

Tedbits Newsletter

The Financial & Economic No-Spin Zone

Learn more about Tedbits philosophy here.

October 16, 2009



“Hello, My name is Theodore (Ty) Andros, author of Tedbits, and I would like to show you how to capture the opportunities discussed in my commentary.” [Read Ty's Bio](#)

For greater insight into the philosophy behind Tedbits, have a look at the [Tedbits Overview](#). To help understand our mission in serving you, the Tedbits Overview gives a broad description of what's unfolding globally and what you can expect from Tedbits as a regular reader.

Financial Holocaust, Zero Bound and the Next Leg Down

Continuation of Oct 16, 2009 issue....

[Access the complete issue here](#)

Zero Bound and the Next Leg Down!

Ever since Bretton Woods II forever tore world currencies from reserve backing (gold and silver) in 1971, politicians throughout the G7-developed world have substituted misstated inflation, excess money supply growth' and deficit spending in place of the fiscal policies (taxes and regulations) which provide the conditions for economic growth in a capitalist economy.

In their place, they have installed EASY monetary policy (rates below REAL inflation) and crony capitalism (where markets are allocated to political supporters by mandates and regulation), which effectively short circuit and smother the entrepreneurs who provide “more for less”, and kill inefficient dinosaurs. Asset-backed economies, which inflate assets in excess of misstated inflation, create an

Subscribe to Tedbits

Subscribe to Tedbits for free.

Receive a complimentary bi-weekly overview of the financial markets and the worlds of micro- and macro-economics via email.

[Subscribe Now](#)

Recommend Tedbits

Send Tedbits to a Friend

Click here to send Tedbits to one or more friends with a personal message.

Free Consultation

Contact us today for a comprehensive, no-obligation Managed Futures consultation and custom portfolio recommendations.

[Learn More Now](#)

What is YOUR PORTION of the National Debt?

Find out what it is up to today – [click here](#).

TEDBITS PODCAST NEWS

I have been appearing with Jim Willie in a podcast on the unfolding economic scene at www.ContraryInvestorsCafe.com, it is a gas and I will be appearing monthly in a podcast on Jim Willie & Friends, discussing recent Tedbits commentary and unfolding events and how to get into the markets in an orderly manner. [Access it by clicking here](#). It's going to be fun, thought provoking and VERY informative. Don't miss it..

ILLUSION of growth and increasingly create MALINVESTMENTS, which in a normal interest rate environment cannot PRODUCE more than they consume.

This is the face of interest rates, malinvestments and asset prices FAILING at lower and lower rates of interest since Paul Volcker began at the Fed, and as regulations and taxes made the economy increasingly unproductive and unable to produce more than it consumed:

An example of a malinvestment was recently detailed in a study at the University of Chicago. They surveyed 50 commercial buildings that were purchased in 2005, based upon projections of revenues at the time; in all cases the purchase price was financed with approximately 25% down. In 2009, ALL 50 buildings were in foreclosure of one type or another. All had negative equity and NONE produced enough revenue to service the mortgages.

Interest rates in the United States, United Kingdom and Euro Zone are now at virtually zero, robbing savers of the returns they have earned by producing more than they consume. While these activities used to be virtuous in the past, now they are to be punished. With short-term interest rates at almost zero: a 30-day \$1,000 T-bill yields a \$.01 cent return, a 90-day bill yields \$.12 cents, a six month bill yields \$.65 cents, a two-year note yields \$8.90 cents per year, a five year note yields \$22.26 cents a year and a ten-year note yields \$33.32 cents a year. Throughout the G7 you can roughly see this same yield structure.

