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IDP Consulting Group, LLC
Investor's Diversified Portfolio
Charles H. (Chuck) Coppes
President & Investment Counselor

C.F.T.C.
OFFICE OF THE SECRETARIAT
2010 MAY 5 PM 2 35

April 20, 2010

Secretary of the CFTC
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20561

RE: Position Limits for Precious Metals

Dear Sirs:

It has come to the attention of many within the precious metals industry that certain entities have been capitalizing on excessive levels of concentration to manipulate the free-market price level of silver. Your recent hearing in March is very encouraging in this regard and I trust that your organization will fulfill its mandate as stated on the marble slab outside your offices:

> The mission of the CFTC is to protect market users and the public from fraud, manipulation and abusive practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and option markets.

I appreciate the opportunity to express my concerns, and request that you protect market users and the public from blatant fraud, manipulation and abusive practices found at COMEX. Please establish a speculative position limit in silver of no more than 1500 contracts. Please restrict any hedging from those limits to legitimate hedgers. And please stop the levels of concentration in COMEX silver futures that have been experienced over the past few years on the short side of the market. I have enclosed a copy of my special report that makes note of the circumstances surrounding the take over of Bear Stearns back in 2008 (pp. 6, 20).

Sincerely yours,

C. H. Coppes

Charles H. Coppes
President

CHC:pld
Encl.

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IDP CONSULTING GROUP, LLC SPECIAL REPORT

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AMERICA'S FINANCIAL RECKONING DAY AND A GEOSTRATEGIC OUTLOOK FOR THE FUTURE

BY CHARLES H. COPPES, AUTHOR OF AMERICA'S FINANCIAL RECKONING DAY

"I am willing to know the whole truth; to know the worst, and to provide for it" – **Patrick Henry**

Introduction

As we are all aware, our nation and financial institutions have been experiencing tremendous challenges in recent months and this contagion has spread around the globe. According to economist Henry Liu the equity market capitalization of all publicly-traded companies in the world lost half of their value in the final quarter of 2008 for a staggering loss of $30.9 trillion dollars! During this same period the U.S. experienced 6% *negative* growth and the NY stock exchange finished with a 40% decline wiping out all previous gains. How did all this happen? Pundits and politicians insist it was a lack of regulation or "just old-fashioned greed." In his new book *Meltdown* author Thomas E. Woods, Jr. contends, "blaming the crisis on 'greed' is like blaming plane crashes on gravity." He adds, "The current crisis was caused not by the free market but by the government's intervention in the market."[1] In this special report we will examine the root causes of our financial crisis and how government bailouts will only make things worse. This will include an overview of the Wall Street meltdown, the call for a global currency, a look at the new administration, civil unrest, and a geostrategic outlook for America as it relates to China, Russia, the Middle East and the future of the European Union and the Eurozone. This report will also serve as a companion to my own book mentioned above (*AFRD*) and will include frequent references along with various websites for your own research. This information is extremely urgent and you are free to make copies. I have also concluded with some ideas for contingency planning that you will want to share with your family and friends. Our day of reckoning is drawing near and you need to provide for it.

An Overview of America's Financial Crisis

Almost 100 years ago Spanish philosopher George Santayana made the famous observation that "those who cannot remember the past are condemned to repeat it." These same words are carved into the wall of the National Archives Building in Washington, DC. Unfortunately, they have not been inscribed on our hearts and we are apt to repeat the same folly, failures and blunders in successive generations. So to better appreciate our current situation it is necessary to consult the past and draw upon historical events. Our financial problems today are essentially rooted in a *money problem*, or the very nature of fractional reserve banking. In my book I have traced the origin of money and the development of modern banking, similar to British historian Niall Ferguson's latest book *The Ascent of Money*. Today, parallels are being made to the Great Depression, but a more accurate comparison should be noted in the bank panics of 1873, 1884, 1893 and 1907 (*AFRD*, pp. 3-24). These bank panics were the result of over-leveraged loans and deposits to bank reserves, and in each case Wall Street bankers like J.P. Morgan attempted to consolidate more power into their financial empires.

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[1] Thomas E. Woods, Jr., *Meltdown: A Free-Market Look at Why the Stock Market Collapsed, the Economy Tanked, and Government Bailouts Will Make Things Worse* (Washington, DC: Regnery Pub., Inc., 2009). www.thomasewoods.com.

The Bank Panic of 1907 is better known as the "Banker's Panic" which lasted only a few weeks but its affects remain to this very day. In October of that year, Augustus Heinze, president of the Mercantile National Bank in New York, and his brother Otto attempted to corner the U.S. copper market. The Heinze brothers had a majority stake in United Copper and their scheme was to purchase the remaining shares to bid up the price and force short sellers of their stock to sell directly to them. Due to insufficient capital their bonanza of cheap stocks failed to materialize. Within a few days shares of United Copper skyrocketed and then collapsed, thus ruining the Heinze brothers. Otto's brokerage firm, Gross & Kleeberg, went bankrupt and Augustus was promptly fired by his board of directors. Depositors at the Mercantile National Bank were uncertain of their exposure to this stock collapse and they rushed to withdraw their money. Other bankers with close ties to the Heinze brothers were Charles W. Morse, president of the National Bank of North America and New Amsterdam Bank, and Charles T. Barney, president of the Knickerbocker Trust Company. Both were forced to resign and soon their banks also suffered bank runs and the ensuing panic quickly spread to other banks in the New York area.

Important to note is that this panic was preceded by the great earthquake that devastated San Francisco in April 1906. This natural disaster had caused market volatility and sharp declines in the Dow Jones in addition to a flood of money that had left New York banks to aid in reconstruction. In this environment many banks and trust companies were vulnerable including the established Trust Company of America that was nearing total collapse. Coming to the rescue was J.P. Morgan & Company who persuaded other bankers including John D. Rockefeller to provide needed capital for the Trust Company of America. J.P. Morgan also persuaded the U.S. Secretary of the Treasury George Cortelyou to issue $150 million in low-interest bonds which the banks could use as collateral to create new money on the books. Finally, in an effort to avert a stock market crash Morgan arranged for several banks to provide the enormous sum of $23 million dollars to allow the New York Stock Exchange to continue operating. During this same period the bankers also worked hard to convince clergymen to assure their congregations that there was no reason for further panic (the equivalent of today's mass media). Within a short period the financial crisis subsided but the mood remained tense on Wall Street.

Similar to previous bank panics, the Banker's Panic of 1907 exposed the institutional weakness of fractional reserve banking even as it does today. When banks take in deposits for safekeeping they treat them as both a bank *asset* (to be loaned out with interest) and a *liability* (which is owed to the depositor). This form of double book entry creates a "dual claim" that dates back to the goldsmiths in Europe and is the pattern for our banking system today. With a typical reserve ratio of only 10% all banks are subject to a bank run if depositors start demanding their money. This little secret can be unsettling and it can cause embarrassment to bankers who are looked up to as pillars of high society. Instead of seeking genuine banking reform to promote sound fiduciary policies back in 1907 the bankers in New York sought to create a central bank similar to the Bank of England that was chartered in 1694. As Professor Murray Rothbard points out, "Very quickly after the panic [of 1907], banker and business opinion consolidated on behalf of a central bank, an institution that could regulate the economy and serve as a lender of last resort to bail banks out of trouble."[2] This idea of a central bank that could serve as "the lender of last resort" is precisely what the bankers wanted.

In 1908, Congress took up the cause for banking reform under the leadership of Senator Nelson W. Aldrich (R-RI), head of the Senate Finance Committee and father-in-law of John D. Rockefeller, Jr. (who married his daughter Abby). In June of 1908, Congress passed the Aldrich-Vreeland Act, which authorized national banks to issue emergency "script" currency in the event of a bank run. Another provision of this Act that received very little attention was the creation of the National Monetary Commission (NMC) that was given two years to study and make proposals for comprehensive banking reform. Senator Aldrich was a close business associate of J.P. Morgan and he was determined that the NMC would represent the interests of the Morgan, Rockefeller, Kuhn, Loeb banking cartel on Wall Street that was collectively known as the "money trust." These were the same forces that President Andrew Jackson had fought in his two terms and Abraham Lincoln later referred to as money powers that "...prey upon the nation in times of peace and conspires against it in times of adversity." J.P. Morgan had come from his father's banking firm J.S. Morgan & Company in London in 1864 and he was well acquainted with central bank operations in England. He had been instrumental during the bank panic of 1893 and was also an enthusiastic and powerful supporter for a central bank in America.

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[2] Murrary Rothbard, *A History of Money and Banking in the United States* (Auburn, AL: Von Mises Inst., 2002), p. 240.

In late 1910 select members from the NMC staff conducted an ultra-secret meeting in order to work on the commission's report and draft the Aldrich Bill that would later become the Federal Reserve Act. This meeting was held at the Jekyll Island Club on Jekyll Island, Georgia, which was an exclusive club for the wealthy co-owned by J.P. Morgan. Historians all agree that Paul M. Warburg (Kuhn, Loeb, Schiff) was the leading expert on the NMC staff. Warburg's brother Max Warburg was the financial advisor to the German Kaiser and director of Germany's own central bank known as the Reichsbank. "Because of this knowledge, Paul Warburg became the dominant and guiding mind throughout all the discussions," writes G. Edward Griffin in his monumental book *The Creature from Jekyll Island*.[3] The primary goals of the Wall Street money trust were to assure their control of the new central bank, create an "elastic" currency through debt monetization and shift bank losses to the taxpayers. From 1911 to 1913 Congress conducted the infamous "Money Trust hearings" and the conspirators finally prevailed when the Federal Reserve Act was signed into law December 22, 1913. The new Governor of the Federal Reserve Bank of New York (our *defacto* central bank today) was Benjamin Strong from J.P. Morgan's Bankers Trust Company and Paul Warburg was named as Vice-Governor.

This bit of history is necessary to assign the proper blame for America's financial reckoning day where it belongs (*AFRD*, pp. 25-52). There is no provision in the U.S. Constitution for a private banking cartel to act as the fiscal agent for the U.S. government. The Fed is *made* to sound "federal" but only Congress has authority "to coin money, regulate the value thereof...and fix the standard of weights and measures" (Art. 1, Sec. 8), and this authority lies with the U.S. Treasury. What we have is a form of modern "*seigniorage*" that was practiced by English lords.[4] By the late 18th Century the Bank of England had so bankrupted the British Empire that it led to excessive taxation of the colonies and this led to our American Revolution. By allowing the Fed to control our money supply and fund the expansion of the American Empire we are now assuring our own bankruptcy in the 21st Century! Thomas Jefferson foresaw this inherent danger and left us with these prophetic words:

> If the American people ever allow the banks to control the issuance of their currency, first by inflation, and then by deflation, the banks and corporations that grow up around them will deprive the people of all property, until their children wake up homeless on the continent their fathers conquered....I sincerely believe the banking institutions having the issuing power of money, are more dangerous to liberty than standing armies.[5]

One of the promises made by the Fed in 1913 was the ability to eliminate bank panics, or boom and bust cycles. However, from 1921 to 1929 the Fed eased the discount rate and expanded the money supply by 62%. This, of course, ignited "The Roaring 20s" and led to an orgy of speculation on Wall Street (securities dealers grew from only 250 to 6,500!). Suddenly in October 1929 the Fed raised the discount rate and The Crash wiped out $40 billion in market capitalization and caused the Great Depression. This process of creating inflation and deflation is exactly what Jefferson warned about and what we have been witnessing for the past century.

