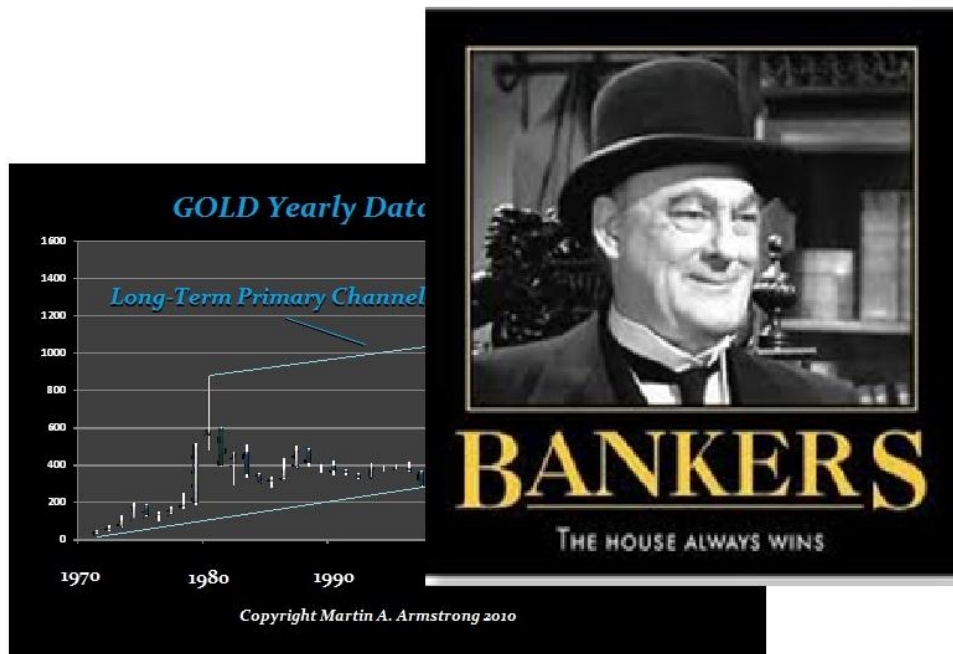




SO YOU THOUGHT THE SOVEREIGN DEBT CRISIS WAS OVER?



BONFIRE OF THE REAL WEALTH

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BONFIRE OF THE REAL WEALTH



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O you thought the Sovereign Debt Crisis was Over? As they say, you ain't

seen nothin' yet! Why anyone is surprised that Greece is still in trouble is beyond me. Adam Smith wrote in his 1776 Wealth of Nations, Book 5, Chapter III, **Of Public Debts** :

Like an improvident spendthrift, whose pressing occasions will not allow him to wait for the regular payment of his revenue, the state is in the constant practice of borrowing of its own factors and agents, and of paying interest for the use of its own money.

This is the single greatest driving force that will not merely provide the support to a long-term bull market in non-public assets, but will be

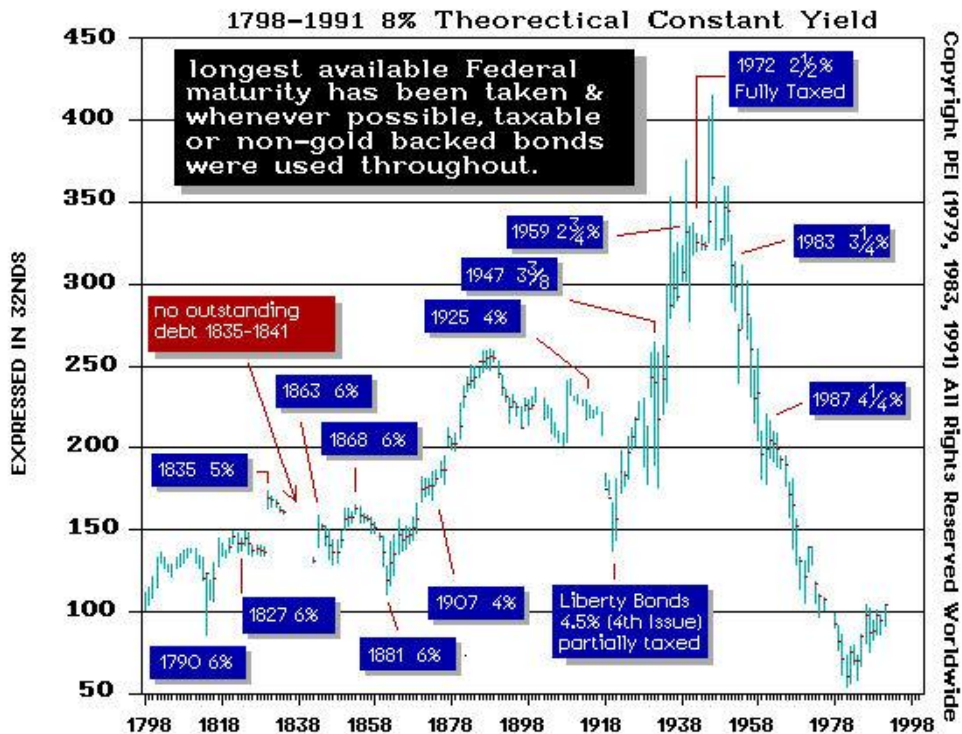
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essential to understanding the shift in investment strategies from public debt to private assets. We are facing the greatest threat to the preservation of wealth for the Sovereign Debt Crisis is truly a **Bonfire of Real Wealth**.

