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Enter 2008: The system breaks

## **Enter 2008: The System breaks**

*The following prediction for the economic devolution of the U.S. economy in 2008 was edited by The Idaho Observer to enhance the readability and harmonize the style contained in the author's message: That 2008 is the year the system collapses. The editorial purpose of publishing this essay is not to unnecessarily or irresponsibly alarm ourselves and our readers but to show that we have been systematically bankrupted as individuals and economically murdered as a nation by a cabal of organized criminals. Entrusted with managing the world's reserve currency and our country's financial well-being. The U.S. government, in cahoots with international Federal Reserve bankers, has intentionally bankrupted ourselves and each other by tricking everyone into trading real wealth for paper dollars and other debt instruments. We know it has been intentional because the remedies, understandable to anyone who has ever managed a personal budget, have always been there—and even exist to some extent at this late date—but ripping the remaining economic flesh off the bones of Americans is more important than saving a nation from financial (then social, political and maybe even territorial) collapse.*

**by Jim Willie**

The year 2008 will be the year that THINGS JUST PLAIN BREAK. It will be a truly deadly year, unavoidably lethal to the U.S. economy and the U.S. banking sector. Nothing has been repaired. Some tangible solutions will be offered, all of which would be legitimate in a real world.

However, we do NOT live in a real world. The fairy tale world of U.S. hegemony and Wall Street has a choke hold around the entire U.S. system. Managed inflation is the policy, never to be reversed until total breakdown occurs. Treason is rampant. All attempts to shore up the existing system so far have only enabled Wall Street to sell as much of their damaged asset-backed bonds to suckers and to avoid international lawsuits.

In 2008, an alarming sequence will assure enormous damage, putting the entire U.S. economic and financial system in a perilous situation.

The powers survived to the end of 2007 with heavy usage of band-aids, rubber bands and paper clips, but reality continues to itemize a relentless sequence of unfixable, tragic, intractable problems:

- Big banks are suffering from insolvency.
- Prime mortgage bonds are destined for massive losses.

- Consumers without kitties to rob, keep spending.
- A worsening housing market suffers from chronic inventory bloat, and deepening problems in the lending industry remain frozen from insolvency and distrust.

Add global resentment from decades of U.S. fraud and heavy-handed tactics and you have a looming economic disaster.

What a prospect! Almost all Wall Street firms are bankrupt, but still in control of the financial media. Citigroup is dead in the water, inevitably to enter restructuring without admission of bankruptcy and surely with no formal filing of such. Heck, even Goldman Sachs might be bankrupt, if its accountants ever produced an honest balance sheet.

**The "B" word.** The goal of Wall Street henchmen, who are clearly guilty of the grandest larceny ever seen since Rubin opened the door to gold leasing at the U.S. Treasury, is for the three-piece suits to fleece their elite firms for personal gain as much as possible, before their broadly suspected insolvency is recognized as clear bankruptcy.

The subprime lenders have choked on their own toxic mortgage fecal IN-securities, with the leverage in the derivatives backfiring on them. The hidden factor is new Basel rules on accounting which, in my view, seems like a bankruptcy judge ordering discovery phase during a bankruptcy proceeding. True to form, the Wall Street firms continue to operate in defiance, as they create a lunatic new tier-3 balance sheet item. The greatest feat to date is the Wall Street-urged, congressional adoption of the subprime mortgage freeze, dubbed "The Teaser Freezer."

### **My 2008 forecasts:**

First, let us all revel at the severe comedy that has become U.S. presidential politics. Good looks, meaningless promises, catchy campaign slogans, bulging campaign coffers—these all accompany a truly futile procession of charlatans offering hope. Harken back to November, 2006, when a new Congress was elected. The "new" leadership has not done a blessed thing they promised to turn the country from its disastrous course, regarding the war, the economy, taxation or budget allocation. Expect nothing at all in change from any viable presidential candidate. If one revolutionary candidate in particular is elevated by voters, his life will likely meet an early demise, by accident, of course.

**The neofascists.** The hidden secret, which just cannot seem to find its way above ground, is that neocons [short for "neoconservatives"—whatever that means] are not Republicans, nor Democrats. The current Bush is a known neocon, a bizarre label to be sure. In my view, Clinton was a neocon also. His central policy was to create the foundation for the fascist business model, wherein the finance sector merged with the state. Two candidates, one on each side, represent uninterrupted neocon rule.

As an experiment, I randomly asked about 40 adult Americans, "*What is fascism?*"

Not one answered back correctly. Pathetically, in my travels and conversations with countless American adults, my experiment has been grossly revealing. A nation gets the government it deserves: Neofascism thinly disguised as neoconservatism.

