

CHAPTER FOUR

The Financial Reckoning Day Arrives

The traditional immunity of advanced countries like America to a Third World-style crisis isn't a birthright...we are facing a serious day of reckoning.

- Robert Rubin, former U.S. Treasury Secretary

America is at a significant crossroad in its history. Domestically, we are drowning in a sea of red ink as public, private, and corporate debt now exceeds \$50 trillion, and our annual budget deficit grows by billions each year. Entitlement programs, transfer payments, pension funds, fiscal liabilities and demographics threaten to bankrupt the Welfare State. The sub-prime real estate implosion finally occurred as predicted in the previous edition of this book, and the U.S. is now in worse shape than before with wholesale mortgage fraud and bailouts of Wall Street and GSEs like Fannie and Freddie Mac. Commercial banks are still highly leveraged in risky derivatives, state budgets are threatening a municipal bond collapse and the Fed has launched “QE” to postpone a sovereign debt default and a broader monetary crisis. The middle class is reeling from higher taxes, inflation, job losses, persistent unemployment and stagnant wages. Illegal immigration and terrorist threats continue daily as our nation sinks into moral degeneracy and culture wars.

Internationally, our trade deficits widen by billions each month as manufacturing and other jobs are being exported overseas. The U.S. dollar continues to weaken in international trading, and U.S. currency reserves and foreign bond liquidations could strategically collapse our economy. As Alex Wallenwein, publisher of *The Euro vs Dollar Currency War Monitor*,

signals, “Whatever the ultimate fate of the dollar will be, it already lies in the hands of foreigners....It is no longer in the power of the Federal Reserve or the U.S. government to reverse the fall of the dollar.”¹ Additionally, our military campaigns are costing billions and war drums are beating in the Far East and throughout the Islamic world.

These macroeconomic and geopolitical forces are gaining momentum, and eventually they will pose a major systemic risk to our highly leveraged financial markets and crippled economy. We should not in our own vain conceit and hubris think that America is immune from an economic or political collapse in the 21st century. Our prolonged experiment with Keynesian economics is going to end *badly*. And it will ultimately result in a serious day of reckoning, as noted by James Dale Davidson and Lord William Rees-Mogg in their book, *The Great Reckoning*:

One way or another, we expect a great reckoning. A settling of accounts. We expect the long economic boom and credit expansion that began with World War II to come to an end. The end, when it comes, will not only reveal the insolvency of many individuals and corporations, it may also bring bankruptcy to the Welfare State and widespread breakdown of authority within political economies....More than you may now imagine, you are vulnerable to financial, economic, and political collapse.²

Bureaucracy, reckless spending and political agendas have made us all vulnerable to fiscal bankruptcy and breakdown of our present political system, and these events may be closer than we imagine. Many are convinced that our leaders are not only anticipating these critical developments, but that some of them have also been instrumental in causing them. In his book, *Financial Terrorism*, John McManus refers to these individuals as powerful “insiders” who are working behind the scenes to create a New World Order. “They are determined to use debt, deficits, and government control to destroy America’s might and ease us into their New World Order,” says McManus.³ This is essentially the same group of individuals that have been responsible for creating the UN, IMF, World Bank, Export-Import Bank and drafting the GATT, WTO, GATS, NAFTA, CAFTA, and other trade agreements in recent years that help benefit their transnational corporate empires.

In 1950, during a U.S. Senate hearing, Establishment insider James P. Warburg (son of Paul Warburg) tipped his hand when he declared, “We shall have world government, whether or not we like it...and the only question is whether world government will be achieved by conquest or consent.” In 1993, Henry Kissinger enthused that the NAFTA proposal (passed in 1994) was “not a conventional trade agreement, but the architecture of a new international system....the vital first step for a new kind of community of

nations.”²⁴ In the same manner in which bankers and politicians exploited the Bank Panic of 1907 to create the Federal Reserve, and later the United Nations following World War II; they are now putting America in position to adopt some form of the Free Trade Area of the Americas (FTAA) trade legislation that will create a regional government in this hemisphere similar to the European Union. The North American Union (NAU) initiative is seen as an important step in this overall effort to integrate Canada, the U.S. and Mexico into a common perimeter.

America is currently on a path to financial ruin. But the Fed, corporate insiders, and political leaders are standing by with their plan to restructure our political economy and steer us into their regional New World Order. It is a desperate gamble, but it helps us understand why our standard of living among the middle class is being lowered in America and why our political leaders are completely indifferent to illegal immigration which is seen as an important step towards integration and becoming “a new kind of community of nations.” As former White House Chief of Staff under Obama Rahm Emanuel once famously said, “You never want a serious crisis to go to waste.”

This kind of betrayal, lust for power and greed has already been discussed in this book and is not uncommon among the passions of unscrupulous men. Treasonous behavior has been repeated throughout all of history and our times are no different. In this chapter we will take a deeper look into these political developments and economic issues that are threatening to reduce our nation to a Third World status. The following facts, figures, and statistics will help put our current situation into perspective and should remove any doubt that our country is heading into a financial storm.

Scripting the Perfect Financial Storm

There can be no better appreciation for our looming fiscal/political crisis than to understand our current account deficit with foreign nations and the declining value of the U.S. dollar. Since World War II, America has experienced a long economic boom, and this has occurred for two important reasons. First, in July of 1944, the U.S. dollar was established as the new reserve currency for international trade and commerce at a global conference held at the Mount Washington Hotel in Bretton Woods, New Hampshire. Officially known as the United Nations Monetary and Financial Conference, this gathering was hosted by none other than Fabian socialists John Maynard Keynes and Assistant Secretary of the U.S. Treasury, Harry D. White (who was later exposed as a Soviet spy), and was attended by Establishment insiders, financiers and politicians. The focus of this important meeting was the creation of the International Monetary Fund (IMF) and the International

Bank for Reconstruction and Development, commonly known as the World Bank located in Washington, DC.

The World Bank was created to assist war torn nations, while the IMF was implemented to maintain fixed exchange rates between national currencies. Central to this scheme was the requirement that all major world currencies would abandon their current exchange rates and any internal gold standard. Current exchange rates would be pegged to the U.S. dollar which could be redeemed in gold at the official price of \$35 per ounce. This effectively removed the gold discipline for 16 major currencies and also replaced the British pound sterling as the premier currency in the post-war period. Professor Murray Rothbard provides this comment:

Just as the United States was to use World War II to replace British imperialism with its own far-flung empire, so in the monetary sphere, the United States was now to move in and take over, with the pound no less subordinate than all the other major currencies. It was truly a triumphant “dollar imperialism” to parallel the imperial American thrust in the political sphere.⁵

In early 1947, the IMF began operations and appointed Harry Dexter White as the new Executive Director. Member nations pledged “credits,” which were really nothing more than monetary pledges to be backed up with taxation, and the IMF became a *de facto* world central bank with a nominally gold-backed paper standard. This action allowed member nations to inflate their fiat currencies, and also allowed the IMF to act as the lender of last resort by restructuring loans against “credits” through the World Bank. The backdrop of war and tragedy had presented an ideal opportunity for political insiders and bankers to advance their mechanism for a central banking authority. As reported in the April 20, 1971 issue of *The American Banker*, Keynes had been lobbying for a World Bank several years prior to WW II, “. . .while White had been instructed by the U.S. Treasury *only a week* after Pearl Harbor to start drafting plans for an international stabilization fund after the war.”⁶ Such were the plans by forward-thinking globalists who have used the IMF and World Bank to advance their corporate/socialist agendas throughout the world since 1947.

Thus, the second reason America became the dominant world economy after WW II was the fact that we could export our “dollar imperialism” and the equally important fact that we had no real trading competition. Europe was in shambles, and the Far East was either communist or too impoverished to pose a threat to American hegemony. The U.S. could set its own price on world markets, and the world had to pay in U.S. dollars. But all of this started to change during the Nixon administration. During WW II, the U.S. Treasury had accumulated vast gold reserves from nations as trade settlement for war

expenses. This was an important development for supporting the U.S. dollar as the new reserve currency around the world. By the late 1960s, however, industrial economies in Japan and Western Europe were recovering from their war damages and started exchanging their excessive dollar reserves for gold payment. This sell off was rapidly depleting the U.S. gold inventory.

In 1971, U.S. dollars offshore – known as eurodollars – totaled more than \$36 billion against \$18 billion in U.S. gold reserves. By late 1971, the Bretton Woods Agreement started breaking down from international pressure as France and several OPEC nations led the way in exchanging their eurodollars and petrodollars for gold. President Nixon could not let these events continue, or the U.S. dollar would cease being the guarantor of the world's monetary order. On August 15, 1971, President Nixon finally signed an Executive Order which officially “closed the gold window” and suspended payment in gold for U.S. dollars. This action was deemed only “temporary” by the U.S. Treasury which then devalued the dollar to \$38 per ounce of gold in 1972 and then later to \$42 in 1973. But eventually the window was shut. William Greider remarks:

Finally, by March 1973, exhausted and unable to keep the international bargaining alive, officials conceded that the old order was dead beyond resurrection. The U.S. gold guarantee was permanently abandoned and so were the fixed exchange ratios among the other major currencies. Henceforth, the dollar would find its own value in the currency markets. . . . Fixed exchange rates were replaced by a system of “floating exchange.” A dollar was still a dollar, but its international value would fluctuate daily, depending on the judgments by millions of economic players on what a dollar was really worth compared with other kinds of money.⁷

Similar to what the FDR administration had done 40 years earlier when he removed the convertibility of our domestic currency for gold specie, the Nixon administration now did on a global scale. Political pressure and Keynesian monetary policy had finally conspired to demonetize gold, and fiat currency values would now be based on the shifting tides of human emotion, the momentary judgment of currency traders, and the collective wisdom of central bankers. The U.S. would manage to maintain its dollar imperialism in foreign markets in this new system, but the dollar would be steadily discounted in value as a result of monetary inflation and open competition with other kinds of money.

One of the initial reactions to the floating exchange policy was a dramatic 400% increase in the price of crude oil by late 1973. The OPEC oil cartel, formed in 1960, had insisted that all crude oil contracts be invoiced in U.S.

dollars for international trade. OPEC leaders were nervous that their vast dollar surpluses – known as petrodollars – had already suffered inflationary losses prior to 1971, and they were anxious to hedge against further losses on currency markets. This price hike was also seen as direct retaliation for U.S. support for Israel during the Yom Kippur War in October 1973 and was followed by an oil embargo, which lasted until March 1974. Unable to redeem petrodollars for gold at the official price of \$35 or \$42 an ounce, OPEC nations soon entered the open market and helped bid the barbaric relic up to \$850 an ounce by 1980 – an increase of 2023%. This trend was also attributed to heavy gold acquisition in the U.S. after private gold ownership was restored to the American people in 1974.

Since 1971, and the breakdown of the Bretton Woods Agreement, the world has embarked on a perilous journey since the entire international monetary system is merely based on the issuance of paper money by central banks. The U.S. has had a distinct advantage in this monetary arrangement since it can supply the world's reserve currency and inflate its own currency without suffering the full negative effects like other countries. As financial analyst Jim Puplava has observed, "The U.S. government has avoided the full inflationary effects of its money printing by exporting dollars to the rest of the world. As long as foreigners accept our dollars, we can continue to export our inflation."⁸ This economic distortion has been caused by a steady flow of trade deficits in which the U.S. imports more goods than it exports to other nations. The U.S. simply finances any trade difference by borrowing or creating money.

In the 1970s, the annual U.S. trade deficit was relatively small. But starting in the 1980s it started to grow by \$80 to \$150 billion a year, and then up to \$300 billion in the 1990s. By 2008 this figure had reached a record \$800 billion and the most recent trade deficit is approximately \$500 billion with most of this going for crude oil imports. These are big figures, notes James Turk in his book *The Coming Collapse of the Dollar*. "Looked at from virtually any angle, the U.S. trade situation is unprecedented. The annual trade deficit is larger than the budgets of Social Security...and twice as big as Medicare."⁹ A recent issue of *The Economist* additionally comments, "America has habits that are inappropriate, to say the least, for the guardian of the world's main reserve currency: rampant government borrowing...and a current account deficit big enough to have bankrupted any other country some time ago."¹⁰

So how has the U.S. been able to survive this steady outflow of money in foreign trade? In the past we have always financed our trade deficits through money creation. In more recent years we have been able to

recycle exported U.S. dollars from our trading partners. In his book, *The United States of Europe: The New Superpower and the End of American Supremacy*, T.R. Reid explains:

The United States can sustain this steady outflow of money because the rest of the world has been willing to send back the dollars we use to buy foreign goods. This return flow comes in the form of investment – foreign investors buying American stocks, or more commonly lending its money by buying corporate or government bonds. When the U.S. Treasury spends more than it receives in taxes, it makes up the difference by floating Treasury bonds.... Those foreign investors putting their funds into Treasury bonds are lending Americans the money we use to buy more imports.¹¹

Through an amazing cycle of trade, foreigners are helping us finance our trade deficit so we can keep borrowing to buy their goods. For this reason, some have suggested that the U.S. actually has a trade “balance,” but this trading cycle is creating a huge structural “imbalance” that will eventually do irreparable harm to America. China and Japan have largely contributed to this trade imbalance in an effort to support our consumer-driven economy, which in turn has helped their own economies.

The way this trading relationship works is as follows: both China and Japan are hoarding U.S. dollars (eurodollars) in order to prevent these same dollars from circulating and causing inflation to weaken the dollar. If the dollar is weak the Fed must raise interest rates which will curb lending activity, which will slow the U.S. economy and result in less consumer spending for foreign goods. By propping up the dollar, China and Japan also cause their exports to be more affordable on U.S. markets. “If China simply spent its dollars, it could flood the world market with American currency and quickly drive the dollar down,” writes Ted Fishman in his book *China, Inc.*, “But China, no fool, is not interested in pushing the dollar down.”¹² And neither is Japan. At least not for now.

