

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE  
**ECONOMIC WINTER**



## Musings of a Curmudgeon

### **A New World Order? I Think Not.**

For some time now there has been much talk about a New World Order under Anglo/ American leadership. I think that's all it is, just talk. How can the bankrupt U.S. and the Bankrupt U.K. lead the world and what would China and Russia have to say about that?

As it is, the BRICS countries and particularly China are moving to oust the U.S. Dollar as the world's reserve currency. The BRICS (Brazil, Russia, India, China and South Africa) are planning to create a development bank in a direct challenge to the World Bank, which they accuse of harbouring a western bias.

Over the past few years, China has reached agreements with several countries to freeze out the U.S. Dollar by settling trade transactions in the currencies of the two trading partners. The latest such agreement was between Australia and China, which makes the Australian Dollar directly convertible into the Chinese Yuan.

Actually, what we are seeing is a world shifting into two competing blocs; the old world under American/ British leadership and the new world of growing economic strength led by China, which just so happens to be the world's largest creditor nation.

### **The End of American Hegemony**

"Intelligence Chief in U.S. Cyber Attack Warning. Budget Cuts Blamed for Threat to Security." Headline Story in the Financial Times, Wednesday March 13, 2013.

"Automatic budget cuts threaten to cause 'insidious' damage to U.S. intelligence services and leave the country vulnerable to cyber attacks and terrorism, the country's leading intelligence official said yesterday."

"James Clapper, director of national intelligence, said that the U.S. risked the same sort of 'downward spiral' in intelligence capabilities that it witnessed before the 9/11 attacks on New York and Washington."

I don't remember if there were any intelligence budget cuts prior to the 9/11 attack. Certainly, the U.S. intelligence received ample warning prior to the attack both from Mossad and German intelligence, but failed to act on the warning. Indeed, for reasons best known to the authorities, the U.S. Air Force was stood down the day of the attack.

What Mr. Clapper is certainly guilty of is fear-mongering - 'If you cut the intelligence budget the American people may be subjected to all sorts of dastardly deeds, which we will not be able to protect them from.'

Wake up America, it's time that you recognized that you are no longer the leader of the pack; you can't afford to be. It's always hard to face that reality and I speak from experience.

I was born in India during the Second World War. My father was the commanding officer of an Indian Sikh Regiment and with his regiment he fought at the battle of Imphal, which prevented the Japanese from entering India. He joined his regiment in 1920 after passing out of the Royal Military Academy, Sandhurst and his regiment fought in many campaigns along the North West Indian frontier bordering on Afghanistan.

India was the jewel of the British Empire and my mother and father, together with my brothers and sisters born in that beautiful country, lived in privileged circumstances being waited upon hand and foot.

It all ended after the Second World War when India was granted its independence in 1947. Thereafter, the British Empire speedily disintegrated. We returned to England and with my father now out of a job, we could no longer afford the luxury of servants.

It was difficult for my parents to accept the new reality, but they did. It was difficult for all of us to recognize that the Great Britain in which we now lived was no longer great.

I followed in my Father's footsteps and became an Army officer in a Scottish infantry regiment. My last posting was to a South Arabian country, which at that time was a British Protectorate. We were engaged in a mini-war in trying to ensure that a pro-Western government was in place when the British granted independence to the country. British troops left the country without achieving that objective. Upon returning to the U.K., I resigned my commission and emigrated to Canada. Shortly thereafter my regiment the Cameronian Rifles, which had been founded in 1689, was disbanded.

Since that time most of the great British regiments with their unique traditions and myriad battle honours have suffered a similar fate to that experienced by my regiment many years ago.

What confronts American politicians and the American people today is the reality that we British, were forced to recognize 60 years or so ago, that is you can no longer afford to police the world and with increasing budget constraints you will be forced to severely crimp on your military spending. I know through my own experience that this new reality will not be an easy pill for America to swallow.