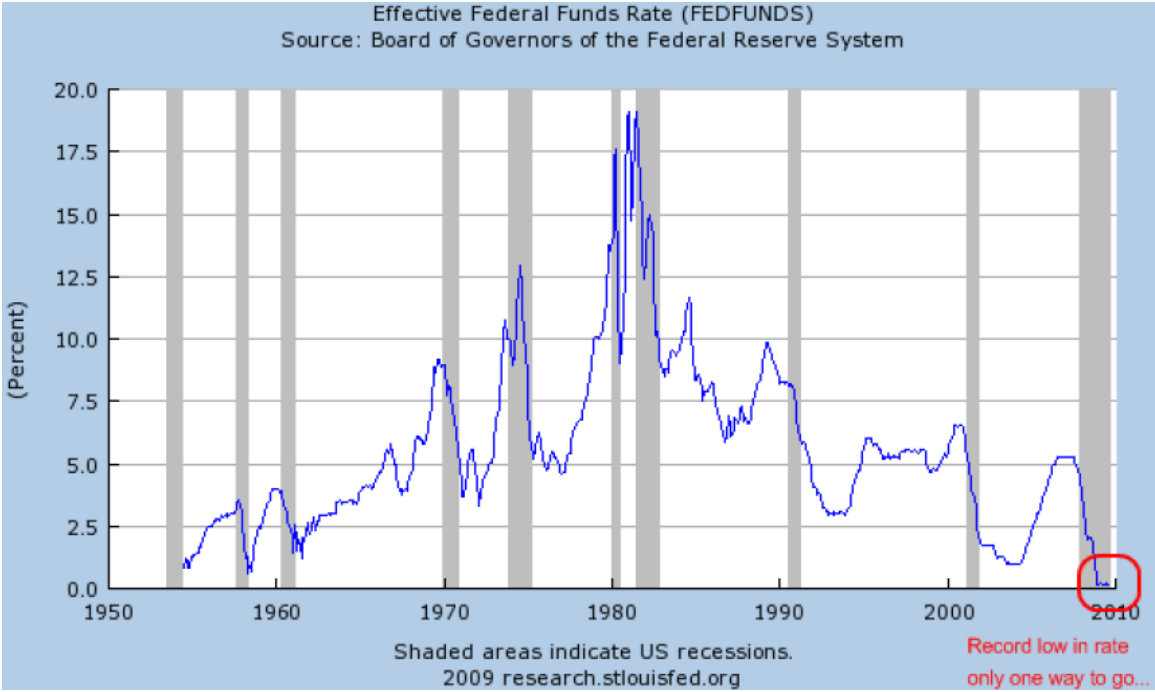
In other words, YOU MAKE NOTHING when looking at the loss in purchasing power of over 15% since AUGUST, 2009, as measured in gold. This is at a time when the monetary base is erupting like a volcano, and the Federal Reserve is monetizing trillions of dollars of mortgage, agency and Treasury debt.

Investments in bomb, er ... bonds (IOU's denominated in IOU's) or holding CASH (IOU's of countries whose spending is near 10% in excess of GDP, compounded annually) is hardly risk free or safe; in fact, they are riskier than any investment on the face of the earth! You'd better learn how to fix your paper currencies and restore the functions of money... The G7 governments and their central banks are going to STEAL every bit of purchasing power in them while it sits in your bank or brokerage account... and transfer it to their "something for nothing" constituents and their banking masters.

The social welfare states increasing destruction of their private sectors and never-ending expansion of regulations, entitlements, taxation and fees to support them have now come to the point **where the United States has NO ability to create new income**. While debt is spiraling OUT OF CONTROL, budget deficits in the G7 are averaging nearly 10%, and reduction of the public sector is not being considered, only the expansion of it. TO SAVE YOU!

The only thing that can save the day is spending RESTRAINT and reduction of impediments to INCOME growth (reductions in taxes, regulations and entitlements.) Instead, the socialists and "something for nothing" special interests are going in the opposite direction. They are making the unfolding INFLATIONARY depression UNAVOIDABLE and INESCAPABLE, as incomes continue to collapse and they substitute the printing press and indirect taxation in its place. Then, on top of this, they are going to layer on DOZENS of new direct taxes, such as a VAT tax, Cap and Tax energy legislation (the taxman in disguise) and Healthcare, which is a tax bill and nothing else. Here is a list of other NEW revenue sources for the terrorists to REDISTRIBUTE to their special interest supporters in Washington, DC:

Raise the top income tax rates; the top 10% of income earners already pay 90% of all taxes. Do you really think these people are going to invest when the returns on their RISKY investments go to the monsters in the beltway or G7 capitals?

