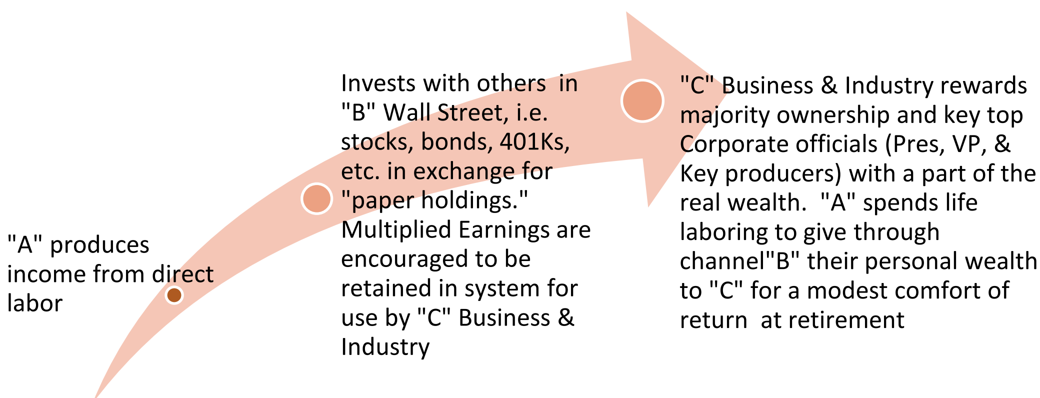
<u>The James 5 Revelation of Global Captivity</u>

Key Points:

1. Before there can be a deliverance, there must first be a captivity;
2. Before a message of deliverance may be "effected," there must be awareness of the captivity;
3. In the case of the "fiat" monetary system of the world, there is virtually no awareness of economic captivity;
4. Wall Street is the glossiest, most cunning, of the economic system, allowing for the masses to furnish their labor for the industrialists to gain real wealth – common labor exchanged for paper (stocks & bonds) while convincing those willing to interchange it to keep it in paper rather than exchanging it into real wealth e.g. goods and services which produce more labor and real wealth. Wall Street soars during a time of economic hardship among the labor force. This does not mean that investing in Wall Street or those who work in that system, are "evil". When in slavery, the slave system may be the only viable system one may employ (even entrepreneurially as suggested later in this document). Deliverance must come from God!



Education teaches "A" that there is "security" in giving income from labor to "B" to enable "C." The promise is given that if they will do that, "B" will retain enough of "C" to take care of them in the end.

An Entrepreneur is one who creates his own internal system "A," "B," and "C" in order to control the process from beginning to end. If successful, he/she ends up with "A" (income from his labor), "B" (the ability to multiply earnings), and "C" (real wealth – the ability to hold and control property, goods and services which continue to increase in real wealth). Entrepreneurs, however, remain in the slave system, and may at any time find their accumulated "property" taken from them by those who control the system. In any culture, the only game is the system.

The system is fueled by fraudulent "fiat currency," with "collateral" for those controlling the system used to leverage control of real wealth (property & control over all goods and services). Currency is defined as "a form of receipt of something held representing real worth." Once engaged, backed by the "good faith and credit of its citizens," the citizens become slaves to those controlling the currency system, e.g. "the borrower is servant to the lender." The "fiat currency" owners use the citizens as their pawns of credit, making the citizens collateral (economic slaves).

The following illustrates this:

You live a Median lifestyle.

Last year, you earned $51,071 before taxes. (Over 50% of the people in this nation earn less that you.) You're 60 now, and you've earned the median income since you started working in 1975 – which, conveniently, is when the Census Bureau's data series begins. How much do you need to retire, and hypothetically what percentage of your income do you need to have saved to get there?

You started work at age 22 after college, and pulled down the median wage in 1975, which was $11,800. Adjusted for inflation, that's the equivalent of $45,788 in 2012 dollars. But, for now we don't care about inflation-adjusted dollars. He earned $11,800, and being a prudent young person, decided that he would save 5% of his salary every year for retirement. In his first year, he saved $590.

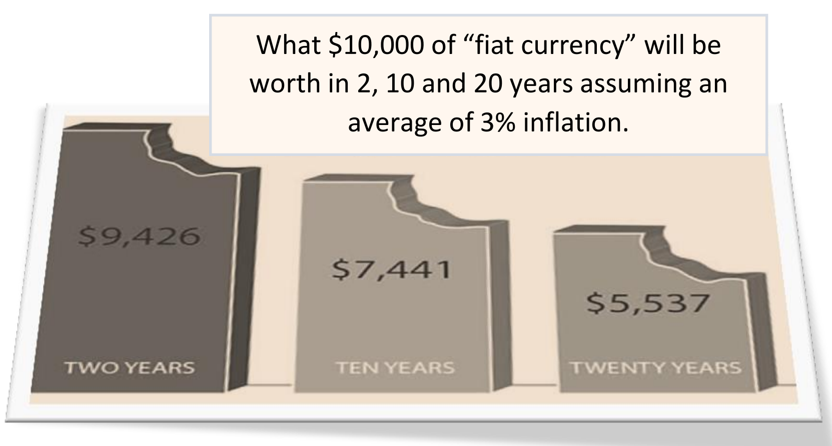
Each year, in a happy coincidence that could only happen in the land of hypothesis, he earned the median income in the nation. In 1990, the median was $29,943, so he put aside $1,497. In 2012, he socked away $2,551.

Assuming he invested in a blend of large-company stocks (60%) and government bonds (40%), a middle-of-the-road asset allocation, he would have earned an average 11.3% annually, according to this scenario provided by Ibbotson Associates. At that rate, he would have had $600,488 in his retirement savings at age 60. Not bad.

Our median man (or woman) still has five more years left until retirement age. Assuming his income rises at the same rate as the past 10 years (1.75%), he saves the same amount (5%) and earns the same amount (11.3%), he'd have $1,044,279.

If he were to invest that in an immediate annuity now, the company would guarantee him and his spouse an income of $4,778 a month. That's $57,336 a year. But their payment remains the same over time, meaning that inflation will erode the value of their income. But is this hypothesis in reality feasible? No! Here are some reasons why:

- **Inflation.**



So, as you can see the amount of retirement worth is reduced by 25% by the end of the first 10 years of retirement. By end of the next 10 years, it is further reduced to just over 50% of the start of retirement.

Here are other considerations. The idea that the median laborer makes the "median income" from his very first year of work does not make our hypothesis feasible for the following reasons.

- **Young poverty.** Most people don't earn the median wage just out of college. They earn some pathetic wage, hoping to earn more later. In all likelihood, our median man would have earned much less than the median wage in the first five years of his working life, and saved much less. That would have been extremely unfortunate. If he didn't start saving until 1980, his retirement kitty would be $765,699, instead of more than $1 million. Thanks to compounding, those small amounts stashed away early became a significant part of our median man's savings.