## **Why Aren't the Bankers in Jail?**

Why aren't most of the important banking leaders in jail? We've had the subprime theft, the MF Global theft, the Libor theft and the HSBC money laundering scam, and nobody of any importance has gone to jail for what amounts to trillions of dollars of theft or money laundering. By comparison, Bernie Madoff's theft of something like \$50 billion (U.S.) was chump change for which he was jailed for 150 years; Raj Rajaratnam received an 11-year jail term for insider trading and Allen Stanford for an alleged Ponzi scheme involving \$7 billion (U.S.) was sentenced to 110 years in jail.

In December 2012, it was proven in a U.S. federal court that HSBC had laundered billions of dollars of drug money. According to U.S. Senate and Justice Department reports, HSBC "had failed to monitor over \$670 trillion (U.S.) in wire transfers and over \$9.4 billion (U.S.) in purchases of physical U.S. dollars from HSBC Mexico from at least 2006 to 2009." Moreover, "HSBC's Mexico bank had a branch in the Cayman Islands which had no offices or staff, but held 50,000 client accounts and \$2.8 billion (U.S.) in 2008."

It was revealed that "senior HSBC bank officials were complicit in the illegal activity."

At a Senate Banking Committee hearing in which she was questioning federal bank regulators, Massachusetts Senator Elizabeth Warren said "No one individual went to trial, no individual was banned from banking and there was no hearing to consider shutting down HSBC's activities here in the United States."

The Senator then said, "So what does it take? How many billions of dollars do you have to launder for drug lords and how many economic sanctions do you have to violate before someone will consider shutting down a financial institution like this?"

In March 2013, Eric Holder, US Attorney General, gave Elizabeth Warren her answer regarding why the Justice Department decided not to pursue any criminal prosecution of HSBC -"I am concerned that the size of some of these institutions becomes so large that it does become difficult for us to prosecute them when we are hit with indications that if you do prosecute, if you do bring a criminal charge, it will have a negative impact on the national economy, perhaps even the world economy."

That's it then, the big banks can get away with any criminal act, because they are too big to prosecute: whereas the lesser financial wrongdoers can be sent to jail, in Madoff's and Stanford's cases, for more than 100 years. Where's the justice in that?

The following are a couple of articles by Matt Taibbi of Rolling Stone magazine, which are a very good read on this disturbing subject.

<http://www.rollingstone.com/politics/news/gangster-bankers-too-big-to-jail-20130214>

<http://www.rollingstone.com/politics/news/why-isnt-wall-street-in-jail-20110216>

## **Why can't the vast majority of people see what is really happening in the real world and what might be the implications for them?**

I have never understood why the vast percentage of the population can't see how bad things are in the real world. Take Cyprus for example. There was plenty of time in which it should have been apparent to any Cypriot, indeed to anyone with money in a Cypriot bank, that the Cyprus banks were effectively bankrupt. Knowing that, why would anyone leave their money in a Cypriot bank? "Ah, you say, what would one do with the money once you had taken it out of the bank? Well, I think that if you really think this through you'd come to the conclusion that the only secure money is gold and silver and I mean coins and bullion, not a paper claim to it. We've seen what can happen to your paper claim; take MF Global as an example.

Unfortunately, the vast majority of people simply don't think things through to their logical conclusions. They place an inordinate amount of trust in their leaders and, generally speaking that trust is misplaced.

So let me try and put this into some perspective for you using an open mind and my knowledge of financial and economic history and damn the leaders who are lying to you. In several of our writings we have warned "It's the Debt, Stupid" that is the cause of all our problems. This debt bubble of unprecedented worldwide proportions is currently in the process of blowing up. It is much bigger than the debt bubble of the 1920s which, after it deflated, brought about the worldwide depression of the 1930s and subsequently the Second World War.

