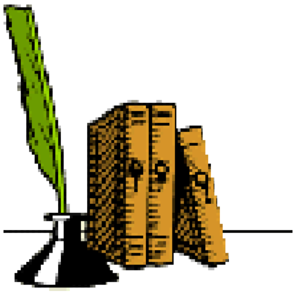


It's the double dip recession, a reality HERE as prophesied in the Scripture! And God Says!

Ezekiel 7:19 *They shall cast their silver in the streets, and their gold shall be removed: their silver and their gold shall not be able to deliver them in the day of the wrath of the LORD: they shall not satisfy their souls, neither fill their bowels: because it is the stumbling block of their iniquity.*

16.10.2012

What are the signs that lead to this double dip recession that started in 2008 (See the factual article at the end of this page published in 2008 about the recession then? Firstly, the world's main economies are shaky. The USA is sitting upon trillions of dollars of debt; the European Union cannot get its act together and the countries which received aid are sliding further and further back under inhuman austerity measures (Greece, Portugal), China's growth is slowing and Japan's political instability can spill over into its economy.

The shaky economies in the developed nations will inevitably have an effect upon the developing nations, and this comes on the threshold of another global food crisis. The same article quotes the Global Projection Model Fund, which states that there is an 85% chance that recession will come to the Euro area, a figure backed up by the International Monetary Fund's study, presented last week in Tokyo.

What to expect? The market-oriented approach to economic crisis was bound to create more problems than it solved. Countries were not protected from harassment of their markets, risk factors were slapped onto the hulls of sinking ships by the ratings agencies vultures, poisoning the present, poisoning the future and the severe, inhuman austerity measures imposed upon economies by the main financial institutions (IMF, ECB) stifle economies by taking money out of circulation instead of pumping money in.

If you restrict the supply of money by cutting salaries and increasing taxation then people do not spend, companies cannot sell, they close down, jobs are lost, the State has to spend more on unemployment subsidies, social unrest grows, crime grows, the social cost grows, there is a brain drain, there is a flight of capital, the future is destroyed.

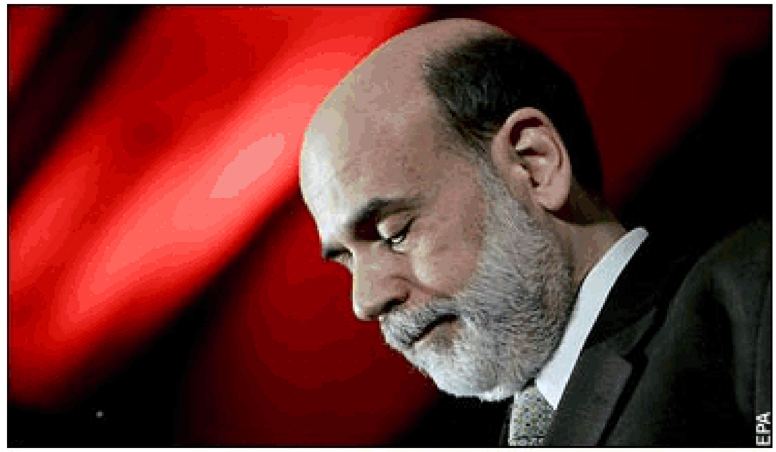
The answer is not tarring all economies with the same brush and imposing measures on them which they can never support. However, this is the reality in a Europe whose economy is the second largest, or the largest, in the world, a Europe where Spain's economy is in free-fall and where Portugal and Greece have become puppets dancing to the blackmail of those who bailed them out.

The scenario in the Eurozone is dire and there is no way an implosion in Europe will not be felt

in the USA and Asia. People should prepare themselves for a prolonged and deep economic and social crisis, caused wholly by market-oriented blind capitalism which morphed into the corporatism we see today.

Gone is your butcher, gone is your grocer, only the big corporations are allowed to enter tenders, the man in the street has lost his power, the reactionary forces are once again holding the bread, cheese and knives in their hands. The quandary is that the powerless can gain back power only by taking to the streets.

There are alternatives as regards raising funds while pumping money into the economies, measures successfully undertaken in Latin America. Western leaders will never follow these measures because the political elite has been infiltrated by the cliques who run the show behind the scenes, rendering western-style democracies a sham.



(*)http://economia.elpais.com/economia/2012/10/12/actualidad/1350073421_822517.html

Timothy Bancroft- Hinchey

<u>Foreign Investors Veto Fed Rescue</u>

By Ambrose Evans-Pritchard, International Business Editor.
Published in the UK Telegraph 3/17/2008.
www.telegraph.co.uk

As feared, foreign bond holders have begun to exercise a collective vote of no confidence in the devaluation policies of the US government. The Federal Reserve faces a potential veto of its rescue measures.

 # Contagion fears sweep across the Atlantic
 # Dollar plunges as Fed steps up moves
 # Read more of Ambrose Evans-Pritchard

Ben Bernanke, Dollars down a drain and the Federal Reserve Desperate measures: Bernanke and the Federal Reserve need to keep on top of the crisis and continue to intervene if needed Asian, Mid East and European investors stood aside at last week's auction of 10-year US Treasury notes. "It was a disaster," said Ray Attrill from 4castweb. "We may be close to the point where the uglier consequences of benign neglect towards the currency are revealed."