The result of Americans' inability to understand and define fascism is that their country is on a sad but unstoppable march to Third World status, complete with totalitarian rule. Nothing can block the path.

### **The system fails, breaks, freezes**

The year 2008 will start with a resumption in the disorder breakdown buzz, a resumption in the gold climb, new chapters in big bank bankruptcy throes and, eventually, a nearly complete loss of respect and integrity in the U.S. Federal Reserve (FED). The word "Bankruptcy" will not be used until a big bank actually files for bankruptcy.

The ring of the word "bankruptcy" is more accurate, since it implies hemorrhage, another great word.

**Housing market bust.** The collateral damage will include most bond insurers going bust, but holding firm to "AAA" ratings in a pure corrupt manner. The collateral damage will include most homebuilders going bust. However, the centerpiece of 2008 woes will be the prime mortgage bust. The decline in housing prices will continue to push prices down another five to ten per cent, killing off prime mortgage portfolios and their bonds.

**Goodbye banking system.** The bust will take down the entire U.S. banking system, which is now reeling and tipsy, like a punchdrunk boxer after enduring 10 rounds of a pure beating, bloodied, wobbly and dizzy with blurred vision. The mortgage debacle will extend to the commercial property arena, the degree of which will be uncertain.

The people have been misled for almost a year on the mislabeled mortgage debacle as a "subprime" phenomenon. That is the exposed tip of the iceberg. It is a total mortgage debacle problem. In 2008, an avalanche of failed "innovative" and adjustable mortgages will occur, with California providing the epicenter of failure and the most publicized wreckage.

**Subprime blowback.** U.S. lending institutions once took pride in their absurd innovation in mortgage products; like fully borrowed down payments; like paying less interest than accumulates; like the borrower having no income or job. Next they will be embarrassed by their systemic stupidity and universal ridicule.

In 2008, we will suffer a powerful bout of stagflation, even recession (in its third year for those based in reality) and rising price inflation (already running over 10 percent). These dire economic indicators will even likely reflect negatively on the doctored Consumer Price Index.

The mirrored central damage to the U.S. economy will be from both an exhausted household consumer and a lending climate reluctant to supply urgently needed credit. The dependence upon consumption will be finally unmasked as fatally flawed. Households will fail on car loans and credit cards as an echo to mortgages, resulting in severe loss of independence and freedom.

**U.S. economic terrorism blowback.** To compound the problem of credit supply, Wall Street burned our allies by cheating them blind. Expect a backlash in the year 2008, including ugly international lawsuits and unexpected Wall Street broken glass like a seven-year-delayed Krystalnacht. The entire banking system will go bust in the Untied States this year, in a highly visible manner, as the entire world watches in total horror.

The nation in custodial duty for the world reserve currency, the U.S. Dollar, will suffer a failed banking and bond system, which will result in a grotesque U.S. economic recession. The parade of disasters will be mindboggling. Even the president's Plunge Protection Team, armed with \$1,500 billion in black bag money, pilfered largely from Fannie Mae, will not be able to stem the tsunami of stock market sell orders.

### **Sadly, 2008 is the year the system just plain breaks**

People will run for cover. People will react with increasing anger. They will bristle with anger and frustration, even spark isolated riots from rising food prices, rising gasoline prices and spotty supply. Lost jobs from rising costs and outsourcing, lost homes from predatory lending followed by foreclosures will add to the anger and frustration.

People will realize that finances are not safe in banks, as bank runs spread amidst the fear. Some stock accounts will be frozen and unavailable amidst financial service conglomerate bankruptcies. The time-honored Glass Steagall Law (repealed in 1981) prohibited the merger of banks, brokerage houses and insurance firms, for a reason. As banks fail, insurance and stock brokerage will follow.

### **Confusion will reign supreme**

The year 2008 will bring with it a level of confusion never seen before in the nation's history. Economists will be found befuddled, scratching their heads, dazed, and without solutions. Politicians will be confused as to what to advocate, unsure what is potentially effective. The entire argument of "inflation vs. deflation" will turn into a crazed debate, with ignoramuses spouting all manner of drivel without knowledge of what inflation is or how it is caused. When inflation is not only misunderstood but also indoctrinated in heretic fashion, the concept gathers a large cloud intended to confuse the masses.

When the banking system is seized up, the mechanisms to spew money into the system fail to function. When banks distrust each other for their claimed collateral, the system fails to distribute money, even at lower interest rates. Issuing loans to individuals will fall to a low priority.