Together these two countries prefer to exchange eurodollars for U.S. Treasury bonds which fuels our economy and theirs. When these bonds mature, the debt is rolled over, and new bonds are issued. China and Japan currently hold \$1.1 trillion and \$1 trillion respectively and together represent 47% of all U.S. bonds held offshore. To make sure this exchange keeps flowing the People’s Bank of China has more than \$2 trillion in U.S. currency reserves, which is almost equivalent to 30% of their \$7.3 trillion GDP. The Bank of Japan currently has \$1 trillion in global currency reserves. It is estimated that Japan issued ¥35 trillion yen back in 2003 in order to buy up all U.S. currency reserves in their own country so they could keep buying U.S. debt and keep their exports affordable!

So how big are these currency reserves? Out of \$10.1 trillion in total world currency reserves held by central banks, 61% is in U.S. dollars and 29% in Euros. China and Japan hold 31%, or \$3 trillion, of these U.S. dollar reserves. For China this kind of leverage could represent a strategic advantage in any future trade war or conflict over Taiwan. Trade with China has risen from 1.7% of our foreign trade in 1987 to 25% today. During this same period, Japan has gone from 35% down to 11%. China's industrial revolution has boomed since economic reforms in 1978, while China also maintains a low peg of their currency to the U.S. dollar. This dynamic trade development and China's geopolitical significance in the world will be discussed in more detail in the following chapter.

In 1925, foreigners only held 5% of U.S. publicly held Treasury debt, whereas today it is almost \$4.7 trillion, or 42%. Foreigners also had a very large stake in the U.S. real estate bubble that eventually burst in 2008. Since the late 1990s, banks and mortgage companies bundled their loan portfolios into mortgage backed securities (MBS) and collateralized debt obligations (CDO) and sold them to unwary investors. According to Grant's Interest Rate Observer foreigners bought nearly 40%, or \$3.3 trillion, in U.S. real estate debt that was cleared through Fannie and Freddie Mac. As Ted Fishman noted in the previous edition of this book:

China almost certainly [had] a large stake in the market for bonds issued by Fannie Mae and Freddie Mac, the companies that buy home mortgages from banks and thrift institutions and resell them as bundled securities. This means that billions of dollars' worth of investments belonging to the Chinese [were] plowed, indirectly, into the American real estate market, and that an ever increasing share of Americans' mortgage payments [poured] into the coffers of the government of China.¹³

Following the events of 9/11 in 2001, the Fed lowered interest rates from 6.5% down to 1% by early 2003. This manipulation by the Fed created a literal buying frenzy and speculative bubble in real estate as MBS and CDO "tranches" were sold to Wall Street investment banks and then peddled to the public. Moral hazard was implicit as each participant passed along risk while rating agencies like S & P, Moody's and Fitch all competed to assign "AAA" ratings to this toxic debt. Leading up this frenzy was passage of the Gramm-Leach-Bliley Act in 1999 that repealed the Glass-Steagall Act of 1933 that prevented banks from offering investment services to customers. As a concession to Democrats this allowed enforcement of the Community Reinvestment Act of 1977 that required banks to make loans to sub-prime (low income) borrowers often known as "liar loans." Reckless lending practices led to easy adjustable-rate mortgages, flipping real estate for profit and 125% equity loans totaling \$900 billion dollars. William Greider remarked, "Whether it is stocks or bonds, corner lots in big cities or undeveloped swampland in Florida, speculative bubbles all derive from one conviction: the buyers are convinced that in a few days or weeks or

months they will become sellers and unload their purchase at a profit.”¹⁴ By 2007 “teaser rates” began to reset and the jig was up as the Fed raised interest rates to 5% and new “mark-to-market” rules were imposed. These new rules forced Bear Sterns to fold in early 2008 along with IndyMac, Countrywide, Merrill Lynch, Lehman Brothers, AIG and the government has since nationalized Fannie and Freddie Mac and purchased an amazing \$5.5 trillion in toxic debt (to compensate China) and this enormous figure is kept off the books of our “official” national debt.

The collapse of the real estate bubble has been devastating to millions of homeowners and has led to the worst economic crisis our nation has experienced since the Great Depression. Total mortgage debt in the U.S. is now \$13 trillion with fully half of this considered sub-prime. According to Deutch Bank almost 13 million Americans are behind in their mortgage payments; 100,000 homes are repossessed each month (one in ten); 23% of all homes have negative equity, with the worst states being Nevada (65%), Arizona (51%) and Florida (47%). Nearly 14% of all U.S. homes are *empty* including Detroit (18%), Dayton, Ohio (19%) and New Orleans (22%). According to the 2011 Case-Shiller Index, 72% of American cities are suffering a real estate crisis and loss of tax revenues. Worst hit are Atlanta, Charlotte, Chicago, Detroit, Las Vegas, Miami, New Orleans, New York, Phoenix, Portland, Seattle and Tampa. In March 2011, the U.S. Commerce Department reported that seasonally-adjusted home sales fell to an annual rate of only 250,000 units per month (the lowest rate since records have been kept since 1960), and median home prices fell 13.9% - the sharpest one-month drop on record! This trend is continuing. Nearly one half of all sales are bank-owned properties (REOs) and represent “short sales” for desperate homeowners. Banks are holding massive “shadow inventories” of REOs and are refusing to “mark-to-market” or list these properties to prevent a further decline in median home prices. Adding to these dismal figures, Casey Research warns that commercial real estate sales have dropped to record lows and nearly \$3.5 trillion in short-term loans (usually 5-7 years) are in danger of defaulting as counter-party risk keeps spreading across America.

As if all of the above is not bad enough a whole new real estate crisis has emerged known as “MortgageGate.” Eager to perpetuate the above housing bubble lenders decided to bundle mortgage debt in the same way they bundle credit card debt and reassign it. The only problem is that this process broke the legal chain-of-title under state and federal law. In 1995, Fannie and Freddie Mac, banks and lenders created the Mortgage Electronic Registration Systems, Inc (www.mersinc.com) in order to streamline the securitization process and act as nominee or “robo-signer” for in-house transactions. This paperless system lacked necessary wet signatures and is now being challenged in U.S. courts. As Joe Bisogno of Loan Compliance Advisory Group explains:

MERS founders and members went about foisting their so-called “paperless” system on the American economy and indirectly upon the global economy. MERS studiously avoided seeking any legislative changes of long standing commercial laws relating to promissory notes, mortgages and public recording of assignments

in any of the 50 states that it would ultimately be operating. It is possible that this blatant abuse, of the UCC and state recording laws might have passed itself off as the new way of doing business in our computer age. But MERS member companies, under clear instructions from their leaders, guaranteed disaster by pumping up and then dumping these shaky loans onto investors through trusts they set up for this purpose. These investor/bondholders are now discovering that they were duped. They just don't know how badly they were duped.¹⁵

What MERS has created is nearly \$9 trillion dollars in unsecured debt as banks and lenders are unable to legally foreclose on properties without clear chain-of-title. In most cases homes are repossessed illegally and homeowners are now choosing to strategically default in order to challenge lenders and force loan modifications (www.msfraud.org). Lawyers are seeking a class action suit on behalf of pension funds and bondholders but federal regulators are obstructing to protect Fannie and Freddie Mac, which is a clear conflict of interest. Unfortunately, 50 million mortgages have been tainted with MERS and this risk contagion could lead to systemic bank losses and require the Fed to intervene as a lender of last resort. In a recent speech sponsored by the Stanford Institute for Economic Policy Research, former Fed chairman Paul Volker warned that our economy is "...skating on increasingly thin ice."

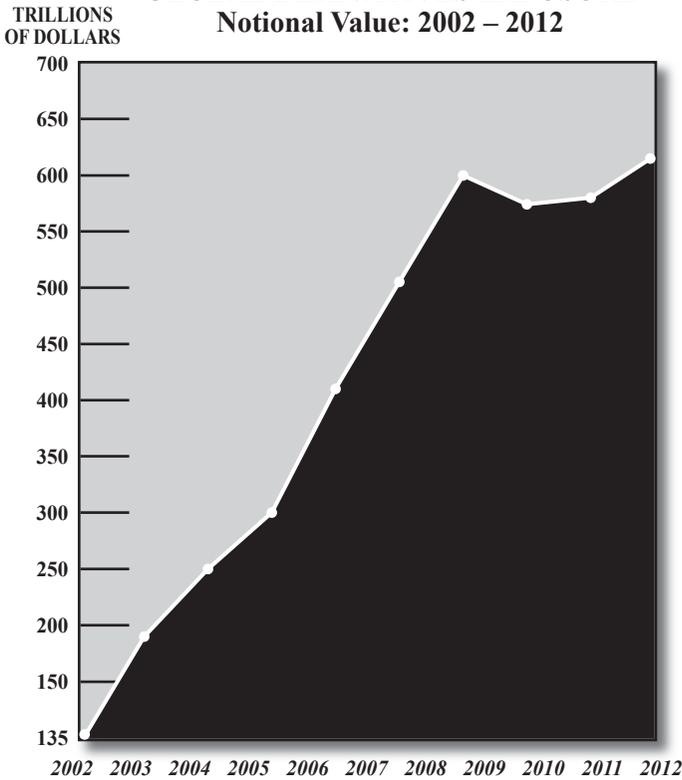
Beyond the dangers of structured debt in the real estate market is corporate debt that is structured in the highly volatile derivatives market. Introduced in 1973, these complex financial contracts are used by corporations, banks, and hedge funds to maximize profits in various credit and equity markets. Derivatives "are contracts that derive (hence their name) their value from something else," writes James Turk, "and are designed to divide the risk associated with an underlying asset into pieces, allowing them to be sold to different people."¹⁶ Derivative products can involve interest rate swaps, collateralized debt obligations, stock indexes, currency contracts, mortgage securitization, and so on. The extreme downside with these financial instruments is that they are sold over-the-counter (OTC) and not exchange traded, thus they are highly illiquid. They also involve a high degree of risk throughout global markets.

In 1989, the infamous hedge fund Long Term Capital Management lost nearly \$4 billion when Russia defaulted on its foreign debt, and they could not unload their \$1.2 trillion derivatives position. The Federal Reserve Bank of New York and 14 other banks had to come to the rescue of LTCM to prevent a complete meltdown of U.S. financial markets. This fact is all the more serious when you realize that the notional value (i.e., underlying dollar value) of worldwide derivatives markets now totals a breathtaking \$615 trillion dollars with more than a third of this exposure in the U.S. Fully 37% of this amount is held by just six national banks: J.P. Morgan Chase (\$70 trillion), Citigroup (\$53 trillion), Bank of America (\$50 trillion), Goldman Sachs (\$45 trillion), HSBC (\$4 trillion) and Wells Fargo (\$3 trillion). In

recent years, both Ford and General Motors have used interest rate swaps to offer zero or low interest rate loans for new car buyers. A wrong bet in this highly leveraged market could produce a major tipping point in world financial markets. Currently, there are 8,000 hedge funds handling \$6 trillion in trading volume each day. According to legendary investor Warren Buffett, derivative contracts are like “weapons of mass financial destruction.”

The other risk associated with derivatives is the fact that U.S. corporate stocks and bonds can be adversely affected by any losses that occur in the global derivatives market. According to the Bank of International Settlements (BIS) in Basel, Switzerland, nearly one half of U.S. corporations have a stake in the derivatives market, and significant losses could quickly lead to bankruptcy, or near bankruptcy. This, in turn, could also bankrupt corporate pension funds for employees. There are currently 56,000 defined benefit plans covering 44 million employees in the U.S., and recent studies indicate that 80% of these plans are underfunded to the tune of \$500 billion. As mentioned in the previous chapter, The Pension Benefit Guaranty Corporation is already \$227 billion in the red, and billions more could be added as the global economy continues to contract and force job losses.

GLOBAL DERIVATIVES EXPOSURE
Notional Value: 2002 – 2012



Source: Bank for International Settlements (www.bis.org)

These derivatives contracts carry significant counter party risk and will invariably play a key role in a future monetary meltdown. Another area that carries significant counter party risk is the U.S. bond market that is highly leveraged and vulnerable to interest rate hikes and liquidation by foreigners. Since the economic crisis began in 2008 there has been a steady lack of support for U.S. Treasuries by foreign governments. Starting in late 2008 the Fed launched “Quantitative Easing” (QE) with \$600 billion to ease credit and purchase Treasuries, MBS and GSE debt. By March 2009 this figure was increased to \$1.7 trillion and largely supported the sudden turn-around in the stock market. In late 2010 a new round of QE2 was announced in order to purchase up to \$250 billion per quarter of U.S. debt. At this point former U.S. Treasury Secretary Robert Rubin warned that the Fed was putting the U.S. in “terribly dangerous territory” and warned of a “bond market implosion.” Later in March 2011, Dallas Federal Reserve Bank President Richard Fisher cautioned the Fed from further stimulus measures. “If we continue down on the path on which the fiscal authorities put us, we will become insolvent – the question is when.” He added that the U.S. is at a “tipping point.” By monetizing debt the Fed is causing dollar depreciation and a global currency war, as mentioned by Jim Rickards in the previous chapter. China’s Commerce Minister Chen Deming angrily remarked, “The continued and drastic U.S. dollar depreciation recently has led countries including Japan, South Korea and Thailand to intervene in the currency market, intensifying a currency war.”¹⁷ A few years ago financial analyst Richard Russell commented:

Somewhere ahead these same foreign creditors will look at the declining dollar and decide that they have taken in enough. At that point, the whole picture changes. Our foreign creditors will either halt taking in dollars or they will halt their process of buying U.S. Treasuries.¹⁸

As noted earlier, China holds \$3.1 trillion in U.S. bonds and currency and they are becoming extremely agitated. On November 10, 2011, the very day that the U.S. announced QE2, the Dagong Global Credit Rating Company downgraded U.S. sovereign debt from AA to A- with a negative outlook. In a further display of China’s displeasure a Chinese nuclear sub breached our radar net the day after and fired an ICBM missile just 30 miles outside of Los Angeles! This stunning event was never reported in the major media and the Pentagon has tried to cover-up the story. The truth is that the fate of the U.S. dollar is currently in foreign hands – and these hands are primarily in Asia. The ultimate tipping point in the global economy will be that day when these foreigners not only stop buying, but start *liquidating* their U.S. assets.