I am no supporter of Marx. But I must say his greatest mistake was assuming that removing wealth from the people and unleashing truly limitless power in the hands of government was no different than transferring all wealth to the so called hated rich. It is NOT the possession of wealth that is evil. It is the thirst for limitless power in the hands of petty government officers, or the behind-the-scenes oligarchy.

Of course the consequence of a **Bonfire of Real Wealth** has been the rise in private asset values contrasted against the decline and fall in real value of public debt. Some call it inflation.

Princeton Economics US Gov't Bond Index



But the general definition of inflation is the rise in the price of goods and services. However, this is a subtle shift in the blame the same as Marxists yell about the rich to justify taking your wealth to pay for the state employees. In truth, it is the depreciation in the purchasing power of the currency and NOT the rise in the prices of goods and services. Likewise, the rich don't have tanks and cannot enact laws to confiscate your wealth. The above chart illustrates the decline in the real value of government bonds. This has been the **Bonfire of Real Wealth**.

Unfortunately, the general outlook of all government bonds (*irrespective of the country*) is about as naïve as was the expectations in real estate and the leveraged mortgage market. Governments just keep borrowing with NO intention of paying anything off. Government is consuming real wealth at unbelievable record

proportions. There are periods of regrouping where it will appear at first glance that everything will be alright. This is merely the eye of the storm. We have gone through the first part of building the debt, and now comes the hard part; confronting the debt.

ALL government debt is in serious trouble because they just never fund a damn thing. The solution is to always borrow and there is no plan to ever pay anything back. The behind the curtain reasoning is they are burning money for fuel because they are always reducing the value of prior debt that is never indexed to inflation. The US trillion dollar national debt in 1980 under Reagan was the accumulation of costs for two world wars and social programs, has now become less than a single year's expenses. So past debt is always debased in value perpetually.

This is a chart illustrating the effect of long-term deflation/devaluation of bond investments caused by what is portrayed as inflation. It is the key to understanding gold and private assets in the future. There is just no possible way to even break even investing in government debt of any nation. Selling public debt is the greatest fraud of all time and it is no different than what Madoff was accused of and sentenced to die in prison.

Those who run for office destroy our entire future and undermine the economic stability of the nation largely because they are ignorant of the trend or sublimely blinded by their own self-interest. It is rare indeed to find an individual aware of the problem among the ranks of politics and his views are typically just ignored. This is why there must **ALWAYS** be the crash, for politicians overall are not there to prevent crisis, but to pretend they investigate, assign blame always to the private sector, and punish those they seek to set an example of to create the illusion of change.

Every election promises change. Remember the ***“Contract with America!”*** It sounded good and it won the control of Congress for the Republicans for the first time in 40 years. However, where Democrats always promise some new program, the Republicans took away rights while creating a police state. There is nobody who will ever stand up for the future simply because they are either clueless about the trend and its consequences or ignored. It is so hard to make any progress because that is simply never going to take place in a Republican government with elected politicians.

