# MGE19

ECONOMIC RESEARCH AND STRUCTURAL MODELS

www.mge19.com

**Report Completed: 12/02/2011**

*In the Name of Allah, the Beneficent the Merciful*

## Topic: Breaking the Law

*In this report I desire to demonstrate how the so-called Financial Crisis was actually created, and how the so-called Quantitative Easing experiment coupled with increased regulations imposed on the financial sector and the consolidation of the global banking sectors are designed to collapse the world economies in order to "justify" implementing a global economic system that can be overtly controlled by these global banking elites. Secondly, I would like to demonstrate that all of these economic calamities are just smoke and mirrors that are only propped up through war and debt. The solution to the world's economic problems can be easily solved without the input, assistance, or help of the Western nations, international banks, or multinational companies—whether from the West, the East, or any external economic power. I am not saying this from a posture of arrogance or vanity. It is what it is. Each nation can develop its economy independently while being dependent solely on its own domestic economy. However, if the desire is to become a supranational economic bloc such as the AU or ALBA, this can be achieved also. However, in my opinion, it would be better for each nation to learn how to develop its own economy first. This would enable a much easier, quicker, and seamless economic integration due to a complete and clear understanding of how economics actually works. Nevertheless, these countries can develop their economies by connecting their economies to the land and disconnect it from the Western-controlled money markets. For money has NO VALUE in and of itself.*

**The so-called World Financial Crisis is reported to have began in 2008 with US housing values falling and foreclosure rates increasing. This in turn caused the global markets to go haywire because debts were not being paid, and this caused the banks to withhold credit issuance because now the world was in a credit crisis dubbed "The Credit Crunch". Therefore banks who had distributed "sub-prime rate" loans were not able to receive payment from these "risky" loans and became insufficient in liquidity in order to maintain operations. This is why so many smaller banks failed. However, the bigger banks were also lacking in liquidity and needed to be**

**"bailed-out" by the government because unlike their smaller counterparts, they were "too big to fail". Although this began as an American problem, it somehow affected the entire global economy, and other countries were affected. The alleged cause is that unscrupulous bankers gave loans to people to buy homes that they knew they could not afford. In other words, bad bankers gave bad loans to poor people to buy homes they could not afford, and this triggered a global reaction that brought down the likes of Lehman Brothers, AIG, and Circuit City with J.P. Morgan, Chase, and Bank of America "struggling to survive" but needed help from the US government because they were "too big to fail"??? Does this make any sense to anyone? If it does, then how could an exclusively American problem that began with the American housing market affect the world markets the way they did?**

**Actually, my company predicted the so-called Financial Crisis as early as October 2005, and gave the details of what was happening, how it was going to occur, and what were the direct causes for the so-called Financial Crisis in our Proven Insights on Market Predictability Economic Report FY2006 (http://www.mge19.com/Econreport2006.pdf*).**

**{*_Proof of early market movement detection:_**

***http://www.slide.com/r/SJkV4Vob3D_kaCYWwq9Qp03Rx13kZx2R?previous_view=TICKER&previous_action=TICKER_ITEM_CLICK&ciid=72057594196656463*}**

**In the report under "Strategic Investments" concerning real estate, I specifically stated :**

> ***As we are now aware, prices are falling and the real estate sector is not immune. To those who benefited from the housing boom, this market will look unattractive during Q1-Q4. However, those who are patient and expect the boom to occur again, or those who desire to acquire land for agribusiness, investment property, etc. will benefit from this time. Prices will fall, and so will "property value". This is a golden opportunity to acquire real estate, or land, for future investments.***

**Prices were already falling, but at a slow pace due to rising interest rates (_Read the first two paragraphs of the report._). Secondly, if anyone is curious how the bigger companies and banks were able to survive, the so-called Credit Crunch, just remember what was written under the Real Estate section of the report in the last sentence:**

***The best position to be in is to have major capital saved for this time to take advantage of this future period of low prices.***

**The banks and companies that survived the so-called Credit Crunch had sufficient amounts of liquidity (cash) that enabled them to survive the crisis, and those that received the "bailout money" were enabled to buy up the assets of other companies and banks leading up to the precipitated consolidation of companies and the banking and financial sectors. Lack of liquidity is the excuse used to close banks that did survive the crisis through the Supervisory Capitalization Assessment Program (SCAP) or the stress tests.**
**(See http://www.federalreserve.gov/bankinforeg/bcreg20090424a1.pdf)**

