



With the September 15, 2008 “Economic 9/11,” Are We Facing Depression Like 1929?

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“This is a classic Titanic situation in the sense that what we saw with the Fannie and Freddie bailouts and the Bear Stearns bailouts and now the AIG request for more than forty billion more dollars from the federal government – it’s just like the Titanic where the rich and affluent were given the lifeboats and the rest of the people went under from steerage. The rich and powerful are too big to fail; the rest of us are too small to save.”

- Gerald Celente, Editor and Publisher, The Trends Journal

“They (Republican Party) had begun to consider the Government of the United States as a mere appendage to their own affairs. We know now that Government by organized money is just as dangerous as Government by organized mob.” - Franklin Delano Roosevelt, 1936, quoted in The FDR Years © 1995 by William Leuchtenburg

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Crowd at New York's American Union Bank during a bank run early in the Great Depression that began in 1929. The bank opened in 1917, and went out of business on June 30, 1931. Image source Wikipedia.



Crowd at IndyMac Bank in Pasadena, California, on Friday, July 11, 2008, after the federal government took control in the second-largest bank failure in U. S. history. Financial experts predicted at least 50 to 100 bank failures in the United States after IndyMac Bank.

Updated 11:00 PM EDT September 17, 2008 - Dow closed **450** down today in continuing “Economic 9/11,” after Feds loan AIG \$85 billion and oil and metals spiked upward. “Right now, citizens don't trust banks and bankers don't trust other bankers. The financial system is freezing up,” said a CNBC Business Network analyst.

Investors also considered a report on new home construction that showed that housing starts dipped to a 17-year low. Further, the **FDIC website** lists 11 bank failures in 2008 since April, the latest being Silver State Bank in Henderson, Nevada, on September 5, 2008. The Pasadena, California, IndyMac Bank FDIC takeover on July 11, 2008, was the second largest bank failure in American history.

September 15, 2008 Rhinebeck, New York - Back on December 21, 2007, I interviewed Gerald Celente, Editor and Publisher of *The Trends Journal* based in Rhinebeck, New York. Mr. Celente has been interviewed by network newscasters for years and his trend predictions are generally correct. Below is the December 21, 2007, Earthfiles Headline and report I filed.

Trends in 2008

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“In 2008, we’re going to see some major, giant financial firms fall as they get hit by an economic 9/11.”
- Gerald Celente, The Trends Journal



Trends Research Institute, Rhinebeck, New York.

Also see: **122107 Earthfiles “Trends in 2008.”**

Today, September 15, 2008, I talked to him about his forecast for an “Economic 9/11” - ironically an interview on the same day, September 15, 2008, that Lehman Brothers declared bankruptcy, Merrill Lynch sold to Bank of America for \$50 billion and AIG begged the federal government for a \$40+ billion bailout. AIG is a huge insurance company doing business in 130 countries with a trillion dollar spreadsheet.

More falling financial dominos from banks to other companies are expected. Are we facing depression greater than the “Great Depression of 1929?” I took that question to Gerald Celente and began by asking him how he was so accurate back in December 2007?

Interview:

Economic 9/11



Gerald Celente, Editor and Publisher,
The Trends Journal, Rhinebeck, New York

Gerald Celente, Editor and Publisher, *The Trends Journal*, Rhinebeck, New York: “Current events form future trends. If you saw the current events unfolding, you could have seen – if you looked at the data objectively – you could have seen where the future was headed. But what happens is that the business media keeps downplaying the

seriousness of events. They are not looking at the real fundamentals of what is going on. They are stuck in their Wall Street and Washington worlds. They don't see what is going on throughout society.

In 2007, our summer edition of *The Trends Journal*, we warned that between July and November 2007, we would see a major financial crisis. That was the so-called 'sub-prime' crisis. What people needed to understand that they would not understand was that it wasn't only the little people who caused those problems by taking out mortgages they could not pay off. That was only a small part of it. The big part of it was that all of these leverage buyout firms, all of the commercial real estate people, all of the developers that were building on speculation.

You had companies in New York, for example, like *The New York Times* reported of one that had about \$60 million that they leveraged into \$60 billion worth of real estate. Look at all the buyout firms such as The Blackstone Group, Carlisle Real Estate, Carlyle Group, Cerberus that bought Chrysler and Hilton. It's not like these guys put up a billion dollars each and twenty of them bought a company. They bought these companies with no money down based on leverage.