In 1932, Pres. Herbert Hoover lost his reelection to Franklin D. Roosevelt. Soon after taking office FDR forced our currency off the gold standard and signed the Glass-Steagall Act (Banking Act of 1933). This legislation was aimed at separating commercial and investment banking activity to prevent fraud, conflicts of interest and excessive risk-taking (as we will see in a moment this Act was repealed in 1999 and has greatly contributed to our present crisis). This Act also created the FDIC to prevent further bank failures. From 1929 to 1933 almost 10,000 banks went out of business. Although the FDIC is really not "deposit insurance" but a mere confidence game it did help bring bank panics to an end. As historian William Greider relates, once the FDIC was in place "the phenomenon of panic and collapse virtually disappeared from American economic life." As critics have pointed out the FDIC actually encourages moral hazard or reckless lending practices and only the largest banks that are considered "too big to fail" gain assistance. Nevertheless, had this same action been taken by the U.S. Treasury after the bank panic of 1907 it is highly probable that the Fed may have never been created at all.

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[3] G. Edward Griffin, *The Creature from Jekyll Island* (Westlake Village, CA: American Media, 1994), p. 17. A must read!
[4] Seigniorage - is a medieval term that refers to the privilege of feudal lords to mint new coinage in their realm and declare it as money. In this "inflationary" scheme the sovereigns could purchase new goods but all existing coinage was devalued.
[5] *The Writings of Thomas Jefferson* (Washington, D.C.: Jefferson Memorial Association, 1903), Volume No. XIII, p. 277.

The FDR administration introduced a string of progressive socialist programs including the Public Works Administration, the National Industrial Recovery Act (1933), the Social Security Act (1935), the Federal National Mortgage Association (1938) and many more. The notion of "industrial armies" and "a national bank with State capital and an exclusive monopoly" were ideas taken directly from *The Communist Manifesto* by Karl Marx (circa 1843). America's national bank helped finance "the New Deal" and later it would increase the national debt from $48 billion to $280 billion during World War II (*AFRD*, pp. 55-67). Prior to the end of the war the allied powers met at the Bretton Woods Conference and they established the U.S. dollar as the world's reserve currency along with the IMF and the World Bank. The postwar period saw the rise of the military-industrial-complex and the indigenous warfare/welfare state of the 1960s and 1970s. In 1968, the old Federal National Mortgage Association (or Fannie Mae) was converted to a Government Sponsored Enterprise (GSE) to purchase home mortgages and sell them as "securitized" investments to the public. Consequently, Fannie Mae ceased to be the guarantor of government-issued mortgages like FHA, HUD and VA and that responsibility was transferred to the new Government National Mortgage Association (or Ginnie Mae). In 1970, the government also created the Federal Home Loan Mortgage Corporation (or Freddie Mac) to compete with Fannie Mae and, thus, facilitate a more robust secondary mortgage market. Although these GSEs were publicly-traded entities they invited moral hazard since the perception by lenders was that they were government-backed and certainly "too big to fail." We will take a closer look below at how these GSEs eventually did fail in 2008.

In 1971, a critical event occurred during the Nixon administration that will have a direct bearing on our financial future as a nation. As indicated, the U.S. dollar was recognized as the world's settlement currency for international trade with a nominal guarantee that foreigners could exchange dollars for gold specie. During WW II, the U.S. Treasury had accumulated vast gold reserves from nations as repayment for war debts. By the late 1960s economies in Europe began to recover as America exported its inflation abroad to finance U.S. war and welfare policies. Concerned about our fiscal debts and holding excess dollars, both OPEC and several nations started exchanging dollars for gold. It is estimated that our trade liabilities totaled $36 billion against only $18 billion in gold reserves and soon it could be depleted. On August 15, 1971, President Nixon signed an executive order that *decoupled* the dollar from the IMF gold exchange standard and created a floating exchange rate for currencies. In reaction to this violation of the Bretton Woods agreement OPEC raised the price of crude oil by 400% to compensate for the dollar's loss of purchasing power. In 1974 the U.S. Treasury entered into a secret arrangement with the Saudi royal family and OPEC members to recycle their petrodollars back into U.S. capital markets in exchange for protection in the Persian Gulf (*AFRD*, pp. 95-110).[6] In more recent years this macro-economic model of exporting our monetary inflation and recycling our annual trade deficits has been sustained by the Chinese who are growing increasingly hostile to U.S. interests, which I will cover in the next section.

An equally important development that occurred during the 1970s was the introduction of derivatives on the Chicago Board Options Exchange. What are derivatives you ask? These are complex financial contracts that are used by corporations, banks and hedge funds to maximize profits and share risk in various credit and equity markets. Derivatives "are contracts that derive (hence their name) their value from something else," says James Turk, "and are designed to divide the risk associated with an underlying asset into pieces, allowing them to be sold to different people."[7] To demonstrate the extreme volatility associated with derivatives we only need a few examples. On October 19, 1987, a day known as Black Monday, global stock markets collapsed because equity and derivatives markets did not work in sync causing the Dow to crash by 23%. By 1994, the notional value of global derivatives went from $1 trillion to $10 trillion. In that same year Orange County, CA faced bankruptcy when derivative trades went bad. In 1995, London's oldest merchant bank, Barings Bank (1762), went bankrupt when a single rouge trader made a wrong bet. Derivative-based credit default swap contracts (CDS) caused the 1997 Asian currency crisis. In 1998, the Fed and 14 banks came to the rescue of the infamous hedge fund Long-Term Capital Management to prevent a complete meltdown of U.S. financial markets. In the year 2000, these contracts exceeded $100 trillion and were deregulated to allow over-the-counter (OTC) trading with enormous counter-party risk causing the collapse of energy giant Enron. Finally, in 2003, Fannie Mae lost $8.4 billion in its derivatives interest rate swaps portfolio causing its stock to plummet (FNM).

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[6] *Petrodollar Warfare and Collapse of U.S. Dollar Imperialism in the 21st Century* is available at www.chuckcoppes.com.
[7] James Turk & John Rubino, *The Coming Collapse of the Dollar and How to Profit From It* (NY: Random, 2004), p. 25.

The introduction and use of derivatives contracts by banks, corporations and hedge funds has proved to be very destructive, or as Warren Buffett observes they are like "weapons of mass financial destruction." In late 1999, the seeds of our own destruction were sown when key provisions of the Glass-Steagall Act were repealed with passage of the Gramm-Leach-Bliley Act. Co-sponsors of this bill were Sen. Philip Gramm (R-TX), James Leach (R-IA) and Thomas Bliley (R-VA) who were under intense pressure from the banking industry. Banks wanted to remove the barrier from banking and investing so they could retain people's money during both good times (financial services) and bad times (traditional deposits). This Act also allowed credit default swaps and other exotic instruments to be traded. A CDS is basically an insurance contract but it is called a "swap" so as to avoid being regulated as insurance. Invented by a team at J.P. Morgan Chase in 1997, a CDS allows a bank to make periodic payments to a hedge fund who will finance loss if the underlying instrument defaults. In 1990 the number of hedge funds was only 600 and by 2007 they totaled 9,800 with 90% of them located in the Cayman Islands. In 2000, Sen. Gramm was again instrumental in the growth of the derivatives market by supporting the Commodity Futures Modernization Act, which allowed derivative contracts to be sold OTC instead of just on major exchanges. As chairman of the Senate Banking Committee he was sympathetic to requests by Enron in his home state to pass this bill and to allow Enron to expand its offerings online without regulation (now known as the Enron Loophole). Critics have noted the gross conflict of interest by Sen. Gramm whose wife Wendy Lee Gramm was the former chairman of the CFTC and who was then sitting on the board of directors for Enron.

With passage of the above legislation in Congress the stage was set for the largest speculative bubble in modern history. Key to gaining support for the Gramm-Leach-Bliley Act in Congress was the Republican compromise with Democrats to allow for increased enforcement of the Community Reinvestment Act of 1977. The CRA was promoted by Jimmy Carter to encourage lending institutions to grant mortgages to families with low credit scores, or "sub-prime" loans. As an additional incentive, the CRA allowed for tax credits for Fannie Mae and Freddie Mac for purchasing these loans. This kind of government intervention and social engineering in the free market is what helped fuel the recent housing boom. From 1995 to 2001, the Fed had raised interest rates six times to 6.5%. Following the "dot-com" bubble that wiped out 50% of Internet-based companies and the 9/11 attacks in 2001, the Fed lowered interest rates from 6.5% down to 1% in 2003. During this period the nation's banks and mortgage companies went on a lending spree with various kinds of adjustable rate mortgages and other forms of creative financing. These sub-prime loans, sometimes called "liar loans," were sold off to Fannie Mae and Freddie Mac, who in turn bundled them as mortgage-backed securities (MBS) and collateralized debt obligations (CDO) and then sold them to investment banks like Bear Stearns, Goldman Sachs, Lehman Brothers, Merrill Lynch and Morgan Stanley, who in turn sold them to investors. Moral hazard was implicit as each participant passed along risk in this chain. In addition, ratings agencies like Standard & Poor's, Moody's and Fitch competed with each other to assign AAA ratings to these toxic MBS and CDOs.

In 2003, President Bush signed the American Dream Down Payment Act, which further encouraged low income and minority families to become homeowners (www.hud.gov). Due to this action and low interest rates sub-prime loans surged 292% from 2003 to 2007 and almost 30% of all real estate activity was from speculators who were "flipping" their properties. William Greider recounts how, "speculative bubbles all derive from one conviction: the buyers are convinced that in a few days or weeks or months they will become sellers and unload their purchase at a profit."[8] This "wealth effect" was felt from main street to Wall Street as investment banks sold MBS and CDO "tranches" to unwary institutional investors and foreigners. In 2004, the Fed intervened in the market place and started raising its Fed Funds rate from 1% to 5.25% by 2007. By 2006, adjustable rate mortgages started taking their toll on consumers as "teaser rates" began to reset to higher rates, and this spike continued into 2007 and 2008. By early 2007, the jig was up. Fannie and Freddie Mac began to limit their exposure to sub-prime loans and Moody's downgraded over 100 MBS bonds. In April of 2007, New Century Financial, the nation's second largest sub-prime mortgage lender, filed for bankruptcy in California and 7,000 employees were let go. This bankruptcy was followed by a cascade of failures in the industry and home values dropped by 10% or more. By late 2007, the Fed launched the Term Auction Facility (TAF) program to provide short-term lending (84 days) for banks and financial service companies, with over $500 billion used to date.

[8] William Greider, *Secrets of the Temple: How the Federal Reserve Runs the Country* (New York: Simon & Shuster,Inc.: 1987), p. 104. Sub-prime loans came to be known as "ninja" loans which stands for "no job, no income, and no assets."