Bill Gross, CEO of Pacific Investment Management Company (PIMCO) which is our nation's largest broker of U.S. bonds, said, "Every large U.S. bond buyer knows the dollar debt creation is currently a run away train, so whether it is here at PIMCO, China or Japan, or some Third World nation, someday soon someone will announce that they will no longer purchase any new U.S. government debt obligations. And in a few short moments, the game will be over."¹⁹ In late 2011, PIMCO announced a "zero" U.S. bond purchase policy in light of the Japanese ability to support our market and has since cautiously returned as the EU situation worsens. The U.S. is playing a risky macroeconomic game and the geopolitics is getting tense. Among the OPEC nations, it is generally agreed among them that they routinely step in to purchase U.S. debt in order to keep the flow of eurodollars offshore coming back to them as petrodollars. This relationship, however, is becoming more strained as OPEC leaders are watching their dollar reserves lose value against other currencies.

Professor Murray Rothbard sees a day coming soon when the U.S. dollar *must* be replaced as the world's reserve currency, and this will shake up the world monetary system. "It has become increasingly evident that an ever more inflated and overvalued dollar cannot continue as the permanently secure base of the world monetary system, and therefore that this ever more strained and insecure system cannot long continue in anything like its present form."²⁰ The dollar is becoming increasingly vulnerable to collapse on world markets, and there is a growing consensus that a reckoning day is drawing near. Some, like the Economic Strategy Institute in Washington, D.C., believe that the only thing delaying the dollar's demise is the lack of an alternative currency. But this situation is has been changing in recent years. Monetary authority, Dr. Edwin Vieira, Jr. relates the following:

Powerful forces are even now working for major reduction of the role of Federal Reserve notes as a world reserve currency and medium of international exchange. In Europe, politicians in the European Union desire as much as possible to replace Federal Reserve notes with the Euro....And in Asia, Red China – for geostrategic as well as economic reasons – is likely to adopt policies that will diminish the role of Federal Reserve notes, and therefore decrease their purchasing power in that huge market too. Although these actions will threaten Federal Reserve notes and the Federal Reserve System in particular, they will not necessarily undermine fiat currency and fractional reserve central banking in principle. Europe, Asia, or both will simply substitute some other fiat currency for Federal Reserve notes, and rely on some fractional reserve central bank of issue other than the Federal Reserve.²¹

Global forces are moving to seek a diminished role for the U.S. dollar and this includes China and the EU, which envision a larger role for the Euro and other fiat currencies. What is being addressed here is essentially known in monetary circles as “Triffin’s Dilemma.” In 1961, Belgian economist Robert Triffin stated that a nation issuing a reserve currency naturally creates tension between national and global monetary policy. In other words, when the host country (U.S.) supplies the world with too much currency it creates a domestic trade deficit as dollars are needed for trade settlement among the nations. The dilemma is that the issuing country will create so much extra liquidity that it will eventually collapse its own currency over loose fiscal policy – which is exactly what we see today. It has been 41 years since the Nixon administration took foreign U.S. dollars off a nominal gold standard and the result has been the steady decline of the dollar and rising debt.

In 1999, the G20 forum was created to address global trade issues. Following the economic crisis of 2008, meetings have been held in Washington, DC, London and Pittsburgh (2009); both Toronto and Seoul (2010), France (2011), and Mexico (2012) with more annual meetings to follow. What is being proposed at these meetings is the need for a more “global” currency based on the Special Drawing Rights (SDR) of the IMF. The SDR was introduced in 1969 as a synthetic currency used as a unit of account for member IMF nations. The SDR “basket currency” was weighted to favor the dollar, mark, pound and yen and the current composition is Dollar (41.9%), Euro (37.4%), Pound (11.3%) and Yen (9.4%). The IMF has proposed increasing volume to \$390 billion SDR each year in addition to SDR-bonds to recycle the new issuance. China has petitioned to be included in this SDR scheme, but this is unlikely to happen. There have also been suggestions to add a gold component, but Art. IV (b2) of the 1978 IMF Agreement prohibits countries to peg their currencies to gold. In 1944, John Maynard Keynes envisioned a world currency called “Bancor” and more recently George Soros has proposed a new “multilateral system” for a new global currency through his Institute for New Economic Thinking.

According to the IMF the SDR was initially introduced in 1969 out of necessity as the U.S. dollar “proved inadequate for supporting the expansion of world trade” (www.imf.org). When Nixon closed the gold window in 1971 the SDR was no longer needed as the dollar became a floating currency. Prior to the Bretton Woods Agreement in 1944 the world had a duopoly of two main currencies; the U.S. dollar and the British pound. Since the introduction of the Euro in 2002, the new duopoly has been the U.S. dollar and the Euro as can be seen in the current weighting of the SDR. Since the economic crisis of 2008 many critics have predicted the collapse of the Euro as counter party risk has spread to member nations of Portugal, Ireland, Italy, Greece and Spain (known as PIIGS). NY rating agencies have repeatedly downgraded individual sovereign debt to the point of junk status and it is very likely that these nations will need to exit the EMU, or Eurozone, and

create what some are calling a stronger “Nordic Euro” comprised of stronger EU members.²² In many ways this would be a welcome development and the calls for the Euro currency’s demise are being highly exaggerated.

By any comparison the U.S. is in far worse shape than the EU. For example, the collective GDP of the PIIGS is \$4.7 trillion, or 27% of the overall GDP of the EU. In the U.S. several states are facing fiscal bankruptcy including California (\$1.9 trillion), New York (\$1.2 trillion), Florida (\$754 billion), Illinois (\$644 billion), Pennsylvania (\$575 billion), New Jersey (\$497 billion), Ohio (\$483 billion), Michigan (\$372 billion) and Arizona (\$261 billion) for a total of \$6.7 trillion, or 45% of our GDP! California by itself is the 9th largest economy in the world (out of 193 nations) and they are facing a fiscal budget gap of \$16 billion and a potential municipal bond default. Rep. Paul Ryan, chairman of the House Budget Committee, states if the U.S. does not get its finances in order “we will have a European situation on our hands, and possibly worse.” Meredith Whitney, CEO of Meredith Advisory Group in NY, has been a lone voice warning of a municipal bond default in the “hundreds of billions” in this underfunded \$2.9 trillion dollar sector (www.meredithwhitneyllc.com). The Pew Center on the States has also pointed out that state budgets and pensions are in the red to the tune of \$500 billion and \$1 trillion respectively. Since 2009, federal bailouts known as Build America Bonds were subsidizing 28% of state budgets, which in turn funded 33% of municipalities, but this program has now expired. Several states and municipalities can be faced with Chapter 9 bankruptcy and default and this contagion could be the dominoes that finally crash U.S. sovereign debt over loose fiscal policy.

Dr. C. Fred Bergsten is a former Assistant Secretary of the Treasury (1977-81), Director of the Peterson Institute for International Economics, member of the exclusive Trilateral Commission and a Senior Fellow at the Council on Foreign Relations (CFR) in New York. Writing in the influential and Establishment CFR publication *Foreign Affairs* (Nov/Dec 2009), Dr. Bergsten notes “the U.S. should encourage two eminently feasible changes in the current monetary order” and the first is to further the evolution of a “multiple-currency system” to share in international trade:

The Euro, based on a collective European economy as large as the U.S. and with capital markets as extensive in most respects, is the obvious candidate. The Euro already rivals the dollar in some domains, such as currency holdings and private bond placements, and will become a full competitor whenever the Eurozone countries *adopt a more common fiscal policy* [emphasis added].²³

Noting the duopoly of the U.S. dollar and the Euro he further says that the IMF should issue more SDRs that “will enable countries to build up their

reserves without having to run large trade and account surpluses.” What he is saying is that the SDR should be moved into position to serve as a new unit of account or “global currency” for trade. More importantly he has stated the obvious that the Euro will be a serious competitor when they adopt a more integrated fiscal policy, and much more will be said about this in a later chapter. In a study done by the National Bureau of Economic Research, Harvard economists have suggested that the Euro will overtake the dollar by 2022, and they have based this on Britain becoming a full monetary member of the Eurozone by 2020. This study cites all of the structural problems in the U.S. economy and depreciating dollar and then concludes that “a *continuation* of the recent depreciation trend of the dollar could bring about the tipping point even sooner.”²⁴ The Euro is on a trajectory to overtake the dollar either as a new reserve currency or an IMF trade-weighted SDR and this new monetary order will come much sooner than 2022.

In Russia and the Middle East there are ominous signs that a move away from the U.S. dollar has already begun. The Russian Central Bank has increased the Euro in their basket of currency reserves of \$500 billion to 41%. Russia sells 81% of its oil exports to Europe, and there is talk that they will start invoicing in Euros. There is also speculation that OPEC, and especially Saudi Arabia with \$540 billion in currency reserves, will eventually change its strict dollar peg for a wider target basket including the Euro. This move alone would undoubtedly signal the end of U.S. dollar imperialism. In 2000, Saddam Hussein started openly trading oil for Euros and this bold stroke almost inspired Iran and Syria to start doing the same. It is now clear that one of the major understated reasons for invading Iraq was to stop Hussein from creating a “petroeuro” market in the Middle East. The entire world is currently forced to acquire excess dollars to trade with OPEC, and this petrodollar scheme helps prop up an overvalued dollar. Hussein may have been a problem in that region; but his biggest sin was defying the U.S./petrodollar system. As market analyst James Willie said back in 2003, “The sleepy U.S. press and media [gave] ‘weapons of mass destruction’ 50 hours of air time for every five minutes of serious discussion of petro sales in Euros.”²⁵ *A petroeuro* poses a real threat to U.S. national security.

In China, the U.S. intelligence community is concerned about a new trading region that has emerged with Russia and several former Soviet republics. The Shanghai Cooperation Organization (SCO) formed in 2001, is a geostrategic move on China's part to secure commodities and crude oil on world markets. Says Willie, “The [SCO] is a direct answer to the corrupted OPEC cartel, which seems overly influenced by U.S. leaders.”²⁶ Observers to this new Sino-Russian pact now include Pakistan, India, Iran, Venezuela, and Brazil. In early 2012, both China and Russia announced plans to conduct bi-lateral trade in their own currencies and *not* the U.S.

dollar. At this same time Chinese Premier Wen Jiabao acknowledged the EU as their second largest trading partner (behind Asia) and assured EU leaders that they would support European stabilization efforts.

The arrival of the Euro on January 1, 2002 was a huge event, and it is now challenging the old world order. In 2001, 90% of all global transactions were in the dollar and now it is only 63%. Currently, almost 40 nations out of 193 use the Euro as their anchor currency, and central banks have moved their Euro reserves up to 30%. In capital markets the Euro captures a 32% share, and it now accounts for 39% of all currency transactions on the foreign currency exchange (FOREX). Since 2002 there has been a monetary revolution going on in Europe, says T. R. Reid in his book *The United States of Europe*, and Americans have barely grasped the importance of this event:

The revolution in Europe has so far had little impact on Americans. But it could have a huge, and heavily damaging, impact, if the trends in currency values continue along the tracks they've followed since Europe's new currency came into existence. If traders, consumers, and finance ministries around the world come to the conclusion that the rising Euro is a more reliable currency than the falling dollar, it could spell the end of the dollar's long reign as the world's preferred reserve currency.²⁷

Despite the current fiscal problems in the Eurozone the EU's common currency has realized considerable success on world markets. In 2000, EU finance ministers had hoped to surpass U.S. GDP by 2010. They achieved this in 2005 and their current GDP is \$17.6 trillion compared to only \$15 trillion in the U.S. If Europe continues on this path, the Euro currency will strike a serious and damaging blow to America's economic/political hegemony. "To put it simply," says Reid, "the success of Europe's common currency could bring America's financial house of cards tumbling down."²⁸ The collapse of the American empire is a sobering prospect indeed, yet there is a growing awareness that our nation's decline is almost inevitable. Speaking before China's monetary policy committee in December 2011, academic member Li Daokui outlined that the U.S. fiscal problems are much worse than the EU and said "when the European debt situation stabilizes attention of financial markets will definitely shift to the U.S....and the dollar will experience considerable declines."