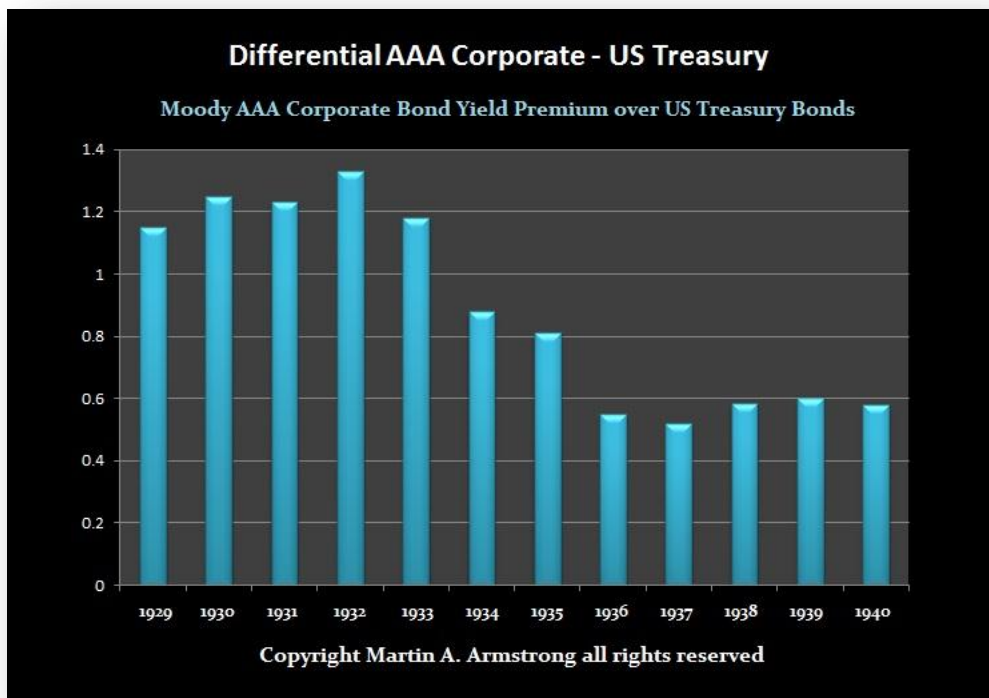
Sir William Blackstone wrote in his **Commentaries on the Laws of England (1765-1769)** where he wrote:

“for the law holds, that it is better than ten guilty persons escape, than that one innocent suffer.” *Id./Book IV, p352.*

Both Thomas Jefferson and Alexander Hamilton stated that the people were to have **ALL** the common law rights as did an Englishman. Today, the 99% conviction rate shows how that philosophy that inspired the people to rise up and demand LIBERTY, is now considered “liberal” and it is far better to imprison ten innocent than to let one guilty go free.



The Republicans have simply become the modern day Puritans. This has set the stage for serious political change just as it did when the Puritans seized power with a vengeance and beheaded Charles I. History repeats because we just never learn. It is one thing to prosecute those who actually do something, and another to prosecute



conspiracy theories on the pretense that they “intended” to commit some act, but just did not yet even attempt to do so. This is the difference between justice and tyranny. Privately, anyone who dares to investigate the action of the big bankers and government are labeled “**Conspiracy Nuts.**” Yet the Feds prosecute everything as a conspiracy because they don’t have to really prove a crime ever took place or was even attempted. Conspiracy and human rights are simply not compatible. The Republican should stop with the bullshit and honor what this country once stood for. The Democrats have to stop blaming the rich and lowering their definition to just \$250,000 and address the government and the special interests – OLIGARCHY! **STOP** borrowing from the people interest-free and acting so magnanimous because you

are handing out a refund check to the low income earners preventing its some gift from above. They are taking your own money from your left pocket and handing it right back to be put in your right pocket. What a fraud!

As long as government is the **ONLY** party who can file charges, there will be corruption and a thriving oligarchy to control government to (1) prosecute enemies and (2) to prevent their own prosecution. We have to understand the nature of the beast in order to prepare for the future based upon simply what always unfolds under these circumstances. This is the real driving force behind the **shift** from **PUBLIC** to **PRIVATE** assets on the horizon.



The Greek Riots were **PUBLIC v PRIVATE**. This is the real crisis that we are facing. The cost of government is rising exponentially and the Republicans can threaten all they want that they want trillions in cuts. Still that three-year-old with a pocket calculator could do a far better job with the budget than any of them. No matter what you cut, they can't cut enough. Interest is displacing tangible spending. So go ahead, cut education so we can rule the world because we no longer need smart children, we have smart bombs.