In November 2007, prior to announcement of the TAF program, regulations were imposed on investment banks to more accurately account for their balance sheets. This principle known as "mark-to-market" dates back to the Enron scandal and tries to determine current value of assets as opposed to "mark-to-model" which is uses financial models or predictions.[9] Because of the illiquidity of mortgage-backed securities many institutions were slow to write down these assets. Under this enforcement firms, assumed to be well capitalized, were suddenly faced with insolvency. On the weekend of March 14-16 2008, Bear Stearns was the first to be over exposed to MBS and CDO deficiencies. Considered "too big to fail" the NY Fed rushed to provide emergency lending before the markets opened on Monday. The company could not be saved, however, and officials from the Fed and Treasury arranged for J.P. Morgan Chase to acquire the distressed bank. A merger agreement was signed by Bear Stearns for a stock swap of $10 a share (formerly $172) and J.P. Morgan Chase was awarded a $29 billion dollar non-recourse loan by the Fed (on behalf of the taxpayers). This type of loan means that the bad assets of Bear Stearns are used as collateral and even if they are insufficient to repay the loan J.P. Morgan Chase is not held liable. Not a bad deal for only putting up $1.1 billion to acquire a company that once had total assets over $350 billion! On a side note, one of the lesser reasons for bailing out Bear Stearns has come to light in recent months. According to the CFTC, Bear Stearns had the largest concentrated short position in COMEX silver futures at the time of its forced merger. With no legitimate backing for this short position spot silver could have been pushed to *almost $100 an ounce*. I will have more to say about this report in my final section.

The collapse of Bear Stearns was the beginning of the end for the sub-prime pyramid, over-leveraged banks, under-funded hedge funds, inflated stocks, GSE obsolescence and fiscal sanity. In July of 2008, Countrywide Financial, the nation's largest mortgage lender (20% of all mortgages) was merged with the Bank of America for $4.1 billion. That same month, IndyMac Federal Bank, a spin off of Countrywide in 1997, saw its stock drop to 31 cents when its MBS portfolio was downgraded by Moody's. With assets of $32 billion the bank suffered a bank run and was taken over by the FDIC. This marked the largest bank failure in twenty years. On July 30th, the Congress passed The American Housing Rescue and Foreclosure Prevention Act of 2008 to reform Fannie and Freddie Mac. Unfortunately, reform could not come soon enough with 90% stock losses and $5.5 trillion in securitized mortgage debt on the books representing *half* of all mortgages in the U.S.! Both were effectively nationalized within weeks and turned over to the Federal Housing Finance Agency (FHFA) with a $200 billion dollar bailout package from the Fed. This bailout was soon followed by $300 billion in federal loan guarantees to FHA. Next to fall was Wall Street icon Merrill Lynch with a total of $52 billion in toxic MBS and CDO debt instruments. In early September, merger talks began with the Bank of America and a deal was finalized in December to acquire $1.3 trillion in assets for $50 billion, which has now made BOA the largest financial services company in the world with total assets of almost $3 trillion.

Continuing the slide on Wall Street was the shocking bankruptcy of Lehman Brothers on September 15, 2008 when its stock lost 90% in one day and the Dow dropped a record 500 points. Forced to mark almost $800 billion in liabilities to market (half in credit default swaps), Timothy Geithner, then NY Fed president, called for J.P. Morgan Chase to provide a $138 billion loan which was later repaid by the NY Fed. The following day Barclays PLC purchased the North American operations for $1.35 billion and the rest was split up. The Primary Reserve Fund, the nation's oldest money market fund, lost $785 million when bonds issued by Lehman went to *zero* causing panic withdrawals. In just three days the fund went from $62 billion to $32 billion prompting the U.S. Treasury to offer a new program to insure $3.5 trillion in money market accounts since they are not backed by FDIC. On September 16, insurance giant American International Group suffered a liquidity crisis after its company had been downgraded by Standard & Poor's and Moody's and its stock dropped by 97%. With assets of $860 billion AIG needed to post more collateral for $441 billion in CDS contracts on collateralized securities including CDOs ($57 billion). Instead of allowing AIG to fail with only its counter-party risk the Fed provided up to $180 billion for AIG stock warrants, which represented the largest bailout of any private company. Now embroiled in countless lawsuits, the media has sensationalized AIG *bonuses* instead of the federal government "nationalizing" the 18th largest company in the world. In late September, Goldmans Sachs and Morgan Stanley were also downgraded and both have been converted from investment banks to bank holding companies.

[9] On Nov. 15, 2007, the Bank of International Settlements (www.bis.org) enforced the 2004 Basel II Accord that required banks to adjust their marketable securities based on the Financial Accounting Standards Board (FASB), Statement # 127.

As these events unfolded on Wall Street, U.S. Treasury Secretary Henry Paulson proposed a new plan under which the U.S. Treasury would acquire up to $700 billion in illiquid mortgage-backed securities which he entitled the Troubled Asset Relief Program (TARP). This proposal was quickly introduced in Congress as the Emergency Economic Stabilization Act of 2008 amidst a chorus of opposition and protests and the bill failed on September 29. Unwilling to accept defeat the bill was reintroduced with warnings of a financial meltdown and passed on October 3, 2008. Section 132 of the Act allowed for suspension of the mark-to-market ruling, which was finally lifted on April 2, 2009. When *Forbes* later asked Treasury officials how they came up with $700 billion they said it was not based on a particular data point, "We just wanted to choose a *really* large number." Investor Carl Icahn described the bailout as "inflationary hell." Commentator Jim Rogers added that the plan was "devastating, and very harmful for America." On the Senate floor James Bunning (R-KY) flatly declared, "It is financial socialism and it's un-American." Critics also noted the fact that Paulson was the former CEO of Goldman Sachs and appointed Neel KashKari, a former VP of Goldman Sachs, to oversee the $700 billion over at the Office of Financial Stability created by the Act. He also appointed Goldman Sachs board member Edward M. Liddy to be the new CEO for AIG, and helped direct $20 billion in TARP money to bailout Goldman Sachs' losses with AIG derivatives contracts – a clear conflict of interest. Ousted CEO at AIG, Robert B. Willumstad, refused a $22 million dollar severance package (after only being on the job for three months) and later told CNBC that AIG would have been much better off if the government had just let it fail and rebuild.

As it soon became clear, most of the TARP money was going to bailout Wall Street and not main street. In addition to the big banks, funds were also handed out to GM, GMAC Financial, Chrysler, American Express and others. TARP money was also used to cover counter-party risk with various foreign banks that engaged in America's speculative boom and bust. As the profligate spending in Washington continued economic conditions worsened. On September 25, 2008, the Office of Thrift Supervision seized Washington Mutual Bank (WaMu) and placed it in receivership with the FDIC. WaMu had suffered a massive bank run after it was downgraded on September 15, resulting in almost $20 billion in panic withdrawals. With combined assets of $327 billion the bank had $248 billion in risky real estate loans. As records now reveal, the FDIC was already hit hard with the IndyMac bailout and was too thinly capitalized to rescue WaMu. Within 24 hours, the FDIC conducted a secret auction of the bank and awarded the bid to J.P. Morgan Chase for only $1.9 billion (similar to the acquisition of Bear Stearns). Angry shareholders received *nothing* for their stock and immediately filed a lawsuit against the FDIC for $40 billion for selling too cheap (www.wamustory.com). WaMu was the largest bank failure in U.S. history and its slogan was "Simpler banking, More smiles." Today, it's J.P. Morgan Chase who is smiling. ☺

The collapse and FDIC scandal at WaMu caused bank depositors around the nation to reduce their bank holdings to $100,000 or less (called a "silent run"). Wachovia, the 4th largest bank holding company with assets of $700 billion had $1 billion withdrawn in a single day, and its stock lost 30%. Wachovia was already in talks with Citigroup and Wells Fargo for a possible bank merger. With warnings of "systemic risk" the Fed and FDIC literally *ordered* Wachovia to accept an offer from CitiGroup for $2.2 billion. Shareholders blocked the sale of their bank and a few days later accepted $15 billion from Wells Fargo, creating the largest bank branch network in the U.S. Citigroup soon filed a $60 billion dollar motion against both Wachovia and Wells Fargo for alleged violations. Within a few more weeks news broke that Citigroup had to be bailed out with $45 billion in TARP money due to poor risk management and overexposure to the sub-prime meltdown and defaults on credit cards. Through a deal struck with the Fed, Treasury and FDIC the government would guarantee $306 billion in loans and receive a 36% equity stake in Citigroup. The bailout of Citigroup, however, was rather suspect since they have close business ties to the Fed. Even the liberal *New York Times* called it "an undisguised gift" without any real crisis to merit the monies, which brings us to a very important observation.

The FDIC insures 8,437 banks in the U.S. with combined assets of $8.6 trillion dollars. Among these banks, 3,190 (or 37%) are members of the Federal Reserve System, which represents a banking cartel. Among these, only 22 banks have assets of $50 billion or more and almost half are exclusive *primary dealers* with the Federal Reserve Bank of New York. A primary dealer is a bank or securities firm that actively purchases U.S. Treasury securities (bills, notes, bonds) on the Federal Open Market Operations and resells them to the public (*AFRD*, pp. 37-41). In 2008 the Fed had 20 primary dealers including J.P. Morgan, Bank of America, Citigroup, Goldman Sachs, Morgan Stanley, Cantor Fitzgerald, Merrill Lynch, Lehman Brothers, Countrywide and Bear Stearns. It is easy to see from this list that these "banks and corporations" represent a modern "money trust" that have a special relationship with our central bank.[10] We are reminded by Thomas Jefferson that the banks and corporations "that grow up around" a central bank are more dangerous to liberty than standing armies and can deprive people of their property. It is this kind of plutocracy that helped create the Fed back in 1913 and the Fed is *the root* of our money problems today. In a letter to John Adams, Jefferson once wrote, "All the perplexities, confusions and distresses in America arise not from defects in the Constitution or confederation...as much from downright ignorance of the nature of coin, credit, and circulation." A fractional reserve banking system is prone to over-leveraged risk, moral hazard, boom and bust cycles, bank panics, inflation, debt and the destruction of wealth. These bank failures and mergers have merely concentrated their power and risk to the world economy. According to the Office of the Comptroller of the Currency latest report (4Q-2008), the notional value of global derivatives is a mind-numbing *$685 trillion dollars* with 30% of this exposure in the U.S., or $205 trillion. Of this amount just *five* U.S. banks hold $193 trillion on their books. J.P. Morgan Chase ($88 trillion), the Bank of America ($38 trillion), Citigroup ($32 trillion), Goldman Sachs ($30 trillion), and Wells Fargo-Wachovia ($5 trillion). In addition, this report indicates that 82% of all U.S. banks use interest rate derivatives and are losing billions each quarter. Can the FDIC actually protect depositors in this environment? Hardly. The FDIC recently raised its "deposit insurance" to $250,000, but the system is technically insolvent and depends on the Treasury for bailouts. In early 2009, the FDIC identified 252 "troubled banks" with assets of $159 billion. According to Weiss Research (www.moneyandmarkets.com), the actual figure is closer to 1,816 banks and thrifts with total assets of $4.67 trillion, and this figure is expected to go higher as this crisis continues.