The Collapse of the American Empire

It should be clear from all of the preceding that powerful economic and geopolitical forces are gathering to reduce America's greatness in the

world which is so closely linked to our national currency. The dollar's role as a global medium of exchange and symbol of stability is coming into serious question as the U.S. sinks deeper into national debt and insolvency. Marshall Auerback, a well-known financial commentator in London's financial district, says that our impending financial crisis "looks like something you'd expect from a Third World banana republic." The only reason America has postponed the fate of every nation that has severely distorted its economy with record trade and budget deficits, fiscal imbalances, welfare statism and a devalued currency is – confidence. But, Dr. Edwin Vieira says, this confidence is growing thin. "The instability of Federal Reserve notes and the Federal Reserve System as a whole is becoming increasingly apparent to foreigners."²⁹

Foreigners are nervously watching our financial condition deteriorate, yet they continue to hold our currency and U.S. Treasury bills, notes, and bonds. Can this go on much longer? If regulators had to downgrade California state bonds to junk status because of \$40 billion in debt in 2002, what are we to make of a nation that issues securities against trillions in collective debt? What are we to make of a nation that has a debt to GDP higher than the PIIGS in the EU? At what point do foreigners help push our debt instruments down to junk status with a massive bond liquidation? Ted C. Fishman in his book *China, Inc.*, suggests if China had reason to dump its currency reserves and bond holdings, "It would extract a permanent price on the economy, sending the United States in a downward spiral that would be hard to escape."³⁰ Fishman goes on to say that this contagion could spread in Asia and around the world, and the economic problems in the U.S. could literally "last for generations."

This scenario is starting to trouble some observers. Noting this possibility, John McManus says, "It is hardly comforting to know that China (that's *Communist China*) holds a sizable amount of U.S. debt."³¹ China is still run by hard line Communists, and Fishman notes that our trading relationship is a "knotty codependence" that could potentially breakdown. One area of concern is the issue of Taiwan. China has repeatedly threatened Taiwan (formerly known as the Republic of China) since 1949 when Chiang Kai-shek and his anticommunist forces fled the mainland. The PRC wants to force reunification with Taiwan across the 100 mile Taiwan Strait, but every administration since Truman has pledged military support. On January 1, 1979, the Carter administration established formal diplomatic relations with Mainland China and later that year passed the Taiwan Relations Act which approves the sale of defensive arms to Taiwan. Diplomatically, this situation is has gotten incredibly tense.

In March 2005, the Chinese government unilaterally passed an anti-

succession law which gives the PRC a “legal basis” to attack Taiwan. Soon after this announcement, Major General Zhu Chenghu, dean of China’s National Defense University, declared that China would use nuclear weapons against the U.S. if we try to protect Taiwan. The U.S. State Department forced China to apologize for this statement, but the “leak” is out. Richard Lawless, a senior policy maker at the Pentagon, said, “There’s a growing consensus that at some point in the mid-to-late ‘90s, there was a fundamental shift in the sophistication, breadth, and resorting of Chinese defense planning.” It should be noted that this fundamental shift took place during the height of the Clinton administration, which almost made the White House look like the Chinese Embassy with bribes and hush money flowing through the corridors.

Richard Fisher, of the International Assessment and Strategy Center in Washington, D.C., warns that China has gone from a defensive force to an advanced military with nuclear weapons, and we need to wake up. “The post-Cold War peace is over,” says Fisher, “We are now in an arms race with a new superpower whose goal is to contain and overtake the United States.”³² China now has the world’s third largest military budget, and its new alliance with Russia in the Shanghai Cooperative Organization (SCO) is equally disconcerting. The SCO has officially called on the U.S. to close its military bases in Central Asia (Kyrgyzstan, Uzbekistan, Kazakhstan, Tajikistan and so on) and it wants an end to the “unipolar” world that is commanded by U.S. foreign policy.

It is possible to see a day when Red China will strategically decide that it has benefited enough from U.S. trade, transfer of technology, industry, intellectual property, etc. and they will deliberately send the U.S. economy in a downward spiral by dumping their vast dollar and bond holdings. In 2002, the People’s Liberation Army published a book written by two colonels, Qiao Liang and Wang Xiangsui, entitled *Unrestricted Warfare: China’s Master Plan to Destroy America*. Translated from Chinese and studied by the Pentagon this book describes how China is willing to use asymmetrical warfare (terror plots, cyber and economic warfare) to bring America low. Continual tensions over Taiwan will only hasten the day when the Chinese formally favor a Euro scheme – perhaps even peg their currency to the Euro which is already the currency of choice for the nascent Sino-Russian SCO.

A weaker dollar could also cause OPEC to start invoicing crude oil in Euros creating a new worldwide market for petroeuros. The Gulf Cooperation Council (GCC) founded in 1981 has already favored such a move. A conflict between Israel and the Islamic world could additionally cause a complete breakdown of the petrodollar exchange if America tries

to intervene militarily. These tipping dominoes in the Far East and Middle East would cause central banks to unload their eurodollars and U.S. Treasury securities, particularly among OPEC and Asian nations. When this happens, the rout will be on. The day will have arrived and the Euro, or a trade-weighted SDR favoring the Euro, will move into position to overtake the U.S. dollar as a new reserve currency. When confidence in the U.S. dollar has finally faded, G. Edward Griffin describes what we can expect:

When the day arrives – as it certainly must – when the dollar tumbles and foreigners no longer want it, the free ride will be over. When that happens, *hundreds of billions* of dollars that are now resting in foreign countries will quickly come back to our shores... to convert them into yet more real estate, factories, and tangible products, and to do so as quickly as possible before they become even more worthless. As this flood of dollars bids up prices, we will finally experience the inflation that should have been caused in years past but which was postponed because foreigners were kind enough to take the dollars out of our economy in exchange for their products.³³

Because America has enjoyed a free ride when it comes to the privilege of creating dollars and *exporting* our inflation abroad, there will come a time when the world refuses to prop up this favored system anymore. When that occurs, the dollar will be stripped of its monetary importance in world commerce, and the era of U.S. dollar imperialism will be over. In a frightening scenario, when potentially over \$4 trillion dollars in foreign hands is dumped into the U.S. homeland, there will be a financial meltdown as consumer prices skyrocket and people panic to unload their inflationary dollars. FOREX traders will be overwhelmed with round-the-clock currency transactions on world markets. In the bond market, almost \$5 trillion in securities will be forced upon the U.S. Treasury, writes Griffin, “and the Fed will have no choice but to literally buy back all the debt – that is, to replace all of the formerly invested private money with newly manufactured fiat money – plus a great deal more to cover interest.”³⁴ This cycle will produce a hyperinflationary scene right out of John Law’s Mississippi Company stock liquidation and Banque Royale collapse in 1720. America’s financial implosion will be the result of severe hyperinflation as the nation drowns in a literal sea of worthless fiat dollars.

What is hyperinflation? The definition used by most economists is “an inflationary cycle without any tendency toward equilibrium.”³⁵ It is an unchecked increase in the money supply (velocity) leading to the complete destruction of a nation’s currency. Dr. Lawrence Parks observes that this

kind of inflationary cycle lacks a self-correcting mechanism, or what they call in the sciences “a negative feedback loop.” Because of the sheer size of the U.S. reserve currency used abroad, a fiscal and monetary implosion will be all the more devastating. No one will be able to come to our aid. And we will have brought this upon ourselves. Our own domestic debts, distortions, liabilities, imbalances, and loose fiscal policies would have been enough to cause our own financial house of cards to tumble in the U.S. But in the end, foreigners will have enough reason, or their own reasons, to help bring about America’s dreaded financial reckoning day. As famed economist Dr. Franz Pick said, “The destiny of the currency is, and always will be, the destiny of a nation.”

Is this somber and grim scenario inevitable for the United States? Is it possible to escape this Keynesian nightmare? It appears very unlikely that the U.S. will be able to avoid a Third World-style crisis that is currently in the making. In this increasingly tense and strategically armed world, the U.S. might also consider itself fortunate if the homeland does not experience a limited nuclear attack or EMP from one of its ideological enemies around the world. China, Russia and the Arab world appear to be cooperative trading partners today, but they would all like to see a diminished role for America. Pentagon officials indicate that we have entered a “Cold War II era” in which America’s imperial thrust in the political/economic sphere will be openly challenged within the next five years, or perhaps even sooner. These so-called trading partners already have enough macroeconomic leverage to inflict heavy damage upon America, but things could potentially escalate into a geopolitical conflict.

America’s monetary and political decline will likely cause the world economy to experience a depression, but we should perhaps expect an orderly transition to a Euro-based currency scheme in a new monetary order – a duopoly that favors the Euro over a collapsed dollar. As we will see in the next chapter, the European Central Bank (ECB) will achieve new stature just as the Federal Reserve Bank did when it replaced the Bank of England after World War II. As far as conditions in America following a complete breakdown of the financial infrastructure, there will be considerable chaos as society struggles to deal with rage, crime, confusion and mere survival. Similar to events in New Orleans after Hurricane Katrina hit in August 2005, America’s financial storm will bring out the worst in humanity. It is even possible that thousands of prisoners will be released to prey upon the public. As Ronald Reagan once quipped – civilization is just a clearing in the jungle.

Defaults, hyperinflation, and revolutions have been common throughout history. But the most striking parallel to America today is the collapse of

the German reichsmark in the early 1920s. Following World War I, The Treaty of Versailles imposed heavy war reparations upon Germany, and the Weimar government struggled to meet the terms of this agreement. By 1921, Germany defaulted on their obligations and started printing fiat money through the Reichsbank. In his book, *Dying of Money: Lessons of the Great German and American Inflations*, Jens Parsson records how there was:

...a willingness on the part of investors at home and abroad to take and hold the torrent of marks and give real value for them. Until 1922 and the very brink of collapse, Germans and especially foreign investors were absorbing marks in huge quantities. Only the international reputation of the reichsmark, the faith that an economic giant like Germany could not fail, made this possible. The storage factor caused by the investor's willingness to save marks kept the marks from being dumped immediately into the markets, and thereby for a long while held prices in check. The precise moment when the inflation turned sharply upward, toward its vertical climb, was undoubtedly timed by no event, but by the dawning psychological awareness of the German and foreign investors that Germany was not going to back its money. With that, the rush to get out of the mark was on. Like a dam bursting, the seas of marks flooded into the markets and drove prices beyond all bounds. The German government strove mightily to out-flood the sea. The sea of marks which had been stored up by Germans, and especially by trusting foreigners, flooded forth and fought to buy into other investments, foreign currencies, tangible goods, almost anything but marks.³⁶

As noted earlier, it is only this same kind of confidence by investors and foreigners that is delaying America's repeat of history. By 1923, Germany was issuing postage stamps with a value of 50 million marks, a loaf of bread cost 500 million marks, and the Reichsbank was printing 100 and 500 billion mark notes. Central banks do not have "the power to increase – by proclamation or by legerdemain – the amount of real savings in a society," writes Bill Bonner in his best-selling book *Financial Reckoning Day*, "all they can do is make believe; issuing new credit and new notes that look for all the world like the real thing."³⁷ As the Bible says, "money is the answer to everything" (Eccl. 10:19). Only a central bank can destroy a nation's currency through hyperinflation. And we are reminded that the Reichsbank was a model for the Federal Reserve System in 1914, which was designed by Paul Warburg, brother of Max Warburg who was the director of the German central bank.

In 1924, the U.S. loaned Germany gold reserves, and they “revalued” their new currency, the Rentenmark, to the old marks at an exchange rate of one Rentenmark to a one billion marks. It is almost certain that the Fed will be forced to carry out a similar revaluation of the dollar once our hyperinflation is complete. At that point, the Fed will be just another central bank instead of the world’s premier central bank. But it will primarily have been responsible for inflicting the “fatal stab” to our nation’s credit that President George Washington so eloquently warned about in his memoirs in 1789. Tragically, the day America’s money dies the greatness of America will die along with it.

Another parallel that America can expect in the reconstruction phase of our national disaster is the rise of a more authoritarian government. By 1925, there had been political assassinations, and the fledgling Nazi party was attempting takeovers under the leadership of a political opportunist named Adolf Hitler who was pointing to the Jewish bankers for Germany’s demise. In 1933, the German Reichstag passed the Enabling Act which cleared the way for Adolf Hitler’s rise to power. The Organization Book of the German National Socialist (Nazi) Party described the Fuhrer’s power in this way:

He shapes the collective will of the people within himself and enjoys the political unity and entirety of the people in opposition to individual interests....His power is not limited by checks and controls, by special autonomous bodies or individual rights, but it is free and independent, all-inclusive and unlimited....He is responsible only to his conscience and the people.³⁸

This political philosophy came straight from Jean-Jacques Rousseau in his book, *The Social Contract*, published in 1762. Rousseau, a French atheist who inspired the French Revolution and believed in “the goodness of mankind,” stressed that the State should be an all-powerful agent of the “general will” of the people. Hitler later assumed the general will of the German people, along with the Nazi party, to carry out his ambitious social engineering projects in Germany. And the rest they say is history.

Unfortunately, this same political philosophy has crept into the American consciousness. The U.S. Presidency is increasingly looked upon as the Great Leader who should unilaterally assign military forces, create federal bureaucracies, pass Executive Orders, spend money, and generally try to fix everything in society. Such thinking, says David Boaz, vice president of the Cato Institute, is “poisonous” and exceedingly dangerous. “The president is not a dictator. He does not ‘run the country’....It is Congress’ responsibility to make the laws, not to delegate its lawmaking authority to the president.”³⁹

In America, “the collective will of the people” rests in the legislature – not an imperial presidency that commits the nation to wars and grandiose socialist schemes. In a letter to Thomas Jefferson in 1792, James Madison stated, “The Executive is the branch of power most interested in war, and most prone to it.” Our Founding Fathers made certain that those powers lie with the Congress, and not a political party leader (Art. I, Sec. 8, Clause 11).