The crisis we have in government rises from their petty officers have handed themselves fantastic benefits that are unavailable in the private sector and they demand to shake down the people extorting higher taxes to pay for those benefits for their future. They have crowned themselves with lifetime pensions that kick in at far less time requirements than in the private sector. In New Jersey, teachers get lifetime healthcare upon retirement. This is what

happens when government is run without any responsibility whatsoever. They negotiate unbelievable deals when those that negotiate share in the same benefit. And this is not FRAUD? This is the ugly side of Marxism for it is not the rich, but public employees who are robbing the future lifestyle of the average worker.

At every level of government there has been systemic abuse. At the municipal level, they have generally doubled the police forces since 1998, not because crime is rising, but to hand out tickets to raise money. The popular ticket now is to give people the right of way and if you are driving and someone appears they might want to cross the street, you have to stop your car even when there is no crosswalk. Failure to do so may be a \$400 ticket.

Lawyers become local judges the last 3 to 5 years in towns so they get that lifetime pension. The system has been so abused there is far too much self-interest at stake to prevent any reform without a crisis. So, nothing has changed. We are still on target for a crisis of monumental proportions by 2016. **REAL**

INFLATION/DEFLATION is still with us and they can manipulate the number all they want. The cliff is in sight and we have no brakes.

So unfortunately, there is no way out that will ever be acceptable to government. They would rather put people in prison blaming individuals for the problem, instead of resolving the crisis honestly.

Our greatest problem in the United States is the oligarchy that is now screwing up the rest of world as evidenced from the 2007 worldwide mortgage debacle. There is no sense of history and there is no real seriousness to address the problem of an escalating **Sovereign Debt Crisis**. Why can't we get politicians to seriously sit down and look at the problem? The banks have far too much control and will prevent such changes ensuring disaster lays ahead.

Those who run for public office lack any experience in international finance and the major bankers just bullshit their way to get what they want. They own the SEC, CFTC, the courts, the Fed, and Congress for that matter with lavish campaign contributions and key positions stacked with former employees.

There has always been this unholy relationship between bankers and politics. Once kings realized they could borrow against future revenue, this marked the beginning of the end. When they could not pay, they destroyed whole cities wiping out capital formation entirely. Major banking

began in Siena, Italy and was destroyed by the defaults of England and France.



The Murder of Thomas Becket at the Altar

Just as the Borgia, Medici, and a host of Kings over the centuries, all sought to grab the Papacy and install their handpicked candidates who were never men of God. They exploited religion to justify their desired power just to control the politics. Remember Thomas Becket who was a friend and appointed archbishop by the king to allow the king to tax and prosecute clergy for money. Becket was not a priest, but he found religion and opposed the king costing him his life right in church. The same is true today with the bankers who have infiltrated government to ensure their **House Always Wins**. Most of history is lost in the propaganda.

For example, they say the pope refused Henry VIII a divorce. The truth is Henry VIII's wife the Holy Roman Emperor's aunt, Catherine of Aragon. The emperor imprisoned the pope and there was no way he would grant the divorce with the Emperor's gun pointed to his head. The bankers today have infiltrated government to such an extent, that we have lost all sense of **for the people by the people**. It is now **for the oligarchy and by the oligarchy**. This is why we are really screwed.

Yes, the problem could be solved. But there is **NO** person willing to listen and they will turn to the major bankers for their approval. If you look at the track record of the major bankers, they lost when South American loans went bust in the '70s. Then there were the Solomon Brothers manipulations of the US Treasury Auctions back in the early '80s and Buffett came to the rescue assuming the chairmanship. Then there was the S&L Crisis, Orange County Crisis, the Russian collapse, Long-Term Capital Management debacle, and of course the latest mortgage crisis. Indeed, it was Buffett again who came to the rescue of Goldman Sachs. These guys **NEED** to control Congress, the Executive, and the Courts, because otherwise, who would be there to bailout their follies and prevent their imprisonment? They have never gotten it right a single time and have survived **ONLY** by intervention and bailouts. Look at Ireland and Iceland. They nearly