**MGE19 accurately predicted how the TARP money would be used by the banks before they received it ([http://www.mge19.com/FC1.pdf](http://www.mge19.com/FC1.pdf)). The question that eludes many is what *caused* the Financial Crisis in the first place? The answer is that these criminals not only broke US and international laws, but they deliberately broke a very important natural law that applies to all debt issuances and bonds: The inverse law of value and interests.**
**The law is simply this:**

**If the "value" of a bond increases, then the interest rate decreases;**

**if the "value" of a bond decreases, then the interest rate increases.**

**This creates a natural balance that allows the interest rate of a debt to adjust in order to compensate for the "value fluctuation" of a debt. Is this clear? Ok.**

**Since today's currencies are neither backed by a "monetized" commodity nor governed by a monetary standard, what constitutes the "value" of a currency? It will have to be the "purchasing power" of the currency. If the purchasing power of a currency "increases", this is denoted by a *decrease in prices*. This is because it takes *less* currency to purchase a product than before. Hence, the currency has *increased in value*.**

**(Ex. Today: TV= R 200.00 Tomorrow: Same TV=R 100.00)**

**If the the purchasing power of a currency "decreases", this is denoted by an *increase in prices*. This because it takes *more* currency to purchase a product than before. Hence, the currency has *decreased in value*.**

**(Ex. Today: TV= R 200.00 Tomorrow: Same TV=R 300.00)**

**When a bank gives out a loan, they first recognize the value of the currency and adjust their interest rates accordingly. If the value of the currency increases, they will lower the interest rate in order to compensate for the increased value. They understand that the currency they will receive back in payments will be stronger and the profit made from the interest will balance out at the smaller rate. If the value of a currency decreases, they will raise the interest rate in order to compensate for the decreased value. They understand that the currency they will receive back in payments will not be able to purchase as much as it did before, and they must increase the interest rate in order to protect themselves from profit loss and a negative financial position.**

**Of course, this is under the assumption that this is under a "free market economy" where the markets are allowed to *freely determine* such factors as interest rates, prices, and value based on supply and demand and *free market forces*. The truth is market forces have *never* been free. Market forces have been, are, and always will be *deliberate, directed, and controlled*.**

**To all the Keynesian and monetarist economic students, professors, and theorists:**

**I am sorry, but you have been lied to, deceived, miseducated, and mistrained. Market forces are also known as money-supply forces. Those who control the money-supply, control the forces.**

**With this in mind, why would the American central bank decrease the supply of US dollars by selling USD $30 billion worth of Treasury bonds and simultaneously increase interest rates as high as 5.25%?**

**Before I go further into this, I am compelled to break this down further:**

**The difference between a Treasury bond and Treasury note are their maturity. A Treasury note has a maturity of 3 months to 1 year. If Treasury notes are sold, then dollars will only be out of circulation for 3 months up to a year, which does not make much of an impact on the economy because it would be as if dollars were never gone and would not be missed. However, a Treasury bond has a maturity up to 30 years. This will have a great impact on the economy. If Treasury bonds are sold, the economy will *feel* the impact of dollars being taken out the economy due to possibly being out of circulation for such a long period of time. This has a great impact on price. Why? Although supply and demand are pivotal to the value and pricing of products, nothing is more pivotal, more impactful, and more important to an economy than the *supply and demand of currency* because all products and services in an economy are valued and priced in that currency. Therefore, the supply and demand of a currency in an economy is *the largest determining factor in the price and value of a product or* service—period.**

**Since taking dollars out of circulation by selling Treasury bonds increases the value of the US dollar, why then would the American central bank increase the interest rate? Which interest rate is that? It is called the "Fed Fund Rate". The Fed Fund Rate is the rate in which subordinate banks borrow from the *overnight window* of the American central bank in order to keep their accounts "liquid" or in cash form, in order to lend to other banks, companies, and individuals. They must base their interest rates on the Fed Fund Rate in which they borrow from the Federal Reserve. So much for the theory of *free market forces*. The Federal Reserve controls the money-supply by not only *printing dollars* as many believe, but also by taking out and adding in dollars through the selling and purchasing of long-term bonds.**