To summarize America's financial crisis there is plenty of blame to go around, but the real fault has to be with the interventionist policies of the Fed and political meddling. Nobel Laureate Paul Krugman identifies former Fed chairman Alan Greenspan and Sen. Phil Gramm as the two main culprits. Attempts to micromanage the economy and influence the marketplace is financial socialism and will produce inflationary hell. As lender of last resort the Fed is underwriting trillions in taxpayer debt and the economy is sinking into a second Great Depression. According to the S&P-Schiller Index real estate values have fallen nonstop for 28 months, 41% of all foreclosures are in California and Florida, and mortgage resets for Alt-A and option ARMs will peak *higher* in 2009-2011 than former sub-prime levels. Total consumer debt is $2.6 trillion, or $23,600 per household, and the unemployment figure is nearing 20% (www.shadowstats.com). Consumer spending used to account for 70% of the U.S. economy and this sudden drop in 2008-2009 has hurt state and municipal budgets. According to the Center on Budget and Policy Priorities (CBPP) at least 45 states are having fiscal difficulties and deficits could reach $145 billion this year and $350 billion by 2011. Unlike municipalities, states are required to balance their budgets and are forbidden by law to allow deficits. The CBPP notes that cities across America are facing $100 billion in deficits and bond issues are going unsold due to institutions like Citigroup, Lehman and AIG dumping their muni bonds and loss of tax receipts. On April 8, 2009, Moody's issued its first negative outlook *ever* for the entire $2.6 trillion U.S. municipal bond sector, and defaults could be on the horizon. In the next section we will consider the negative outlook for our nation's looming fiscal deficits and our own risk of default.

The Collapse of U.S. Dollar Imperialism

As we enter into 2009 and a new administration the spending and bailouts are continuing at an alarming rate and this should concern all of us. During the previous Bush administration the national debt soared from $5 trillion to $11 trillion, and during Alan Greenspan's tenure (1987-2006) the Fed increased the money supply from $3.6 trillion to $10 trillion. In Bush's final year, the fiscal budget was $2.9 trillion resulting in a deficit of $435 billion (a new record). The 2009 fiscal budget is $3.9 trillion and already the new administration has projected the deficit to be $1.84 trillion – a 400% increase! This figure does not include implicit loan guarantees, collateralized loans, bailouts and additional pork that some estimate to be around *$9 trillion dollars*. In February the Congress passed the $787 billion stimulus package known as the American Recovery and Reinvestment Act aimed at creating 4.1 million new jobs, rebuilding the infrastructure and promoting green technology. As critics

[10] Bear Stearns, Countrywide, Merrill Lynch and Lehman Bros. have since been absorbed by other primary dealers and the total is now 16 including foreign banks and brokerages like HSBC, UBS Securities, BNP Paribas, Barclays, Credit Suisse, Daiwa Securities, Mizuho Securities, Greenwich Capital, Deutsche Bank Securities, and Dresdner Kleinwort Securities.

have pointed out, this amount would be equivalent to $187,800 for each new job created, and it is the height of bureaucratic conceit to think that the government can create jobs better than the free market. In March, the fiscal 2010 budget of $3.59 trillion was released by the White House and inaccurately entitled *A New Era of Responsibility*. This budget, as all previous budgets, does not account for the $56 trillion in *unfunded* liabilities for Social Security and Medicare (www.pgpf.org). As I have indicated in my book, this entitlement time bomb is always kept "off budget" and will likely be monetized by the Fed (*AFRD*, pp. 79-89).

The level of spending and waste coming out of Washington represents a new era of irresponsibility that is unprecedented and incomprehensible. Total expenditures for 2009 could amount to *$12.9 trillion*, and this amount is equivalent to 90% of our annul GDP of $14.3 trillion! Already the Fed has spent billions in bailing out the private sector including the newly created Term Asset-Backed-Securities Loan Facility (TALF) that is designed to securitize student loans, car loans, credit card loans, etc., and then loan to small businesses. Despite these efforts there is evidence that this bailout money made available to Wall Street and commercial banks is not being turned over, a term known as "velocity" in the monetary sciences. Why is this? The first, and obvious, reason is that consumers are tapped out and unwilling to take on new debt to "stimulate" the economy. Another reason, reported in the *Financial Times*, is that banks and lending institutions are "hoarding" the money to cover potential losses on their credit default swaps on collateralized securities that are still on the books. Banks and lenders utilized these derivative contracts to mitigate counter-party risk imposed by government mandates that compelled institutions to lend to sub-prime customers. Nevertheless, with all of this new debt and money creation there is going to be an inflationary storm and steady devaluation of the U.S. dollar, and this is beginning to worry economists, central bankers and foreigners who hold a significant amount of U.S. debt.

According to the latest Federal Reserve Statistical Release on cumulative debt holdings (4/26/09), the total assets held by the Fed were $883.5 billion in 2007. Of this amount, fully 90% were in AAA U.S. Treasury securities (bills, notes, bonds). The current balance sheet has now *exploded* to $2.19 trillion in total assets and the amount of AAA securities has been reduced to only 24%. In other words, the Fed has added $1.3 trillion in toxic debt that includes residential and commercial mortgage-backed securities, corporate loans, GSE bonds and contingent debt obligations from TAF, TARP, TALF and so on. What this means is that the quality of debt held by our central bank is *deteriorating* and it may be the next "troubled" bank. Evidence of this is the fact that the premium for credit default swaps on U.S. Treasuries has increased by *fourteen-fold* from its 2007 level! Further evidence is a warning last year (1/7/08) and recently renewed by Moody's that they will downgrade our nation's credit rating on U.S. Treasuries unless we address our fiscal liabilities. In addition to these dire circumstances, on March 18, 2009, the Fed suddenly embarked on a policy known as "quantitative easing" in order to provide liquidity and stimulate the economy.[11] This is a process where the Fed goes directly to its primary dealers and purchases U.S. debt to create money out of thin air. This is a desperate policy and can eventually lead to hyper-inflation if not contained. Foreign creditors are nervously watching and assessing their own counter-party risk with the U.S. As Richard Russell, financial editor of the *Dow Theory Letters*, predicted five years ago:

> Somewhere ahead these same foreign creditors will look at the declining dollar [and U.S. Treasuries] and decide that they have taken in enough. At that point, the whole picture changes. Our foreign creditors will either halt taking in dollars or they will halt their process of buying U.S. Treasuries.[12]

Among the foreigners who hold U.S. Treasuries, China has 24%, or $739 billion; Japan has $634 billion; OPEC has $186 billion; the Carribean Centers have $176 billion; Brazil has $133; Britain has $124 billion, and Russia has $120 billion. In 2008, China became the largest holder of U.S. Treasuries and they have become the most vocal in their opposition to their declining assets. China has $1.9 trillion in foreign currency reserves and most of this is in the dollar. Qu Hongbin, chief China economist for HSBC remarks, "There is a clear sign that China, as the largest holder of U.S. dollar financial assets, is concerned about the potential inflationary risk of the U.S. Federal Reserve printing money." Chinese Premier Wen Jiabao, speaking to the press, said, "We have lent a huge amount of money to the U.S., so of course, we are concerned about the safety of our assets. Frankly

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[11] The Fed becomes "the buyer of last resort" and new money is made available to commercial banks thus *easing* pressure.
[12] Quoted in *The McAlvany Intelligence Advisor*, February 2004, p. 14. This is the first warning from Moody's since 1917.

speaking, I do have some worries." Commenting in the Communist Party newspaper the *People's Daily*, Professor Shi Jianxun of Tonji University criticized 'U.S. dollar hegemony'. "The U.S. dollar is losing people's confidence," says Shi, "The world, acting democratically and lawfully through a global financial organization, urgently needs to change the international monetary system based on U.S. global economic leadership and U.S. dollar dominance." The Red Chinese, along with Russia and other nations, would like to see a move away from the U.S. dollar and they hold considerable leverage to threaten the U.S. – a geostrategic issue that I will address in a later section. Prior to the G-20 meeting held in London, Zhou Xiaochuan, governor of the People's Bank of China, stated, "The outbreak of the [current] crisis and its spillover to the entire world reflects the inherent vulnerabilities and systemic risks in the existing international system." Zhou said the world needs to create a new reserve currency "disconnected from individual nations" and he suggested an expanded role for the Special Drawing Rights (SDR) currency unit established and used by the IMF since 1969.

On April 2, 2009, the IMF hosted the G-20 meeting in London to discuss the global financial crisis and the adoption of a global currency. At the original Bretton Woods Conference after WWII, there were proposals to create a global currency called the "bancor" or "unitas" but they settled for the U.S. dollar tied to gold. The dollar and gold proved inadequate for supporting trade expansion and the SDR was introduced in 1969. After Nixon decoupled the dollar in 1971 the SDR's role became less important and is now used as a unit of account for IMF members and also the Bank of International Settlements (BIS). The BIS was founded in 1930 to better settle war reparations after WWI and they replaced the Swiss gold franc for the SDR in 2003. Known as the "central bank for the central banks," the BIS embraces the idea of a global currency and is supported by a financial network of central banks and sympathetic governments proposing regional currencies for world trade. These are the perennial *money powers* that Lincoln talked about and they are represented in *every* generation. In 1966, historian and dedicated insider Professor Carroll Quigley of Georgetown University published his book entitled *Tragedy and Hope,* which documented the ultimate goal of these globalist elites:

> [The network's objective is] nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert by secret meetings and conferences. The apex of the system was to be the BIS in Basel, Switzerland.[13]

The BIS is privately owned by the central banks and it is not accountable to anyone. It operates in total secrecy and its exclusive board members meet six times a year. The call for a change in the existing monetary system fits very well into the overall framework of the BIS and IMF. Following the G-20 confab in London the delegates issued a communiqué for increased support of the SDR (Point #19). The U.N. Commission of Experts on International Financial Reform also enthused, "It is a good time to move to a shared reserve currency." The current SDR is a basket of four key currencies consisting of the U.S. dollar, the British sterling, the Japanese yen and the EU euro. The BIS decision to adopt the SDR in 2003 is seen by some as an important step to create a global Federal Reserve System with a *defacto* world settlement currency, or a revised SDR.

A closer look at the SDR mix represents the trilateral regions of Europe, Asia and the U.S., the three largest economies of the world based on GDP. The euro is already established in Europe; the "amero" is being proposed to serve the NAFTA region in North America (BIS Papers #17); and a third multinational currency is being proposed in Asia. In an article entitled "The End of National Currency," in the *Foreign Affairs* magazine (May/June 2007), Sr. Fellow of the Council on Foreign Relations (CFR) Benn Steil instructs, "Governments should replace national currencies with the dollar, or the euro, or in the case of Asia, collaborate to produce a new multinational currency over a comparably large and economically diversified area." Since its creation in 1973, the goal of the Trilateral Commission has been the development of a New International Economic Order that embodies this idea of three regional currencies (www.trilateral.org). The fact that Paul Volker, the former North American chairman of the Trilateral Commission, is now the chairman of the Obama Economic Recovery Advisory Board should be an indication that these goals are intact. Equally important to note is Richard Haass who is the current president of the CFR and a senior foreign policy advisor for Barack Obama.

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[13] Carroll Quigley, *Tragedy and Hope: A History of the World in our Times* (NY: The MacMillan Company, 1966), p.950.