- **Experience.** A young person investing in stocks and bonds in 1975 would have been unusual, to say the least. The stock market fell 45% from 1973 to 1974, and bonds had lost money for three decades, thanks to rising interest rates. A struggling young person just getting life started would hardly have had money for an investment program.

- **Other problems**. Our median man didn't experience any extended periods of unemployment or sickness that would have kept him from saving. He invested regularly in the same mix of stocks and bonds, without chasing bubbles in housing, technology or baseball cards. This makes our original scenario very unlikely.

On the other hand, not hypothetically, but in reality, an executive of any Fortune 500 company will make more in one year than the mass of laborers contributing the funds providing for their industry will make in their lifetime. The "severance packages" of an average large company for executives dwarfs the lifetime wages of the laborers. All the while those executive funds are being provided from the mass labor of the small to median wage earners. First, they give their labor to make and service corporate America's products, and then they return a portion of their income (against retirement) to be remixed back into the system to provide for corporate's ability to grow exponentially, while inflation of "fiat currency" eats away at the laborers

The ability to manipulate large amounts of money is available to those who control it – the Central Bank, Wall Street investment houses, and large corporations. The laborers have no ability to use the system in a manipulative controlled financial environment. The true "Capitalist" ideal (wealth accumulated through honest labor and fair marketing) is corrupted by deception and manipulation.

James 5:1-11 AMP "COME NOW, you rich [*people*], weep aloud and lament over the miseries (the woes) that are surely coming upon you. (2) Your abundant wealth has rotted and is ruined, and your [*many*] garments have become moth-eaten. (3) Your gold and silver are completely rusted through, and their rust will be testimony against you and it will devour your flesh as if it were fire. You have heaped together treasure for the last days. (4) [*But*] look! [*Here are*] the wages that you have withheld by fraud from the laborers who have reaped your fields, crying out [*for vengeance*]; and the cries of the harvesters have come to the ears of the Lord of hosts. (5) [*Here*] on earth you have abandoned yourselves to soft (prodigal) living and to [*the pleasures of*] self-indulgence and self-gratification. You have fattened your hearts in a day of slaughter. (6) You have condemned and have murdered the righteous (innocent man), [*while*] he offers no resistance to you. (7) So be patient, brethren, [*as you wait*] till the coming of the Lord. See how the farmer waits expectantly for the precious harvest from the land. [*See how*] he keeps up his patient [*vigil*] over it until it receives the early and late rains. (8) So you also must be patient. Establish your hearts [*strengthen and confirm them in the final certainty*], for the coming of the Lord is very near. (9) Do not complain, brethren, against one another, so that you [*yourselves*] may not be judged. Look! The Judge is [*already*] standing at the very door. (10) [*As*] an example of suffering and ill-treatment together with patience, brethren, take the prophets who spoke in the name of the Lord [*as His messengers*]. (11) You know how we call those blessed (happy) who were steadfast [*who endured*]. You have heard of the endurance of Job, and you have seen the Lord's [*purpose and how He richly blessed him in the*] end, inasmuch as the Lord is full of pity and compassion and tenderness and mercy. [*Job 1:21, 22; 42:10; Ps. 111:4.*]"

James 5:1-11 MSG "And a final word to you arrogant rich: Take some lessons in lament. You'll need buckets for the tears when the crash comes upon you. (2) Your money is corrupt and your fine clothes stink. (3) Your greedy luxuries are a cancer in your gut, destroying your life from within. You thought you were piling up wealth. What you've piled up is judgment. (4) All the workers you've exploited and cheated cry out for judgment. The groans of the workers you used and abused are a roar in the ears of the Master Avenger. (5) You've looted the earth and lived it up. But all you'll have to show for it is a fatter than usual corpse. (6) In fact, what you've done is condemn and murder perfectly good persons, who stand there and take it. (7) Meanwhile, friends, wait patiently for the Master's Arrival. You see farmers do this all the time, waiting for their valuable crops to mature, patiently letting the rain do its slow but sure work. (8) Be patient like that. Stay steady and strong. The Master could arrive at any time. (9) Friends, don't complain about each other. A far greater complaint could be lodged against you, you know. The Judge is standing just around the corner. (10) Take the old prophets as your mentors. They put up with anything, went through everything, and never once quit, all the time honoring God. (11) What a gift life is to those who stay the course! You've heard, of course, of Job's staying power, and you know how God brought it all together for him at the end. That's because God cares, cares right down to the last detail."

On the following pages you will find documents prepared by Matthias Chang.

Matthias Chang is a Malaysian of Chinese descent. He is a Barrister of 32 years standing and once served as the Political Secretary to the Fourth Prime Minister of Malaysia, Tun Dr. Mahathir Mohamad. He is the author of three bestsellers, ***"Future FastForward and "The Shadow Money-Lenders and the Global Financial Tsunami.***

Mr. Chang is a professed Catholic in his religious beliefs. Politically, he is an antiwar activist. While I do not hold to his political ideas, I find his expertise regarding the global "world powers" to be very current. For those who understand the James, Chapter Five, prophecy, his words show fulfillment of God's prophetic word.

The following collection of several separate documents are designed to help assist you in understanding, from a practical standpoint, what is current underway on a global scale. When printing this out, it consists of a total of 31 pages.

The Entire Fiat Money System is Bankrupt: Demise of the Global US Fiat Dollar Reserve Currency

By Matthias Chang
Global Research, November 01, 2013
Future Fast Forward

Region: USA
Theme: Global Economy

Major issues or trends do not change on a daily or even monthly basis. A trend may take a few years to run its course and unless there is a major factor that may affect the trend, there is hardly any need to comment any further on the trend or outcomes.

The events unraveling post Bernanke's decision not to taper QE is most significant because it confirms our analysis that the banking crisis has not been resolved in any significant way after five years of money printing and massive asset inflation. The fiat money system has but one outcome – total collapse. It will also mean the demise of the global US dollar reserve currency.

There are no solutions at hand.

Bernanke is totally discredited and his continued tenure as Chair of the FED would only accelerate the realisation that the FED and all central banks have failed. Hence, the need to change the “leadership” at the FED, but the same policies would be followed with some cosmetic changes to hoodwink the ignorant masses. It is analogous to the transition from the second Bush presidency to that of Obama and all the theatrics of “change” propaganda. In fact, Obama is Bush 2 on steroids! Yellen will be Bernanke on steroids. Why are we so certain of this outcome at Future Fast-Forward?

Our reasons are as follows:

Prior to the Global Financial Tsunami of 2008, I had written several articles exposing the global Too Big To Fail (TBTF) banks as financial rapists and predators and they would cause untold havoc to the financial system.

Post the crisis, I had also warned that these global TBTF banks are all insolvent and the toxic assets on their balance sheets would exceed US$20 trillion at the minimum. The entire fiat money system is bankrupt. Printing toilet paper money by the trillions does not make the system solvent. It is a clear admission that the system is totally broken.

The banking Humpty-Dumpty has fallen from the wall and shattered into a thousand pieces! The confirmation for this is the fact that all central banks led by the FED have only one aim – to create massive asset inflation. How can a stock market of a bankrupt nation be at an all-time high?