In a post-9/11 world the Executive Branch under Bush and Obama has literally become a fascist dictatorship with Executive Orders and Presidential Directives and so on. Just two weeks after 9/11, the Justice Department posted this untenable response on their website, “We conclude that the Constitution vests the President with the plenary authority, as Commander in Chief and the sole organ of the nation in its foreign relations, to use military force abroad.”⁴⁰ This statement is patently false. The person in the White House does not have *plenary authority* over anything, and should never be thought of as *the sole organ of the nation!* If this is the case we have tyranny in America. Quoting Madison again, “The accumulation of all powers – Legislative, Executive and Judicial – *in the same hands*...may be pronounced as the very definition of tyranny.”⁴¹ To illustrate the rank ignorance of the American people, a poll was taken recently in which the majority said the three branches of government were either the Republican, Democrat and Independent parties or the House, Senate and Presidency. Assuredly, Ben Franklin was right when he said, “It is in the region of ignorance that tyranny begins.”

Such is the sorry state of affairs our country is in. A dumbed-down electorate is easy fodder for modern social engineers with their New World Order agendas. In a post-9/11 world, the American people have become more yielding of political excesses coming out of the White House and collectivist ideas that are helping to construct a police state in America – a kind of soft tyranny. Perhaps this tendency to concentrate political power should not be surprising since our English word “politic” embodies the idea of both “citizen” and “police.”⁴² But our Founding Fathers went to *great pains* to prevent tyranny from ever gaining a foothold in our nation. The foundation for a modern police state in the U.S. goes back to FDR who had his own Enabling Act in 1933, known as the Emergency Powers Statutes:

Under the powers delegated by these statutes, the President may: seize property; organize and control the means of production; seize commodities; assign military forces abroad; institute martial law; seize and control all transportation and communications; regulate the operation of private enterprise; restrict travel; and, in a plethora of particular ways, control the lives of all American citizens.⁴³

It is little known that these emergency powers have been in force since 1933, and the 93rd Congress restated as much in 1973 in their Senate Report 93-549. You can read this report in its entirety at the above footnote. There are several precedents in history for declaring martial law and restructuring society away from individual freedoms. All that is needed is a sufficient crisis to consolidate political power and remold society. Former congressman Ron Paul spells it out clearly, “During a crisis, the rights of individuals...are more easily trampled, which is more likely to condition a nation to become a police state than a military coup.”⁴⁴ America’s looming financial crisis will present the ideal conditions for controlling the lives of Americans in a “plethora of particular ways.” And the terrorist attack in New York in 2001 has now cleared the way for bureaucrats to proceed nearly unchecked in the creation of the Department of Homeland Security, the call for a national ID, an Internet “kill switch” and so on – all which will undoubtedly be useful in the near future.

On October 26, 2001, just 45 days after 9/11, a panicked Congress passed U.S. Public Law No. 107-56 known as the so-called USA PATRIOT Act of 2001. This bill was rammed through Congress before it was even printed for review and was shrewdly titled “patriot” to defuse any opposition, which stands for “Provide Appropriate Tools Required to Intercept and Obstruct Terrorism.” This 362-page bill was so repugnant to Constitutional rights that it had to be wrapped up in the U.S. flag by government propagandists. It was Samuel Johnson who chided that “patriotism is the refuge of a scoundrel.” This Act egregiously violates The Bill of Rights along with the 13th and 14th Amendments. Fortunately, in 2003, a mere handful of congressman challenged the provisions of this misnamed Act (notably Bob Barr, Ron Paul, Dick Durbin, Larry Craig, and Russ Feingold – the *only* senator to vote against it), and introduced the Security and Freedom Enhancement Act of 2003 (SAFE).

The SAFE Act took direct aim at 16 of the 150 sections and allowed for a “sunset provision” to eliminate most of them by the end of 2005. This Act was revised in April 2005 and gained support from civil libertarians, 7 states, almost 400 communities (with 60 million citizens), and 79% of the general public. Some of the more key concerns were secret snooping and wiretaps of telephones (Sec. 218), cell phones (Sec. 206), library records (Sec. 215), and computer activity (Sec. 214). Items not subject to review are FBI searches of your home and business (Sec. 213), medical, travel and business records (Sec. 505), and the vague definition of being a domestic terrorist (Sec. 802). Fully 125 pages of the Patriot Act deal with investigations into bank, credit card and financial records with the provision to freeze any assets without prior

notice or appeal (Sec. 326). FOX commentator, and author of *Constitutional Chaos* and *Constitution in Exile*, Honorable Judge Andrew P. Napolitano has said the Patriot Act “constitutes the greatest single governmental assault on personal and financial privacy in U.S. history.” ACLU executive director, Anthony Romero adds his own thoughts:

One reason that people across the political spectrum are concerned about the Patriot Act is that so much of it is shrouded in secrecy. Many provisions are implemented secretly, and the government has kept secret key information on how it is being used.⁴⁵

Certainly there is a place for secrecy in the intelligence community, but there are legitimate concerns that our government is simply getting too large, too powerful, and too secretive in the manner in which it conducts itself. Our Founding Fathers would be shocked at the abuses and overall growth of the federal government today. Yet, in 2006 President Bush and the neocons not only lobbied for the Patriot Act and its provisions, they wished to *expand* them. And this they finally did in March 2006 when the Senate passed HR 3199 to renew the USA PATRIOT Act over much protest. On May 26, 2011 Obama signed into law three controversial provisions of the Act (involving wiretaps) and this has also extended the influence and legitimacy of the USA PATRIOT Act to this day.

On October 8, 2001, the Bush presidency established the Office of Homeland Security. This unilateral action by President Bush later resulted in legislation in November 2002 that created the Department of Homeland Security – a behemoth federal agency that has consolidated 22 agencies with 225,000 employees and an annual budget of \$57 billion (2012). The DHS under Janet Napolitano (no relation to the Judge) is now the third largest department in Washington and fully absorbed the operations of FEMA, which was created by President Carter in 1979 with Executive Order 12148. Other departments include the Treasury, Justice, Transportation, Commerce, Defense, Energy, Agriculture, Coast Guard, Secret Service, and various immigration agencies including the Border and Transportation Security Division (TSA). In 2010, the DHS moved into its new headquarters consolidating 60 offices on a sprawling 176 acre compound which exceeds the old *Gestapo* formed by the Nazis to protect the Fatherland. The DHS has 72 “Fusion Centers” around the nation that are used to collect data between the government and the private sector. This includes the CIA, FBI, military, state and local governments with law enforcement that encourages informants and tip hotlines.

In addition to Fusion Centers the DHS also maintains a database known as “Main Core” that contains personal and financial data on citizens believed to be a threat to national security. Main Core originated with FEMA in

1982 and now reportedly has almost 10 million names in its computers and is reminiscent of the dreaded East German Stasi which used secret police and spies to collect information for 40 years. Noting the reach of our new Gestapo, the Cato Institute reports that DHS analysts are dropping the net on environmentalists, anti-war, anti-abortion, Tea Party and 2nd Amendment rallies saying the DHS has described “half of the American political spectrum as rightwing extremists.” In February 2009, a secret Fusion Center report was distributed by the Missouri Information Analysis Center (MIAC) entitled “The Modern Militia Movement.” In this report (leaked by a patriotic policeman), law enforcement is instructed to be on the alert for terrorist/criminal activity and profiles Constitutionalists, Libertarians, Christians who promote patriotism, gun rights, homeschooling, pro-life and oppose abortion, gun control, loose immigration, RFID chips, the Fed, the NAU, FEMA camps and distribution of the documentary film *Freedom to Fascism* by the late Aaron Russo (www.freedomtofascism.com). Specifically named in this report are Congressmen Bob Barr, Ron Paul and patriot/pastor Dr. Chuck Baldwin who is a former U.S. Presidential candidate. Their followers are smeared and compared to white supremacists, Zionists and other rightwing extremists in America.

Not to be outdone, the DHS soon published its own reports “Domestic Extremism Lexicon” and “Rightwing Extremism” that focused on hate groups. Unfortunately, no Muslim groups are identified nor are Communists, Marxists, La Raza, Black Panthers, Union thugs and Soros front organizations Move On, Center for American Progress, Open Society Institute, the Democratic Alliance and progressive think tanks like The Institute for Policy Studies – an intellectual Communist front since 1963 supported by Obama’s “spiritual advisor” Jim Wallis (www.ips-dc.org). So all of this begs the question, who is a domestic terrorist? The war on terror is an abstraction and the term keeps getting expanded by the government. Soon after the so-called Christmas Day Bomber, Senators Joe Lieberman (I-CT) and John McCain (R-AZ) introduced the Enemy Belligerent Interrogation, Detention and Prosecution Act of 2010 that suspends due process and Miranda rights and Lieberman has even tried to strip Americans of their citizenship! All of this is similar to the Alien & Sedition Acts of 1798 and the Sedition Act of 1918 that prosecuted people who “write, print or publish...scurrilous or abusive language against the U.S. government, armed forces...[and even] the flag!” Americans had better wake before it is too late! As William Pitt once said, “Necessity is the argument of tyrants, and the creed of slaves.”

On December 7, 2004 – a day that will live in infamy – the U.S. Congress passed the Intelligence Reform and Terrorism Prevention Reform Act of 2004 in response to recommendations made by the 9/11 Commission and co-

sponsored by Sen. Joe Lieberman and Sen. Susan Collins (R-ME). Picking up where the DHS Gestapo left off, this legislation passed with near unanimous approval (98 to 2 in the Senate) and created the National Counter Terrorism Center (NCTC), a National Intelligence Council, and an important new post as described by researcher William F. Jasper:

Like many bills, its title is somewhat deceptive. It has very little to do with intelligence reform, being primarily concerned with *reorganization*, with centralizing and politicizing intelligence and police powers. A primary feature of this legislation is the creation of the post of the Director of National Intelligence, whom both supporters and opponents have tellingly referred to as an “intelligence czar.” Totalitarian regimes have need for intelligence czars; constitutional republics do not.⁴⁶

Indeed. And it should be obvious by now that America is no longer a Constitutional Republic, and this Act all but converts our nation into a Soviet-style surveillance system complete with proposals for internal passports, national biometric IDs, beefed up financial data probes at the Financial Crimes Enforcement Network (FinCEN), and additional airport snooping through the Computer Assisted Passenger Pre-Screening System known as CAPS II. The current Intelligence Czar is career military Gen. James R. Clapper, Jr. who heads up 17 intelligence agencies under the matrix of the NCTC including the National Security Agency in Ft. Meade, MD (www.intelligence.gov). In a show of hypocrisy and contempt, President Bush signed this despicable Act into law on December 17, 2004 just *two days* after signing the Bill of Rights Day on the White House lawn to commemorate the ratification of the original ten amendments to the U.S. Constitution on December 15, 1791. The 4th amendment used to guarantee the right of privacy, but now it has been completely nullified.

Complimenting our new intelligence headquarters former Secretary of Defense Robert Gates authorized the creation of the U.S. Cyber Command (USCYBERCOM) on May 21, 2010 located in Ft. Meade next to the NSA (www.nsa.gov). Its stated mission is to combat cyber warfare and construction has begun on a million square foot facility in Camp Williams, UT known as the Community Comprehensive National Cyber Security Initiative Data Center at a cost of \$2 billion. At this same time Senators Lieberman and Collins teamed up again to introduce the Protecting Cyber Space as a National Asset Act, which is a bold initiative to shut down the Internet with a “kill switch” similar to oppressive regimes like China, Egypt,

Libya and Venezuela. In 1998, China adopted the Golden Shield program (also known as the Great Firewall of China) that can censor the Internet with IP blocking, DNS and URL filtering and other tactics (including cell phones). Regrettably, the FCC under “Diversity Czar” Mark Lloyd wants to abolish “Net Neutrality” in violation of the Telecommunications Act of 1996 and the DHS has begun shutting down websites that allegedly violate copyright laws, etc. A dark shadow is being cast over America as free speech is under assault and the government wants to grope, spy, profile and track all of us.

One of the central provisions of the NCTC Act (Section 7212) has called for the creation of a uniform driver’s license with federal standards. House Republicans, led by James Sensenbrenner (R-WI), introduced the Real ID Act which gave authority to the DHS to create a *de facto* national ID card complete with retinal scans, biometrics, fingerprints, and a complete dossier that can be scanned with RFID technology plugged into NCTC databases. A national ID card is an affront to ordinary citizens, but it is a virtual centerpiece for demagogues and totalitarians that need to control society. On February 10, 2005, the House passed the Real ID Act 386 to 58 with only three Republicans voting against the measure. President Bush signed the Real ID Act into law on May 11, 2005 which requires all Motor Vehicle Departments to cooperate with federal guidelines. Currently, 24 states have nullified this Act and a new effective date has been extended until January 2013, or perhaps sooner. As privacy advocate Dr. Steven Yates laments, “We are indeed approaching the kind of cradle-to-grave controls that existed over the peoples of the former Soviet Union.”⁴⁷

Congressman Ron Paul has noted that people’s attitude may be indifferent to these sweeping changes taking place in our nation today, “but their reaction will be different once all this new legislation we’re passing comes into full force....This attitude then will change dramatically, but the trend toward the authoritarian state will be difficult to reverse.”⁴⁸ Congressman Paul later spoke similar words on the floor of the House of Representatives:

America is not now a ruthless authoritarian police state. But our concerns ought to be whether we have laid the foundation of a more docile police state. The love of liberty has been so diminished that we tolerate intrusions into our privacies today that would have been abhorrent just a few years ago. Tolerance of inconvenience to our liberties is not uncommon when both personal and economic fear persists. The sacrifices being made to our liberties will surely usher in a system of government that will only please those who enjoy being in charge of running other people’s lives.⁴⁹

America is on the very brink of a financial storm that will witness a currency collapse and revaluation, and this cultural implosion will be followed with an authoritarian police state with more technical hardware at its disposal than Hitler could have ever dreamed of. As Reagan said, "When government increases; liberty decreases." In 2008, the U.S. War College's Strategic Studies Institute ran an article in *Parameters* magazine by Prof. Nathan Freier in which he stated that the U.S. military must prepare for a "violent, strategic dislocation inside the U.S." which could be provoked by an "unforeseen economic collapse" or "loss of functioning and legal order." This report went on to say that "the DoD would be an essential enabling hub for the continuity of political authority" to control "widespread civil violence inside the U.S."⁵⁰ This "continuity of government" (COG) strategy goes back to 1984 and the civil readiness exercise known as REX84 under FEMA that would use Continental military forces (CONUS) to fight civil unrest (Operation Garden Plot, U.S. Army Manual 19-15).

