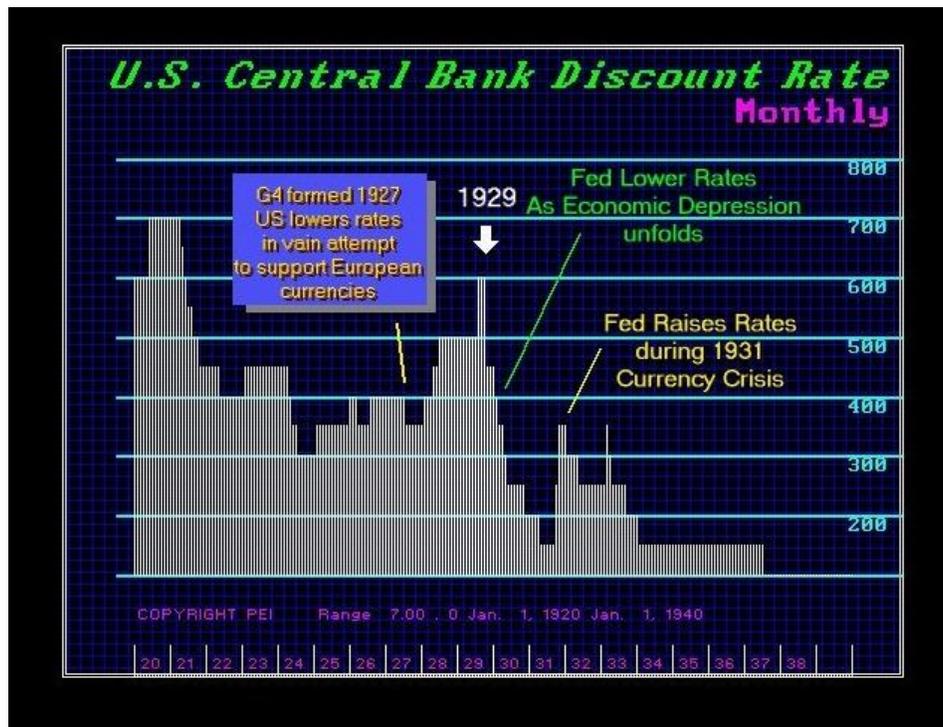


## Answering Your Questions

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## 1931 DÉJÀ VU?

The **Sovereign Debt Crisis** is getting far worse – not better. Instead of looking at the problem we face, governments are in denial and think that if they can just get through this bailout, everything will just go away. The latest round of American financial assistance took place precisely on the target day of September 15<sup>th</sup>, 3.14 months from the June turning point on the **Economic Confidence Model (ECM)**. Why these events take place right to the day I cannot explain. They just do. Nevertheless, The Fed agreed to swap unlimited dollars for euros to effectively support the faltering euro currency. In reality,

this is akin to the September 12<sup>th</sup>, 1927 Federal Reserve Board meeting in Washington where they usurped all the branches and cut the discount rate for all reserve banks to 3.5%. This 1927 intervention of Fed to lower US interest rates in hopes of deflecting the capital inflows from Europe has been widely criticized as fueling the US stock market bubble. While that point may be debatable, here again we have the Fed acting to save Europe and it did not stop the capital flight from Europe back then, and it is unlikely to win the day once again. Europe still collapsed in 1931 on the heels of the collapse of **Creditanstalt** in Austria on May 11<sup>th</sup>, 1931 a little more than 3 years after the 1927 intervention and just over 2 years from the September 3<sup>rd</sup>, 1929 high in the US stock market.

It does not matter how many times previous interventions have failed. Government will do the same thing every time hoping this time there will be a different result. The move will not help avert a wider crisis, for at the very best, we are only delaying the pain. The danger that is developing is we are now involving the wider global economy in trying to support a failed currency experiment. Instead of doing the right thing, no, we have to try rigging the game with no long-term exit strategy.

Once again, the Fed is flooding the financial system with cash, in hopes of bailing out Europe. Such dollar injections will do nothing to save Europe and it is fueling inflationary trends in the middle of an economic decline producing the worst of two worlds – **STAGFLATION**. On top of this, the Fed policymakers will meet again next week to decide whether the stagnating U.S. economy needs another round of QE2 easy-money measures. Perhaps they will buy more long-term bonds from foreign holders that will have no direct local stimulus effect.

The US gets pulled into the bailout process for it is still the biggest contributor to the IMF under **Bretton Woods**. The American taxpayers will pay for yet another bailout of foreign nations. Instead of revising the monetary and debt system, we are being dragged further down the rabbit hole desperately trying to maintain a system of perpetual borrowing with no intent of ever paying anything off. And the people in charge see no problem? Further illustrating just how out of control things are, everyone approved at the Group of 20 industrialized nations meeting in 2009, granting the IMF broad powers to expand its lending authority to help keep **Humpty Dumpty** together. That will push American taxpayers over the edge for Congress will turn more aggressive in their tax collections from citizens to keep the whole mess going, but to what end? The IMF loans will go bad and now they too will have a blank check.

In July, Secretary Tim Geithner argued that the IMF claims must be paid before all other creditors. I doubt that will be the case when it comes to a choice of defaulting on the bonds or the IMF. The IMF will take the hit to save the failed system. "***The United States has never experienced a loss on its IMF commitments,***" Geithner has argued. We were not in a **Sovereign Debt Crisis** like this since 1945 when the IMF was founded. This is like saying someone will never die because they are alive now.

The **BOTTOM LINE** – we can save the system if we revise it from the ground up **BEFORE** it goes bust in the middle of the night. Stop the bullshit! We need **REAL** reform not more band aids and chewing gum attached to a closet door that everyone hopes nobody will open. It is time to **ACT** before there is no **TIME!**