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Without Extending Credit We Have to Default on Something

I titled it 'extending credit', whereas Janet Yellen calls it: 'raising the debt ceiling'. Either way, the next time you find yourself assuming we are controlled by evil geniuses, ask why, if that's the case, they roll-out the same useless absurdities that got us here?

'Rinse and repeat'. Once a war goes bad, critics of the government are charged as traitors. When an economy leans over a 'yawning precipice', and inevitable collapse becomes common knowledge, wage and price controls are again, put in place. Prudent investors who saw it coming and shorted the market can now be charged with a crime.

Using that rational, elites are blaming short-sellers of regional banks as economic disrupters. And, as the economic situation worsens, more criminals will be identified—hoarders of food and fuel, and worst of all—those parasites stacking precious metals.

Ordained fixes have nothing to do with a return to stability—instead they make the situation more dire. Elites know the banks are in trouble, and to save themselves, they willingly destroy regional banks, by supporting only a half-dozen—too big to fail banks.

To contain fear, elites throw dollars at it. FDIC gets a bailout to cover failed bank deposits—a bailout that pales when compared with total deposits that FDIC insurance covers. FDIC functions as an assurance—not a backstop. They might be able to cover a 'walk' on the banks—but not a bank 'run'. Congress is on record, that in the event of a 'bank run' (FDIC fail), they would consider reimbursing deposits—'a dime on a dollar'.

Richard Russell used to remind investors that when things get tough and are about to get tougher, 'the transports' will tell the story—a story being told as I write. A nation's productivity is based on two things: its industrial base and its transports. 'Manufacturing' produces the goods that 'transports' then move. Slumping 'transports' indicate a decline in the movement of goods—a sign that goods are not being produced.

Why is that? Everything is based on credit, and lenders, because of a systemic lack of trust, have raised loan standards such that only the few—closer to no one—qualifies for a loan. It doesn't matter that your credit score is impeccable, because 'credit qualifiers' is not the problem. Lenders opt to do nothing, rather than risk making a loan.

Some economists think that losing dollar 'reserve currency' status is a long way off, and banks are solvent. Likely wrong on both. The dollar debacle is moving faster than most realize. It isn't simply nations trading in their own currencies outside of the dollar (which is happening everywhere), the US is coming apart internally as well as globally.

Economists I follow (such as George Gannon), tell us there will be no hyperinflation because the elite will not allow that to happen. Does the government have the presence of mind, or the control to maintain economic status quo? Distrust within the US is not limited to the economy—it's a Johnny Cash flood: "It's six feet high and rising".

Much of the world is hip to politics/economics. They see dollar weaponization and sanctions as having failed. They see the West as the 20%, compared to the 80% (BRICS). And our policies as lunacies conjured-up in support of an already moribund dollar—and futile grasping to hold on to a once-begotten empire—now long-gone.

Insipid decision-making over decades points to a rough road ahead, where the elite will deflect all responsibility onto others. Gary Gensler (SEC), will likely blame cryptocurrencies as the cause of global terrorism while "particularly focused on identifying and prosecuting any form of misconduct that might threaten investors, capital formation or the markets more broadly." That includes any that took steps of protect themselves.

Because there will be no accountability, things will get precipitously worse. For the banks to quit lending is a bigger problem than the debt. Bank lending is all that stands between failing productivity and 'dollar dearth'. Bank lending is what creates dollars.

Deposits parked at the Fed reduce money supply, and bank deposits were already in trouble before Yellen's 'tongue slipped'. Deposits, pre-Covid, were at 8%, rising 50% during Covid. Now they are down at -5%. And, if, during 3 minutes of a press conference Yellen can destroy an entire banking sector (not just any sector—the one that funds small business), she might wreak a havoc that took the Fed—several decades.

We are seeing a correction in the price of gold, more so in silver. I get asked why this is happening? The answer is so basic that without an overview it defies explanation. In the same way that Ukraine is not going to take Crimea and defeat Russia, it is a mathematical impossibility that the price of precious metals can be kept down over time.

For now, for a very short time, the propaganda works. The Pentagon assures the public that Russia will be defeated, and elites point to a lower CPI or a somewhat successful bond auction (causing Americans to forget we are caught in a 'doom cycle' of non-productivity), which allows for an uptick in stocks—and a gold/silver retracement.

Reality will make itself known and an inevitable collapse of the US economy will be completed. Raising the American 'debt ceiling' is analogous to getting approval for a higher limit on a credit card, but one charging 20% interest. Then we use that card to buy food and fuel that we cannot afford—with the hope we will pay it back later.

But it won't be paid back later because America lost its job and has no marketable skills. So, what is the US to do? Implement ludicrous fixes that don't work. For instance, revalue our supposed 8000 tons of gold to market, from $42 to $2000. That gains us about $500B—without adding to the debt. But that's a one-time thing, and the way we spend dollars—a short-time thing. And, it puts focus back on gold—so no way.

We may have no gold—which in itself doesn't stop a repricing. Meanwhile, gold/silver adjust downward, but the premiums stay the same because 'premiums' on gold reflect a perception that the function of gold in an economy is steadfast. 'Premiums' are the counterpart of 'interest rates' on loans. 'Interest rates' and 'premiums' tell the story of investor's 'interest' when it has to do with extending credit or with protecting wealth.

As bankers can't be induced to make loans to a good credit risk, few can be induced to let go of metals—no matter the premium. The gods are planning a default on Yellen.

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