**(*Since we are on this note, I must state something about the so-called stimulus packages and why they did not *stimulate* the economy as proposed. If a car dealership were to recall 1 million cars, would it have any effect on the car market? Probably not, because those cars are still *in the market*. They were recalled by a car dealership—one out of many car dealerships that sell the same cars, and it only affects that particular dealership and its customers. However, if a car manufacturer recalled those same 1 million cars, would it have an effect on the car market? Of course it would! Those cars would be considered *out of the market* because the car manufacturer is the *maker of the cars* and are the ones responsible for putting them in the market in the first place. Well, the US government does not manufacture, or create, the US dollar. The central bank does. This is why the stimulus packages did not work. It was nothing more than *recycled tax dollars that were already in circulation*. Therefore, it had no effect. There was *no change in the supply of dollars* in the economy. )**

**So again I ask, "Why would the American central bank decrease the supply of US dollars by selling USD $30 billion worth of Treasury bonds and simultaneously increase interest rates as**

**high as 5.25%?" *  (** Actually up to at least $100 billion was taken out of circulaton in total during this deflationary period. We just caught the first instance in September 2005.*) Unless it was a deliberate plot to upset the US banking and financial sectors in order to drastically minimize competition and consolidate the US financial and banking sectors while gaining direct access to taxpayer dollars? This is why TARP was proposed—to give capitalization to banks in order to buy up so-called "toxic assets", or properties that were losing value, that were on the banks' spreadsheets. However, when they received it, they decided NOT to buy up those assets, and utilize the money for "capitalization purposes". It appeared as if the US government "owned" these banks, but these banks used the money to invest in buying up smaller banks and/or their assets and returned to the US government what they borrowed. I am not sure if there were any interest attached to the loans. In order to receive the TARP money, the banks had to become "bank holding companies". This accurately explains *the function* of such a an organizational structure. They reorganized themselves in order to "hold" the assets of defunct and struggling banks, and received the financing to do so. Brilliant scheme! However, do we understand the impact of how disrespecting and breaking the inverse law of bonds as applied to the US money-supply affected the economy?**

**To completely understand what occurred, the so-called Financial Crisis must be viewed from three perspectives: the company, the individual, and the bank.**

**The Company**

**Most companies borrow from banks to keep their businesses solvent and to expand their businesses. With this in mind, due to falling prices, companies were not generating the same level of revenue as they were previously, and they were still obligated to pay back the money they borrowed at a steadily-increasing interest rate. These companies did not want to pay the interest rate, so they added the interest into the price of their goods and services to pass it on to their customers. This appeared to many to be inflation. However, it was the phenomenon of companies adding the interest rate that they must pay to their creditors into the price of their goods and services. This includes the price of oil and food. For many companies, their revenue levels decreased significantly due to falling prices, their equity values were dwindling, and their debt levels were increasing due to rising interest rates. To cut costs, labor levels were decreased. However, this lead to less productivity and the savings that were made from cutting labor costs were not realized due to less revenue and higher debt. Assets were dwindling in value as well. Most companies were losing across the board. They could no longer pay off their debts, and many went into bankruptcy.**

**The Individual**

**Many had bought homes during the housing boom for personal and investment purposes. Many had made loans from banks to purchase residential and commercial properties. This was assisted with the low but reasonable interest rate at that time. The labor market was healthier at that time than it is currently. However, food prices and oil prices began to rise significantly. Oil prices were increasing due to oil companies adding the interest costs of their loans into the price of their product. This can be readily-seen by observing the correlation between when the Federal Reserve raised interest rates and when oil prices spiked. With the rising of oil prices, the**

**increased production of ethanol was being justified. This is when corn is turned into fuel. Corn is a staple ingredient in most food products. When corn--which is normally used for food--is now being used for fuel, the supply of corn significantly decreases. This means that the demand for corn significantly increases. Therefore, the price of corn significantly increases, and subsequently, any food that contains corn, a corn product, or a corn by-product in it significantly increases in price. Many were laid-off during this period and could no longer properly fulfill their financial obligations. Those that maintained their employment experienced financial difficulties due to rising costs. Some had to take a pay-reduction to keep their jobs. Others that kept the same level of pay had difficulty getting to work due to increasing fuel costs. Those that owned homes had to pay off their mortgages with increasing interest rates. In some instances, a decision had to be made between paying a bill or buying food. Food costs were rising, fuel costs were rising, and mortgages and rents were rising, but their income remained the same or was reduced. Many could no longer afford their homes, so they went into foreclosure. They preferred to stay in cheaper homes or apartments than to be weighed down by debt from their mortgages. This explains the high rate of foreclosures. Those that had assets realized that the value of those assets were also decreasing. Some had sold some of their assets to pay down debt. However, for many, the value of those assets had depreciated significantly and was not sufficient in paying off their debts and other financial obligations.**