In late 2002, the same time that DHS was created, USNORTHCOM was founded to protect the Homeland and assist federal and state law enforcement. Located at NORAD Headquarters in Colorado Springs, CO, USNORTHCOM is a permanent Combatant Command over Canada, the U.S. and Mexico and has since attached all CONUS troops. On October 17, 2006, Bush secretly signed the Defense Authorization Act and the Military Commissions Act (Public Law 109-364/366) to use the military for federalizing domestic police activities, which *violates* the Posse Comitatus Act of 1878 (USC 18, 1385). In October 2008, the DoD ordered a recall of the 3rd Infantry's 1st Brigade Combat Team from Iraq to assist in case of terror or "other domestic catastrophe." According to the *Washington Post*, over 20,000 troops are stationed at Ft. Stewart, GA and are attached under USNORTHCOM. In late 2010, CNBC reported a year-long Army war-game known as "Unified Quest 2011" that is studying "the implications of a large scale economic breakdown inside the U.S." and how to maintain "domestic order" (www.shtfplan.com). More recently has been the adoption of the National Defense Authorization Act for 2012 (Sections 1021/1022) that allows for the detention of Americans suspected of "terrorism" or other activities. All of these measures are disconcerting as "the war on terror" is being used as a cover for an all-powerful police state that is degrading our civil liberties.

Just two days after his inauguration in 2009, Barack Obama and the 111th Congress introduced the National Emergency Center Establishment Act (HR645) to create six emergency centers at existing military installations to work with the DHS. HR645 bears a direct relationship to our economic crisis and war-gaming, yet there has been no press coverage of this bill. It is also worth noting that in 2006, Halliburton subsidiary KBR was awarded a \$385 million dollar contract with DHS to build internment facilities in

the U.S. and some estimate that there may be as many as 800 such camps (www.prisonplanet.com). Already the U.S. has the highest incarceration rate in the world (748 per 100,000) with more than 7 million in jail, prison or probation. The U.S. has more prisoners than farmers and exceeds Communist China's 1.6 million with a population *four times* greater! As William Grigg says in his latest book *Liberty in Eclipse* the U.S. is erecting a modern garrison state that is being built from both the *inside out* and the *outside in* by the prison-industrial-complex.

Our basic civil liberties are at a tipping point. In an interview in *Time* magazine (11/21/03), USCENTCOM commander Gen. Tommy Franks bluntly stated if the U.S. has another 9/11 event "the Constitution will likely be discarded in favor of a military form of government." As troubling as this statement is it is equally troubling that we have had an individual in the White House who is a dedicated disciple of Marxist revolutionary Saul Alinsky and subscribes to the "politics of turmoil" as defined by radical Columbia University professors Richard Cloward and Francis Piven in 1966. In other words, whether it is from the hard Marxist Left or the neocon Republican Right, what we are witnessing is a bold attempt by America's leaders to exploit a national crisis in order to alter our economic way of life and usher in a collectivist system of government that they have been planning for years. As John McManus charges, "The blame for America's implosion belongs nowhere but at the doorstep of America's leaders, and it must be said without hesitation that some of these elected and appointed officials must know precisely what they are doing."⁵¹ Yes they do. And precisely how these insiders have been working the political process and why they are anxious to take charge and start running our lives in a New World Order will now be the topic of our final section.

Global Agendas and the Free Trade Area of the Americas

It is natural for governments to have contingency plans for maintaining control in a crisis, but what we have seen develop after 9/11 is a concentration of bureaucratic authority that is better suited for a totalitarian regime than a Constitutional Republic. The threat of terrorism in the U.S. has caused a new paradigm in people's thinking and willingness to sacrifice civil liberties for safety promised by our government. But Benjamin Franklin was right when he said, "Those who would give up essential liberties to purchase a little temporary safety deserve neither liberty nor safety." It is always in times of distress that politicians, bureaucrats, technocrats and insiders are able to advance their pet projects, programs, schemes, and grand visions upon the masses and do so with very little resistance (e.g.,

the New Deal, the Fed, the UN, new taxes, regulations, welfare, treaties, legislation, federal agencies, etc.).

We can be absolutely certain that some of America's most powerful leaders in politics, government, banking, the media, academia, and corporations are well aware of the economic and geopolitical dangers that are facing our nation today. But these same people also see an opportunity to promote a globalist vision which they have for America – a regional government with full economic and political integration in the Americas. Rep. Tom Tancredo (R-CO) has angrily declared, “There are people in the [current] administration, and in Mexico, and in Congress, who believe that we should do away with borders entirely. Their ultimate goal is to create this hemispheric ‘free trade area’ consolidating all of North and South America into some kind of U.S. of the Americas.”⁵²

What former Congressman Tancredo has referred to is the Free Trade Area of the Americas (FTAA) trade proposal that was formally introduced in 1994 along with NAFTA and the NAU. Washington and business insiders are promoting this idea, and they would like to do it peacefully. But a national crisis would create the ideal conditions for this regional contingency plan – a classic Hegelian dialectic of *thesis*, *antithesis*, and *synthesis* in which a problem is allowed to develop, resulting in a panicked response, and then providing a predetermined solution. The original sponsors for the FTAA go back to the 1960s, and their global agenda is now being carried out by both political parties. As Felix Frankfurter, Justice of the Supreme Court (1939-1962), once observed, “The real rulers in Washington are invisible and exercise power from behind the scenes” like a shadow government. Arthur S. Miller, Professor of Law at George Washington University, referred to these rulers who help guide our public and foreign policy in the U.S. as the Establishment:

Those who formally rule [in Washington] take their signals and commands, not from the electorate as a body, but from a small group of men (plus a few women). This group will be called the Establishment. It exists even though that existence is stoutly denied; it is one of the secrets of the American social order. A second secret is the fact that the existence of the Establishment – the ruling class – is not supposed to be discussed. The third secret is implicit in what has been said – that there is really only one political party of any consequence in the U.S., one that has been called the “Property Party.” The Republicans and Democrats are in fact two branches of the same (secret) party.⁵³

We have already noted that Republicrats are responsive to the ruling class, and their own political careers, and *not* the voting class. And the fact that there is an elitist crowd in the American social order is hardly a surprise or secret. Every social organization – whether it is a church, club, business, cartel, crime syndicate, etc. – is always represented by those who rise to the top. As someone once described the Establishment crowd, they are men and women who have climbed the ladder of success, and then they wish to pull the ladder up behind them. They are the intellectual descendants of monopoly capitalists, welfare statist, social engineers, political opportunists, and the Wall Street money trust who are driven by wealth, power and prestige. Their influence is also widely perceived by the American public. According to a nationwide poll taken by the Congressional Institute, 80% agreed “that our country is run by a close network of special interests, public officials, and the media,” and that the federal government “is pretty much run by a few big interests looking out for themselves.”⁵⁴

In this same poll, 64% believed that this ruling elite is indifferent to their concerns, but only 24% were willing to say that these powerful insiders were “involved in a conspiracy.” In other words, even though there is a distinct pattern, drive, and evidence that a ruling Establishment in America is advancing a scheme for a New World Order, most people still refuse to believe that such a movement could possibly exist. “It must be remembered,” writes Gary Allen in his book *None Dare Call it Conspiracy*, “that the first job of any conspiracy, whether it be in politics, crime, or within a business office, is to convince everyone else that no conspiracy exists.”⁵⁵ The Establishment insiders have done a good job of dumbing-down the majority of Americans. But real insiders know better, and lately people are beginning to wake up as indicated in this recent poll.

In a letter written to Col. Edward Mandell House, close advisor to Woodrow Wilson, dated November 21, 1933, FDR confided, “The real truth of the matter is, as you and I know, that a financial element in the large centers has owned the government ever since the days of Andrew Jackson.”⁵⁶ This “financial element” which FDR spoke of in his first term as president was later described by Professor Carroll Quigley in his revealing tome written in 1966, entitled *Tragedy and Hope*:

I know of the operations of this [financial/business] network because I have studied it for twenty years and was permitted for two years, in the early 1960s, to examine its papers and secret records....In general, my chief difference of opinion is that it wishes to remain unknown....[The network’s objective is] nothing less than to create a world system of financial control in private

hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert by secret meetings and conferences....Each central bank...sought to dominate its government by its ability to control treasury loans...to influence the level of economic activity in the country, and to influence cooperative politicians by subsequent rewards in the business world.⁵⁷

On this last point, professor Quigley said that it was important that both political parties in America should be “almost identical” so that there are not any “profound or extensive shifts in policy.” If one party is voted out, the new party “...will still pursue, with new vigor, approximately the same basic policies.”⁵⁸ And isn't this what we see in America? This network that Quigley identifies consists primarily of banking interests in New York (including the Fed), Fortune 500 multinational corporations, elected and appointed officials in government, the major media, and so on. Their primary operations have been hosted and identified with the Council on Foreign Relations (CFR) located in New York City since 1919. Founding members included John W. Davis (J. P. Morgan), Paul M. Warburg, John D. Rockefeller, Frank Vanderlip, Nelson P. Aldrich, W. Averell Harriman, Jacob Schiff, Col. E. M. House, and a host of other luminaries from industry and banking (which helped create the Fed).

In May 1919, Col. Edward M. House led a delegation to meet with members of a British secret society known as The Round Table group at the Majestic Hotel in Paris, France. According to Quigley, this meeting was attended by Fabian socialists H. G. Wells and John M. Keynes, and influential members of British society including Lord Alfred Milner, representing the Rothschild dynasty. The Round Table group was formed in 1891 by Cecil B. Rhodes (1853-1902) who made his fortune in gold mining (in former Rhodesia) and diamonds (DeBeers Mining Company). Upon his early death at 48, Rhodes was one of the wealthiest men in the world, and among his estate valued at £6,000,000 pounds he made seven wills which he left with his financier, Lord Rothschild, to act as trustee. “The government of the world,” says his biographer, “was Rhodes' simple desire.” His wills funded this British society, and also the Rhodes Scholarship program at Oxford University, to advance his dream of world government.

The purpose of the Paris meeting was to coordinate efforts to promote Rhodes' idea of a “world system” to “dominate” political economies, since the League of Nations had failed to develop after World War I. It was also decided at this meeting to rename Rhodes' secret society to the Royal Institute

of International Affairs with branches located in London and New York. Later, in 1921, Col. House and others felt it was wise to distance the RIIA in New York from the London group, and the CFR adopted the name it has today. Exclusive membership in the CFR is by invitation and sponsorship only, that currently numbers more than 4,500 (2012), and is almost equally divided between business, government, and “others” (www.cfr.org). The current president is Richard N. Haass, who is, of course, a Rhodes Scholar, Peter G. Peterson is the Chairman Emeritus, and David Rockefeller is the Honorary Chairman.

The CFR describes itself as a “think tank,” but considering its roots, history, membership, and goals, it is nothing less than a conspiratorial front to destroy U.S. sovereignty and merge our nation into regional and world government. Navy Admiral Chester Ward, who was a member for 20 years, mentions that the “lust to surrender the sovereignty and independence of the United States is pervasive throughout most of the membership.”⁵⁹ It is possible that some members are not fully aware of the ultimate goals of this organization and simply want to enhance their careers. But a good number of these ambitious globalists know precisely what they are doing. On July 16, 1992, during his acceptance speech for the Democratic ticket, Bill Clinton (CFR) lauded his political science professor at Georgetown University, who was none other than Carroll Quigley. In 1968, Clinton graduated Georgetown and went on to receive a Rhodes Scholarship at Oxford University in London, and he is still furthering the ideological cause for elitist world governance at every opportunity today.

Since World War II, the CFR has completely taken over the leadership of the U.S. State Department, and these Establishment individuals are chosen for virtually every important position, post, and appointment within the U.S. government. The CFR influence upon “cooperative politicians” is all-pervasive, and it would be safe to say that no *serious* candidate for the U.S. presidency can succeed without a general review and nod from this powerful network. Even if they are not formal members of the CFR, like Ronald Reagan, George W. Bush or Obama, their Vice-Presidents and staff are all drafted from the CFR membership list (Haass was an adviser to Obama). In this way candidates are *selected* not elected. In 1969, newly-elected Richard Nixon had to be introduced to his new Secretary of State, Henry Kissinger, and many other CFR regulars. Indeed, if this kind of singular influence and power came from a conservative think tank like the Cato Institute or Heritage Foundation, there would be howls of “conspiracy” and “subterfuge” from the CFR-controlled media. But things in New York and Washington are running as smoothly as the old *nomenclatura* in the Soviet Union, which has been perpetuated by ex-KGB chief Vladimir Putin and his party leaders.