The FED and central banks the world over are not interested in resolving the unemployment problem because record unemployment would not collapse the fiat money system. It may trigger massive social unrest but that can be put down by a militarised police force, supported by a battle-hardened military as is happening in the US.

In the circumstances, we need to ask the US$ Trillion question – Why are all the central banks focusing on asset inflation via creation of money out of thin air?

The answer: THE FIAT MONEY SYSTEM IS THE ECONOMY, STUPID!

It used to be that the Petro-dollar was the linchpin of the global economy. However, when the derivatives market took off and became a US$800 Trillion global casino, the US$ toilet paper became the currency in global financial trading and speculation.

All the TBTF banks were leveraged to their eyeballs and the collaterals were hypothecated and re-hypothecated so many times over, it became an inverted pyramid joke.

The collaterals were bundled up into CDOs etc. rated AAA by corrupt rating agencies and traded. We need not repeat this old story. The point we are making here is that not only are the collaterals junks but they are supporting a mountain of debts in the trillions. Therefore, when collaterals are impaired the TBTF banks are in a hole from which they cannot get out. The FED and other central banks have no choice but to bail out the TBTF banks if a systemic failure is to be avoided. If all the junk collaterals were to be off-loaded at once in the full glare of public scrutiny, there would be a run on all the banks. So, what was required was a stealth rescue effort. The TBTF banks were allowed to unload the junk collaterals bit by bit by the various schemes of the FED culminating in the US$85 billion a month purchases of treasury bonds and mortgages by the FED.

Additionally, newly “minted” collaterals were used to replace the junks so as to clean up the balance sheets of the TBTF banks. I have stated earlier that the minimum amount of toxic assets needed to be mopped up is US$20 trillion. After five years, the FED has just scratched the surface. It is debatable how many US$ Trillions the FED has actually pumped into the system directly and indirectly. How much and how long more can the FED continue to pump US$ toilet paper into the system without creating a massive loss of confidence in the dollar? When the balance sheet of the FED reaches US$7 Trillion or maybe US$10 Trillion? It is anybody’s guess.

For sure, there will be a point when another US$100 Billion is created on top of the stash of US$ toilet papers which will tip the scale and collapse the entire system. It is a catch-22 for the FED. If it stops creating fiat money out of thin air, the fiat money system would collapse immediately. If it continues with more money creation, it merely postpones the inevitable and more devastating end-game. This is the price we all have to pay for allowing the fiat money system to hold sway for so long.

The world was conned into accepting the biggest Ponzi scheme in the history of banking and finance – the US$ Global Reserve Currency Ponzi Scheme.

This scheme was created on a sand castle of debt, specifically US Treasury Bonds. The world does not need a Global Reserve Currency. Global trade can be conducted in any currency in accordance to the needs and resources of a country.

Why should there be a special privilege given to only one country to have its currency as the sole reserve currency for purposes of trade? It makes no sense as it is the result of US imperialist policies under the pretext of the Cold War. The con was based on the propaganda that the US$ should be the preferred currency and the US Treasury Bond is the “safest asset” to have in the event of an outbreak of war between the Western Imperialist camp and the Soviet bloc. We were told this arrangement was necessary if we are to enjoy the protection of the mighty US superpower!

Yet, when the Soviet bloc collapsed no one questioned the need to perpetuate the system.

Another spin was propagated. The US was the linchpin in the new era of globalisation as the US market was the biggest consumer / export market. Everyone was caught in this web of deceit. The US market was a market built on a mountain of debt. Adding insult to injury, the US consumers paid for the goods produced by millions breaking their backs with US$ toilet paper money!

Some so-called currency experts have asserted that no other currency can replace the US$ toilet paper as the global reserve currency because no other country has a bond market like the US bond market, dominated by the US treasury bonds. What an idiotic statement!

If a country is not in debt, there is no need for any bonds to be issued. A bond is an I.O.U. A bond is a mere paper pledge to repay a debt.

And anyone who says and continues to perpetuate the myth that a US debt is a better debt and is more secure is ignorant and misinformed!

Why would anyone want to work and produce goods which are sold and paid in US$ toilet paper and then use the surplus US$ toilet paper to lend to the US government who repays the debt by merely printing more US$ toilet paper?

So, do you still think the world needs a US$ toilet paper money as a reserve currency?

America is Insolvent. Why Would China's Rating Agency Rate US Sovereign Debt AA When it is No Better Than Junk?

By Matthias Chang
Global Research, July 19, 2010
19 July 2010

Region: Asia, USA
Theme: US NATO War Agenda

For all intent and purposes, the United States is insolvent.

This is not my personal assessment but that of world renowned "experts" and economists, and financial institutions. Just google "US Debts" and you can find thousands of analysts stating that there is no way that the US can ever pay off its debts. The US cannot even liquidate the accumulated interest on the outstanding debts. The debts are in the trillions!

The Casey Daily Dispatch observed:

The simple reality the Fed is waking up to is that the structural underpinnings of the economy are damaged beyond any quick or easy fix. That's because until the debt is wrung out of the system, either through default or raging inflation – there's no chance of it actually being paid in anything remotely resembling current dollars – the equivalent of an economic Black Death is going to plague the land.

The American rating agencies, Moody's, Standard & Poor's, and Fitch Ratings still give the thumbs up for the United States – a whopping AAA rating. These same agencies gave AAA ratings to the CDOs and other financial products peddled by the Too Big to Fail Global Banks when they were in fact junk. It took the financial tsunami to expose their fraudulent practices.

So I don't give too much credence to the ratings by these crooked institutions.

The National Inflation Association (NIA) believes that the real credit rating of the US should be junk. But you don't have to believe them either.

So how do we know for sure that the US should be rated as junk?

Simple! Apply common sense to the facts before you.

Since the United States defaulted on its debts in 1971, when President Nixon refused global and sovereign creditors the right of redemption in gold for US dollars, it has been living on borrowed time. The United States conned the world into accepting its toilet paper currency and for those who dared to question the integrity of its fiat currency, the mighty US military was deployed to ensure compliance.

The global banking elites then employed subservient economists the world over to tout the merits of the floating exchange rate as the mechanism to determine a currency's value. Countries were compelled by threats of war or coups to peg their currency to the dollar. The dollar became the "anchor" in place of gold. Trade had to be denominated in US dollar which gave the United States an undue advantage.

This "pegging" gave an illusion of strength of the US dollar and creditworthiness of the United States. While others have to produce and earn an income in a "local currency" and then exchange it for US dollars to import and or purchase goods (as over 80% of global trade is denominated in dollars), the "paper tiger United States" need only to print money to pay for goods and services when its income was insufficient to pay and sustain its standard of living.

For over 37 years, the United States got away with this con!

For over 37 years, people the world over sold their produce to the United States in exchange for a paper with a number printed on it, a number denoting its value i.e. a 100 dollar note etc. People just accepted the number printed on the paper as reflective of the "real value" of the currency. In reality it has no value. It costs a few cents to print the toilet paper currency.