**The Bank**

**Due to rising interest rates and falling revenue levels, many companies were no longer able to fulfill their financial obligations to their banking institutions. Many individuals had lost their jobs, or defaulted on their loans due to rising living costs and falling asset values. This resulted in significantly reduced revenue levels for banks. Although banks were able to confiscate assets earmarked for collateral and foreclosed residential and commercial properties, the value of these assets were dwindling at an alarming rate. Equity investments were falling in value as well. This has nothing to do with any "bubble" that reached its point, and then burst. It has everything to do with deflationary pressure that drove prices down--coupled with increasing interest rates. This is why so many banks could no longer stay in business. They could no longer recover losses from loans issued, nor could they recover losses from assets and investments that were depreciating in value. This had nothing to do with the issuance of sub-prime loans to poor people who could not afford to repay those loans by so-called predatory banks. Banks are risk-adverse by nature, and would have never issued loans to individuals that were not able to repay them at the date of issuance. Even if this was so, how could it have such a global impact in the world economies if this began as a problem in the US housing market? Deflation is a money-supply force. Who controls the money supply of the American economy? The Federal Reserve. Who determines the interest rate? The Federal Reserve. The very ones who claim to be solving the problem actually created the problem in the first place.**

**How did this become a "global" economic event? The answer is: The Bretton Woods Conference of 1944. This is the conference were the world's economies were unified by the direct pegging of currencies to the US dollar. The world's currencies dropped their monetary standards to attach themselves to the gold standard *through* the US dollar.**

**(*See* http://en.wikipedia.org/wiki/Bretton_Woods_system *and* http://www.mge19.com/Corruption.pdf**

**On 15 August 1971, the US dollar was disconnected from the gold standard, but the world's economies and currencies were never disconnected from the US dollar. In effect, the US dollar and the world currencies are now subjected to the money-supply decisions and interest rate targets of the Federal Reserve. Those money-supply decisions are what *determine* what money-supply forces are applied. The interest rate targets are what determine *the rate* in which the effect of those money-supply forces are applied.**

**On 25 March 2009, the Federal Reserve decided to *buy USD $ 100 billion of Treasury bonds*—adding USD $100 billion into the economy-- inducing inflationary pressure while simultaneously and deliberately reducing interest rates to near-zero levels. This is known as "quantitative easing" (*Note: at least USD $600 billion worth of Treasury bonds have been purchased by 2011).* I had warned some Latin American governments and Southern African governments in a letter I wrote on 5 May 2009 about the upcoming inflationary pressure and the effects it will have on their economies, as well as the H1N1 swine flu vaccination scheme planned by the World Health Organization ([http://www.mge19.com/Aviso.pdf](http://www.mge19.com/Aviso.pdf) ). Now this is a reversal of the monetary policy applied from September 2005 to 25 March 2009. The value of the US dollar has diminished, yet interest rates remain low.**

***Remember the inverse law of bonds: If the value of a bond decreases, then the interest rate increases.***

**So if the value of the US dollar is decreasing, then why are they forcing interest rates to remain near zero?**

**The answer to this can be discovered in the effects from the application of this monetary policy on the 3 main players of any economy: the individual laborers, the companies, and the banks.**

**The Company**

**The reason why companies borrow money from banks is because they prefer to use external sources of capital to invest and expand their businesses as opposed to using their profits and earnings. If a company uses their profits to invest and expand its business, then those profits can no longer be considered *profit*. It would be considered *capital*, and the profit levels would actually *decrease*. The same with using a company's *earnings*. Those earnings would no longer be considered earnings because they are now used for *capitalization purposes*, and would have a diminishing effect on earnings. For corporations, the diminishing earnings and profit levels would reflect in their equity holdings such as stock value and price-over-earnings (P/E) ratio. This is why *external capitalization* is sought after, and why companies borrow from banks—in order to *leverage* themselves by using the bank's money to expand their businesses and pay the banks back from the revenue generated from the use of that capital. With this in mind, many companies had financial setbacks due to the so-called Credit Crunch/World Financial Crisis. Employment levels were low, productivity was low, revenue levels had decreased, and many companies had trouble paying back their debts. Once inflationary pressure was initiated with the *purchase of over USD $100 billion of Treasury bonds* by the Federal Reserve, prices began to increase, revenue levels began to improve somewhat, yet employment levels were slow to increase, and so was economic growth. Why? The Federal Reserve decided to introduce *quantitative easing* which would allow *easier or more fluid* liquidity to enter the markets in order to *increase***