According to the IMF, the SDR's currency composition is subject to a review every five years, and the next review is due in 2010 (www.imf.org). The promotion of the SDR comes at a rather interesting time in the world of macroeconomics and the financial crisis that had its beginning in the U.S. A major theme in my book is that America will be subject to a "reckoning day" that could be triggered by a default on its sovereign debt, foreigners dumping our assets, and a U.S. currency devaluation/collapse resulting in a hyperinflationary depression (*AFRD*, p. 113). In this scenario the IMF currency equation could result in a diminished role for the U.S. dollar (forced into a regional amero currency), the British sterling would be forced to join the Eurozone enhancing the euro, and the Japanese yen could participate in the ASEAN+3 Forum (10 East Asian nations with China, Japan and S. Korea). At the very least, the end is near for U.S. dollar imperialism, and this will have huge geopolitical implications. As Alex Wallenwein, publisher of *The Euro vs Dollar Currency War Monitor* has stated, "Whatever the ultimate fate of the dollar will be, it already lies in the hands of foreigners....It is no longer in the power of the Federal Reserve or the U.S. government to reverse the fall of the dollar." Economic conditions are suggesting that America's foreign creditors could create a real panic – *a central bank panic* – and collectivist policy makers in the new Barack Obama administration are preparing us for just such a crisis.

Team Obama & The New World Order

The arrival of Barack Hussein Obama II, and his meteoric rise to power on the national scene, is truly a remarkable phenomenon in modern politics. Having served a mere 143 days in the U.S. Senate prior to forming his exploratory committee in 2007 he has come from virtual obscurity to celebrity status. Exactly *who* is Obama and *where* did he come from? A biographical study of his life is a labyrinth of complexity and ideological controversy. Beginning with his birth, he is *alleged* to be born in both Hawaii and Kenya. His mother, Stanley Ann Dunham, was a white student attending the University of Hawaii when she met Barack Hussein Obama, Sr., a foreign student from Kenya, in 1960. Known as a beatnik and progressive liberal, Anna was drawn to Barack's pro-Soviet Marxism and bohemian lifestyle and became pregnant within a few months. Fortunately for Barack, Jr., society frowned on *abortion* even more than interracial marriage and they married on February 2, 1961. She would later learn that the father was already married and they separated in 1963. Barack, Jr. was born on August 4, 1961 and the senator claims that he was born in Hawaii as a natural born citizen (and eligible to be president). His paternal grandmother (Sarah Obama) says she witnessed his birth in Mobasa, Kenya and she has witnesses. Even if this is not true his father was also a British citizen of Zanzibar making his son a dual citizen, and Article II, Sec. 1, Clause 5 of the U.S. Constitution reads that a presidential candidate must be "a natural born" citizen, not just a "naturalized" citizen. To this day Barack Obama will not produce an official birth certificate.[14]

In 1967, Anna married Lolo Soetoro, a Malaysian oil man, and moved from Hawaii to Indonesia. Young Obama was enrolled in pre-school in Jakarta under the name "Barry Soetoro" and was registered as a citizen of Indonesia and his religion as Islam (serial #203). Barry's step-father was a Muslim and Indonesia law requires all children to be citizens (or renounce prior citizenship) to attend school. Presently, there are 16 lawsuits and a couple Supreme Court cases challenging Barry/Barack's citizenship (notably *Phillip J. Berg v. Barack Obama*). If Barack is a *usurper* he could be arrested and deported to Indonesia or Kenya, donors face a class action lawsuit and the DNC could be brought up on RICO statutes. Such is the sorry state of political affairs in our nation. As far as Barack being a Muslim this is not likely. While attending Besuki Primary School in Jakarta he had to recite the Quran (known as *mengaji*), but he is a "secular humanist" like his mother who later separated from Lolo in 1974; and he was also raised by his maternal grandparents, Stanley and Madelyn Dunham, who were Unitarians. Barack's family members in Indonesia and Kenya are all Muslims and he has a shared empathy for Muslims as demonstrated by his official foreign visits, comments and actions. According to his biographers Barack replaced Muhammad for Marxism and this occurred when he returned to Hawaii to live with his grandparents and finish high school. His mother Anna left him and he never saw her again after 1979.

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[14] Barack will not release his medical records nor his records from Occidental and Harvard College as well. His name in Swahili means "Blessed of God" and his middle name is from his grandfather Hussein Obama. His father's cousin Raila Odinga (from the same Luo tribe) is the current Prime Minister of Kenya and is a radical socialist Muslim who wants to suppress all Christians and impose Islamic sharia law. In 2008, Barack supported Odinga with a million dollar donation.

. From 1970 to 1979 Barack attended Punahou – the largest private school in Hawaii. During these years Barack was influenced by Stanley's drinking buddy known as Frank Marshall Davis (1905-1987). Davis wrote for the *Honolulu Record* (a Communist newspaper) and was a black member of the Communist Party USA and singled out by the House Un-American Activities Committee as a subversive. Davis would become Barack's mentor and advisor during his formative years (www.discoverthenetworks.org). In his *book Dreams of my Father*, Barack refers to "Frank" as a poet and influential friend. In 1979, he attended Occidental College in Los Angeles and Barack says, "I chose my friends carefully." These included fellow foreign students, black activists, feminists and Marxist professors. He was also mentored by a gay professor and was a member of the radical socialist organization Students for Economic Democracy until he transferred to Columbia University in 1981. At Columbia he majored in political science and after graduation in 1983 moved to Chicago where he became Director of the Developing Communities Project where he honed his community organizing skills. In his book, *The Case Against Barack Obama,* David Freddoso writes that his solution to every problem was "a distribution of government funds," and the call for "a more just and democratic society" that was firmly rooted in the Alinsky method. Saul Alinsky is considered the founder of community activism and stressed that radicals must "infiltrate the system within" for real change.[15] In his book *Rules for Radicals: A Pragmatic Primer for Realistic Radicals* (dedicated to 'Lucifer'), Alinsky says, "Any revolutionary change must be preceded by a...non-challenging attitude toward change among the mass of our people" (prologue). He chided the Sixties Left and said that radicals should instead cut their hair, put on suits and "don't scare off" the middle class (p. 195). This is the kind of pragmatic strategy that Obama used in his "Change We Can Believe In" campaign.

In the mid-1980s Obama was the attorney for the Association of Community Organizations for Reform Now (ACORN) and was also a trainer at their annual conferences. ACORN promotes an array of Leftist social issues and was instrumental in enforcing the CRA that compelled loans to risky low-income families. In 1988, Obama went back east to attend Harvard Law School and evidence suggests that his tuition was funded by a wealthy Saudi prince. He became the first black president of the *Harvard Law Review* and returned to Chicago to intern at Sidley & Austin law firm in 1989 where he met his wife Michelle Robinson. Following graduation he and Michelle were married in 1992 by Rev. Jeremiah Wright at the Trinity United Church of Christ. Wright embraces the tenets of black liberation theology and preaches the gospel of "Matthew, Marx, Luke and John" to incite class warfare and the politics of greed and envy. After incendiary remarks and critical media attention the White House has since distanced itself from *comrade* Wright. From 1993 to 1996 Obama joined the civil rights law firm of Davis, Miner, Barnhill & Galland. During this period he was active with ACORN's black voter-registration project and law partner Judson Miner introduced him to Bill Ayers and Bernardine Dohrn, and other members of the Leftist New Party movement. Ayers and Dohrn are former Weatherman Underground terrorists from the Sixties Left and they encouraged Obama to run for Illinois state senator as a New Party member.[16]

In 1995, Obama became a candidate and he won the Illinois 13th District which represented mostly poor black voters. In 2004, Obama gained the support of Rev. Jesse Jackson's Rainbow Coalition to run for the U.S. Senate. He also got endorsement from the *Chicago Tribune* that exposed his rival's sex scandal to clear the way for his victory in the polls. In 2007, Senator Obama voted the liberal position on 65 of 66 key votes and he was ranked as "the most liberal Senator of 2007" by the *National Journal.* The Americans for Democratic Action (ADA) also assigned him a lifetime liberal rating of 90% for his progressive politics. On February 10, 2007 the young Senator announced his presidential candidacy by acknowledging, "I know that I have not spent a long time learning the ways of Washington, but I have been there long enough to know that the ways of Washington have to change." Unfortunately, the kind of "change" Barack and Michelle Obama are talking about has its ideological roots in neo-Marxist economic theories, hate-filled sermons and contempt for American values. In a speech delivered on February 18, 2008 in Milwaukee Michelle admitted, "For the first time in my adult lifetime, I am really proud of my country." Prior to his own election, Barack was asked on Meet the Press (10/26/08) his views on the American flag, "My wife disrespects the flag for many personal reasons. Together she and I have attended several flag burning ceremonies in the past, many years ago. She has her views and I have mine. Of course, I have found myself about to become President...*and I have to put aside my hatred* (my emphasis)."

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[15] Saul Alinsky (1909-1972) criticized 'middle class values' in *Reveille for Radicals* (1946) and *Rules for Radicals* (1971).

[16] New Party members mostly come from the Democratic Socialist of America dating back to the 1960s (www.dsausa.org)

Is it possible that Barack and Michelle Obama have "put aside" their core political beliefs and their own personal convictions? How is it that we have elevated a flag-burning Marxist demagogue into the highest office in the land? Among the various reasons, Obama was able to inspire the themes of hope and change as he wrote in his book *The Audacity of Hope* (2006). Using his past organizational skills as a community activist in South Chicago he employed the Alinsky method of working "within the system" to gain power, and in so doing he created a personality cult, as Dr. Jerome Corsi documents in his book *The Obama Nation: Leftist Politics and the Cult of Personality.* Put simply, Barack Obama has tried to clean up his radical past, he has exploited white guilt, appealed to race, and promises his followers a great future with him as the Great Leader. According to Dr. Samuel Vaknin, an authority on Narcissistic Personality Disorder (NPD), Obama projects a grandiose but false image of himself. Somewhat impressed at first, Dr. Vaknin says, "I was put off soon, not just because of his shallowness but also because there was an air of haughtiness in his demeanor that was unsettling."[17] Noting his dysfunctional youth and his crowd appeal, Vaknin has compared Obama to Rev. Jim Jones with his charismatic appeal to provide social justice, unity and equality for his co-dependent cult members. In February 2008, Nation of Islam leader Louis Farrakhan declared that Obama is "a herald of the Messiah." This kind of quasi-religious appeal is disconcerting. Vaknin concludes that the one thing that all narcissists strive for is – *power.* The fact that Obama has assumed authority during a "national crisis" is reason for concern since NPD has historically been associated with the abuse of power. For more background you can visit www.theobamafile.com.