These Establishment insiders were instrumental in forming the IMF and World Bank in 1944 and also the United Nations located in New York on land donated by the Rockefeller family. The San Francisco ceremony to found the UN in 1945 was attended by John Foster Dulles, co-founder of the CFR, and 47 members of the Manhattan club. Dulles informed, "The United Nations represents not a *final* stage in the development of world order, but only a primitive stage."⁶⁰ The importance of slowly working in stages with trade agreements, legislation, private meetings and so forth was best summed up by Richard N. Gardner (CFR) who worked at the State Department in 1974:

In short, the "house of world order" will have to be built from the bottom up rather than from the top down...an end run around national sovereignty, eroding it piece by piece, will accomplish much more than the old-fashioned frontal assault.⁶¹

This globalist strategy is taken directly from the London Fabian Society founded in 1884. "The Fabians are an elite group of intellectuals who agree with Communists as to the goal of [world] socialism but disagree over tactics," writes Griffin. "Whereas Communists advocate revolution by force and violence, Fabians advocate gradualism and the transformation of society through legislation."⁶² This semi-secret society takes its name from the Roman General Quintus Fabius Maximus who was known for his defeat of Hannibal during the Second Punic War by the avoidance of decisive confrontations. It is important to point out this ancient tactic being used by key insiders because this is exactly what we have observed in the past and what we are seeing in the current drive for the FTAA-NAU proposal. The goal is to break down all resistance and gradually legislate our national sovereignty away.

In 1947, the General Agreement on Tariffs and Trade (GATT) was created as a specialized agency of the UN in order to provide a "code of commercial policy" for tariffs, customs, duties, trademarks, copyrights, and trade issues. The GATT guidelines effectively replaced the Smoot-Hawley Tariff Act of 1930 and was established as an interim measure pending the creation of the International Trade Organization to enforce GATT provisions. In early 1948, UN and CFR operatives met in Havana, Cuba to work on the framework for the ITO and later presented it to the Congress for approval. Although it was deceptively presented as a charter to enhance "free trade," it was soundly defeated. Rep. Sam Pettingill (D-IN) said he rejected the ITO, "because it is part and parcel of international socialism, one-worldism, and the slow

surrender of American sovereignty.” Sen. George Malone (R-NV) alerted, “It was found to be a charter for *trade control*...The result of its adoption would have been socialism on a global scale.”⁶³ As we will see in a moment, the ITO eventually became the World Trade Organization in 1995 as part of the NAFTA legislative effort.

The goal to create a socialist trade organization proved to be too much for the mood in 1948, and we can be sure that these uncooperative politicians received no “rewards” in the business world. Genuine free trade and competition does not require bureaucratic structures, regulations, and volumes of red tape. Monopolies, corporate welfarism, and government subsidies *do* need bureaucratic controls to favorably regulate commerce for insiders. In a speech given in 1954, Sen. William E. Jenner (R-IN) recognized the obvious; “Outwardly, we have a Constitutional government. We have operating within our government and political system another body representing another form of government, a bureaucratic elite which believes our Constitution is outmoded.”⁶⁴ Senator Jenner was referring to the financial and business network in the U.S. that has been using the political process and government agencies to expand one-worldism ever since the Wilson administration.

In 1934, Congress passed the Reciprocal Trade Agreements Act, which ceded to the Executive Branch the power to control our nation’s trade policy. This was in direct violation of the U.S. Constitution which reserves the power “to regulate commerce with foreign nations” with Congress (Art. I, Sec. 8, Clause 3). President Roosevelt needed this power to open trade with Communist Russia and comrade Stalin. And to make sure that U.S. business corporations were protected in this venture, he also created the Export-Import Bank (EximBank) with a presidential Executive Order. In 1945 the EximBank became a formal government agency with its stated goals to “assist in financing the export of U.S. goods” and provide “loan guarantees” (www.exim.gov). The EximBank helps U.S. multinational companies secure trade deals with foreign nations by underwriting potential loss and risks associated with foreigners defaulting on their loan contracts with the IMF/World Bank, Inter-American Development Bank, Asian Development Bank, and Overseas Private Investment Corporation. This monopoly which the Establishment has on U.S. industry, banking, and trade is illustrative of the Rothschild Formula which we have seen before. This means that the EximBank is subsidizing foreign trade; corporations are making risk-free profits; banks get interest on money they created out of nothing; and the *taxpayer* gets the bill. This is not free enterprise. This is corporate welfare or institutionalized fascism.

Exactly what has caused this fundamental shift in corporate America that seeks government assistance, outsourcing of jobs, increased mergers, and adoption of regional and global trade agreements? Fundamentally it is the desire of America's ruling Establishment to create a feudalist society in which the middle class are marginalized and the ruling elite reign supreme. In short, bankers, politicians, and business insiders are conspiring to convert America into a commercial trading zone without borders in order to consolidate their personal fortunes and political ambitions. Today's "trade agreements" are strictly designed to carry out the goals for a broad New World Order agenda, which is directly aimed at U.S. workers. As Pat Buchanan has succinctly put it:

Today's trade agreements are about reshaping the world to conform to the demands of transnational corporations that have shed their national identities and loyalties and want to shed their U.S. workers. Tired of contributing to Medicare and Social Security and having to deal with Americans who need health care and pension benefits, they want to dump them all and hire Asians who will work for \$2 an hour.⁶⁵

For Establishment insiders, they increasingly see themselves living as citizens of the world with large transnational corporations operating around the globe. In the interest of making corporate profits they snub traditional patriotism and envision a world described by professor Quigley in which they participate with bankers, politicians, and bureaucratic elites in dominating American economic life. Ultimately, they would like to see a new political arrangement in which worker demands in America are brought down to a level just slightly above Mexican standards. And the current wave of legal and illegal immigration is helping to create this atmosphere of "harmonization." Additionally, if a crisis is needed to secure this new paradigm, so be it. This kind of lust for power, greed, and monopoly is similar to the same intrigue that we saw in the creation of the Fed nearly a century ago. Fabian socialists are patient in their designs and typically share the Rothschild perspective of "cold objectivity, immunity to patriotism, and indifference to the human condition."

But aren't these people *still* Americans? In his book, *The Revolt of the Elites and the Betrayal of Democracy*, Christopher Lasch describes how most of the Establishment elite "have ceased to think of themselves as Americans in any important sense, implicated in America's destiny for better or for worse." Lasch adds, "...they are deeply indifferent to the prospect of American decline" and revile the term "Middle America" which "has come to symbolize everything that stands in the way of progress."⁶⁶ In other

words, the social elite believe that our U.S. Constitution is antiquated and look contemptuously upon the naivete and old-fashioned values held by the middle class in America. Progress for them is a Marxist worldview that effectively diminishes the middle class and sees them securely at the top. Sociologists refer to this classic sociocultural struggle as a form of “Social Darwinism,” which the dictionary describes as:

A theory in sociology that sociocultural advance is the product of intergroup conflict and competition and the socially elite classes (as those possessing wealth and power) possess biological superiority in the struggle for existence.⁶⁷

In the opening line of *The Communist Manifesto*, Karl Marx wrote, “The history of all hitherto existing society is the history of class struggles.” For today’s socially elite class and technocrats their evolved superiority is inexorably linked to their wealth and power – and they wish to keep it that way. Lower forms of humanity are only convenient for exploitation, control, and social engineering. As many young people and baby-boomers are discovering the job situation in America is dismal. Since 2000, the U.S. has lost 32% of its manufacturing jobs with 42,000 factories closed or moved overseas. Since 2008, consumer spending has dropped by more than 50%. Only 47% have full-time jobs with 40% in service jobs with a majority living paycheck to paycheck earning less than \$600 per week. According to the U.S. Labor Department the U.S. has a labor force of 159 million workers with 9% unemployment, but the actual figure is closer to 22%, or 35 million with a record 45 million on food stamps (www.shadowstats.com). Between 1950 and 1990 the wealthiest 1% earned close to 7% of all national income. Today it is 20% or more. The gap between the rich and poor is getting wider every day and this is the eventual outcome of globalization.

This pursuit of globalization and world government has primarily been carried out by the CFR in New York and the RIIA at the Chatham House in London. Both groups long for the day when regional governments can finally be merged into a world government. In the early 1950s, the super-elite Bilderberg Group was created through the efforts of Polish diplomat Joseph H. Retinger (1888-1960). Retinger was a close associate of Justice Felix Frankfurter, U.S. ambassador and business tycoon Averell Harriman (CFR) in the U.S., and also former British Prime Minister Winston Churchill, Prince Bernard of the Netherlands, and the Astor family in London. In a lecture given on May 7, 1946 at the RIIA Chatham House, Retinger helped launch the United Europe Movement (UEM) and was made the first secretary general. Inspired by Churchill’s call for a “United States of Europe” during

the early 1940s, Retinger served as the director for the critically important Congress of Europe in May 1948 held at the Hague. He personally drew up the list of 800 dignitaries who attended this Congress, including 46 ex-prime and foreign ministers. This Congress eventually led to the first session of the Council of Europe in Strasbourg in August 1949, which has now resulted in the modern European Union.

At the 1948 Congress of Europe, chairman of the UEM, Winston Churchill delivered the opening speech in the presence of Prince Bernard and Princess Juliana of the Netherlands. Bernard von Lippe, a former officer in the German Reich SS Corps, married Princess Juliana in 1937, who later became the Queen of the Netherlands. Prince Bernard, whose family are principal owners of Royal Dutch Petroleum Company (Shell Oil), endorsed the idea of a united Europe. In 1952, Retinger approached Prince Bernard with a proposal to host a select group that could hold private meetings on the future of European and Atlantic relations. In May 1954, the first such meeting was held at the Hotel de Bilderberg in Holland, and this super-elite group has been called the Bilderbergers ever since. Retinger's biographer, John Pomian, confirms that he "was, in point of fact, the prime mover" in this globalist movement. This first meeting was attended by Ambassador Averell Harriman (CFR), Nelson and David Rockefeller (CFR), John Foster Dulles (CFR), Russell Leffingwell (CFR/J.P. Morgan), General Walter Smith, director of the OSS (now CIA), George W. Ball (CFR), and a host of others from the U.S. The RIIA was represented by Lord David Astor, the Rothschild family, NATO members, and European dignitaries. It has now been discovered that funding for this meeting came from OSS/CIA fronts, which also continued to fund the UEM with the utopian hopes that a united world would be a more peaceful world.

Today, annual Bilderberg meetings are held in various locations and primary funding comes from the Rockefeller, Carnegie, and Ford Foundations, in addition to corporate giants like IBM, Arco, and MobileExxon. These private meetings are carried out in the manner indicated by professor Quigley and include leading figures from Europe and the U.S. The Bilderberg Group secretariat is located at 1 Smidswater, the Hague, Netherlands, and the small steering committee is staffed by CFR/RIIA members (www.bilderbergmeetings.org). David Rockefeller and Henry Kissinger are key directors of the American Friends of Bilderberg in New York. CFR supporters have included Zbigniew Brzezinski, Bill Clinton, Al Gore, Newt Gingrich, Dianne Feinstein, John McCain, Joe Lieberman, Dick Cheney, Colin Powell, Robert Gates, Paul Volker, Alan Greenspan, Timothy Geithner, C. Fred Bergsten, Leslie Stahl, Bill Moyer, Diane Sawyer, Katherine Graham, George Stephanopoulos and many more. The most recent meeting was in

Chantilly, VA from May 31 to June 3, 2012 with 145 attendees (45 from the U.S.), including Robert Rubin (CFR) and Peter D. Sutherland, Honorary Chairman of the Trilateral Commission (EU), WTO and Goldman Sachs.

So why is this bit of history and background important? All of this reveals a pattern of scheming and plotting at the highest levels that will prove to be harmful for America and its citizens. This network is the locus for designing and implementing political trading blocs like the EU, NAFTA, and now the proposed FTAA-NAU. It is a conspiracy in the sense of shared common goals, but this does not necessarily mean that everything is being done in total secrecy. It is an “open conspiracy” in the way that Fabian socialist H. G. Wells described in his book, *The Open Conspiracy: Blueprint for World Revolution* published in 1928. “This idea of a planned world-state,” wrote Wells, “is one to which all our thought and knowledge is tending.”⁶⁸ The collectivist idea of a planned world-state, or world “governance,” is shared by activist Hollywood liberals, underpaid college professors, UN ambassadors, Communist bureaucrats and bored billionaires with bloodlines like Rhodes, Rothschild, and Rockefeller. Understandably, it is this last group that has been most responsible and successful for laying the groundwork for a modern Tower of Babel. And no single person represents this visionary passion better than David Rockefeller, dean of the liberal Eastern Establishment.

Born in 1915, David is the youngest son of John D. Rockefeller, Jr. and heir of the Rockefeller fortunes made in oil and banking. After graduating at Harvard in 1936, he enrolled in the Fabian London School of Economics and took over the Chase Manhattan Bank in New York. In 1949, he became a director of the CFR and later chairman in 1970. It is historically accurate to say that the Rockefeller family succeeded the J. P. Morgan influence on Wall Street and Establishment circles within this time frame. In 1972, Rockefeller was impressed with a book written by Zbigniew Brzezinski (CFR) entitled *Between Two Ages* which spoke of America’s “obsolescence” and the need create a community of developed nations to further establish a world government. “The objective of shaping a community of the developed nations is less ambitious than the goal of world government,” wrote the Columbia University professor, but “it is more attainable.”⁶⁹ In that same year, Rockefeller and Brzezinski took this idea to the annual Bilderberg meeting in Knokke, Belgium, and in 1973 they formed the Trilateral Commission

According to their website, the Trilateral Commission consists of 350 “private citizens” from North America, the EU and Japan who are fostering “globalization” in “the wider international system” to create a New International Economic Order (www.trilateral.org). The TC, however, is just another elitist front to promote “regionalization” on the road to world government (www.afgen.com/trilateral.html). “We cannot leap into world

government in one quick step,” Brzezinski states. “The precondition for eventual globalization – genuine globalization – is progressive regionalization.”⁷⁰ Brzezinski is a senior advisor to Obama. According to Fabian conspirators, the best way to progress to global government is through building trading blocs similar to the EU. The North American Free Trade Agreement (NAFTA) was an Establishment initiative that was pushed through Congress in 1993 and became effective in 1994. Prior to passage and mocking Christopher Columbus, David Rockefeller enthused, “Everything is in place – after 500 years – to build a true ‘new world’ in the Western Hemisphere.”⁷¹ In *The Los Angeles Times*, Henry Kissinger provided his own perspective:

NAFTA will represent the most creative step toward a new world order taken by any group of countries since the end of the Cold War, and the first step toward an even larger vision of a free trade zone for the entire Western Hemisphere....NAFTA is not a conventional trade agreement, but the architecture of a new international system.⁷²

NAFTA created an economic trading bloc with the U.S., Canada, and Mexico, but the ultimate goal is political convergence and then a larger vision for the region. In the Trilateral Commission 1993 annual report, Co-Founder and Honorary Chairman Paul Volker noted, “Interdependence is driving our countries toward convergence in areas once considered fully within the domestic purview.”⁷³ Unfortunately, this convergence will mean a lower standard of living for Americans. “The standard of living of the average American has to decline....I don’t think you can escape that,” Volker said before a Congressional committee.⁷⁴ Establishment insiders like to promote the benefits of free trade and commerce, but they are careful to leave out the parts about a ruling oligarchy, national sovereignty issues, trade deficits, immigration, job losses, low wages and increased poverty in the U.S.