**economic growth. Why does it seem that the *economic recovery* is taking so long to precipitate—especially *after* the over USD $1 trillion bank bailouts, stimulus packages, and this QE experiment—sorry, I meant solution? Well, after all of this economic stimulation, the banks simply *refuse to give out any loans*. Why? Why would a bank give out loans to receive back currency that is diminishing in value with a near-zero interest rate? They would literally make no money, and most likely will go into a *negative* financial position. Since companies are unable to receive capitalization from banks, they are hard-pressed to receive capitalization from other sources such as venture capitalists, private equity firms, angels, and other sources which may have more stringent criteria and requirements in order to receive capital than simply paying back a loan with interest. Simply put, companies are having a difficult time receiving capital to invest and expand their business and maintain operations. This explains why employment levels have not increased significantly and why economic growth has not increased significantly. The unemployment rate has impacted companies negatively for two reasons:**

**(1) less productivity**
**(2) laborers play a dual role as consumers**

**Less employment levels translate into less consumption levels. This also significantly impact revenue-generation levels for companies. This is why the economic recovery has been so slow and stagnant—threatening to become a secondary recession.**

## The Individual Laborer

**The individual laborer has been most ill-affected by the so-called World Financial Crisis due to high fuel and food costs, unemployment, and increased indebtedness due to foreclosures, high interest rates, and the inability to satisfy financial obligations. Many have sought unemployment subsidies to help in their financial troubles. Some have looked for other sources of employment or went into business for themselves. The problem with the latter is financing due to the reluctance of banks and other money lenders to finance businesses and projects in spite of the quantitative easing experiments. The high unemployment rate proved to be a *fiscal drain* on the nation's budget due to the high level of subsidization and non-productivity. Of course, the fiscal drain caused by unemployment is a pea next to a mountain when compared to the fiscal drain of the military adventures around the globe, but that's besides the point. The individual laborer has suffered a great deal. However, with increased economic activity –albeit slow, employment levels are increasing. This is directly due to inflationary pressure which has increased prices nominally and has induced an increase in revenue-generation levels for companies. Inflationary pressure also increases the costs of goods and services. This includes food, fuel, houses, etc. The positive side is that labor costs will increase which means a person can do the same job for a higher pay rate. However, the demand for labor may be significantly lower than the supply of labor and may have an impact on what a laborer can demand in terms of pay. In other words, a laborer may not have much negotiating power in terms of pay or salary due to the high supply of laborers that are willing to do the same job for less than what is the normal pay grade. If the laborer is employed, the laborer will experience rising costs without rising pay or salary. This will put the laborer in a similar financial position as was during the so-called Financial Crisis.**

**The Bank**

**Banks have been hard hit by the so-called Financial Crisis also. At least, the smaller ones did. With diminishing revenue streams, fallen equity and real estate investment values, and punitive banking regulations, it is almost unimaginable how any of these banks survived with the little capital that they had left over. The Supervisory Capitalization Assessment Program (SCAP), aka *the stress tests,* are punishing these smaller banks in the US for surviving with some capital left over. Capitalization is the *key factor* in determining which banks survived the so-called Credit Crunch and who perished and had their assets picked off by the banking vultures. To be more specific: *liquid capital was the determining factor.* Remember what I wrote in the Real Estate section of my company's economic report:**

***The best position to be in is to have major capital saved for this time to take advantage of this future period of low prices.***