**Deflating dies cast.** A huge event occurred in 2006, that being the flip of housing into a deflating asset. A huge event occurred in 2007, that being the flip of mortgage bonds into a deflating asset.

As the entire risk price model system continues to disintegrate, the powerful teeth of deflating assets held by banks will render the banks themselves utterly impotent.

Ironically, as credit derivatives are sold off, the U.S. dollar might actually benefit.

Many writers talk about FED Chairman Bernanke with a mission to drop money from helicopters. Wow, are they ever popping some stupid pills! The events in the last four months have taught anybody with a lucid brain, a keen eye, and an active pulse (which eliminates the majority of investors) that the FED has become far more than a little bit irrelevant!

The banking system is so broken that the LIBOR [London Interbank Offered Rate—the daily reference rate, based on interest rates, at which banks lend unsecured funds to other banks in the London wholesale money market] has become strained to the hilt. The hapless, clueless, hidebound, FED cannot recognize the problem of insolvency within the banking system and cannot treat the problem with lower interest rates. That will certainly not stop it from cutting rates, since Goldman Sachs, acting as lead sled dog among the Wall Street harnessed team, has ordered them to do so.

If lower rates will not solve the bank problem, why are we given lower rates? Simple, because it supports the stock market from an ugly bloody crash. The system cannot afford for stock assets to flip into a deflating asset.

The "helicopter thing." The confusion in 2008 will center on the challenge to actively produce price inflation, while leaning upon broken banking entities. Confusion will reign from requests for Bernanke to "do his helicopter thing" when the winds of deflation will be so great that the cash drops are scattered into the deflation vortex.

The desperate urgings made to Bernanke miss the lessons of the last four months. His primary perceived plan is to rescue the Wall Street banks, probably with far more redemptions, monetizations and refunds delivered in basements and back rooms than the public will ever know. Such is the nature of the fascist business model, to take care of the large corporations whose interests are merged with the U.S. gov't—payola for the partners.

The irony of the massive infusions of money, either with FED injections or foreign capital infusions, is they are extremely focused on rescuing the ailing banks from insolvency. But they only rescue the banks from illiquidity. Add money into an insolvent picture, account for it as an equity stake and nothing is accomplished on the insolvency side. The new partners only have a larger share in the bankruptcy—the system is not activated, no jobs produced and no new loans granted.

**Political prophylaxis.** The confusion in 2008 will culminate in the upward ratcheting of the official rescue attempts, measures, freezes, adoptions, initiatives and eventual grand platform, as my forecast has steadily called for.

Each plan will be recognized as insufficient and limited, thus motivating the next desperate measure.

Another ugly irony is festering. Neither the Bush administration or Congress is willing to press forward with ANY broad rescue, since the first pigs in line would be the Wall Street thieves, thugs and conmen whose fingerprints are all over the mortgage bond debacle. The entire banking system will continue to slide into quicksand. Once politicians enter the picture, the problem will only worsen.

### **Gold will rise**

Meanwhile, gold will rise for many reasons, few being the traditionally recognized ones.

Gold will rise from gradual recognition that the banking system is destroyed.

Gold will rise from the perceived need to generate price inflation, whether such efforts are successful or not.

Gold will rise from the competing currency wars as nations urgently print more money to stave off recession and grotesque asset deflation. The slowdown will hit China also, which has begun to hike prices but which will find itself saddled with overcapacity.

Gold will rise primarily because the global money supply is rising at an astronomical rate. Think Weimar on a global scale.

Gold will rise because the smart ones will realize that the United States might seek war as a diversion amidst the crisis.

Gold will rise from response to failures in most policy initiatives, perceived symptoms to systemic breakdown.

Gold will rise as a global revolt against the U.S. dollar. The dollar decline has prompted costs to rise, not wages, the result being economic dampers cast across the U.S. landscape. This prompts monetary inflation motivation. Remove China and price inflation could be easily generated. However, the system cannot succeed in producing price inflation without killing the U.S. Treasury Bond complex altogether, as long-term rates would rise to smash and upend the credit derivative pyramid—more evidence that the FED is the most irrelevant player at the table.

Gold will rise as the globe finally reckons that the FED, traditionally the most powerful among the central bankers, is IMPOTENT, TOOTHLESS, AND IRRELEVANT!

The chaos in the financial sector will be matched by growing chaos in the beehives of the U.S.—the business complexes and neighborhood communities. Watch for lawless behavior to rise as chaos envelops the system. Watch for civil disobedience to crop up, as high crimes among Wall Street bankers and U.S. leaders go unaddressed.