On January 20, 2009, Barack Hussein Obama II was sworn in as our 44th president. The San Francisco Lesbian Gay Freedom Band celebrated in the inaugural parade and prayers were offered by Dr. Ingrid Mattson, radical leader of the Islamic Society of North America, and fellow CFR member Rev. Rick Warren. Among his top donors were Goldman Sachs, J.P. Morgan Chase, Citigroup, Harvard University, Time Warner/CNN, and his old law firm of Sidley & Austin. As I have indicated already, the new administration has been expanding the role of government and is raising our national debt to new levels. Following his first 100 days, Obama reassured the press that "We've begun the work of remaking America." Helping Obama to "remake" America is a team of Establishment figures from both political parties who are members of the Council on Foreign Relations (CFR) and the Trilateral Commission (TC). The CFR represents the ruling Establishment in the U.S. and was created in 1919 by the same Wall Street conspirators who created the Fed (*AFRD*, pp. 125-127).[18] As Professor Quigley has also pointed out it is the goal of the globalist elites "to dominate the political system of each country and the economy of the world as a whole" in private hands (p.10). Quigley said it is important that both political parties in America should be "almost identical" so that there are not any "profound or extensive shifts in policy." If one party is voted out, the new party "will still pursue, with new vigor, approximately the same basic policies."[19]

In 2008, the presidential race was never in doubt. CFR members were well represented with McCain, Romney, Giuliani, Thompson, Clinton, Edwards, Dodd, and Obama. Membership in the CFR is by invitation only and its 4,338 members are spread between business, government and "others" (www.cfr.org). We can be sure that almost 500 CFR members are in the Obama administration because that is how many were in the Bush administration. Membership in the Trilateral Commission is limited to 424 from Europe, Japan and the U.S. and their focus is on their "shared leadership responsibilities" and "the dramatic transformation of the international system." In other words, how the global elite can secure their place in the New World Order. Both the CFR and the TC share a collectivist worldview that stresses "progressive regionalization" towards a world government, a term frequently used by Zbigniew Brzezinski co-founder of the TC (www.augustreview.com). Part of this plan is the creation of a Superstate between the U.S., Canada and Mexico known as the North American Union that I will address in a moment. Brzezinski is a real heavyweight in the globalist fraternity and he is serving as senior policy advisor for Barack, who was only 12 years old when Zbig was using Rockefeller money to launch the TC and mentor Jimmy Carter. Presidents may come and go but the CFR/TC lock continues into every administration. As a newcomer to Washington the president is surrounded by veteran insiders to help guide his domestic and foreign policies "with new vigor." Senator Joe Biden is former chairman of the U.S. Senate Committee on Foreign Relations and a long time-member of the CFR who was added to the 2008 Obama ticket.

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[17] Samuel Vaknin, *Malignant Self-Love: Narcissism Revisited* (2001). Full article at www.truthorfiction.com – " Vaknin."
[18] Founding members include Paul Warburg, J.P. Morgan, John D. Rockefeller, Nelson P. Aldrich, Jacob Schiff and more.
[19] Carroll Quigley, *Tragedy and Hope*, p. 1,256. Quigley mentions how "cooperative politicians" will be rewarded, p. 950.

As we should expect, a majority of Obama's closest advisors and cabinet are from the CFR and the TC (10% of the U.S. membership), these include Robert Rubin, director at Goldman Sachs/Citigroup and co-chair of the CFR in New York,[20] National Security Advisor Thomas Donilon along with Gen. James L. Jones, Director of National Intelligence Adm. Dennis C. Blair, Madeleine Albright, Brent Scowcroft, James Baker and Henry Kissinger. The White House cabinet includes Secretary of State Hillary Clinton (not a CFR member but married to CFR member Bill Clinton whose professor at Georgetown was Carroll Quigley), Deputy Secretary of State James Steinberg, Assistant Secretary of State Kurt Campbell, State Department Special Envoys Richard Haass, Dennis Ross, George Mitchell and Richard Holbrooke, Secretary of Defense Robert M. Gates, our U.N. Ambassador Susan Rice, Department of Homeland Security (DHS) Janet Napolitano and Timothy F. Geithner, Secretary of Treasury. Geithner's advisors include Peter G. Peterson (former CFR chairman), Paul Volker, Alan Greenspan and Hank Paulson, E. Gerald Corrigan and John Thain, all from Goldman Sachs.

Obama is chairman of the National Economic Council formed in 1993 by Robert Rubin. Rubin was the personal mentor of Larry Summers (CFR/TC) who is the current director of the NEC. Summers is the former chief economist for the World Bank/IMF and past president of Obama's *alma mater* Harvard University. He is a former Secretary of Treasury under Bill Clinton (1999-2001), and he is best remembered for his support of the Gramm, Leach, Bliley Act that repealed the Glass-Steagall Act, "This historic legislation will better enable U.S. companies to compete in the new economy." Within ten years this "historic legislation" contributed to the worst economic meltdown in modern history with massive bailouts on Wall Street by the Fed and U.S. Treasury! Also joining the NEC is Tim Geithner who was Under Secretary of the Treasury at the same time and later helped with the bailouts as president of the NY Fed. Other members of the NEC include Christina Romer, chairman of the Council of Economic Advisors in Obama's cabinet, Joe Biden and Hillary Clinton, whose only knowledge of economics is *tax and spend*. With this kind of economic leadership our nation is in big trouble! In early 2009, Obama created the Economic Recovery Advisory Board and named Paul Volker as the new chairman. This Board is an eclectic mix from the private sector (AIG, GE, UBS, Caterpiller, Oracle) as well as academia, the SEC and AFL-CIO. Paul Volker is also chairman of the Group of Thirty (G30), which he helped found in 1978 as trustee for the Rockefeller family. The G30 consists of 30 ultra-elite international financiers including central banks around the world (who also share membership with the BIS), and U.S. representatives Timothy Geithner, Larry Summers, E. Gerald Corrigan and former Fed chairman Alan Greenspan (www.group30.org).

With his economic team, cabinet and advisors in place, Obama has set out to *remake* America with a presumed "mandate" from the American people (*which he does not*). Upon entering office Obama has resumed the practice of signing "executive orders" and appointing "czars" to oversee autos, borders, climate and so on.[21] Increasingly, the executive branch has become more like an Imperial Presidency with paternalistic qualities, and this is not good. As David Theroux, founder of the Independent Institute, comments, "For most Americans, the Presidency has become their sovereign king and father figure who stands above and beyond us mere citizens in order to oversee our lives and our well-being." Seizing his own likeness to FDR, the president has assumed this *kingly image* and is proposing broad reforms like passing the American Recovery and Reinvestment Act with the Economic Recovery Advisory Board to create jobs and economic growth. Similar to the National Industrial Recovery Act and National Recovery Administration created in June 16, 1933, FDR also promised economic growth and new jobs. The accepted mythology is that FDR rescued the "failed free market" in 1932 and that his New Deal put America back to work and ended the Great Depression. Historians note that unemployment stood at 23% in 1933, and was still 15% in 1939. It was WWII that lowered unemployment down to a mere 1% by 1945, *not the government* (*AFRD*, pp. 57-67). It was government *intervention* that made the Great Depression *great!* In 1939, Secretary of the Treasury Henry Morgenthau later confessed before a congressional committee, "We are spending more money than we have ever spent before and it does not work....We have never made good on our promises....I say after eight years of this administration we have just a much unemployment as when we started...and an enormous debt to boot."[22] Read this again. For this is where we are heading.

[20] *The Shadows of Power: The Council on Foreign Relations and the American Decline* by James Perloff is recommended.
[21] Executive orders are much like a "king's decree" and have the force of law. EOs were rarely issued prior to 1907. Since WWII there have been approximately 300 issued in each administration. During FRD's entire presidency he issued *3,728!*
[22] Burton Folsom, Jr., *New Deal or Raw Deal?: How FDR's Economic Legacy Has Damaged America* (NY: 2008), p. 48.

In 1932, the Hoover administration created the Reconstruction Finance Corporation (RFC) to make government loans to banks in order to stimulate the economy. With $500 million, the RFC was also authorized to lend directly to the railroads that were considered too big to fail. Within a year the RFC was an abysmal failure writes one historian. "Hundreds of millions of dollars poured down various RFC rat-holes were lost forever." Similarly $700 billion dollars in TARP money is being poured down more rat-holes today and this too will prove to be an *abysmal* failure. Again, we are reminded of Santayana's words "that those who cannot remember the past are condemned to repeat it." In 1935, the Supreme Court unanimously ruled *against* FDR's National Industrial Recovery Act passed in 1933. In *Schechter Poultry Corporation. v. United States* the court ruled that the Act "infringed upon states' authority, unreasonably stretched the Commerce Clause, and gave legislative powers to the executive branch in violation of the Constitution," and further stated that "extraordinary conditions do not create or enlarge constitutional powers."[23] Note here that extraordinary conditions *do not* give the government any authority to become social engineers or enlarge the government. As Jefferson also warned, "To take a single step beyond the boundaries thus specially drawn around the powers of Congress is to take possession of a boundless field of power." Today the Imperial Presidency is supported by an enormous bureaucracy with a boundless field of power. As some have stated, the administrative staff of the executive branch has now become a *de facto* "fourth branch" of government. The U.S. Government Manual devotes hundreds of pages for the executive branch and the *Federal Register* regularly compiles more than 70,000 pages each year.

So who is to blame for the exponential growth of the federal government? Critics are quick to point out that we all are. Citizens have asked too much from their government and the states have been too eager to receive federal grants and funding. But this is changing. On April 15, 2009 thousands of people gathered in 800 cities to protest the Bush/Obama bailouts and big government with tea parties. At the same time several states have entered legislation asserting state's rights based on the Tenth Amendment, which reads, "The powers not delegated to the U.S. by the Constitution...are reserved to the States respectively, or to the people." This is not an effort for states to secede from the union, but merely an attempt to persuade the federal government to abide by the Constitution. Oklahoma is the first state to pass this legislation that affirms that the states should not be treated as "agents" of the federal government. "[This] Resolution serves as notice and demand to the federal government, as our agent, to cease and desist, effective immediately, mandates that are beyond the scope of these constitutionally delegated powers."[24] States have a legitimate right to be concerned about the size of the federal government, but there is a real risk that this economic crisis could lead to an even *greater* crisis.

A Serious Crisis Should Never Go To Waste

Writing in *The New American* (11/10/08), Charles Scalinger says, "Few events, save possibly war, are as susceptible to political manipulation and fear-mongering as an economic crisis." As financial events unfolded in 2008 people started to fear an economic collapse. Speaking on the House floor in July 18, 2008, Congressman Ron Paul addressed this issue by cautioning, "In the post- 9/11 atmosphere, too many Americans are seeking safety over freedom. Real fear of economic collapse could prompt central planners to act to such a degree that the New Deal of the 1930s might look like Jefferson's Declaration of Independence." By late 2008, luminaries from the Establishment elite started weighing in on the crisis at hand. Speaking at a Seattle fundraiser Joe Biden said, "Mark my words, it will not be six months before the world tests Barack Obama." The senator mentioned the "current economic crisis" and said it could be "international." Soon after, Madeleine Albright was joined by Colin Powell in repeating their certainty that a larger crisis is in the making. Following his election victory the new president acknowledged to the press, "Painful crisis also provides us with an opportunity to transform our economy" (*Manchester Union Leader*, 12/28/08). Obama's new Chief of Staff Rahm Emanuel was a little more direct about the opportunity to transform the economy when he added, "You never want a serious crisis to go to waste." Speaking before the House Armed Services Committee on March 11, 2009, CFR Chairman Richard N. Haass was clear, "[The] current account deficit and national debt make it all but certain that down the road the U.S. will confront not just renewed inflation *but quite possibly a dollar crisis as well* (my emphasis)."

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[23] See www.answers.com. The NIRA created an "industrial cartel" in the same way that the Fed is also a "banking cartel."
[24] Other states are AZ,AL,AR,GA,ID,IN,IA,KS,KY,MI,MN,MS,MT,NH,NM,OH,OK,OR,PA,SC,SD,TN,TX,VA,WA,WI.