**This demonstrates that those who *knew* what was coming, prepared for it, and took advantage of less fortunate banks by buying them out or buying up their assets. Those that were able to survive the onslaught are now subject to punitive regulations such as the Dodd-Frank Act which require banks to *minimize investment risks* by capping their investments with hedge funds and investment banks to 3%--which is known as *the Volcker Rule*. The excuse is that banks made "risky bets" by giving out sub-prime loans during the height of the US housing boom. However, where there is little risk there is little reward which translate into *little growth*. The nature of banks is to be *risk-adverse*, and are prone to invest in "sure things". I am sure you heard the adage that "banks only give money to those who don't need it". The allegation that banks were taking too many risks, and were directly responsible for their lack of liquidity during the so-called Credit Crunch is groundless. This investment risk cap actually limits their potential growth levels which positions them for low growth and eventual financial collapse or financial ruin. Think about it. These banks can not distribute loans because of the risk of receiving currency that has a much lower purchasing power than before and interest rates are forcibly low so that the banks will not reap any profit nor would they have any cushion to protect themselves from the lower purchasing power of the US dollar if they were to distribute loans. In other words, little if any,revenue stream from loan distribution can be precipitated. During this inflationary period, the banks' real estate and equity investments are doing better because prices are rising. However, costs are catching up with revenue--diminishing profit margins and reducing stock values. Although banks are still able to invest in hedge funds, hedge funds are becoming a thing of the past. (*More on this later.*) This limits the banks' investment options drastically. In a nutshell, their revenue streams have been significantly reduced due to lack of loan distribution, and their investment choices have been minimized and capped—thanks to Senator Dodd and House Representative Frank. To make matters worse, draconian regulations have been imposed on these banks so that if they have not raised enough cash by time its their turn to take the stress tests—they are forcibly shut down with their assets picked by the vultures. Today is a sad day for smaller banks. However, let's say that they comply to all of these regulations, conform to the Dodd-Frank Act, and survive the stress tests. What will happen to all of the liquid capital that the banks have raised? Considering that we are in an inflationary period, the capital will grow weaker by the day—rendering the banks poorer and positioning them to fall into a negative financial position.**

**Conclusion**

**During a prolonged inflationary period, prices rise but costs eventually catch up with revenue—causing equity values to fall and economic growth to slow down. With interest rates near zero--until 2013 at the earliest or until 2015 at the latest--signals that inflation will last until at least 2013. From 2009 to 2013 will make 4 years—one of the longest inflationary periods in US history. This will pretty much destroy economic growth in the US—bringing about economic collapse. This--with the consolidation of the financial and banking sectors—will establish a gripping command economy in the United States of such magnitude that even Hitler would blush. The US is becoming a "Third World" nation at an accelerated rate—economically-speaking. Just like Mr. de Rothschild of England allegedly stated: "I want to make the United States a colony again." It looks like he's making his word... BOND.** *(Get it? He disrespects the inverse law of bonds, but want to make his word... Never mind.)*

## *Predictive Analysis*

**Studying and analyzing the world's currencies, MGE19 has discovered that it is mainly the United States and Eurozone nations that are implementing this chaotic monetary policy. Other nations have raised their interest rate to a high percentage in order to slow down inflationary pressure (See *http://www.mge19.com/premiumeconreports.htm* ). Due to a *loophole* in the Dodd-Frank Act, many hedge funds will become "*family operations*" where the hedge funds will pay out their *external investors* and only operate their *personal stakes* in these hedge funds. This will make the hedge fund owners and their relatives *exempt* from being regulated and subjected to the Dodd-Frank Act. In other words, hedge funds will tell their former investors: *"Thanks for helping us to make so much money over the years, but we don't need you any more!"* This is why banks who were able to increase their risk levels with hedge funds and investment banks will become very limited in their options to grow their newly-acquired capital. Hedge funds in the United States will become a thing of the past. Smaller banks who are fighting to survive the *stress tests* will be acquiring liquid capital (cash) that is diminishing in purchasing power. Interest rates are too low to risk distributing loans—which is a source of revenue for banks, and their risk-levels have been drastically reduced—meaning their growth potential has been drastically reduced. Due to rising living costs, the individual laborer will not be able to save as much disposable income as before, significantly reducing deposit volumes for banks. That's less deposit revenue that can be used to make any investments to grow the banks' wealth or improve its financial position. For smaller banks, individual laborers, and many companies, the so-called Financial Crisis had only been extended. Equity values have increased, but soon—if not already—you will see the price of equities fall. Just like oil prices have fallen recently. Why? Costs catches up with revenue and profit margins diminish, earnings diminish, and so do equity values. This reduces productivity levels and dampens the demand for such commodities. The price drops until demand catches up with the supply. In other words, people reach a cap in terms of how much they are willing to spend on a commodity. Those that produce the commodity reach a particular rate in which that commodity is produced. However, when production costs rise to where it becomes more expensive to produce that same amount of commodity at that rate, either the commodity is forced to be sold at a lower price in order to increase the demand for that commodity, or the production rate of that commodity is lowered in order to balance production costs with profit margins—decreasing the supply. Nevertheless, commodity prices will soar once again. Food prices will also continue to increase. I have warned of these things occurring as**