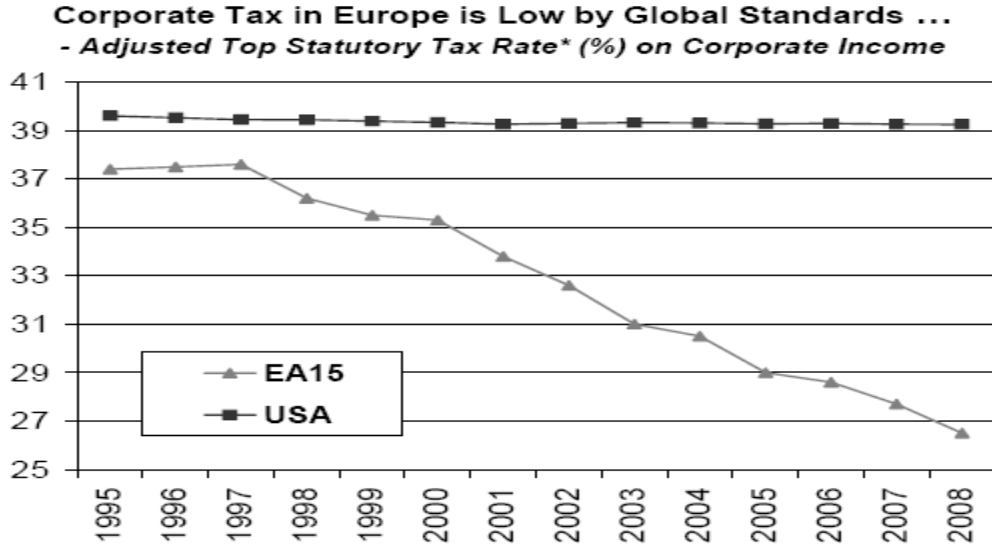


Limit itemized deductions for individuals and small businesses (the backbone of American wealth creation).

Increase capital gains and dividend taxes (destroying capitalism once and for all as it does not pay to invest in the G7.) Once again, do you really think these people are going to

invest when the returns on their RISKY investments go to the monsters in the beltway?

- Restore the estate taxes to 45% or higher for those evil wealthy (mostly small businessmen and women) who only wish to provide for their children’s futures and hand family businesses to the next generation.
- Raise Social Security taxes (they have to, the \$2.5 trillion they have already stolen and SPENT for general government expenses is gone and worthless promises to pay are left in their place).
- Tax YOUR employer-provided healthcare benefits, which will be passed through to the public in one way or another.
- Tax drivers on their mileage driven.
- Raise taxes on beer, wine, liquor and soda.

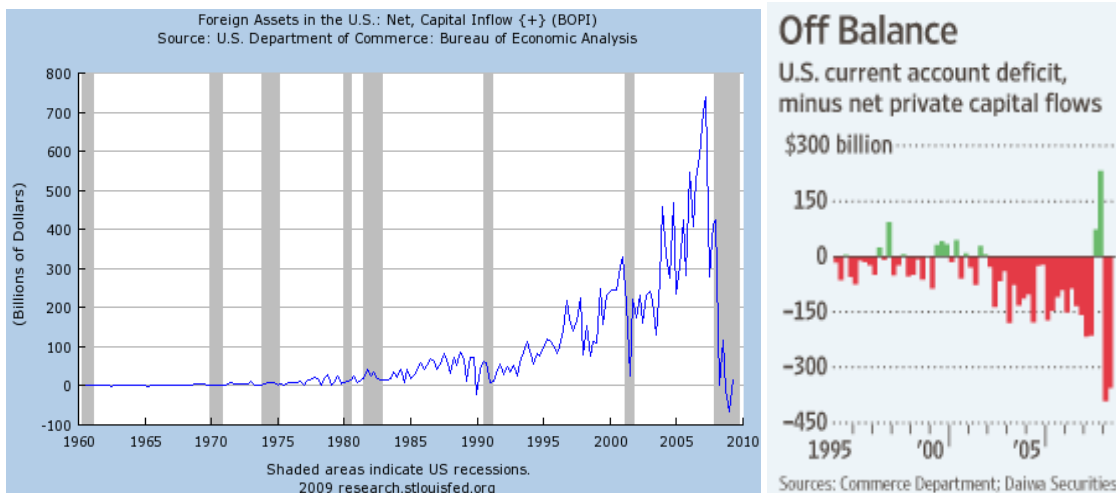


Just to name a few. Want to see why we can’t compete on a global scale and why manufacturers are leaving? Look no further than this chart of corporate taxes of the US versus the Euro zone 15:

There is no amount of currency debasement which can overcome the structural headwinds imposed and being implemented by government. Now you know why the

President's attack on offshore operations is nothing less than preying on the ignorance of the public, union workers and the corporate employees.

Between taxes, regulations, mandates, and now the CZAR's, private enterprise will FALL to the locusts of the DC beltway. *LISTEN CLOSELY: Corporations DON'T pay taxes; their customers do in higher prices, and their employees do in LOWER wages. The higher the rate, the less competitive they are and the more pressure they face to REDUCE wages to offset the theft of income by GOVERNMENT.* Now let's look at capital flows into the United States, which has FALLEN off the face of the earth, using the Fed's flow of funds data chart:



Capital is NO LONGER flowing to the US, in fact it is FLEEING, because the terrorists in Washington are DESTROYING capitalism, just like Lenin, Hitler, Mao and Stalin and their socialist supporters did in their respective countries, and it has now come to AMERIKA.

This is a great big vote of NO CONFIDENCE in US political leadership by INTERNATIONAL investors. They are voting with their feet and capital is taking a ticket "out of town"; the destination: emerging markets and countries with the rule of law and private property still intact such as Canada, New Zealand, Australia, Switzerland, etc. These deficits can only be filled by BIG BANKS loaning to the treasury rather than MAIN STREET.

Dozens of CZARS are implementing their socialist agendas and DESTROYING the private sector in the United States, precipitating the final debacle collapse of the only sectors of the economy which produces more than it consumes. Their decisions do not take into account that for a private enterprise to thrive it must make a profit (private enterprise *must* produce more than it consumes or DIE;) but if you are the government or its children, Fannie Mae, Freddie Mac, AIG, Citigroup, Bank of Amerika, Government motors, Chrysler, etc. (and this list will grow) then you steal it from someone who does produce, take it from stock and bondholders, borrow it and send the bill to you and your children or steal it directly out of your bank account by printing it

As the middle classes have been impoverished by currency debasement and are ignorant of history, they now, in their desperation, are turning to a similar group of thugs and supposedly patriotic leaders known as public servants and big business, aka Oligarchs, which support the government interests rather than that of the public and their customers. The payoff to them is ENORMOUS. They no longer have to compete and innovate to stay prosperous, as the public serpents will just PASS A LAW dictating consumer purchases in the guise of PROTECTING them.

Look no further than the BIG utilities such as Pacific Gas and Electric, Exelon, GE, etc. who are pushing for the cap and tax bills, as they will be the beneficiaries of BILLIONS of DOLLARS of new income with no expense from Washington DC in exchange for their support. Every small business will be decimated by this bill and will pay huge amounts which will then be indirectly transferred to the CRONY capitalist CAMPAIGN supporters on CAPITAL HILL.

The demise of the United States and the G7 has been unfolding for YEARS as I have illustrated to you (see Tedbits Archives). The financial crisis has accelerated the unfolding financial and economic holocausts. As the policies of Capital Hill and G7 public serpents are implemented, the deeper the crisis will become. Socialism does not work because public serpents DO NOT KNOW how to allocate capital to its best use. In fact, they allocate it to where it does the least but pays them and their cronies the most. Absolute power corrupts absolutely and the blind socialist ideologues currently in power will RAM MOST of these things through, knowing full well that once passed into law they will NEVER be repealed as the other side of the aisle is as power hungry as they are.

Nothing will change the course of events until the final debacle, in which they will either once again embrace free markets and capitalism where more is produced than consumed and create wealth, or they will continue to impose socialism and the welfare state in the G7. **This is not a failure of capitalism; it is a failure of socialism and welfare-ism – which they pass off as capitalism to the poorly informed.** Until then, you can expect contracting economies, lower incomes, misery spread widely and high inflation, as the printing press substitutes for income.