The financial difficulties that are crippling national economies is part of a larger concern that the U.S. is facing a dollar crisis, as recent talks at the G-20 meeting suggest. As I mentioned at the beginning of this report, our financial and economic problems are essentially rooted in a *money problem*, or the very nature of fiat currency and fractional reserve banking. The fact that central planners from the ruling Establishment are both aware of and anticipating a currency crisis is reason for pause since this is the kind of *opportunity* that should never go to waste. In a recent interview on CNBC, Henry Kissinger was asked about Obama and our financial uncertainties, "I think that his task will be to develop an overall strategy for America in this period, when really a New World Order can be created. It's a great opportunity. It isn't such a crisis." And just what is this New World Order? This is short for the New International Economic Order defined by the TC as a trilateral concept for world government. As David Rothkopf, former managing director for Kissinger & Associates has said in his new book *Superclass* the world needs "real global government" because "it is no longer possible for a nation-state acting alone to fulfill its portion of the social contract."[25] Speaking at the 1995 State of the World Forum, Brzezinski laid out the strategy, "We cannot leap into world government in one quick step, the precondition for eventual globalization – genuine globalization – is progressive regionalization." The blueprint for this goal is to create trading blocs like the EU. Here in the U.S., the North American Free Trade Agreement (NAFTA) has laid the foundation for the North American Union. Kissinger predicted in 1993 that "NAFTA will represent the most creative step toward a New World Order by any group of countries since the end of the Cold War," and is "the architecture of a new international system" (*LA Times*, 7/18/93). In 1994, David Rockefeller said in a U.N. speech, "All we need is the right major crisis and the nations will accept the New World Order." This idea of a crisis is exactly what the globalist elites need to integrate the NAU and create the new amero currency. In 2002, Dr. Robert A. Pastor (CFR), director for North American Studies at American University, wrote a paper for the TC entitled *A North American Community* promoting this scheme. In 2005, the CFR released a study for a convergence fulfillment by 2010. Recently, Dr. Pastor tipped his hand when he indicated that a major crisis, like another 9/11, would be sufficient to create a North American Community with Canada and Mexico:

> What I am saying is that a crisis is an event which can force democratic governments to make difficult decisions *like those that will be required to create a North American Community*. It's not that I want another 9/11, but having a crisis would force decisions that otherwise might not get made. When there's a crisis, people accept proposals they wouldn't have otherwise accepted (my emphasis).[26]

It would be hard to find a more authoritative quote than what has been said here. The NAU is part of a government-sponsored effort to create a NAFTA perimeter (www.spp.gov), and you can read more about this in my book (*AFRD*, pp. 123-141) or go to www.stopthenorthamericanunion.com. The Establishment planners may not be able to leap into world government, but they like the idea of "one quick step" to force a regional government! After all, this isn't such a crisis right? No, this is *treason*. "A nation can survive its fools, and even the ambitious," wrote Cicero, "But it cannot survive treason from within." This plot to exploit an economic crisis is insidious. Obama's senior advisors are operating like "the Matrix" to midwife our nation into their New World Order, and some of the American people are starting to wise up. As I have outlined in this report, the U.S. has created massive structural imbalances in the economy, huge deficits and bailouts are mounting and our Treasury bonds are about to be downgraded. According to the Bureau of Public Debt, the U.S. has started auctioning off 30-year bonds *every* month (and there are rumors of 50-year bonds!), and net borrowing is up *27-fold* from $13 billion last year to $361 in the last quarter! In May 2009, Rep. Mark Kirk (R-IL) said he was shocked "at how much debt was being bought by the Federal Reserve due to the *absence* of foreign investors." The Fed has now become not only the lender of last resort – *but the buyer of last resort!* In October 2008, a highly-classified document was leaked by the foreign press simply known as the "C & R Document" (www.google.com) and it is serious stuff. The report states that if the U.S. defaults and unilaterally cancels its debt obligations from China, Russia and Japan, it can expect "Conflict" and this will lead to "Revolution" in America. Managing Director of the IMF, Dominique Strauss-Kahn has recently warned that "advanced economies" could see violent protests.

[25] David Rothkopf, *Superclass: The Global Power Elite and the World They are Making* (NY: Straus, 2009), pp. 315-316.
[26] Jerome D. Corsi, *The Late Great USA: The Coming Merger with Mexico and Canada* (CA: WND Books, 2007), p. 32.

The "C & R Document" has reportedly been distributed to the highest levels of government and the ruling superclass are preparing for the worst. Following the financial meltdown that began in late 2008 the U.S. Army War College's Strategic Studies Institute ran an article in *Parameters* magazine by Prof. Nathan Freier in which he states that the U.S. military must prepare for a "violent, strategic dislocation inside the U.S." which could be provoked by an "unforeseen economic collapse" or "loss of functioning political and legal order." This report goes on to say that "the DoD would be an essential enabling hub for the continuity of political authority" to control "widespread civil violence inside the U.S."[27] The "continuity of government" (COG) strategy dates back to the civil Readiness Exercise in 1984 known as Rex84 under FEMA that would use Continental military forces (CONUS) to fight civil disturbance (Operation Garden Plot, U.S. Army Manual 19-15). After the events of 9/11, the government moved quickly to enact the so-called USA PATRIOT Act in 2001, and this was followed by the DHS in 2002 that consolidated 22 agencies, including FEMA, and CONUS was converted to a *permanent* North American command known as NORTHCOM. In October 17, 2006, Bush secretly signed the Defense Authorization Act and the Military Commissions Act (Public Law 109-364/366) to use the military as domestic police and federalizing local police, which violates the Posse Comitatus Act of 1878 that prohibits the military from being used as law enforcement. In 2007, Bush also signed a Presidential Directive (NSPD-51) that created a new COG coordinator under the DHS without seeking or consulting Congress.[28] In October 2008, the DoD ordered a recall of the 3rd Infantry's 1st Brigade Combat Team from Iraq to help local authorities in case of terror or "other domestic catastrophe." According to the *Washington Post*, the first 4,700 troops are stationed at Fort Stewart, Georgia and another 20,000 troops will be attached to NORTHCOM.

The "war on terror" is a useful abstraction being used to prepare the U.S. for a military police state, and civil libertarians are taking note of this fundamental shift in national priorities (*AFRD*, pp. 117-123). After *two* days in office, Obama and the 111th Congress introduced the National Emergency Center Establishment Act (HR645) to create six emergency centers at existing military installations to work with the DHS. HR645 bears a direct relationship to the economic crisis and there has been no press coverage of this bill. In 2006, Halliburton subsidiary KBR was awarded a $385 million dollar contract with DHS to build internment facilities in the U.S. and some estimate that there are as many as 800 such camps prepared for civil unrest (www.prisonplanet.com). According to the DHS website there are 58 "fusion centers" gathering information on "subversives" and other extremists and this likely includes the kind of people who attend tea parties and gun shows. Ron Paul and his followers have been targeted, and Paul warns that our civil liberties are being *eviscerated.* Retired CENTCOM Gen. Tommy Franks also predicted that our Constitution could be "discarded" in favor of some form of military government if a major crisis hits (*Time*, 11/21/03). Elitist within the government-military-industrial-complex are sensing the end game is near and they are appealing to our sense of patriotism and the necessity for degrading our liberties. But as William Pitt declared, "Necessity is the argument of tyrants, and the creed of slaves."

Geostrategic Trends in a Global Network

As we look into our near future I will provide you with a brief analysis of some significant trends to be aware of and I will conclude with some suggestions for your own contingency planning. Gerald Celente is the director of the Trends Research Institute and he is a legendary forecaster. In his latest predictions he is also forewarning of America's financial reckoning day and a hyperinflationary depression that will be followed by widespread violence, food riots, job marches, tax rebellion and the possible breakup of the U.S. as states join in secession (www.trendsresearch.com). Celente says that revolution and riots could start happening sometime in 2009-2010 and mercenary troops will be used to incarcerate people. Already there have been riots and protests in Iceland, Greece, France, Britain, Ireland, Spain, Latvia, Bulgaria, Russia and elsewhere. For 2009, the World Future Society has predicted food and water scarcity in the world along with commodity shortages and renewed tensions between the U.S. and Russia with their ally China (www.wfs.org). This is similar to the Global Trends 2025 report from the National Intelligence Council that sees conflicts arising over food, energy and particularly water as documented in the new book, *Water: The Final Resource* (2008). This government report also sees the

[27] *Known and Unknowns: Unconventional Strategic Shocks in Def. Strategy Development* (www.infowars.com/?p=6821).
[28] Also known as HSPD-20, this was not in compliance with the National Emergency Act of 1976 (U.S.C. 50:1601-1651).

U.S. dollar's role being diminished with both Russia and China asserting the need for a "multipolar" world and the threat of a new "Cold War." Considered an "arc of instability," the Middle East will see a nuclear arms race if Iran acquires nuclear weapons, and there could be a proliferation after the 1991Strategic Arms Reduction Treaty between the U.S. and Russia expires in December 2009. Andrew Krepinevich, director of the Center for Strategic and Budgetary Assessments (a government think tank), is a military futurist and he proposes several geopolitical threats in his new book *Seven Deadly Scenarios*. He mentions a global pandemic forcing a Mexican invasion (the DoD is also predicting financial collapse in Mexico) and an early withdraw from Iraq will result in chaos in the region. He, along with the DoD, is predicting the collapse of the Pakistani government and nuclear weapons falling into rogue states that can be used against U.S. cities. He also sees a cyberattack against the U.S. and according to NSA intelligence China already has the capability to shut down our Pacific naval fleet. Finally, in another scenario, Islamic fundamentalists shut down the Persian Gulf and the Strait of Malacca forcing an oil shock, and China, sensing America's internal strife and nuked cites, launches an all-out attack against Taiwan to reclaim it as their 23rd province.[29] China has threatened to force reunification with Taiwan across the 100-mile Taiwan Strait since 1949 when Chiang Kai-shek and his anti-Communist forces fled the mainland.

In 1979, the U.S. established diplomatic relations with mainland China and also passed the Taiwan Relations Act, which pledges U.S. support for Taiwan and allows the sale of defensive arms. Since the 1990s, China has increased its military spending and currently has 1,500 Dong Feng II ballistic missiles aimed at Taiwan, and the DoD estimates that the PRC will have five Hans-class submarines equipped with JL-2 long-range nuclear missiles operational by 2010.[30] In 2005, the PRC passed an anti-seccession law that gives them a legal basis to attack Taiwan. Soon after, General Zhu Chenghu, dean of China's National Defense University, declared, "If the Americans draw their missiles, I think we will have to respond with nuclear weapons." Since then U.S. naval ships have been harassed and denied port calls by the Chinese. In late 2008, the U.S. announced a $6.5 billion arms package to Taiwan and Maj. Gen. Qian Lihua ordered the U.S. to "cancel its plans" and China has now "suspended all military exchanges with the Pentagon" (*The Washington Times*, 11/20/08). With things getting tense, the Pentagon sponsored a first-of-its-kind war game at Ft. Meade, Maryland in March 2009 that simulated economic warfare and concluded that China would be a decisive winner if they were to *dump* their U.S. financial assets. Will China do this? In 1956, during the Suez Canal crisis the U.S. ordered Britain to withdraw forces and threatened to *dump* Sterling bond holdings that would have devalued their currency – in three weeks the Brits conceded and the prime minister resigned. Yes, China has this geostrategic advantage and they know it (*AFRD*, pp. 159-169). Interestingly, China's army literature describes their 600 merchant ships operated by COSCO as *zhanjian*, or "warships." U.S. trade with China has always been strategic as noted by our military futurists. As Chairman Deng Xiaoping once confided, "we must hide our capacities and bide our time."