**early as May 2009. Now I am warning that you will see the US banking and financial sector monopolized. It should not be a surprise. Money magazine confirmed that consolidation of banks and companies will occur. Money magazine also confirmed that in the future there will only be super rich and poor with no middle-class. This was in 1995. This extensive inflationary period will literally break the US economy and other economies that are still directly pegged to the US dollar. This is being done in order to justify *creating a new global economic order* using an international currency with a global central bank. Keep in mind, that this already exists. The US dollar is the international reserve currency and the US central bank is--at the moment--the global central bank due to the Bretton Woods Conference of 1944. However, the banking elites want a *more overt* system of control over the global economies. This is why they are *deliberately* destroying their own banking and financial systems. They want to bring in a universal currency in which the IMF's special drawing rights (SDR's) is a prototype. This is why they are so involved in creating wars and conflict around the globe—to indebt and weaken nations financially in order to enslave them to their banking and financial systems—making them dependent—more so then they are now. The secondary (maybe primary) effect is to reduce the global populations significantly—to create less resistance. However, as it says in the Holy Qur'an: *They planned and Allah planned, and Allah is the Best of planners.* They are destroying their own economic and financial systems, but they will not get the opportunity to replace it with the more overt system that they envisaged. Many nations are waking up to these schemes and are creating alternatives to the established Western-controlled banking and monetary systems. Soon you will see a reversal of fortunes where the colonized will become the colonizer of the former colonial powers. Actually, you're seeing that now. However, the trump card is that powerful nations like Russia, China, India, and other fast-developing countries are still pegged to the US dollar or the euro.***

**(**By the way, I did warn OPEC and the Venezuelan government about the inevitable collapse of the euro in a letter I wrote them on 26 June 2006: http://www.mge19.com/opec.pdf . George Soros verified what I wrote about the instability of the euro 5 years to the date in this Rueters article: http://www.reuters.com/article/2011/06/26/europe-soros-idUSLDE75P06320110626*)**

**This being the case will cause the collapse of their economies as well. I pray Africa is paying attention, because all of the *foreign direct investment* (FDI) money that they seek will prove to be worthless once the US dollar and the euro collapse. The real wealth is under their feet. Anyway, let's recap:**

- **i. The number of independent community banks will soon dwindle in the US due to the intense regulatory environment, monetary factors, and investment limitations.**

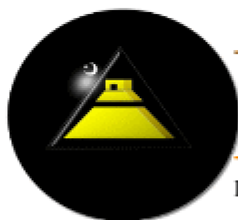
- **ii. Hedge funds will become a thing of the past, and the US dollar and the US economy will soon collapse—as well as the Eurozone economies and all other economies that are still pegged to the US dollar.**

**This is the future of the world economies in a nutshell. However, there is a solution to all of this: *MGE19's Economic Structural Models*. Our economic structural models will help any nation to grow from its own domestic wealth—independently. I won't dive into much detail. Just know that we can help a nation achieve economic stability on a permanent basis and economic growth on a perpetual basis while enabling the ordinary citizen to directly benefit from the wealth of their nation. (To learn more, go to http://www.mge19.com look into PUBLIC SECTOR SERVICES in the SERVICES section.) Most nations' dependency on external economies and the**

**Western-controlled and manipulated currency market is the *only* reason why economic sanctions are effective. Our economic structural models will help a nation to regain its economic sovereignty and independence.**

***MGE19 Economic Research and Structural Models is an economic research firm based in the United States that specializes in Predictive Market Analysis (PMA) and economic structural models designed to create economic stability on a permanent basis and perpetual economic growth through monetary and fiscal paradigms. MGE19 has designed the monetary policy for an oil-backed currency in which President Chavez is pushing for OPEC to implement. You can learn more about MGE19 Economic Research and Structural Models by going to the company website: http://www.mge19.com***

***To view more of MGE19's Analytical Reports go to: http://www.mge19.com/premiumeconreports.htm***



MGE19

ECONOMIC RESEARCH & STRUCTURAL MODELS

**Copyright 2011**