In 1993, the U.S. had a sizeable trade *surplus* with Canada and Mexico. By 2002, the U.S. was running a trade *deficit* of \$50 billion with Canada and \$38 billion with Mexico. The Rockefeller-funded Institute for International Economics promised billions in U.S. trade surplus and job creation, but NAFTA has resulted in record trade deficits and millions of U.S. jobs lost. How has this happened? Phony Establishment trade agreements are not about free trade, but “round-trip” trade or “turnaround exports.” Multinational corporations are taking advantage of 3,000 low-cost assembly plants in Mexico, known as *maquiladoras*, to manufacture their goods and then they dump them back on U.S. markets duty-free. In this manner they avoid the U.S. regulatory environment, high costs, and undersell domestic competition. This same tactic is being used in China against U.S. workers

and will only worsen in the years to come.

It should be noted that Establishment insiders never refer to their bipartisan legislation as treaties because this requires two-thirds approval in the Senate. And, as Kissinger indicated, NAFTA (with 1,700 pages) is not a conventional trade agreement, but it has all of the force of a treaty. Hidden in this same legislation was the creation of the World Trade Organization (WTO), which went into force in early 1995. Newt Gingrich (CFR/Bilderberg) introduced the separate WTO legislation (26,000 pages) in a lame duck session of Congress (in November 1994) and described it as a “transformational moment.”⁷⁵ Why did the House Speaker do this? He and Establishment insiders knew that the incoming Republican majority Congress would probably reject the WTO. The WTO was easily passed in the Democratic Congress, and now the Executive Branch has ceded authority to the WTO headquarters in Geneva, which allows the EU to outvote the U.S. 15 to 1, and 70% of the remaining votes are in the Third World (www.wto.org). Also included in the WTO legislation was the creation of the General Agreement on Trade in Services (GATS) in 1995. GATS is a provision which allows U.S. corporations to grant L-1 visas to foreigners to outsource their customer service departments. This is why you talk to CSR reps in Asia when you call customer service lines today.

Now we have the ultimate vision for the Western Hemisphere – the proposed Free Trade Area of the Americas and the NAU. In 1994, the same year that NAFTA became effective, the FTAA was formally launched at the Summit of the Americas in Miami, Florida and hosted by President Clinton. This proposed legislation has its early roots in the Council of the Americas, which is a front organization founded by David Rockefeller in 1965. Attending this Miami Summit, Thomas F. McLarty (CFR), Clinton’s chief of staff remarked, “This is not a trade summit, it is an overall summit... It will focus on economic integration and convergence.”⁷⁶ These buzzwords were later repeated by Robert A. Pastor (CFR), director of the Center for North American Studies, who applauded the EU convergence. “The European experience with integration has much to teach North American policymakers,” said Pastor. The EU is definitely serving as a central model for NAFTA-FTAA-NAU leaders. Mexican President Vicente Fox made this clear in a speech he made in Madrid in May 16, 2002:

Eventually our long-range objective is to establish with the United States, but also with Canada, our other trading partner, an ensemble of connections and institutions similar to those created by the European Union.⁷⁷

NAFTA has successfully placed the U.S., Canada, and Mexico as the foundation to expand the FTAA scheme to a full 30 nations in the Americas

(excluding Cuba) and will comprise a trading bloc of 800 million people. Along with the NAU these will include Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Brazil, Canada, Chile, Columbia, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, United States and Uruguay. An economic/political merger with these nations is certain to pull down America's living standards, with the prime beneficiaries being insider politicians and businessmen. Ecuador, Bolivia, Nicaragua and Venezuela have all pulled out of the FTAA citing it as "a tool of imperialism." The proposed secretariat headquarters for the United States of the Americas is currently Miami, Florida or Port of Spain, Trinidad and Tobago (www.ftaa-alca.org).

During his administration Bill Clinton paved the way for the FTAA initiative with passage of the NAFTA legislation. Keeping the pace, the Bush administration worked tirelessly for the CAFTA legislation that expanded free trade to six Central American nations. The Obama administration renewed this pledge with Obama's first foreign visit to Port of Spain, Trinidad and Tobago to attend the Summit of the Americas in April 17, 2009. Prior to the CAFTA vote in 2005, President Bush met with his NAFTA partners Vicente Fox and Paul Martin at his Texas ranch to step up their plans for a regional political body. Called the North American Summit, the leaders renewed their commitment to "a common security perimeter" and "a seamless North American market" by the year 2010. A 70-page CFR report by Robert Pastor entitled "Building a North American Community"⁷⁸ outlined these "trinational" talks which were co-sponsored by the CCCE (Canadian Council of Chief Executives) and COMEXI (Consejo Mexicano de Asuntos Internacionales) – both groups representing CFR counterparts. The outcome of this merger, formally known as the North American Union (NAU), will be a common currency called the "Amero" and a new biometric passport for all citizens (www.spp.gov).

Noting that the goal of a "seamless North American market" by the year 2010 has passed, both Prime Minister Stephen Harper and Barack Obama announced a bilateral declaration entitled "Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness" on February 4, 2011. In order to "accelerate the legitimate flow of people, goods and services between our two countries" both leaders bypassed normal legislative channels and merely used their executive powers to further implementation of the NAU. The Obama administration officials also worked with President Filipe Calderon of Mexico for full integration and later released an important State Department document entitled "United States – Mexico Partnership: A New Border Vision."

In all of these proposals for integration and convergence, very little is being said about the harmful effects of immigration upon the U.S. "You

won't find immigration listed openly as a central component of the FTAA," writes William Jasper. "That is by design."⁷⁹ The flow of legal and illegal immigration into the U.S. is contributing to a multicultural society that will be easier to assimilate into a regional political body. It is by design that America is becoming a huge polyglot society. And President Teddy Roosevelt was right when he declared that this was an effective way to ruin a nation:

The one absolutely certain way of bringing this nation to ruin, of preventing all possibility of its continuing to be a nation at all, would be to permit it to become a tangle of squabbling nationalities.... We are a nation, not a hodge-podge of foreign nationalities. We are a people, and not a polyglot boarding house.⁸⁰

From 1924 to 1965 the U.S. had a moratorium on immigration. But ever since passage of the Immigration Reform Act of 1965, and later the Reform and Control Act of 1986, the U.S. has been absorbing larger and larger numbers of immigrants. This legislation has raised quotas and also allowed for "chain immigration" which encourages whole families to move to the U.S. The immigration figures have now grown from 6 million in the 1960s to over 40 million today, with as many as 12 million additional illegal immigrants from Mexico according to the Pew Hispanic Center. The design to integrate the U.S. with foreign nations is an ambitious goal by today's elitists, but our Founding Fathers would assuredly consider this activity to be treasonous. According to the U.S. Constitution, the federal government is to protect every state from "invasion" (Art. IV, Sec. 4). Prior to leaving public office, President George Washington advised future political leaders "to *steer clear* of permanent alliances with any portion of the foreign world." He stated, "The great rule of conduct for us, in regard to foreign nations is, in extending our commercial relations to have with them as *little political connections* as possible." Obviously, this parochial and "isolationist" view is despised by Establishment insiders of the 21st century who are constructing a new international system for the Western Hemisphere.

In his book, *Tragedy and Hope*, Professor Quigley outlined the existence of what he later called the Anglo-American Establishment elite. He was well aware of this network's goal for world government and said he had "no aversion to it or to most of its aims."⁸¹ His only "difference of opinion," he said, was that this overall network has chosen to remain obscure and has generally tried to conceal their ultimate goals. In other words, his book title tried to convey the message that world government is the only real *hope* for the future, and it would be a *tragedy* if citizens did not embrace this enlightened vision. Prince Bernard, founder of the Bilderberg Group, expressed similar words, "It is difficult to reeducate the people who have been brought up

on nationalism to the idea of relinquishing part of their sovereignty to a supranational body....This is the tragedy.”⁸² The real tragedy is that the American people have allowed private citizens, think tanks, councils, corrupt politicians, and insiders to slowly destroy our nation. These people know exactly what they are doing. And they all are traitors.

David Rockefeller, now in his late 90s, is spending his final days and fortune to help nations surrender all (not part) of their sovereignty to a supranational body. “We are on the verge of global transformation,” says the old dean, “and all we need is *the right major crisis* and the nations will accept the New World Order.” The right major crisis has been created by the Federal Reserve System, growth of the bi-partisan Welfare State, and reckless trade policies and much more. The tipping point is certain to be a financial crisis unlike anything this world has ever seen. This reckoning day could be the result of a new currency realignment in Asia or the Arab world that favors the Euro, a terrorist attack, or a financial crisis in the U.S. which exposes our fiscal bankruptcy. The outcome will be similar to Germany in the 1920s, which resulted in social breakdown, a currency revaluation by the central bank, and a new political direction. Soon after the tragedy of 9/11 in 2001, Robert Pastor, an Establishment figure with links to the radical Institute for Policy Studies (an intellectual Communist front since 1963), wrote a paper for the Trilateral Commission promoting the North American Union. In this paper Dr. Pastor tipped his hand when he indicated that a major crisis, like another 9/11 would be sufficient to create a North American Community with Canada and Mexico (the NAU):

What I am saying is that a crisis is an event which can force democratic governments to make difficult decisions *like those that will be required to create a North American Community*. It's not that I want another 9/11, but having a crisis would force decisions that otherwise might not get made. When there's a crisis, people accept proposals they wouldn't have otherwise accepted (my emphasis).⁸³

It would be hard to find a more authoritative quote than what has been said here. The proposed FTAA-NAU is a treasonous plot to surrender our national sovereignty. As mentioned earlier, what we are witnessing today is a bold attempt by America's leaders to exploit a national crisis – the politics of turmoil – in order to alter our economic way of life and usher in a collectivist system of government that they have been planning for years. Indeed, “a nation can survive its fools, and even the ambitious,” wrote Cicero, “but it cannot survive treason within.”

Marcus Tullius Cicero (106-43 BC) was a Roman Constitutionalist, statesman, philosopher and orator who opposed the military dictatorship of General Gaius Julius Caesar (100-44 BC) and wanted to restore Rome to

a traditional Republican form of government along with Cato the Younger (95-46 BC). Cicero did not participate, but supported, the assassination of Julius Caesar by Marcus Brutus in 44 BC. In that same year, General Mark Antony, along with Julius Caesar's adopted son Octavian, formed the *Second Triumvirate* (44-33 BC) and they named Cicero as an "enemy of the state" (unwilling to yield to a dictatorship Cato had already committed suicide). On December 7, 43 BC, Roman legions hunted down Cicero (with the help of one of his servants who betrayed him) and they killed him by cutting off his head and they displayed it in the *Forum Romanum* in Rome for all to see (just like they did Sir William Wallace in 1305 AD in London, as depicted in the award-winning movie *Braveheart*).

John Adams, our second U.S. President (1735-1826), said of Cicero, "All the ages of the world have not produced a greater statesman and philosopher united than Cicero. His authority should have great weight." Indeed, his memory should have great weight. Cicero was a man for the ages and his ideological enemies are always with us. Karl Marx and Friedrich Engels said of Cicero that "he was the most contemptible scoundrel in history." Mark Twain is attributed with the quote that "history does not repeat, but sometimes it rhymes." The contest for freedom and liberty continues to this day and former presidential candidates like Dr. Ron Paul, Dr. Chuck Baldwin and Bob Barr have won the distinction of being modern "enemies of the state" for speaking out in the spirit of Samuel Adams (second cousin of John Adams) who made the following famous quote:

If ye love wealth better than liberty, the tranquility of servitude than the animated contest of freedom -- go home from us in peace. We ask not your counsels or arms. Crouch down and lick the hands which feed you. May your chains sit lightly upon you, and may posterity forget that you were our countrymen!⁸⁴

America is heading for some big trouble. Our financial house of cards is vulnerable, and the government is preparing for a national emergency to control the mess. Our freedoms and liberty are seriously at stake and we must be alert and prepared. Bob Chapman, the late editor of *The International Forecaster*, saw it this way, "Our elitist leadership is simply going for broke, because there is no other way out. That is why we have the Patriot Act because they will need it to control Americans."⁸⁵ Our nation is literally broke and insolvent. And once this fact, and an Establishment-scripted takeover becomes obvious, it will be too late for all of us. America will never be the country it used to be. It will be just another socialist trading bloc similar to the EU with an all-powerful elitist bureaucracy. How this development will affect the balance of power in the world is extremely important, and will now be our focus in Part Three.