Today, politicians and central bankers are desperately trying to keep this enormous debt bubble from bursting. The methods which they are using are printing money on a massive scale; increasing government debt; and in Europe, imposing ridiculous austerity measures in the countries that require debt bailouts, and in some cases imposing unelected leaders to govern the country. These are desperate measures which denote desperate times.

## **Canadian Banks Control the Canadian Investment Industry and That's Bad.**

This is a rant against Canadian banks, which through the acquiescence of the Canadian Government, have been given carte blanche to effectively control the entire investment industry in Canada and the Canadian stock exchanges.

Last year the London Stock Exchange made a bid to merge with the Toronto Stock Exchange. This would have been a great marriage for Canadian public companies and in particular listed Canadian precious metals companies, including the junior companies, which would have been privy to a huge London based financing pool. This was denied by the greed of the Canadian bankers, who in a move designed to sway public opinion in their favour, made a counter bid under the 'Maple' (Leaf) banner, appealing of course to Canadian patriotism. Conservative Finance Minister, Jim Flaherty, approved their bid and the Canadian Stock Exchanges are now owned, for the most part, by the Canadian banks and as a consequence London based financing has all but been eliminated.

Canadian banks are the predominant players in the investment business. They have over the past twenty-seven years changed the brokerage model from one in which stockbrokers advised their clients on an individual basis, to one where stockbrokers are now simply 'money gatherers' for centralized investment managers. The banks are promoting this model throughout the Canadian investment industry.

What this means is that the Canadian venture companies and in particular junior mining companies are essentially not recognized as appropriate investments for the banks' investor clients.

Canadian banks are in the process of destroying the venture capital markets in Canada. This country was built on venture capital investment.

To this end, I would encourage the four western Canadian provinces to wrest control of the Canadian venture stock exchange from the Canadian banks. Furthermore, I think it is necessary to return to the original brokerage concept where brokers are free to give investment advice to their clients based upon the clients' needs and risk tolerance level.

Unless this is done the venture stock market in Canada is doomed to fail.

Western Canada, as it has been for the past 150 years, is still controlled by the central Canadian banking fraternity although the wealth of Canada has now moved from Ontario and Quebec to Alberta and British Columbia.

## Free Markets? I don't think so.

There are no such things as free investment markets anymore. These markets are all controlled by central bankers, principally, the Federal Reserve. We know that Ben Bernanke and his predecessor Alan Greenspan considered that it was of the utmost importance to maintain stock prices at high levels. They are on record as saying so and we have quoted them in this vein previously. However, as a reminder to our readers of how important the stock market is in their eyes let's hear from the Maestro and his henchman, "I want to follow in the footsteps of Alan Greenspan", Ben Bernanke.

"I think we are underestimating and continue to underestimate how important asset prices, very specifically equity values are, not only for shareholders and the like, but for the economy as a whole." Alan Greenspan, December 3, 2010.

"Global stock markets have rallied so far and so fast this year that it is difficult to imagine that they can proceed further anywhere near their recent pace. But, what if, after a correction, they proceeded inexorably higher? That would bolster global balance sheets with large amounts of new equity value and supply banks with new capital that would allow them to step up lending. Higher share prices would also lead to increased household wealth and spending, and the rising market value of existing corporate assets relative to their replacement cost would spur new capital investment. Leverage would be materially reduced. A prolonged recovery in global equity prices would thus assist the lifting of the deflationary forces that still hover over the global economy". Alan Greenspan, June 25, 2009.

Now it's Ben Bernanke's turn - "And higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending; increased spending will lead to higher incomes and profits that in a virtuous circle will further support economic expansion." Ben Bernanke, November 4/ 2010.

"Monetary policy works for the most part by influencing the prices and yields of financial assets, which in turn affect economic decisions and thus the evolution of the economy." Ben Bernanke May 2004.

It has been the huge monetary stimulus that the Federal Reserve has employed since 2008 under such pseudonyms as Tarp, Quantitative Easing, and the like, which has been fed into the banks, to achieve the desired Fed outcome; that is rising equity values. At present, the Federal Reserve has committed to force feed the banks \$1 trillion (U.S.) a year through its purchase of U.S.Treasurys and Mortgage Backed Securities from these institutions.