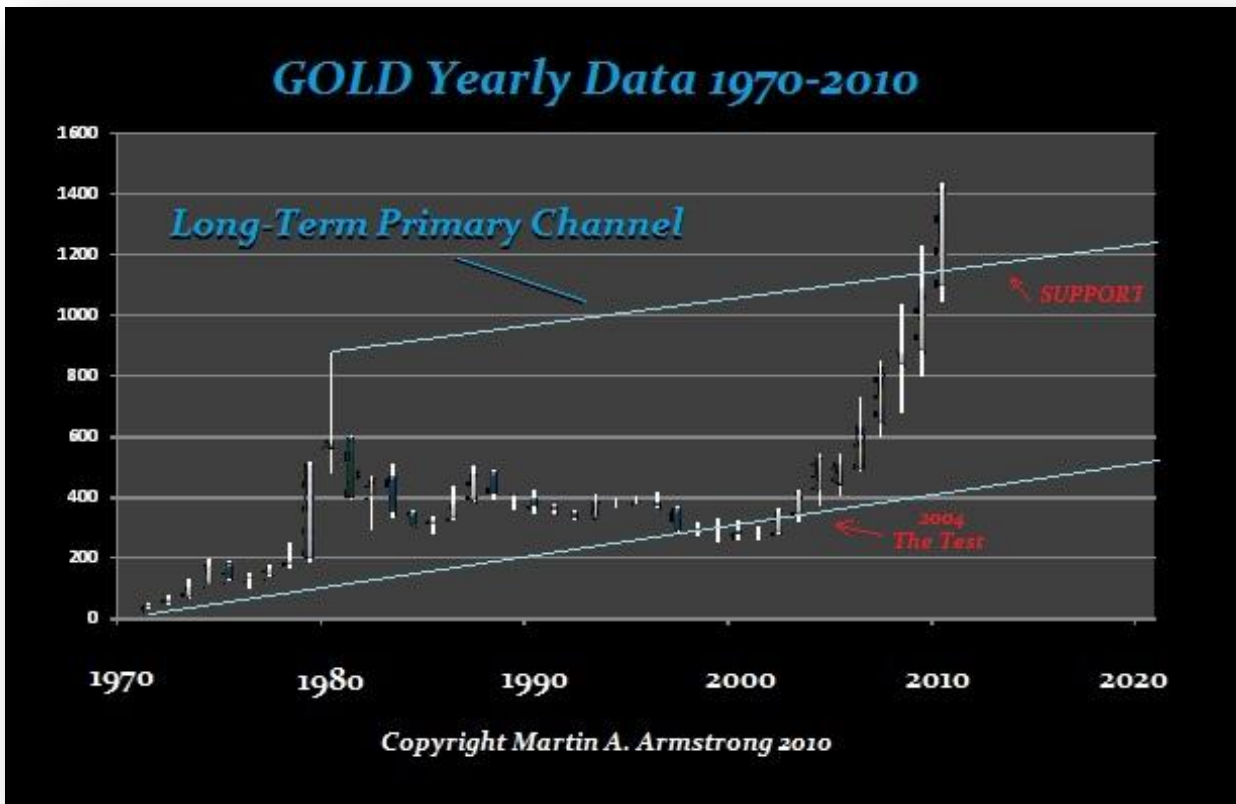
destroyed the countries. They enticed Greece and others to play games with their debts and with every step; they have taken us closer to the brink of total disaster.

The rest of the world followed Marx down the rabbit hole and now are also subservient to the USA assuming they are the world leader and know what they are doing. The NY major bankers have managed to infiltrate Europe and are working hard in China. Unless China turns its back on the NY boys, they too will find one day their future utterly destroyed.



It is this unholy relationship that is centered upon the **NEED** of government to borrow. They are like crack addicts who will never turn-in the drug dealer they so desperately need to keep the game going.

GOLD REMAINS THE LEADING INDICATOR



Above is a yearly chart of gold showing an important technical pattern. This is the **Long Term Primary Channel** on the Yearly level. The construction begins with the 1970 low when gold fell below the \$35 level for the first time post-Great Depression. This is then connected to the 1976 low and then a parallel is taken from the 1980 high. This gives us the broad trading range against which we can visually see how gold is trading.

When we came to the 1999 low, you can see how gold initially supported on the bottom of this channel, but failed to ever really bounce. It faded the bottom of the channel and then it gradually traded around this channel. It then closed back up into the channel and rallied

nicely. Then gold fell back in 2004 to support on it testing its validity from above. That was the key test from which the explosive rally began. Now that we exceeded the top of this channel, it will be the test to fall back to make it support which lies at 1227.90 in 2011 and 1239.30 in 2012 (*mathematically calculated*). Technical resistance stands at 2000.90 in 2011 and 2037.20 in 2012 with initial support at 1374.10 in 2011 rising to 1410.50 in 2012.

So those who think I am long-term bearish by merely saying a retest of support is the next stage to prepare for the big rally, need to understand that this is simply a pattern that unfolds in how markets actually trade. We still face the **Bonfire of Wealth**.