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Angela triggers a gold rush

“An almost hysterical antagonism toward the gold standard is one issue which unites statist of all persuasions. They seem to sense.. that gold and economic freedom are inseparable.”

- Alan Greenspan, unbelievably.

Philipp Bagus, on the consistently excellent [Mises](#) website, asks whether we have now crossed the point of no return. As Austrian economic theory essentially warned, a credit expansion led by a largely unchecked banking system triggered an unsustainable boom with all the attendant malinvestments. The problem, however, is not that the free market has been allowed to run out of control. Quite the contrary. Under a free market system, unsustainable financial organisations would have been liquidated. Instead, as Bagus explains, governments across the world chose to inject capital into the banks whilst guaranteeing their liabilities: “malinvestments induced by the inflationary banking system found an ultimate sponsor – the government – in the form of ballooning public debts”. If the level of public debts before the crisis had been modest, the cost of the banking system bailouts might have been manageable. But since the level of public debts was itself at crisis levels pre-crisis, it may now be beyond the point of salvageable return. The example of Greece is hardly reassuring. Bagus suggests that the ultimate outcome of our present dilemma is the inevitable collapse of the welfare state. But whatever the outcome, the tone of the public debate requires that electorates recognise that politicians are not and cannot be the solution, because they are unequivocally the source of the problem.

The also excellent [Zero Hedge](#) blog recently carried a damning [polemic](#) entitled “The Selling Out of Germany” which makes largely the same points, albeit in some more richly spiced language. Since most of the mainstream media remain unaware of or unable to satisfactorily report the issues, we make no apology for quoting liberally from it here:

“I feel very bad for the German people. Not only do I feel bad for them but I can empathize. I too am being forced to sit back and watch this comedy of errors as a corrupt, inept and increasingly dangerous class of elitist political and financial oligarchs destroys my nation.”

A former client asks what the writer thinks of the Euro zone bailout. His response:

“Basically, it’s a total joke as is everything else the politicians have done. No one and nothing is allowed to fail and this relates to the fact that the global monetary and financial system is a complete house of cards. It’s insanely bullish for gold. If Germans rioted they would be in the streets today. They totally got sold out beyond belief. But it doesn’t seem to be in their nature to

riot so rather I think they will dump their Euros and buy gold. That's how Germans riot. With every passing day and every new bailout of the global banks (which is all this is, all TARP [the notorious US Troubled Asset Relief Program] was, and all everything has been) more and more people awoken to the fact it's all a total scam. This will just accelerate the process of dumping the paper currencies we use today in favour of hard assets as this system is obviously coming down. A lot of people keep asking, is this the same as post-Bear Stearns ? I mean here is the biggest difference in my mind. Back then people believed in the system, the market and what we have going generally. Not now. Not any more. Thousands more people every day figure out it's rigged and it's a Ponzi scheme."

After a one day fall in the price of gold following the Euro zone bailout announcement, it then rose to a new high in dollar terms.

"The Germans remember history and they do not disappoint. Muenze Oesterreich AG, the Austrian mint that makes the best-selling gold coin in Europe and Japan reported that buyers had purchased 243,500 ounces of gold since April 26, compared with 205,300 ounces in the entire first quarter.. what has happened in Germany in the last week (the elections in North Rhine – Westphalia and the rush to convert coloured pieces of paper to gold) is the financial equivalent of the shots at Lexington and Concord in 1775. I give the German people a lot of credit for what they have done as this is not just a battle inside America. This battle is global and the German people just launched an impressive counter-attack on the control freak bureaucrats.

The writer then cites a quote from the German Chancellor, Angela Merkel:

"In some ways it's a battle of the politicians against the markets. That's how I do see it. But I'm determined to win this battle."

"What an incredibly sad woman she is. Now of course she believes every word of this as do her fellow political-class colleagues; however, to anyone that has worked and succeeded in the real world the statement sounds as if it is from an indignant infant.. In a seemingly simple statement, Angela Merkel said what every control freak bureaucrat that wants to run your life the world over thinks. They ARE the market. They decide who fails and when. They decide who is to succeed. This is prevalent across the entire developed world right now. They decided to bring down Germany and its currency because they want to save face and because the banks basically are forcing them to save them again (as if this will ever end).

"The larger point which I have mentioned repeatedly in these emails is that the market always wins. The scary thing is that when the market does win within the context of a political class with excess power the political class turns on its people and attacks them, shuts down the market and then there is the potential for serious tyranny. Every country in the OECD faces this now and we must be prepared financially and emotionally so that we do not allow the political class with their corporate oligarch allies to turn what's left of the middle class (and a lot of what now can be considered the upper class) into a bunch of serfs in this nightmarish neo-feudalism we seem to be progressing toward. The more gold, silver and platinum in the hands of the people when the house of cards comes down the better. This way not everyone will be destitute and we can start over on our own without having more insane ideas shoved down our throats by our "kings and queens".

You may question the tone of the polemic but the underlying thrust is difficult to challenge. When faced with the market's verdict on years of fiscal irresponsibility – namely the dumping of

government bonds and financial shares – the German political response is to unilaterally impose a ban on that selling. So much for European integration.

Caught short, Hans ? “I was only obeying market orders”..



..as Chancellor Merkel announces her latest policy initiative



Source: © AFP/Getty Images

So yes, it increasingly feels like we are approaching the endgame. Political credibility, like fiscal credibility, is close to an all-time low. The answer in large part – in the UK, in Europe, and in North America – is to shrink the state. Since that is anathema to most of the political classes, particularly those of a socialist bent who are largely responsible for the current global fiscal crisis, we can be assured that we will not get there without a fight. But as we wait for that battle to be joined, gold represents the finest ammunition.

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