Through slick propaganda, people were led to believe that the value is as printed on the paper. No one dare to question the absurdity of this proposition.

But now, we have reached the stage of total collapse of the global fiat currency system. Every country in the developed world is implementing the policy of "quantitative easing" (the central bankers' jargon for creating money out of thin air) in a desperate effort to pay off mounting debts and compounding interest in the trillions. To a lesser extent, developing countries are also following the Washington consensus. The global financial system is flooded with toilet paper currencies.

What will be the endgame?

Let’s pause and think for a moment. Let’s apply common sense.

The US dollar $, the Euro €, the pound £, the Yen ¥ etc. are all fiat currencies – they have no intrinsic value. Their value is a number arbitrarily printed on the paper and sanctioned by central bankers as “legal tender”.

In essence, they are all junk – toilet paper currencies. So how do they “float” against each other under the global floating exchange rate system?

This is where the fun starts.

How does one compare a junk from another? How does one determine the exchange value of one junk from another? A junk is a junk!

Forget about the market forces determining the values of the various junk currencies. ***It is determined by central bankers and no one else.***

Whether a US dollar is equivalent to Ringgit 3.40 or Euro 1.18 or Yen 90 is arbitrarily decided by the respective central banks. And there is nothing you and I can do about it. If it serves the interest of a country to have its currency devalued, the central bank of that country will allow its currency to devalue and vice-versa.

Sometimes, the central bankers get their accomplices, the hedge funds to jointly manipulate the forex market through derivatives trading. And as long as the central bankers and their accomplices maintain the fluctuations in any one period of time in accordance with the parameters previously agreed by the central bankers, nothing much will happen. It is when central bankers cannot agree on the parameters that problems will emerge, often resulting in trade wars and even “hot” wars.

Don’t believe me?

I will give two examples:

The Plaza Accord

In 1985, at the request of the United States – France, Germany, Japan, and the United Kingdom agreed to deliberately weaken the dollar’s exchange rate. At the material time, the United States was having huge trade deficits, especially with Japan. The agreement, known as the Plaza Accord, was to help the United States reduce its huge trade deficit to assist its economy to climb out of the 1980′s long recession. The intervention was so successful, that the dollar depreciated beyond its target level. By the end of 1987, the dollar had fallen by

54% against both the D-mark and the yen from its peak in February 1985. This sharp drop caused another panic – that of an uncontrolled dollar plunge.

To address and reverse the excessive depreciation of the dollar, the same group of countries agreed in 1987 to strengthen the dollar. This latter effort was known as the Louvre Accord. Another blatant market manipulation! Since when were any markets really free?

Why did England and France agree to participate in this blatant market manipulation? They owed US a big thank you for winning the Second World War. It was time for the US to collect past dues. In the case of Germany and Japan, being defeated nations and under occupation, they had no choice but to kow tow to big brother USA.

The Asian Financial Crisis

All you need to do is to recall what happened during the Asian financial crisis. The tiger economies were undermined and attacked and their currencies went into a free fall. Malaysia's economic development was severely threatened. But the then prime minister, Tun Dr. Mahathir Mohamad had the foresight and courage to take on the global financial elites and imposed capital and currency controls. The prime minister unilaterally fixed the exchange rate for the ringgit at RM3.80 to a dollar. Forex speculators took a major hit and never recovered from this surprise counter attack.

While this unprecedented intervention was executed to save the national economy and the livelihood of 23 million Malaysians, the global financial elites through the shadow banking system intervened to manipulate the market to reap obscene profits and to plunder.

We will now address the trillion dollar question.

How does China or the United States decide that one US dollar is equivalent to 6.7 Yuan or whatever rate?

Before addressing the question, it is important for us to understand how in a relatively short period of time, China was able to accumulate such a huge amount of dollar reserves and became the No. 1 creditor of the United States.

In their grand scheme for financial hegemony, the US financial elites proposed to the Chinese financial elites that in exchange for massive FDI and outsourcing of industries by the US, China must supply cheap goods to the American market and maintain an agreed exchange rate. This scheme was the lynchpin to an unprecedented expansion of credit in the global financial system, because such a rapid expansion of credit would be extremely inflationary. When China can supply the entire spectrum of goods at less than ten percent of the prevailing price, the financial elites knew that they could flood the global casino with dollars without having to worry about inflation.

And as they say, the rest is history.

This arrangement served the US and China well for two decades, in fact too well resulting in China having the largest dollar reserves in the world as well as becoming the largest creditor to the US.

Coming back to the trillion dollar question, as stated earlier the exchange rate is determined by the respective central banks. Of late, the Obama administration has been putting pressure on China to revalue its currency. In response to the pressure and to avoid a trade war, China allowed its currency to appreciate slightly. In fact, this happened just before the G-20 Summit in Toronto.

While the above arrangement (specifically the agreed exchange rate) has served its original purpose, it can no longer be sustained. This is because the current yuan/dollar peg is distorting the forex market and will exacerbate even further the present global financial crisis.

As a result of the global financial tsunami, the US is in default once again. But this time round, Obama cannot do what Nixon did in 1971.

The Daily Reckoning assessed the situation correctly when its subscribers were told:

Wait a minute. We're still Number One, right?

Yes…in the sense that we can, in theory, kick any butt in the world. That is, if the Chinese let us. They've got so much of our money and so many of our bonds, if they decided to dump them, we'd be in one helluva fix. Because we don't pay enough in taxes to fund our social programs and the Pentagon at the same time. We can't afford it. So the nice Chinese lend us money.

But don't worry. They've promised not to dump our bonds. And we're sure they'll honor that promise for as long as they want to.

As far as we know, no empire that had to borrow money from its rivals has ever lasted very long. Britain got itself in that position in WWI. It could no longer afford the carrying costs of the empire – including the huge cost of the war itself. So, it borrowed from the US. The Germans borrowed from US lenders too. But America's lenders to Britain had more money in New York and more power in Washington. So, the US entered the war on Britain's side rather than on Germany's side.

Then, in WWII, when an American general was put in charge of D-Day, it was clear that Britain had ceded the lead dog position to the US. It was a friendly handover, achieved by force of economics rather than by force of arms. The US did not have to defeat Britain *militarily. Instead, she merely had to finance her.*

A few years later, during the Suez crisis, Britain learned what it was like to be a subordinate power. She discovered that she could no longer throw her weight around without US consent.

But that is on the military front. At home, Britons discovered that they were poor…and getting relatively poorer. Under the weight of growing social welfare programs and a shrinking empire, Britain's economy sagged. Its old allies – France and the US – boomed in the post-war years. So did its old enemies – Japan and Germany. Soon, not only were its friends richer and more powerful…so were its adversaries.

So, we now have a ridiculous situation where the United States owes global creditors trillions of dollars (specifically China), is insolvent, yet, the exchange rate does not reflect the underlying weakness of the United States.

