Thomas Jefferson.

*I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered.*

Jefferson's prophecy has now come true and, yet, we act surprised; and, if we are, it is because the corporate controlled media has effectively misled Americans about the cause of their problems.

Double-dipping welfare moms? Illegal immigrants? Muslim terrorists? It's anyone—except, of course, the bankers and the Federal Reserve—or so say again and again America's corrupt corporate media in whose interest it is for Americans to mistakenly blame others for the real cause of its woes.

Otherwise, Americans, left on their own, might wake up.

#### THE BUTLER DIDN'T DO IT THE BANKERS DID

It is bankers such as Henry Paulson who are responsible for America's disintegrating and imploding economy. Since 1913 America has allowed private bankers to control the issuance of America's money and now, in the very midst of the problems they themselves created, the bankers through Paulson's plan are seeking unsupervised control over America's economy complete *with immunity from any future criminal prosecution*.

This is because the bankers not only want America to bail them out, they are planning to steal their assets back in the process.

#### TREASURY SEEKS ASSET-BUYING POWER UNCHECKED BY COURTS (Update2) By Alison Fitzgerald and John Brinsley

Sept. 21 (Bloomberg) -- The Bush administration sought unchecked power from Congress to buy \$700 billion in bad mortgage investments from financial companies in what would be an unprecedented government intrusion into the markets.

Through his plan, Treasury Secretary Henry Paulson aims to avert a credit freeze that would bring the financial system and the world's largest economy to a standstill. **The bill would prevent courts from reviewing actions taken under its authority.** [bold, mine]

“He's asking for a huge amount of power,” said Nouriel Roubini, an economist at New York University. “He's saying, ‘Trust me, I'm going to do it right if you give me absolute control.’ This is not a monarchy.”

The investment banks are even now intending to violate the law in Paulson’s proposed government takeover and redistribution of bank assets. It is in the redistribution and sale of bank assets where the crimes will occur—crimes which will be granted pre-existing immunity from judicial prosecution under Paulson’s proposal.

This same caveat—immunity from subsequent criminal prosecution—was also written into the authorization of the original Resolution Trust Corporation which disposed of government seized property after the Savings & Loan crisis.

The reason no one remembers the hundreds of billions of dollars of seized property from Savings & Loans listed for sale by the RTC is because it never happened.

The greatest wealth transfer in recent history happened when taxpayer money was used to liquidate S&L properties which were then “sold” to well-connected insiders in transactions immune from criminal prosecution for literally pennies on the dollar.

The soon-to-be owned bank assets under Paulson’s plan will not be sold to the highest bidders in an open and fair auction, they will be disposed of again to pools of the wealthy and well-connected at highly discounted insider valuations. The people will pay, the rich will profit.

#### QUI CUSTODIAT CUSTODES WHO WILL GUARD THE GUARDIANS

No, this isn’t a monarchy. This is fascism.

#### THE FOX IS IN THE HENHOUSE

Today, investment banker Henry Paulson, former CEO of investment bank Goldman Sachs is US Secretary of the Treasury. This is no coincidence. Thomas Jefferson would not be surprised.

Paulson's plan to bail out the banks is being presented to American citizens as a *fait accompli*, as a necessary step to prevent the complete meltdown of our financial system. Paulson's plan is exactly what every venal, opportunistic and self-serving banker would propose as a solution to America's problems in such circumstances.

INVESTMENT BANKERS  
DON'T NEED TO BE BAILED OUT  
INVESTMENT BANKERS NEED TO BE THROWN OUT

The answer to America's problems is clear. Thomas Jefferson said it two hundred years ago.

*The issuing power should be taken from the banks and restored to the people, to whom it properly belongs.*

Let's do what has to be done, America—or do you still want to blame Muslim terrorists and illegal immigrants for America's problems; or maybe you are still hoping that somehow maybe somehow Paulson's proposed trillion dollar government bailout of the rich and well-connected will somehow trickle down to you and save you and your family from being tossed out onto the streets when your house is foreclosed on by the banks he is going to save.

*The majority will always willing pay the price of fascism*

When this is all over—and someday it will be—it is my hope that we will have learned the lessons that we have now forgotten. That bankers, like vicious dogs, must always be kept on short leashes for the public safety and public good (neutering should also be a requirement); and, that gold and silver, not credit and debt, are the only foundation of sound money.

PREDICTIONS

(1) Paulson's bailout of investment banks giving bankers total control over America's economy will be rushed through Congress and quickly signed into law damaging international perceptions of US creditworthiness which will lead to further uncertainty in the markets. US Treasuries and the US dollar will ultimately bear the long term consequences of Paulson's self-serving short term "solution".

Conclusion: Even greater financial disaster will result from Paulson's taxpayer bailout of his wealthy Wall Street friends.

(2) Written into the investment banking bailout law will be provisions expanding the police powers of the state, e.g. Congressman Ron Paul noted the recent passage of the housing bill contained the requirement that by 2009 "every credit card transaction will be reported to the IRS".

*FASCISM IS ALWAYS SOLD AS NECESSITY IN THE NAME OF THE PUBLIC GOOD*

Conclusion: Fascism is the new *zeitgeist*.

This, too, shall pass.

Note: I will be speaking at Professor Antal Fekete's last session of Gold Standard University Live to be held in Canberra, Australia, November 11-14. The trading of the gold and silver basis will be the main topic. See [feketeaustralia@yahoo.com](mailto:feketeaustralia@yahoo.com). This article was written prior to the news that Goldman Sachs and Morgan Stanley, two major Wall Street banks will no longer "be operating as usual". Goldman Sachs and Morgan Stanley will now fund themselves using savings deposits—expressly prohibited by the 1933 Glass-Steagall Act designed to prevent another Great Depression. Glass-Steagall was repealed in 1999 with joint Republican and Democratic support.

Darryl Robert Schoon

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