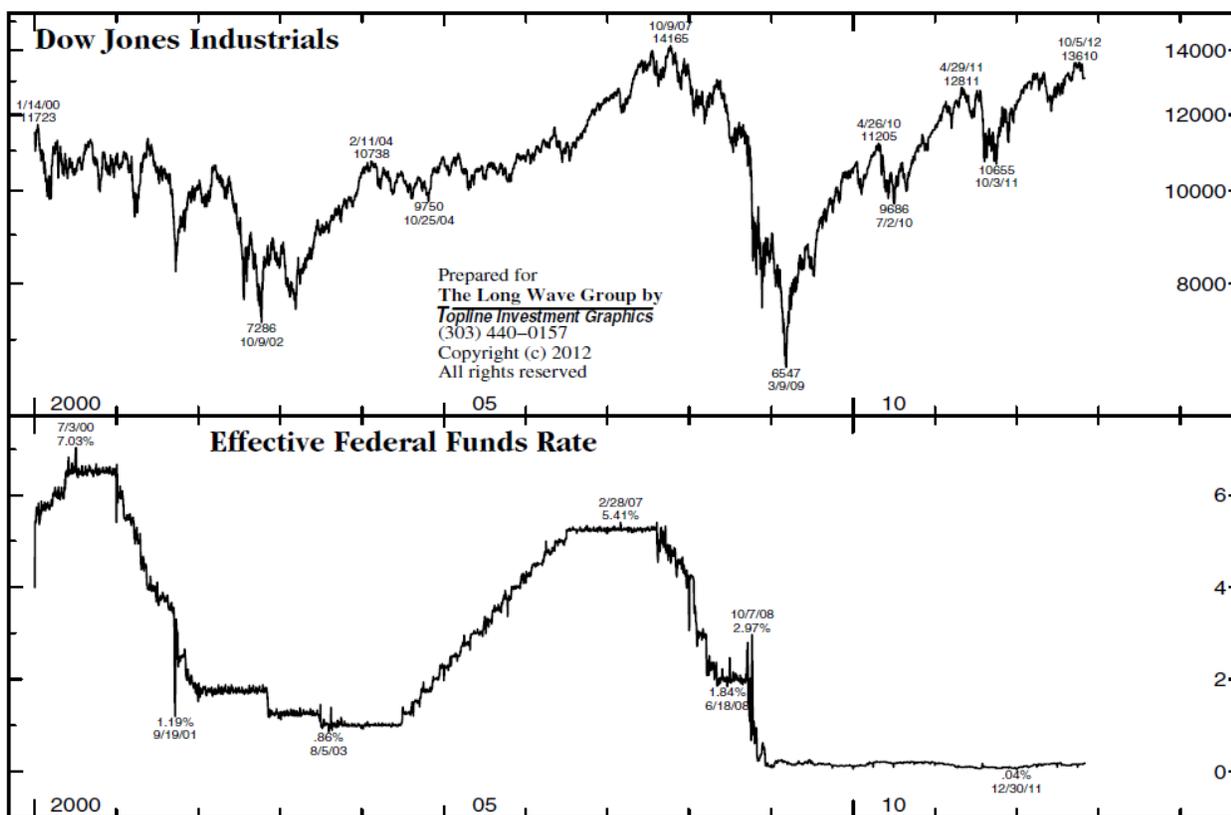
Then of course, there is the President's Working Group on the Markets, also more commonly known as The Plunge Protection Team, whose job it is to arrest any significant decline in stock prices.

Under these circumstances, the U.S. stock market is no longer a free market comprised of buyers and sellers interacting without outside influence. It boggles my mind as to why anyone would want to invest in such a rigged market.

“Ah”, I hear you say, “why wouldn’t you buy stocks in a market that is rigged to rise higher in price?”