We also have the situation where China has been selling goods and services to the United States and is being paid in toilet paper currency that has no value other than the artificial and arbitrary value printed on the paper. China, in turn lends these toilet papers back to the United States so that it can purchase more goods and services from China. The United States has no money to repay China, so it creates money out of thin air, via the electronic printing press and use that to pay China.

Seriously, how long can this charade last?

Back in 1985, we had the Plaza Accord to bail out the paper tiger USA. The answer then was to devalue the US dollar. But Japan suffered two decades of stagnation.

Why have the same countries – UK, France, Germany and Japan not adopted a similar strategy at this juncture, thereby boosting US exports?

Simple!

1. The US has outsourced so much of their previous exports to China and other countries that it does not have enough meaningful products to export anymore to make a substantial difference in the trade deficit.

2. For the past decade, the main exports of the US were, and continue to be "Financial Products" – the junks wrapped up as CDOs and rated AAA and sold to gullible investors (i.e. gamblers) all over the world. The US was the centre of the global derivatives casino, managed by the Shadow Banking Cartel.

3. There has been such a massive ***US dollar credit expansion*** in the last decade as well

as ***toilet paper dollars*** in the global financial system that any attempt to devalue the dollar would result in an uncontrolled free fall, and the complete destruction of the economy of the US.

4. And China by maintaining its current exchange rate with the dollar (and within a narrow band of fluctuation) has ***artificially maintained the current value of the US dollar to avoid the status of being downgraded to junk.***

5. Thus in the short term, China is complicit, together with other major central banks, in hoodwinking the ordinary folks that the global fiat money system is still in a healthy state. But, by downgrading the US one notch, China and the global elites hope that the con can be maintained for some time so that China as well as other countries can get out of their massive US dollar assets. But the situation is so volatile that no one, absolutely no one can say for sure when a child would cry out the proverbial exposé, ***hey, the emperor has no clothes!***

6. It is also obvious to the global financial elites that if there is a massive flight from dollar assets to euro assets, there would also be an uncontrolled plunge of the US dollar. The European global banks are also up to their eyeballs holding junk dollar assets and would thereby suffer huge losses over and above their exposure in euro loans to the “PIIGS” countries (Portugal, Ireland, Italy, Greece and Spain). Unlike the time of the Plaza Accord, right now, no one wants dollar devaluation. When the slide starts, no one would be able to stop the plunge. Central bankers are sitting on a knife’s edge. Ouch!

7. So, the “Greek crisis” was engineered to prevent such a flight from dollar assets to euro assets. Greece is “Mary Poppins” in the overall financial scheme of things. Its GDP is not even 3% of the Euro zone. In contrast, California is bankrupt and is more pivotal to the US economy. It is the 7th largest economy in the world. Yet, the bankruptcy of California did not impact on the US economy as it should. This is because the global mass media ensured that the bankruptcy would not be highlighted. The hype instead was that the euro would be heading for a crash. The result? The flight to euros was halted in its tracks.

8. Someone threw the spanner in the works. The culprit in the eyes of the global financial elites was the indomitable Iran. China and Russia were playing geopolitical games in their trade relations with Iran in the hope that President Ahmadinejad would not spoil the party before they were ready to dump their massive dollar assets. The US and Israel played the hard ball role while China and Russia initially played the softy role so typical of the police methods when attempting to extract concessions and or confessions. But China’s and Russia’s true intentions were revealed, when exasperated with the resilience and defiance of Iran, they opted to impose severe sanctions on Iran. The quartet did not bother to maintain the farce. The nuclear weapons issue was merely a smoke screen to mislead the world of the impending financial implosion.

The downgrade by China must be seen for what it is – a stark warning that the end is near. The curtain has to come down on the charade.

Another signal that the end is near was when the Bank of International Settlement (BIS) swapped Gold as security for a dollar facility extended to a sovereign (most likely Portugal) via commercial entities. Gold, once considered a “barbaric relic” is now back in fashion in currency swaps. Who would have thought this was possible just a few months ago? In a sense, we have turned a full circle. In 1971, Nixon decoupled gold from the US dollar. Today, the BIS have taken the first few steps in bringing gold back to its rightful place.

No matter how hard the central bankers and China try to prevent the sovereign debt bubble blow-out, they will not succeed.

Sooner or later, China has to make the decision of the 21st century – to dump the dollar and allow global economies to suffer severe pain in the short term, five to ten years, or commit mass suicide together with the US, UK, France, Germany, Russia and Japan.

China at this moment in time is the only country that can survive the coming financial devastation with the least pain as it will be relatively easy to transform its economy from being export-driven to that of a domestic-based economy – tapping the limitless potential of its 1.5 billion citizens. China can do in one short year, maybe at the most two, what would take a generation for the other developed economies to do.

A marginal increase in the purchasing power of its citizens will take up whatever downturn in the export markets.

The fact that the Yuan is propping up the dollar means that it is the Yuan and not the dollar that is the undisputed ***global reserve currency.*** If China revalues drastically upwards the Yuan, every fiat currency would head for an uncontrolled free fall.

Let us not be naive and kid ourselves. It is pure pantomime for the US to demand from China to revalue the Yuan and for China to resist a revaluation. This so-called currency tug-of-war is a smoke screen to lend credence that the dollar is not junk but AA, albeit down one notch from AAA.

The fact that so many western-trained economists have not addressed and or exposed this issue can mean only two things – either they are truly ignorant or they are part of this grand charade, blowing smoke into our eyes.

Be patient. Invest in Gold. Prepare for Act II of the financial Armageddon!

Excess Reserves at the Federal Reserve. One of The Biggest Financial Scams In History: A Whopping US$1.794 Trillion

By Matthias Chang
Global Research, July 08, 2013
Future Fast Forward

Region: USA
Theme: Global Economy

Banks' excess reserves at FED is one of the biggest scam by the FED and there is a conspiracy of silence as to its actual implications. Economists and financial analysts spewing nonsense to mislead and divert attention to non-issues so that the public is kept in the dark.

The issue of banks' reserves at the FED and other central banks in the world is a complex subject with much technical jargons that confuses a lot of people. Besides, don't be surprised that your bank branch manager on Main Street as well as lecturers in finance and economics are also ignorant on this issue. In the case of the latter, this subject is hardly taught in universities. And this is the reason why the scam has not been exposed till today.

But, for those who have a basic idea of bank reserves and how this huge amount of "excess reserves" have been created by the FED, have you asked yourself, "Why have I not spotted this scam earlier?"

Many have been taken in by the propaganda that "excess reserves" is the means to encourage banks to extend credit (give out loans) to desperate borrowers who needed urgent funds to survive and to jump-start their businesses. This propaganda is grounded on the assumption that there is insufficient liquidity in the market.

This assumption is misleading.

What are Excess Reserves

The latest figures obtained from the H.3 release from the Board of Governors of the Federal Reserve System (the FED) shows excess reserves of about $1.794 trillion (data as of April 17, 2013), This level of excess reserves is unprecedented and is the highest since reserves were legislated as a requirement.