Gold will rise as the news hits the media. The system breaks in 2008. Denials will be laughable.

### **The solution was always there**

Greed is powerful, especially among those in charge of the world's reserve currency for several decades. Rescinding the Bretton Woods Accord, wherein the U.S. dollar was tied to gold, unleashed a Pandora's Box of financial evils. The abusive usage of monetary inflation as a remedy for excessive debts is perhaps the most pernicious destructive phenomenon in the last century.

In a vicious disguise, monetary inflation kills entire industries, fleeces savers dry, transforms asset managers into casino players, all of which impoverishes a nation.

All aboard! Tragically, all nations who hitched their monetary wagon to the United States risk tremendous damage from shared inflation wreckage. Watch Saudi Arabia, the entire Persian Gulf and even Hong Kong. Europe will not be spared, either.

The competing currency wars render all as victims. The last deaths occur with the nations whose currencies rise, since they enjoy a rush of investment and enjoy reduced costs, but their export trade is harmed badly.

**Cynically sassy.** Over dinner tables, my father repeatedly asked me what solutions could be offered. A literature professor not versed in financial matters, he grew weary of incessant talk by me on the unfixable nature of the current system. My pragmatism owes to his constructive nature. My constant reply was that the system would resist all solutions, since they would cause severe pain for both the system and its leaders, the ruling elite.

My sassy reply was that a solution article would be an exercise in futility. My offering was originally 10 solutions which, even my father realized were totally impractical in today's day and age. Now, four years later, my list seems comical and totally outside the realms of possibility. For humor and completeness, as much as a treatise on the many sins committed by our economic and banking chieftains, I added a few items. My updated list of recommendations on how to fix the U.S. economy and financial system appears below.

### **How to fix the U.S. economy and financial system**

- dismantle the Federal Reserve
- back the U.S. Dollar with gold or silver or coal or Great Lake fresh water

- balance the U.S. Gov't budget
- end all monetization efforts to support financial instruments
- enforce all regulations against outsized futures contract positions
- remove all lobbyists from Congressional contact
- dismantle the military defense network with contractors in U.S. firms
- end all fractional banking practices (lend 10x deposits)
- tighten all financial accounting, with felonies charged routinely
- severely limit the credit derivative contract creation and its system
- prosecute the fraud from the \$1500 billion Fannie Mae theft (1988 to 2000)
- separate Goldman Sachs from the Treasury Dept. due to insider trading risks
- separate JP Morgan from the FED, due to insider trading risks and extreme collusion
- prosecute JP Morgan for serving as the Enron instructor
- end all illicit talks between stock & commodity regulators with Wall Street
- require 30% down payments on all home mortgage loans
- end all private deals between Chinese leaders and Wall Street for IPO stocks
- dismantle at least 75% of the foreign U.S. Military bases, bring soldiers home
- dismantle all U.S. security agency participation in contraband trafficking
- dismantle the Bank of Baghdad as central clearing house for that trafficking
- dismantle all tight relationships with U.S. Military and Halliburton
- install a broad manufacturing base in the United States
- institute framework for foreign receivership of US capital structure and policymaking
- give China, Japan, Saudis, and Persian Gulf Coop Council seats on U.S. Presidential Cabinet
- give China, Japan, Saudis, and GCC veto power on U.S. federal budget approval



- create a cabinet-level post of Special Prosecutor with ties to International Courts
- create a cabinet-level post to manage the housing & mortgage Resolution Trust Corp
- encourage numerous voter referendums annually, which bypass Congress
- reduce the influence of Israel in dominating security and military related policy
- forbid any US citizen from working as World Bank or IMF directors
- end all tax incentives to relocate business overseas
- end the Alternative Minimum Tax burden completely
- rescind the Medicare payment system and its entire program
- install legitimate economic statistics for GDP, CPI, Jobs, and more
- install proper Cost of Living Adjustments in Social Security and U.S. gov't pensions
- install tax incentives to save from income outside the 401k & IRA pension systems
- dismantle all the concentration camps (230 of them) on U.S. soil, recently completed
- reopen a 911 Commission to issue a verifiable report, not a whitewash BS report
- end all chemtrail experiments in the upper atmosphere to control weather
- release American Medical Assn cures for cancer which are available in Latin America
- begin massive U.S. infrastructure repair, a reconstruction initiative with foreign funding
- admit to the world that the Untied States has become a Third World nation

Now, you tell me: Does a single item listed have any more than an infinitesimal chance of being implimented?

Happy New Year. Be sure to take cover. The country might not be recognizable by the time the 2009 page is turned.

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