China and Russia are both being affected by the economic downturn, but their rigid centrally-planned infrastructures are better prepared to control disarmed populations. Russian scholar Igor Panarin is dean of the Russian Foreign Ministry and a former KGB analyst who is predicting that America will descend into civil war in 2009 and will break up into six separate states by 2010. An expert on U.S.-Russian relations, Panarin refers to U.S. foreign debt (bonds) as "a pyramid scheme" that will lead to a financial collapse and says that mass immigration has contributed to our decline, which some see as a deliberate plot (*America's Engineered Decline*). Panarin concludes that both Russia and China will emerge stronger and check U.S. hegemony in Central Asia, a geostrategic trend that concerns the U.S. intelligence community. In 2001, the Shanghai Cooperation Organization was formed with China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan as a direct answer to a corrupted and pro-western OPEC cartel. Western analysts see this Sino-Russian alliance as a new Warsaw Pact, or geopolitical counterweight to U.S. oil interests around the Caspain Sea. This is a subject that Zbig Brzezinski wrote about in *The Grand Cheesboard*, and a more recent account by war correspondent Lutz Kleveman in his book *The New Great Game: Blood and Oil in Central Asia*. Kleveman points out that the "war on terror" was a pretext for sending troops to Iraq (to secure oil) and troops to Afghanistan to rid the Taliban, who were preventing the CentGas pipline project with Chevron-Unocal and Halliburton (Dick Cheney's old company).

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[29] Andrew F. Krepinevich, *7 Deadly Scenarios: A Military Futurist Explores War in the 21st Century* (NY: Bantam, 2009)
[30] *Janes Intelligence Weekly* has captured images of a secret submarine base at the tip of Hainan Island that can conceal up to 20 submarines and aircraft carriers to challenge U.S. naval power in the region along with new Russian SU-30MK2 jets

In 2005, the U.S. applied for observer status to the SCO and was flatly denied. In that same year, the U.S. was asked to remove its airbase in Uzbekistan and Russia has influenced Kyrgyzstan to remove more airbases in February 2009. Current SCO observers include India, Pakistan and Iran with Venezuela seeking to join (www.sectsco.org). Iran and Venezuela are rogue members of OPEC, and both have joint oil ventures with China. In 2004, Iran announced plans to open an oil bourse as a trading platform to price crude oil in euros instead of dollars in an effort to strike at the U.S. *dollar pillar* to collapse the *military pillar* (the CIA refers to this as attacking your foe's 'center of gravity'). In 2008, Iran opened this oil marker for trading and the Obama administration is currently drawing up plans for an attack against Iran (Iraq tried switching to euros in 2000). The Israeli government under Benjamin Netanyahu is also requesting flight codes from the U.S. to fly over Iraq to strike at Iranian nuclear facilities. Washington has criticized Russia for helping Iran to develop their nuclear plants and supplying TOR-M1 anti-aircraft missile systems. The fact that China-Russia-Iran has formed a hostile troika to U.S. interests in the region is a geopolitical paradigm that could be a tipping point for China to initiate economic warfare. The SCO favors a "petroeuro" pricing structure and some members of OPEC are also indicating the same. According to the BIS, the oil cartel is shifting more of their currency reserves into the euro. In early 2009, the Gulf Cooperation Council (GCC) formerly announced that they will break their dollar pegs in favor of a new single currency called the "*khâleeji*," which means Gulf in Arabic. The GCC has pegged their currencies to the dollar since 1981 and cites America's "inappropriate monetary policies" by the Fed as a main reason for their decision.[31] The new currency was planned for 2010, but Saudi Arabia wants it by fall 2009.

This is a major development in the Middle East and it demonstrates how the current economic crisis is producing a macroeconomic paradigm in the world. The declining role of the U.S. dollar, as predicted by futurists, forecasters, foreign analysts and government think tanks, is heightening the need for a more reliable reserve currency as proposed by the G-20 meetings. The current proposal of an SDR comprised of the dollar, euro, yen and pound could eventually result in *the euro* being the strong anchor as the dollar finally gives way to a revalued dollar/amero in the NAU. According to the McKinsey Global Institute the EU has officially over-taken the US as the world's largest economy ($18.4 trillion GDP). As T. R. Reid noted in his 2004 book *The United States of Europe*, "the success of Europe's common currency could bring America's financial house of cards tumbling down."[32] Currently there are 16 Eurozone member nations but some are failing to meet the 1997 Stability and Growth Pact and have more than 60% debt to GDP or 3% inflation (the U.S. has a *100-200%* debt ratio!). According to Paul Donavan, a British economist at UBS, the economic crisis will likely cause a breakup of the Eurozone and favor "the strongest economies over the weaker ones," perhaps resulting in 10 *core* nations. In late 2008, British politicians were musing, "If we had the euro, we would have been better off." What the EU desperately needs is "political union" and the goal is to adopt the Lisbon Treaty by late 2009, and this will also create a new President of the EU. "We are building a new world superpower," says Tony Blair, "The European Union is about the projection of collective power" (*AFRD*, pp. 148-158).[33] PM Gordon Brown adds that today's challenges are merely the "birth pangs of a new global order." Why are these important issues? The globalists are building a New World Order and the Bible predicts that Europe will rise in world power with exactly 10 nations and a world leader, and this is a *major* geostrategic trend to be watching. I write more about this in my book (*AFRD*, pp. 198-219), and you are also encouraged to subscribe to www.geostrategictrends.com.

Famed currency analyst Dr. Franz Pick once said, """The fate of the nation, and the fate of the currency are one and the same." America is in deep trouble and people are beginning to wake up. Just as the government has a color-coded national threat advisory our *economic* threat advisory is a *code red*, and it is time to seriously make some preparations for hard times. "A prudent man sees evil and hides himself, the naïve proceed and pay the penalty" (Pro. 27:12). Freeze-dried food storage and fresh water is highly recommended and you can contact people at www.alpineairefoods.com, www.freezedryguy.com, www.nitro-pak.com, www.efoodsdirect.com and www.freshwatersystems.com. The largest supplier of garden seeds is www.burpee.com, or 1-800-888-1447 for a catalog. For survival gear contact Emergency Essentials (www.beprepared.com), or call 1-800-999-1863 for a catalog. A good source for lighting, stoves and home goods is www.lehmans.com, or 1-888-438-5346.

[31] The GCC includes Saudi Arabia, United Arab Emirates, Qatar, Kuwait, Oman and Bahrain. (Yemen is seeking to join).
[32] T.R. Reid, *The United States of Europe: The New Superpower and the End of American Supremacy* (NY: 2004), p. 243.
[33] Ibid., p. 4. The annual Bilderberg Group meeting in Vouliagmeni, Greece (May 14, 2009) focused on the Lisbon Treaty.

Thomas Jefferson said, "When the people fear their government there is tyranny; when the government fears the people there is liberty." Immediately following the election of Obama, gun and ammo sales rose 49%, and it is getting nearly impossible to find certain ammo. Why is this? In addition to people fearing their government, the Feds want to restrict private gun sales (HR45), ban so-called assault weapons (HR1022), and add a new 500% federal excise tax on firearms (www.gunowners.org). Our 2nd Amendment rights are in grave danger and history proves that gun *registration* usually precedes *confiscation*, as it did in the USSR (1929), China (1935), and Germany (1938). In this current environment and the potential for financial meltdown, riots and martial law you are urged to get armed and buy ammo (try www.ammoman.com, www.georgia-arms.com). In 2001, Argentina defaulted to the IMF and suffered massive bank runs and a collapse of the social order. For a sobering first-hand account please read "Lessons from Argentina," by searching this title at www.google.com. If you are concerned about living in large urban centers I suggest Joel Skousen's book *Strategic Relocation* or go to www.joelskousen.com, and for group retreats and property check out www.suvivalrealty.com.

In my book I have a final chapter that deals with precious metals, tangible assets, paper investments and cash (*AFRD*, p. 285-318). Gold and silver have been in a bull market since 2001, and this trend will continue as our financial crisis deepens. Despite heavy demand for metals, spot indexes have been curtailed by bankers to help inspire confidence in their markets. As I noted earlier (p. 6), Bear Stearns had a huge short silver position in March 2008 and J.P. Morgan Chase helped cover this commitment on COMEX. By July 2008, Countrywide, IndyMac, Fannie and Freddie Mac all imploded and J.P. Morgan along with Goldman Sachs moved to short the gold and silver markets by holding 6,199 silver contracts and 7,787 gold contracts. By August 2008, this figure was increased to 33,805 silver contracts (*5-fold*) and 86,398 gold contracts (*11-fold*) – this was 88% more silver and 46% more gold than COMEX *had in their vaults* – talk about blatant manipulation! During the final quarter of 2008, bankers conspired to sell enough OTC gold/silver derivatives to take gold from $975 to $725 and silver dropped from $19 to $9 an oz., such is the desperation of Wall Street. According to silver analyst Ted Butler, this kind of manipulation should convince investors "to acquire even *more* metals" (www.butlerresearch.com). For my clients, I recommend they place 30-50% of their liquid assets into metals with an equal amount in pure gold and silver bullion, and I can also assist clients with retirement accounts to rollover into a Precious Metals IRA at Sterling Trust Company (www.sterlingtrustcompany.com). For sophisticated or high net-worth clients I recommend depository accounts for low premiums and safekeeping. If you are interested in learning more go to my website at www.idpconsultinggroup.com and leave your contact information, or call me at 1-928-793-4269 (12-6 MST). As someone once said, "don't wait to buy precious metals; buy precious metals and wait."

Concerning cash and savings accounts I have noted elsewhere in this report that FDIC is a confidence game and that commercial money market accounts can fail. In my book and website, I list safer alternatives and also recommend that you have a foreign currency account at www.everbank.com. As far as investing in capital markets there is considerable risk but I have some suggestions for diversification and waive my normal consulting fee when you open a precious metals account. As Warren Buffet likes to say, "it wasn't raining when Noah built the ark." For some wise counsel listen to www.financialsense.com and go to www.moneyandmarkets.com and sign up for their daily alerts. You can also educate yourself by going to websites that I have mentioned in this special report and books like Thomas Wood's timely treatise *Meltdown* (www.mises.org). A resource that I highly recommend is *The New American* magazine and you can receive a free copy by calling 1-800-727-8783. For a signed copy of my book or reports go to www.chuckcoppes.com, or call 1-208-712-0170 (PST).

In conclusion, this has been a difficult report to produce, but as I often say, I am just the messenger. Abe Lincoln said, "America will never be destroyed from the outside. If we falter and lose our freedoms, it will be because *we destroyed ourselves*." We seem to be at that place in history. For those who trust in Providence this is not cause to be fearful. "Heaven is My throne, and the earth is My footstool," says the Lord. "But to this one I will look, to him who is humble and contrite of spirit, and who trembles at My word" (Is. 66:1-2). He has never promised a smooth flight in this life, *just a safe landing*. I pray that you will look to Him and trust in His word. "God is our refuge and strength, a very present help in trouble. *Therefore we will not fear*" (Ps. 46:1).

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