Please read the below paragraph carefully, ponder deeply before proceeding further. Don't rush. It is important that you understand this simple fact as otherwise you would not appreciate the audacity of this financial scam!

Excess reserves are the surplus of reserves against deposits and certain other liabilities that depository institutions (collectively referred to as "banks") hold above the statutory amounts that the FED requires in accordance with the law. The general requirement is that banks maintain reserves at least equal to ten percent of liabilities payable on demand. There is now data to show that as much as 50% of these "excess reserves" are held for United States banking offices of foreign banks.

Let me elaborate. Banks receives deposits from their customers which are inter-alia placed in current accounts (checking accounts) or time deposits (fixed deposit accounts) and which the customer can at any time withdraw from the bank. But, banking practice shows that at any one time, only a small fraction of customers would withdraw their deposits in full. So, there was no need for banks to keep all the deposits in their vaults to meet such a demand for payment. Laws were enacted to allow banks to keep in reserve a small amount of monies to meet such demands.

That being the case – if only 10% reserves is all that is required according to banking regulations to meet repayment demands, why should there be such a huge amount of reserves, beyond the legal requirement of 10%?

Keep this question at the back of your mind to understand the huge scam by the FED.

A Slight Digression

In a previous article, I had exposed the fact that when a customer deposits monies in a bank, he is in law a "creditor" (he has loaned the monies to the bank) and the bank is a "debtor" (and he can use the money in any way at his absolute discretion, even to speculate).

This is because the ownership of the money has been transferred to the bank. The money is no longer the money of the customer. It now belongs to the bank. And as long as the bank is solvent, and there is a demand for repayment of the deposit, the law of contract stipulates that the bank must repay together with the agreed interest that has accrued.

However, if at the time when demand for repayment is made, the bank is bankrupt (i.e. in a liquidation) then the depositor/customer in law is deemed an "unsecured creditor" and must join the queue of all unsecured creditors to share the proceeds of any remaining assets after all secured creditors have been paid. If there are no remaining assets, the depositors get zilch! Ouch!!!!!!

That is why and as illustrated in the bank confiscation of deposits in Cyprus banks acting in concert with central banks can expropriate all customers' deposits to pay their secured creditors.
I will elaborate on this issue later.

Let's return to the issue of excess reserves.

How Did The Excess Reserves Balloon To A Massive US$1.794 Trillion? A Simple Summary

The Fed's overall balance sheet has expanded from about $909 billion before the crisis (i.e. before 2008) to about $3.3 trillion in 2013. Of the $2.4 trillion increase, approximately $1.8 trillion is excess reserves.

Banks were up to their eyeballs in toxic assets (financial sewage) and they are drowning in this cesspool but for the rescue efforts of the FED and other central banks they would have sunk to the bottom of the cesspool.

First Stage of Excess Reserves Scam

From the diagram below, you will see that the FED created trillions of money out of thin air by a digital entry in its books to purchase the toxic assets (financial sewage) in batches from the banks. The objective of QEs is to save the banks and to save the US Treasury from bankruptcy and not Joe Six-Packs. However, in this article we are focusing on the banks.

So, let's say that the banks HAVE OVER US$10 trillion of financial sewage AND WANT TO DISPOSE THEM WITHOUT AROUSING ANY ALARM.

From the diagram below, you will see the monies flowing from the FED to the banks to purchase the financial sewage. The financial sewage is sucked into the FED's financial vacuum. However the monies are not channeled to the banks' branches in Main Street to be loaned out to Joe Six-Packs. It is re-routed back to the FED as "reserves". When the reserves exceed the minimum 10% requirement, the excess is classified as "excess reserves."

This is merely a book entry! And adding insult and injury to Joe Six-Packs, interest of 0.25% is paid on the reserves (i.e. giving profits to the banks).

The banks are allowed to survive in spite of their massive frauds and other financial hanky-pankies. The banks are allowed to use digital technology (e.g. high-frequency trading) to corner the market and destroy Joe-Six-Packs. But, Joe-Six-Packs have to suffer the indignity of unemployment, foreclosures, reduced unemployment benefits, survive on food-stamps, and other austerity measures. Additionally, and to prevent any opposition to the financial and ruling elites, Joe-Six-Packs are now under intense surveillance by NSA's Prism Program that tracks every move, phone calls, emails, etc.
Can you now see the audacity of this scam?

The money flows from the FED to the Too Big To Fail (TBTF) Banksters to Buy Toxic Assets, which is sucked in by the FED's Financial Vacuum, thereby cleansing the TBTF banks' balance sheets. The money is then re-routed back to the FED as "excess reserves".

The FED create monies out of thin air to bail-out the Too Big To Fail banks (TBTF banks) by purchasing their financial sewage (valued at book value as opposed to mark-to-market i.e. instead of paying only 10 cents on the dollar or less, the FED pays dollar for dollar) thereby removing the financial sewage from the balance sheet of the TBTF banks to reflect a "healthier" balance sheet as there are now less financial sewage in the banking system.

And, because the TBTF banks are suffering losses, the FED pays 0.25% interest on the "excess reserves" created so as to generate easy profits for the TBTF banks for doing nothing at all. They are earning profits merely from a book-entry in the FED's books!

The propaganda which I referred to earlier that such monies were meant to enable the TBTF banks to extend credit is therefore bullshit and a load of financial nonsense. So why are the so-called reputable economists at leading universities such as Harvard, Princeton, Cambridge, Oxford etc. touting this propaganda?

There is so much financial sewage in the banking system, that in law the banks cannot extend further credits to Joe Six-Packs unless and until the balance sheets of the TBTF banks are cleaned up, and the banks properly re-capitalised to continue with their banking business. (See Basel III Accords).

The so-called record profits declared by the TBTF banks and the huge bonuses given out to the bankers and their hire-lings are all window dressing as long as the toxic assets are not marked-to-market and not declared as junk. If such assets are properly declared, the fiat money banking system would be staring at a bottomless black-hole of toxic assets and indebtness!

This is the reason why QE has to continue. The QE programs are to drain the financial sewage from the banking system.

I had earlier stated that banks are required at have at least 10% of the deposits as reserves.

This has compounded the problem. After the Global Financial Tsunami, all the TBTF banks don't have enough reserves to meet the withdrawal of deposits placed by customers before the crash. The TBTF banks don't even have the requisite 10% reserves to meet these demand deposits (Old Deposits). That is why this scam was perpetrated by the FED as illustrated in the above diagram.

However, banks are continuing to receive deposits from customers of which 10% of these deposits must be transferred to the FED as reserves.

Under the fractional reserve banking system, the banks are allowed and can loan out the remaining 90% of the deposits as loan by a multiplier of ten – i.e. if new deposits total US$100 million, US$10 million will be transferred to reserves to meet withdrawals as explained above. By fractional reserve banking principles, the bank can loan out (based on a multiplier of ten) US$90 million x 10 = US$900 million. Data shows that customers' deposits are at an all time high (since 2007), but bank lending is not keeping pace.