The share of foreign buyers ("indirect bidders") plummeted to 5.8pc, from an average 25pc over the last eight weeks. On the Richter Scale of unfolding dramas, this matches the death of Bear Stearns.

Rightly or wrongly, a view has taken hold that Washington is cynically debasing the coinage, hoping to export its day of reckoning through beggar-thy-neighbor policies.

It is not my view. I believe the forces of debt deflation now engulfing America - and soon half the world - are so powerful that nobody will be worrying about inflation a year hence.

Yes, the Fed caused this mess by setting the price of credit too low for too long, feeding the cancer of debt dependency. But we are in the eye of the storm now. This is not a time for piggery.

The Fed's emergency actions are imperative. Last week's collapse of confidence in the creditworthiness of Fannie Mae and Freddie Mac was life-threatening. These agencies underpin 60pc of the $11,000bn market for US home loans.

With the "financial accelerator" kicking into top gear - downwards - we may need everything that Ben Bernanke can offer.

Bear Stearns may be worse than LTCM collapse
Jeff Randall: A world addicted to easy credit must go cold turkey
How Bear Stearns ran out of the necessities

"The situation is getting worse, and the risks are that it could get very bad," said Martin Feldstein, head of the National Bureau of Economic Research. "There's no doubt that this year and next year are going to be very difficult."

Even monetary policy à l'outrance may not be enough to halt the spiral. Former US Treasury secretary Lawrence Summers says the Fed's shower of liquidity cannot cure a bankruptcy crisis caused by a tidal wave of property defaults. *"It is like fighting a virus with antibiotics,"* he said. We can no longer exclude a partial nationalization of the American banking system, modeled on the Nordic rescue in the early 1990s.

But even if you think the Fed has no choice other than to take dramatic action, the critics are also right in warning that this comes at a serious cost and it may backfire. The imminent risk is that global flight from US Treasury and agency debt drives up long-term rates, the key funding instrument for mortgages and corporations. The effect could outweigh Fed easing.

Overall credit conditions could tighten into a slump (like 1930). It's the stuff of bad dreams.

And God Says!
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Is this the moment when America finally discovers the meaning of the Faustian pact it signed so blithely with Asian creditors? As the Wall Street Journal wrote this weekend, the entire country is facing a "margin call". The US has come to depend on $800bn inflows of cheap foreign capital each year to cover shopping bills. They may have to pay a much stiffer rent.

As of June 2007, foreigners owned $6,007bn of long-term US debt. (Equal to 66pc of the entire US federal debt). The biggest holdings by country are, in billions: Japan (901), China (870), UK (475), Luxembourg (424), Cayman Islands (422), Belgium (369), Ireland (176), Germany (155), Switzerland (140), Bermuda (133), Netherlands (123), Korea (118), Russia (109), Taiwan (107), Canada (106), Brazil (103). Who is jumping ship?

The Chinese have quickened the pace of yuan appreciation to choke off 8.7pc inflation, slowing US bond purchases. Petro dollar funds, working through UK off-shore accounts, are clearly dumping dollars amid rumors that Gulf states - overheating wildly - are about to break their dollar pegs. But mostly likely, the twin crash in the dollar and US agency debt reflects a broad exodus by global wealth managers, afraid that America is spinning out of control. Sauve qui peut.

The bond debacle last week tallies with the crash in the dollar index to an all-time low of 71.58, down 14.6pc in a year. The greenback is nearing parity with the Swiss franc - shocking for those who remember when it was 4.375 francs in 1970. Against the euro it has hit $1.57, from $0.82 in 2000. Against the yen it has smashed through Y100. Spare a thought for Toyota. It loses $350m in revenues for every one yen move. That is an $8.75bn hit since June. Tokyo's Nikkei index is crumbling. Less understood, it is also causing a self-reinforcing spiral of credit shrinkage throughout the global system.

Japanese investors and foreign funds are having to close their yen "carry trade" positions. A chunk of the $1,400bn trade built up over six years has been viciously unwound in weeks. The harder the dollar falls, the further this must go.

It is unsettling to watch the world's reserve currency disintegrate. Commodities from gold to oil and wheat are taking on the role of safe-haven "currencies". The monetary order is becoming unhinged.

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I doubt the dollar can fall much further. What is it to fall against? The spreading credit contagion will cause large parts of the globe to downgrade in hot pursuit - starting with Europe. Few noticed last week that the Italian treasury auction was also a flop. The bids collapsed. For the first time since the launch of EMU, Italy failed to sell a full batch of state bonds.

The euro blasted higher anyway, driven by hot money flows. The funds are beguiled by Germany's "Export wonder", for now. It cannot last. The demented level of $1.57 will not be tolerated by French, Italian and Spanish politicians. The Latin property bubbles are deflating fast.

The race to the bottom must soon begin. Half the world will be slashing rates this year to stave off credit contraction. The dollar will have a lot of company. Small comfort.

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