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The United States Gets Its—Just Deserts?

The term 'just deserts' refers to an entity getting what it deserves—either a fitting punishment or reward. US *just deserts*, both political and economic, are to be punishment. Leaving politics for the next article, today I'm focusing on *just deserts* for the economy.

This from a reader: 'let's assume an entity is dealing in collateralized mortgages. That is their inventory. These mortgages are fully amortizing ten-year notes paying 6%… How much of each payment received must be used to purchase gold (as a hedge) to ensure the last dollar received has the same purchasing power as the 1st?'

This begs a bigger question: What are mortgage-backed securities, how did they come to be, and what type of asset/liability do they represent? Relying on George Carlin, to remind me to never trust anything the government says, here, I am reminded of what Bill Holter says: don't put any dollars at risk—you can't afford to lose.

Post WW2, the US had the most productive economy in the history of mankind, such that economic comparisons with the Soviet Union were something of a joke. Now, the joke is on the US, when economically compared to China, Russia, and the Global South.

So what happened? What was the post WW2, US game plan that led to our economic humiliation? At Bretton Woods the US assumed the mantle and role of king. All participating currencies were to be tied to the dollar and the dollar was tied to gold. Seemingly a just reward for US economic dominance, this decision was the 1st step towards reducing the US to irrelevance. After a lengthy run, the king was dethroned with the closing of the gold window in 1971. The US needed another *ploy* to hold unto its empire.

The US got that with the petrodollar—another ploy built around financialization rather than productivity. With energy sources tied to the US dollar, US economic dominance would be assured. But, like Bretton Woods, the petrodollar, rather than a plan to maintain/increase manufacturing dominance, it assured dominance—without the sweat of labor.

While the US was still able to trade military prowess for tying oil to the dollar, this worked. But, at the same time, the US, being on top the world for half a century, preferred financial controls rather than t get its hands dirty in productive manufacturing.

Unlike the BRICS system of multipolar trade among sovereign nations (a topic for my next article), the US, accustomed to being top-dog, sought-out unipolar ploys for continued dominance. Sadly, financial schemes, that in the end, resulted in doom for the dollar.

The reader's question, while appearing important and timely—in reality begs a bigger question. What are mortgage-backed securities? Are they a fix or part of the problem? Did they function to promote productivity, or simply to provide credit—as a means to stay on top—get rich? As just another credit creator, have they become part of a doom loop?

Bundled mortgage securities (as with above-mentioned ploys), were brought in existence by Lewis Ranieri/Salomon Brothers in the 1970s, to create secondary mortgage markets, allowing lenders to package/sell mort gages as bonds to investors, revolutionizing home financing. A slam-dunk right—who's going to default on their home mortgage?

This process, *securitization*, freed up capital for banks to issue more loans, making homeownership more accessible while introducing complex risks that contributed to the 2008 financial crisis. Mortgage-bundling only worked when current economic models denied a historic economic axiom: commodities are the measure of all things, and whoever controls commodities, controls manufacturing, which translates into true political power.

Clearly, US domestic policy has had an agenda to inflate real estate (and stock markets), so as to justify a perception of wealth. Consequently, the economic miracle of mortgage-bundling is now fraught with peril—causing housing markets to become risky collateral.

As a consequence, the reader's question shifts to one of more relevance. How much is a stock market worth that has been held up by artificial means? How much are bundled mortgage securities worth in a market outside of reality? With home prices falling (across the nation), how long before bundled mortgages will be viewed as the bad bet that they've become?

Seemingly, a real estate buyer's market is upon us. US cities have more than 100% more potential home buyers than sellers (Austin, TX—117%). But, this does little good for the market if sellers are unwilling to adjust down, asking prices. Instead, sellers de-list—waiting for a price rebound. Consequently, the, housing market is down 10% for 2025.

There are, nationally, 37% more buyers than sellers, translating to half a million more potential buyers. Like a stock in freewill, do sellers asking too much, without viable buyers, ride prices all the way down? Sellers who, until recently, named their price.

The world is questioning what is real? What's real about mortgage-backed securities? Along with the stock market, I wouldn't be able to sleep well holding either, Had I bitcoin, I'd be wondering how safe from government will be—any alternate currency?

What I wouldn't worry about is gold and silver. Don't dwell on silver, not long ago, being $19. Silver is the only bank account for future day to day transactions we have. And the measure for silver will be pre-65 dimes/quarters. If like me you bought dimes only to watch the premium go negative, it doesn't matter. The silver to gold ratio is adjusting in silver's favor, and before long, premiums on a 10c piece will soar.

All the hullaballoo about how your financial advisor has consistently made money for you over the years will disappear when the reality of what he was doing manifests. When it becomes clear he was selling his book, which was all denominated in dollar assets that will soon be impossible to get rid of—except for the option of a bloodbath.

My advice: trust no one—especially government cronies. If you wait one day too long and lose everything, especially what you have in the bank, chalk it up to bad judgement. Like the French, prior to Wehrmacht on the move, protected by the Maginot Line—over a weekend, found Germans in their yard. Here, on a not too distant Friday—the banks will close.

Nobody but you will care when you are wiped-out, when your stock receipts or mortgaged-backed securities become credit entities that provide neither safety nor credit.

That's my answer. The only safe assets are gold and silver—only for now.

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