Banks are not lending out what they are entitled to do so for two reasons:

1) The banks are using a portion of the "New Deposits" to meet the liability of having to repay the "Old Deposits" in the system. This is because even the excess reserves (created under the QE) are insufficient to meet the demand for repayment of the Old Deposits. So, part of the current New Deposits would be utilised for that purpose. This is the Deposit Ponzi Scheme.

2) Banks are earning no risk profits from interests on "Excess Reserves" at the FED and are only willing to lend to credible borrowers. In the present economic climate, there are just too few credible customers. This is another reason why banks are not lending.

Therefore, and as stated earlier, the problem is not liquidity but rather, it is and always has been the insolvency of the TBTF banks and the financial sewage clogging the entire fiat money banking system.

Food For Thought

"Reserves don't even factor into my model, that's not what causes inflation and not how the Fed stimulates the economy. It's a side effect." – Former Fed Governor Laurence Meyer, co-founder of Macroeconomic Advisers

Second Stage of Excess Reserves Scam

If and when the economy recovers (maybe 2019??), the FED will repackage the toxic assets into new financial products to be sold to a new generation of stupid investors. Banks are not even required to pay, as the monies are still kept with the FED (book entry). In this final transaction, there will be a reverse-entry in the banks' books.

Laurence Meyer is saying what many has deliberately ignored and or missed out completely. When QE stops, the FED would not be out on a limp because the monies used to purchase the financial sewage from the TBTF banks are still in the FED's books.

The Fed need only to have a reverse entry in it's books after re-packaging the financial sewage INTO SOME NEW FORM OF FINANCIAL PRODUCT OR WHATEVER (which the TBTF banks are adept at doing before the crash and are still continuing to do so) and dumping them back to the banks and another generation of stupid investors at such time when and if the banks have recovered – maybe 2019?

Further, with the bank's unbridled right (sanctioned by law) to confiscate the customers' deposits (now commonly referred as "Bail-In") using the Cyprus template, banks have additional financial resources to continue with the plunder and financial rape of the public. Wake Up, I rest my case.

Can Anyone Trust the Central Banks? A Memo from a Central Banker

Cyprus Financial Measures Violate Constitution

By Matthias Chang
Global Research, March 30, 2013
Future Fast Forward

Region: Europe
Theme: Global Economy

The memo below from the Head of the Governor's Office and Communications of the Central Bank of Cyprus, Dr. George M. Georgiou can be said to be a genuine statement of confidence that banks' depositors and their monies would be protected under the Constitution of Cyprus.

Likewise, depositors in other countries have no reason to worry about their monies parked in the banks, whether domestic or foreign. This is because, prior to the global financial tsunami of 2008, there were no reasons to question the sanctity of the rights of depositors.

Blinded by this faith and despite all the warning signs that such an eventuality would occur (and as I have warned in my book, The Shadow Money-Lenders), ordinary hardworking folks were too focused in earning a decent wage that such a confiscation was just too preposterous.

They were lulled into believing that governments would protect them and do what is right. Why worry, as the deposits are even insured (e.g. Up to US$250,000 in the US and various amounts in other countries). There was no need to place cash under the mattress! I can still remember that when I advised my friends and colleagues to purchase physical gold and keep them away from the claws of bankers and brokers, the common and immediate reaction was that I am too fatalistic, a conspiracy theorist and or a moron. The reasoning was, if deposits would not be confiscated why would the government even attempt to tamper with citizens' gold holdings. This is notwithstanding that it did happen in the US when President Franklin Roosevelt confiscated gold during the Great Depression. It gives me no satisfaction to say that I have been proven right – that depositors' monies can and would be confiscated, and that the Cyprus confiscation is but the first of many to come.

CENTRAL BANK OF CYPRUS

EUROSYSTEM

11 February 2013

Mr Takis Phedias
Acting Chief Executive Officer
Laiki Bank

Dear Mr Phedias,

Following the publication of an article in the Financial Times dated 10 February 2013 and titled "Radical rescue proposed for Cyprus", the Central Bank of Cyprus wishes to stress that any action aimed at reducing, depriving or restricting the property rights of depositors, contradicts the provisions of the Constitution of the Republic of Cyprus and of Article 1 of the First Protocol of the European Convention of Human Rights, provisions which protect the right to own property and which are crucial to the functioning of a free market economy.

Hence, any suggestion to the contrary is not only legally unfounded but it cannot merit serious consideration.

Yours sincerely,

Dr George M. Georgiou
Head of Governor's Office
and Communications

What were the warning signs?

At the height of the financial tsunami, the global bankers were restructuring and re-allocating their huge deposits with several banks so that no one deposit would exceed the FDIC cover of US$250,000.00. This is the surest sign that amounts exceeding US$250,000 would be exposed to confiscation and in the event of a bank bankruptcy, at the very least the sum of US$250,000 would be secured. The author, Greg Smith who wrote, Why I Left Goldman Sachs admitted that he had observed that one of his bosses was indulging in such re-allocation.

Then we had the exposé of global banks rigging the London Inter-bank Offered Rate (LIBOR) and indulging in money laundering – criminal activities. This was preceded by the collapse of MF Global and the stealing of clients' monies. The final bombshell was the declaration by the US Attorney-General, Mr. Eric Holder that the global Too Big To Fail Banks cannot be prosecuted because they have become just Too Big To Jail as any prosecution for any criminal activities would collapse the global banking system.

This is a license to steal and commit financial crimes.

So given the above scenario, how can anyone still trust the assurances of any Central Banks and or governments that the depositors' monies would be sacrosanct?

However, I am not advocating that you withdraw all your monies from the banks. You ought to retain enough (according to your financial needs) in the bank to facilitate your financial obligations which requires to be transacted via a banking intermediary. The balance should be invested in liquid assets such a gold, short term treasuries etc.

Finally, pay attention to the denials of central bankers and government officials. The more they deny that confiscation would not be effected, the more likely it would be implemented. On such an indicator flashing its warning, withdraw all your monies. And normally, such drastic actions are always announced on or during the weekends to be implemented on the following Monday. So as a precaution, withdraw monies on the Friday and if nothing happens on Saturday / Sunday, deposit your money again on Monday.

But, of course when the sh…t hits the ceiling fan, nothing is certain and you must therefore exercise extreme caution to protect your hard earned cash. See below the memo from the Central Bank of Cyprus.

“Fairy Tale” Economics: “Sovereign Debt Default is Impossible”

By Matthias Chang
Global Research, March 25, 2014
Future Fast Forward

Region: USA
Theme: Global Economy

What prompted me to write the present article is because some central bankers have been spewing nonsense, and because if many out there don’t use common sense, they will suffer enormous financial losses.

Anyone who agrees that there can be no sovereign defaults has a fickle memory or no memory at all. Additionally, they have also forgotten the economic dogmas spread by Nobel Laureates, central bankers, financial advisers etc. which alas turned out to be fairy tales. And it was only just five years ago.