Credit and Credibility

A fabulous new book, *Credit and Credibility* about the unfolding debacles of the social welfare states of the G7, and the RISE of the emerging world and the impact of FIAT currency and credit systems has just been released by my friend Richard Karn. Normally priced at \$350 I have been able to get a discount for readers of Tedbits to \$99.00. Richard does a fabulous job of outlining the unfolding economic and financial problems and solutions for investors to turn them into opportunities. Richard has allowed me to give you a copy of the first five chapters (this is GREAT READING in my opinion).

- [Chapter 1](#)
- [Chapter 2](#)
- [Chapter 3](#)
- [Chapter 4](#)
- [Chapter 5](#)

To purchase the rest of the book at the discounted rate click here:

<http://www.emergingtrendsreport.com/product/16.aspx>

I got a lot out of reading this book, and the first five chapters are an absolute treasure trove of insights which will be useful in your personal affairs as is the book in its entirety, I urge you to buy it.

In conclusion: The REDISTRIBUTIONISTS- Public serpents, crony capitalists, CZARS and banksters - are angling to take almost \$1.5 trillion dollars out of the economy in one poor policy or another beginning in 2010 and hand it to themselves in one form or another, out of an economy of less than \$14 trillion; G7 governments are on the same path.

Economies will worsen as they do. As incomes collapse and banks become lenders only to government or government-guaranteed borrowers, Main Street will be left to die and fall into the hands of the predators as they kill the private sector. This is deliberate destruction to impose their socialist, redistributionist schemes.

Government policies result in only ONE OUTCOME: Less of everything for HIGHER costs. With every policy they touch (Cap and Tax, Tarp, Healthcare reform, expiration of the bush tax cuts,) and the costs for them and the CZARS, the results are the same: HIGHER PRICES, money out of your pocket in one way or another and you getting less. Hyper-inflation looms.

“This is exactly why the Founders said no central bank, no fiat money, no income tax, etc. They well knew what most have long forgotten - the government must be separated from the money at all cost or loss of freedom, terminal corruption and total ruin as the system implodes will follow. I say this prophesy has now run its course. The lumpen masses are notoriously slow to tumble, but when they do there will be hell to pay.” Gerald Celente

Mother Nature will prevail in the end, which means our leaders will bring about the demise of our economies, banking and financial systems. A Crack-up boom looms. Just as King Canute failed to stop the tides, modern day public serpents will also fail.

Incentives matter and I don't mean government subsidies or payoffs. Until the policies change to incentivize and revitalize the private, WEALTH-CREATING parts of the G7 economies, growth will be an ACCOUNTING fiction based on government and main stream media HEADLINE illusions and prevarications.

The only BRIGHT side to this is the enormous opportunities of which you can take advantage. Volatility is opportunity and it will rise exponentially as these issues work their way through the economy. This is a currency extinction event. Just one more example of which we can see littered throughout history without exception. [Learn how to FIX your paper currencies, restore the functions of money and diversify your portfolios globally with absolute return alternative investments.](#)

In the next two issues of Tedbits we will be covering the broad social trends which are UNSTOPPABLE. How the “something for nothing” character flaw will lead to the demise of the developed world as it has in every empire in history. We are also going to conducting webinars for investors very soon where we will outline the economic issues and solutions such as the indirect exchange. Don't miss them. Thank you and may God Bless you...

TRADERVIEW

[About Us](#)

||

[Archives](#)

||

[Complimentary Consultation](#)

||

[Traderview Home](#)

Contact Traderview || TyAndros@Traderview.com || in the U.S. 800.253.7689 || +1.312.338.3800

Tedbits may include information obtained from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made to ensure its accuracy or completeness. Opinions expressed are subject to change without notice. This report is not a request to engage in any transaction involving the purchase or sale of futures contracts or options on futures. There is a substantial risk of loss associated with trading futures, foreign exchange, and options on futures. This letter is not intended as investment advice, and its use in any respect is entirely the responsibility of the user. Past performance is never a guarantee of future results.