Potential For Fed To Hyperinflate

November 28 2009

Summary: always the question about what the Fed will do, more pressure on small and medium banks, municipal bond meltdown, bailouts cant go on indefinitely, looking at the banks, and recalling the French Revolution, the truth of fractional banking

The following information may be the most important we have ever published. One of our Intel sources, highly placed in banking circles, tells us that on 1/1/10 all banks that have received TARP funds have been informed by the Federal Reserve that they must further restrict any commercial lending. Loans have to be 75% collateralized, 50% of which has to be in cash, which is a compensating balance.

The Fed has to do one of two things: They either have to pull $1.5 trillion out of the system by June, which would collapse the economy, or face hyperinflation. This is why the Fed has instructed banks to inform them when and how much of the TARP funds they can return. At best they can expect $300 to $400 billion plus the $200 billion the Fed already has in hand.

We believe the Fed will opt for letting the system run into hyperinflation. All signs tell us they cannot risk allowing the undertow of deflation to take over the economy. The system cannot stand such a withdrawal of funds. They also must depend on assistance from Congress in supplying a second stimulus plan. That would probably be $400 to $800 billion. A lack of such funding would send the economy and the stock market into a tailspin. Even with such funding the economy cannot expect any growth to speak of and at best a sideways movement for perhaps a year.

We have been told that the FDIC not only is $8.2 billion in the hole, but they have secretly borrowed an additional $80 billion from the Treasury. We have also been told that the FDIC is lying about the banks in trouble. The number in eminent danger are not 552, but a massive 2,035. The cost of bailing these banks out would be $800 billion to $1 trillion. That means 2,500 could be closed in 2010. Now get this, the FDIC is going to be collapsed before the end of 2010, which means no more deposit insurance. This follows the 9/18/09 end of government guarantees on money market funds. Both will force deposits into US government bonds and agency bonds in an attempt to save the system.

This will strip small and medium-sized banks and force them into shutting down or being absorbed. This means you have to get your money out of banks, especially CDs. We repeat get your cash values out of life insurance policies and annuities. They are invested 80% in stocks and 20% in bonds. Keep only enough money in banks for three months of operating expenses, six months for businesses.

Major and semi-major banks are being told to obtain secure storage for new currency-dollars. They expect official devaluation by the end of the year.

We do not know what the exchange rate will be, but as we have stated previously we expect three old dollars to be traded for one new dollar. The alternative is gold and silver coins and shares. For those with substantial sums that do not want to be in gold and silver related assets completely you can use Canadian and Swiss Treasuries. If you need brokers for these investments we can supply them.

The Fed also expects a meltdown in the bond market, especially in municipals. Public services will be cut drastically leading to increased crime and social problems, not to mention the psychological trauma that our country will experience. Already 50% of homes in hard hit urban areas are under water, nationwide more than 25%. That means you have to be out of bonds as well, especially municipals.

As you can see, the Illuminist program is going to come quicker than we anticipated. That in part is because they have had to expedite their program, due to exposure in the IF, other publications and especially via talk ratio and the Internet. There is no doubt we have the elitists on the run.

We are reaching the masses. On TalkStreamLive.com we were on the Rumor Mill this past week and out of 50 talk radio programs we were 5th behind, Rush, Hannity, Dr. Laura and we were tied with Beck. On the Sovereign Economist on Wednesday night we were 5th behind Beck and Savage and ahead of Hannity. Both these programs are not well known and the Sovereign Economist is only about a month old. It shows you what you can do if you work hard enough at it.

The latest favorable events we are told are the seeds of recovery. The green-shoots of spring are to be harvested before winter sets in. We are skeptical of the strength and duration of such a recovery.

The underlying problems are still not being addressed. The US government and the Fed cannot bail out banking, Wall Street, insurance and government indefinitely via monetization. Impaired corporations, no matter what their size, have to be allowed to fail. Stimulus cannot be used indefinitely. Both have to be reigned in, because the longer this charade continues the worse the final outcome is going to be. As we predicted six year's ago, Fannie Mae, Freddie Mac, Ginnie Mae and FHA are the wards of American taxpayers, as is AIG. All their financial conditions worsen every day. They have again been insuring subprime mortgages by the thousands and when they begin to reset next year, we will be back to 60% failure rates. Even government admits already they'll see 20% failure rates. This, so that housing inventory can be cut from 11-1/2-months inventory to 7-months, again in order to bail out the lenders at the expense of taxpayers. Government and the Fed have no exit plans for these sinking ships, particularly Fannie, Freddie, Ginnie and FHA, never mind their meddling in the economy guaranteeing everything is sight. Benito Mussolini would be very proud of what they have done.