People do have short memories.

Before we get to the bottom of the impossibility of sovereign defaults, let’s examine some other “impossibilities” often touted by the so-called economic experts, those that have the “magical” alphabets behind their names – PhD, especially from Ivy League universities. I prefer to call these so-called experts “Phony Donkeys”. No doubt there are exceptions, but not many.

Home Mortgages – safest kind of lending

It is often said that home mortgages have minimum risks in that defaults are so miniscule that they count for nothing. This is indeed true in the good old days of "old fashion banking". Let's take the statistics from America since whatever happens in America impacts globally.

In the period from 1991 to 2004, banks suffered losses amounting to only 0.15 per cent on home mortgages. Do the maths. For every US$1 Million, the bank lost US$1,500. Therefore, it is very safe to finance home mortgages. In fact, in the fourth quarter of 2004, it went as low as 0.08 per cent (Source: Federal Reserve).

Fast forward to 2009 – If you are applying for a mortgage loan, you would be strip-searched and examined with a magnifying glass by a banker to determine whether you are in fact credit worthy.

What changed? The banks were churning out "Frankenstein Financial Products" to be traded as "CDOs", "Synthetic CDOs" etc. Some of these products were derived from mortgages called "Liars' Loans". Mortgages were packaged into "sophisticated financial products" which in turn were sliced and diced into other financial products. They called it "securitisation"! People forgot that the mortgages were not originated in the manner as before in the good old days of conservative banking. Such good "old fashion banking" was boring. So, the new generation of bankers decided to inject some excitement – innovations to the financial sector. In essence, it was just a slight variation to the good old Ponzi schemes of yesteryears.

This was the "new reality" created by the financial sector. Everything was hunky-dory. But, it was a grand illusion.

Today we called the resulting fiasco that shocked the world as the "Subprime crisis". It brought the banks, the global banks to its knees and triggered the global financial tsunami. Governments have to bail out the financial sector via their central banks and took over the toxic assets.

Central banks are now carrying the toxic assets in their balance sheets.

The lesson to be taken from the above is that what may be true in one era may be false in another, a fairy tale in fact. Everything should be examined in context.

Sovereign Risks

Only an idiot would assert that there can be no sovereign risk of default, especially in the case of countries that can print their own currencies (digitally or otherwise) such as the USA.

The economic theory touted is that because a country can print its own currency, it can never be bankrupt and therefore cannot default. Q.E.D.

It is contended that central banks can keep printing monies to bail out the banks and pay government debts without any repercussions. One need not be a rocket scientist with a string of PhDs to figure out the flaw in this economic theory. Common sense is enough to expose this economic mumbo jumbo. The principal practitioners of this heresy are the current central bankers. This is Voodoo economics!

The Flaw

Common sense tells me that if a country can print money to pay its debts, then why in the first place was there the necessity to borrow?

The central bank could just print and print money to finance all manner of development projects and operating expenditures. There is no necessity to have any income tax, as we are told that income tax is levied to enable the government to pay its expenses and when in deficit, to pay for the debts it has incurred to finance the deficit. And if printing was such an easy solution, the world would not have experienced hyperinflation, when money had to be carried by the wheel-barrow to trade and cigarettes were more valuable than the currency in the country suffering from hyperinflation.

The Myth

It is therefore a myth to say that the US treasury bonds are the safest assets as there are no risks of default. Uncle Sam will always honour its debts. It will never default. This blind faith was nurtured over the years, especially post World War II when the US became a superpower and was engaged in the Cold War with the Soviet Union and China.

The experience of the US in itself demolishes the argument that a country can print all the monies it needs to get out of debt and to avoid a default. The monetary policies of the FED especially Quantitative Easing (QE) exposes the fallacy of the “Printing Money Theory”. Otherwise, why have the drama of “to taper or not to taper”? If printing toilet paper money is not a problem, why stop QE? Why taper in December of 2013?

Kinds of Default

There are essentially two types of defaults.

- Don’t pay the debt – tell the creditors to “piss off”; or
- Inflation – printing money (digitally or otherwise).

The example of the first kind of default is when Argentina refused to pay its debts. A more recent example is when Iceland told its foreign bankers to piss off and prosecuted the bankers for fraud!

The US is the leading example of the second kind of default.

However, we must not forget that the US had defaulted before but in another way. It used to be that the US Dollar was backed by gold and anyone holding a US Dollar could demand that it be exchanged for gold at the agreed rate of US$35 per oz of gold.

Immediately after World War II, America was the creditor to the world, but after the ruinous wars in Korea and Vietnam, the US became the biggest and baddest debtor in the world to the extent that it had insufficient gold to support the US Dollar. The default was triggered by President De Gaulle of France who on realising that there were insufficient gold in Fort Knox to back all the US$ in circulation demanded gold in exchange for the US$ France held in reserves. Initially, the gold was given to France, but President Nixon realised soon enough that should other nations follow suit, the value of the US$ would collapse as there were insufficient gold for exchange / redemption purposes.

And so in 1971, Nixon declared that US$ would no longer be redeemable in gold. From that day onwards, the US$ became a pure fiat currency. The rest of world followed the Pied Piper. Gold was referred to as the "Barbaric Relic".

But, for the fact that the US being a nuclear superpower was able to compel subservience to the Dollar Emperor, the value of the dollar would have plummeted to zero or near zero! This in itself exposes the inherent flaw in the "Printing Money Theory". It was military might that compelled countries to accept the US$ as the global reserve currency.

The End Game

The US$ confidence game was supported by two other pillars besides nuclear weapons.

The second was the "Petro-dollar". The US was able to impose, with the connivance of OPEC led by slavish Saudis, that oil must be traded in US$ in exchange for military protection against coups. I have in the past written exhaustively on this issue and will not repeat myself in this article.

The third was the US treasury bonds. It was touted as risk free and the best asset to own in the world. Because of the propaganda that the US can never default on its bonds, holders of US$ were seduced to participate in the financial con game. The psychology behind this gambit is simple. It preys on the human nature of greed and the misperception of “easy money”.

The tag-line was and still is “Just invest in US$ to earn safe and easy returns”.

Today the world is drowning in a cesspool of US$100 trillion of debt. US$ toilet paper is floating and circulating everywhere and soon enough, it will only take someone and or a country to declare that the US Emperor has no clothes to trigger the collapse of the US$ financial system.

When that happens, and it will be soon, no amount of US$ bills printed in whatever denomination would be accepted as payment for goods and services and in settlement of debts! The threat of nuclear wars by the US and Israel ring hollow. If Iran is not intimidated what more Russia and China who themselves are nuclear powers.

The beginning of the end of the present system is already taking place as several countries have begun to trade in currencies other than the US$. The tide will turn when oil is no longer traded in US$. It is as simple as that!

The “Printing Money Theory” would be buried for good. I am not sure whether it would Rest in Peace (RIP) or Rest in Shame (RIS).