Well, I have an answer for that. As many of my readers will know I fervently believe that all markets are governed by natural law and not man’s law. By natural law I mean that within any market there is freedom of interaction between buyers and sellers without outside influence or interference. Ultimately, it is the natural law of the markets that wins and the longer the interference in the natural process of the markets, the greater the subsequent counteraction in prices.

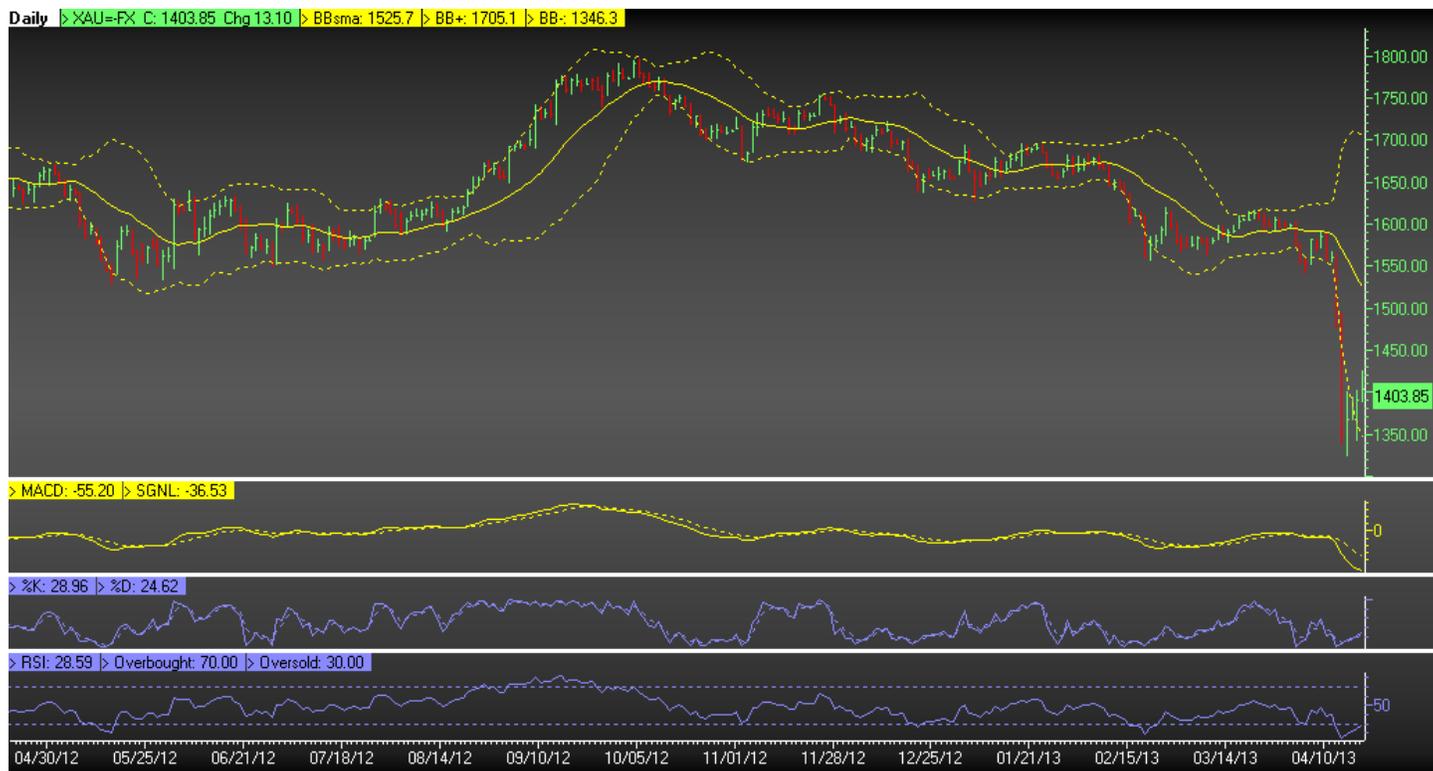
I know that I have shown this chart on at least a couple of occasions, but for the benefit of new readers and there are many of you, I want to show it again, because it clearly demonstrates how the Federal Reserve has tried to support stock prices through its interest rate policy and, although not shown on this graph, quantitative easing.