Then we have those on Wall Street, banking and corporate America who believe they are doing God's work by looting the American public making outrageous profits by in part using taxpayer funds, and allotting themselves disgraceful bonuses as unemployment hovers at 22.2%. Haven't these people heard of the French Revolution? Their arrogance has no bounds. The credit crisis hasn't ended; the Fed has extended it by throwing money at problems. We have a mortgage market that is worse than it was a year ago, only kept from sinking by a tax credit 3% down. As a result now we have more than $1 trillion of new mortgage failures on the way.

Our monetary base has more than doubled. Interest rates will probably stay where they are for 18 months or more and we even have a dollar carry trade. The 2009 fiscal budget deficit was $1.5 trillion and 2010 will be worse. Government is not cutting expenses. They are increasing expenses.

In addition making matters worse corruption is flourishing via the incestuous revolving door between Wall Street, the Treasury, in a multiplicity of other appointments and with the Fed. Is it any wonder 75% of Americans want the Fed audited and investigated. That said, the present set of circumstances cannot be allowed to go on indefinitely. We cannot keep insurance, Wall Street and banking on life support forever. Not when we finance two occupations and an ongoing war, never mind our unfunded liabilities of Medicare, Social Security, etc. most all of these problems are being financed by debt to be paid by our great, great grandchildren. We just created $12.7 trillion for bailouts and the Inspector General tells us we are presently on the hook for $23.7 trillion. What happens if all the recipients need another $20 trillion?

The situation is still dire and the solution is temporary and unworkable and Washington and New York are well aware of this. The game will play out over the next few years. In the meantime the dollar will move lower and inflation, gold and silver higher.

Economics is not complex; it is very simple. Professors and economists would like to have you believe it is complicated when in fact they make it opaque, so you cannot understand it. The same is true with banking. In normal times through the century's bankers using the fractional banking system usually lent 8 times their assets, or deposits. It was only until recently that the privately owned Federal Reserve told banks within the system to lend 40 times assets or more in order to accommodate the system.

All this is to cover to confuse and hide the truth of fractional banking. Bankers' indebt borrowers with money they made up out of thin air. Debt is enslavement by the bankers upon the people by buying almost everyone off. In the final analysis banking is a fraud unless money is interest free. The Fed, and all the other banks are a fraud.

The game as we know it today began in 1694 when the Rothschild's formed the privately owned Bank of England and the production of bank notes began and circulated along with sterling silver coins. The end result has been that the bankers own the world. The system today is based on confidence and trust, something that has been worn thin. A reflection of the loss of trust and confidence is that 75% to 80% of Americans want HR1207 and S604 passed by Congress, so that the Fed can be audited and investigated. The public no longer trusts the Fed and the banks. As a result the con game may well be coming to an end. Fifty years ago we and a handful of other conservative warriors set out to inform the public of the giant scam that the Fed really was. It has been a long hard road. Gary Allen and Alan Stang are gone and of the originals all that are left are G. Edward Griffin, Stan Monteith, Anthony Hilder and us. During our lifetimes we now probably will see the end of the Fed. Because the people have finally been awakened. It was a long hard battle that may soon come to fruition.

The final step will be the termination of the Federal Reserve and its monopoly on financial theft. Unfortunately it will mean the demise of the only financial system we have known for 315 years. We do not know as yet what the new system will be like, but the con game is over and most of the world's inhabitants are broke. The debt that is owed simply cannot be repaid. Japan, the US, the UK and Europe will be the first to go followed by most of the rest of the world.

You ask who will be the big winners? Gold and silver of course. Just as we have been telling you they would for 9-1/2 years, since gold was $252.00 and silver $3.80. Look at the gains for those who listened. And, we still have a long, long way to go to preserve our wealth. Over all those years the gold suppression cartel fought to hold down gold prices by selling gold, using derivatives and futures and in collaboration with good producers such as Barrick Gold and others. Hopefully HR3996 (HR-1207) will now pass unchanged and we can take a look at what the Fed and the Treasury were doing and who aided them.

What we are witnessing in the US and world economy is the result of the greed of central banks to make as much money as possible before they have to collapse the system to bring about World Government.

Manufacturing activity in the Federal Reserve Bank of Kansas City's district improved in November.