

A few years ago I wrote an article for www.kitco.com titled "Cycles." (It's up on my website). In it I made reference to the Civilization Cycle, credited to Clarence Manion.

The Cycle of Civilization

Man begins his existence in bondage, and rises:
from bondage through spiritual faith,
from spiritual faith to courage,
from courage to liberty,
from liberty to abundance,
from abundance to selfishness,
from selfishness to complacency,
from complacency to apathy,
from apathy to dependency,
from dependency back into bondage.

-Clarence Manion, dean of Notre Dame law school (1941-1952) as quoted in "In whom do you trust?"

I believe the USA (and by association Canada), is somewhere between the last two stages. On my website under "My expectations for the future" I show a chart that is updated regularly, showing the record number of Americans now dependent on food stamps. In addition one in every 30 US families now has someone in jail. The number of people who are on welfare and living on unemployment benefits is the highest ever. The official unemployment rate is 9.4% but when you add in the number of people who have given up, or who are working part-time because they can't find full-time, the number according to John Williams (www.shadowstats.com) is about 22%.

The conclusion is that while social demands are skyrocketing, the taxpayer base is shrinking.

Because the Canadian economy is linked to the US economy, Canadians who think they will escape the coming economic collapse are fooling themselves! Our banking system although better regulated than the US system, is intricately linked to the US banking system. Meanwhile the Canadian government is printing money almost as fast as the Americans in order to keep the Canadian dollar from rising too far against the US dollar.

Mr. Obama and his administration have increased the indebtedness of the USA by a greater amount than all of the presidents from Washington to Jimmy Carter combined. On my website I show the US debt clock which has just passed the 14 trillion dollar mark. Three of the four top people in his financial department have recently resigned. America is bankrupt, yet government spending continues via borrowing and the printing press.

In the same article on cycles I refer to an economic cycle.

- Depression.
- Thrift (savings rise).
- Confidence.
- Investment.
- Economic activity.
- Individual wealth increases.
- Use of debt.
- Inflationary boom.
- Debt made easy by the banking system.
- Misuse of debt, poor investments, poor collateral.
- Loss of confidence.
- Panic

In the above table there can be no doubt but that we are close to the panic stage.

The US bond market is very close to diving off a cliff as long-term rates are starting to rise. Already bond markets in some European countries (Iceland, Ireland, Greece and Portugal for starters) are seeing their bond markets in turmoil. For the past ten years gold has outperformed bonds by 10% - 15% per year and the rate is increasing. (Bond holders have been losing money for years due to price inflation, but soon they will all try to exit at once and the result will be panic).

Eventually (and historically this has happened hundreds of times in about 40 different countries), the result is hyper-inflation. There is not a single exception to a country utterly destroying its currency, once it begins to use the printing press to pay its bills - NOT A SINGLE EXCEPTION IN ALL OF HISTORY.

In a recent edition of Forbes Magazine Victor Sperandio wrote an article in which he stated that investors in U.S. debt around the world are growing closer to a "psychological breaking point" that could force a "run on the bank" against Treasuries.

If that happens, hyperinflation will quickly follow and gold will soar much, much higher. We have already seen signals from China that it intends to cut its holdings of US treasuries. Anyone who believes that the United States faces a comparatively mild 1970s-style inflation risk is ignoring history at his own peril, says Sperandio. He writes:

Hyperinflation has a single cause: It occurs when a government cannot borrow money because its debt has risen so much that investors believe they will never be paid back with close to the same purchasing power. As a consequence of this flight of confidence, such a government is forced to print money to meet its obligations. This further undermines the value of its currency, often culminating in a frenzied collapse. That is hyperinflation, and only governments and central banks cause it.

U.S. government debt is now over \$13.7 trillion (not including estimated states' debt of \$2.8 trillion and agencies' debt of \$3.0 trillion). The average rollover period for the debt is 49 months. With recent deficits running over \$1 trillion a year, the Treasury issues new debt and refunds old debt at a rate of about \$4.3 trillion a year. A nation needs to inspire a lot of confidence to keep that Ponzi scheme alive. Unfortunately, markets know that even the U.S. government will print money to meet expenses when necessary.

Finally, if you want a simple way to invest in silver, buy shares in the Sprott Silver Trust it trades on the TSX and US markets in US dollars. Or buy into Central Fund of Canada. They split their holdings between silver and gold bullion (stored at a CIBC in Edmonton and audited twice a year), and the shares trade on the TSX under CEF/A.TO and in the USA under CEF.

If the shares go down a few % once you buy, don't worry, it will just be a short pullback within the larger bull market. The period between May and September is usually the best time to buy precious metals.

Most people will wait till it happens and then wonder what happened. Educate yourself by visiting financial websites and then protect yourself. Don't be fooled by the people who run the financial television shows. They will be the last to warn you, (except for the occasional guest guru). Be sure that the next few years will be marked by chaos!

I urge you to file this message for occasional reference. Meanwhile be sure and read an article I wrote in 2008 titled: "Gold at \$2,500.00 - Silver at \$250.00"

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