These monetary efforts by the Federal Reserve have not allowed the winter stock bear market to follow its natural course of price decline, which is to mirror the price action of the preceding autumn stock bull market which saw stock prices rise by 1,500%. When the natural course of the winter bear market overcomes the Federal Reserve’s efforts to circumvent the process, the effect on stock prices is likely to be calamitous and ‘Dow 1,000’ will not be a silly number. It is my belief that the return of the stock bear market is now at hand and in that case the Federal Reserve will be unable to interfere in the process; interest rates are already at zero and banks are receiving \$1 trillion (U.S.) per annum through quantitative easing.

If you think that the takedown in the gold price that occurred on three days in this past week was not manipulation then I think that it would be hard for me to convince you that our leaders, for the most part, don’t give a damn about us. Here’s the spot gold price chart, because a picture speaks a thousand words.

## Spot Gold, daily price chart.



Source: Thomson Reuters

The price of gold closed on April 11th at \$1,560.74 (U.S.). On April 12th, it closed at \$1,478.35 (U.S.) and on the following trading day April 15th the gold price closed at \$1,352.75 (U.S.). The following day it made a low price of \$1,322.43 (U.S.), but closed that day above the closing price of the previous day, which was a Key Point Reversal low on the Daily chart. Overall that's a price collapse of 15.25% over three days.

Do you really believe that over those three days there was a massive selling of physical gold? Of course there wasn't. The Cyprus bank heist had just taken place and the prospects for the Euro survival were looking bleaker than ever.

We know why stock market prices are manipulated to the upside. But why at this particular juncture was the price of gold trashed?

In my opinion, Andrew McGuire, who used to work at the LBMA (London Bullion Market Association) and as a result has a thorough knowledge of how it operates, has in my opinion, given the best reason for the manipulative sell-off in the paper price of gold. According to McGuire, the reason was because the LBMA was threatened by an imminent default on account of not being able to deliver physical gold, which was in huge demand. He said "We had already seen COMEX inventories plunging. In 90 days, COMEX inventories saw an incredible decline. So, immediately available physical gold was disappearing. People around the world don't understand what has been happening since Cyprus. Entities went to the LBMA and said, 'We don't trust anybody anymore. We want our physical metal.' They were told that they would be cash settled instead by a bullion bank. The Western governments have been trying to plug holes, and the reason for it has to do with the default that was taking place at the LBMA."

“This is why the smash has been orchestrated because of the run that has been taking place on physical metal. So, Western governments had to do this because of an imminent run on the unallocated LBMA system. The LBMA bullion banks had become so mismatched at one point on their trading positions vs. real world demand that they had to orchestrate this smash. This orchestrated smash in gold and silver was nothing short of a bailout for the bullion banks. So there is a run on physical gold that is taking place and the Ponzi scheme the West is running is being threatened because of it. “

This makes sense to me.

We know that the demand physical gold and silver is enormous and as the unraveling of fiat currencies gathers pace that demand will grow to a fever pitch.

This is the latest blog from John Ward. It covers the gold price manipulation. Within the writing he refers to at Zero Hedge, which I encourage you to read.

<http://hat4uk.wordpress.com/2013/04/22/gold-silver-the-metal-v-paper-discrepancy-now-lacks-any-credibility/>

Fraud, theft and market manipulation is the way that many western banks now conduct business and they are above the law. You must act to safeguard yourself from what can only be a very disturbing and frightening future.

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**“Those who cannot remember the past are condemned to repeat it.” Santayana**