Then there all the financial manipulations: auction-raised securities, Compulsory Purchase Orders (CPOs), Structured Investment Vehicles (SIVs). I mean they make up this stuff and it's really a Ponzi scheme.

[Editor's Note: *Wikipedia* – "A Ponzi scheme was named after Charles Ponzi, who emigrated from Italy to the United States in 1903 and became notorious for the following scam. A Ponzi scheme is a fraudulent investment operation that involves promising or paying abnormally high returns (alleged profits) to investors out of the money paid in by subsequent investors, rather than from net revenues generated by any real business. A Ponzi scheme usually offers abnormally high short-term returns in order to entice new investors. The high returns that a Ponzi scheme advertises (and pays) require an ever-increasing flow of money from investors in order to keep the scheme going. The system is doomed to collapse because there are little or no underlying earnings from the money received by the promoter. However, the scheme is often interrupted by legal authorities before it collapses, because a Ponzi scheme is suspected and/or because the promoter is selling unregistered securities. As more investors become involved, the likelihood of the scheme coming to the attention of authorities increases."]

It was all collapsing in front of us, but people did not want to believe it. We saw it coming. The top story in our Top 10 Trends of 2008 was the Panic of 2008 and Economic 9/11. We were precisely one week off in calling this the Economic 9/11 (September 11, 2008 was the seventh anniversary of the World Trade Center attacks). And it's happened! This is the Economic 9/11. The Federal Reserve, the federal government, cannot save the day.

A Great 2008-2009 Depression?

"The Feds cannot print enough money to save the day. We're going into the worst depression that any living person has ever seen. It's going to be worse than the Great Depression of 1929."

Do you realize that Barack Obama recently said that he would not rescind the Bush tax cuts. He said this on ABC, September 7, 2008, IF the economy were in a recession. IF the economy is in RECESSION?! This is worse than a recession! We're going into the greatest depression and people better beware.

I'll tell you what I know other people are doing. They are taking their money out of the banks. People with a lot of money are moving it overseas into what they think are safer banks. There's going to be a day here in the United States that the authorities are going to call a Bank Holiday. AIG is calling for more than \$40 billion today. The Feds just bailed out Freddie Mac and Fannie Mac to the tune that could cost taxpayers up to \$300 billion or more. Our national debt has been increased to at least \$12 TRILLION! The Feds cannot print enough money to save the day.

So, we believe what the government is going to do is call a 'bank holiday.' You're going to hear all those fat mouths out there that were saying that everything was OK, the FDIC was going to insure your money. But, Linda, no one is going to be able to get it out all at once. Just like they did in Argentina and they did it in Brazil when their economies collapsed and their currencies collapsed and their economies were sinking. You're not going to be able to get all your money out at one time. Our government is going to say, 'It's insured. Don't

worry about it, but we need to pause. Take a deep breath.' Oh, boy, do they love that phrase! 'Take a deep breath.'

Take a look at this last Saturday's (September 13, 2008) *New York Times*. The headlines story on the business page is to just pause and reflect. Don't panic. Everything is OK. The ship is sinking and the best they can say is, 'Doesn't the band sound great!'

Implications for Future

WITH EVERYONE RUNNING TO TREASURIES AND INTERNATIONAL MARKETS ON SEPTEMBER 15, 2008, WHAT IS THE BOTTOM LINE TO THE IMPLICATION OF WHAT IS HAPPENING NOW?

We're going into the worst depression that any living person has ever seen. It's going to be worse than the Great Depression of 1929 and I'll give you a some reasons why.

- 1) In the 1929 Depression, not many people owned homes, so they weren't carrying that heavy mortgage load. The people who did have homes did not have something called 'home equity loans,' which is more money owed on top of the other money. They used to have something else back then called a 'second mortgage.' If you had one, you were a loser.
- 2) Back in the 1929 Depression days, people didn't have things called 'credit cards.'
- 3) The United States didn't have \$14 trillion worth of debt.
- 4) We still had a manufacturing base in the United States so that when WWII broke out and the economy improved afterwards, we were still able to produce more so than any other country in the world. But now, the U. S. off-shores so much manufacturing now.
- 5) Back in the Great Depression of 1929, the U. S. government was not \$14 trillion in debt and they had a trade surplus, not a trade deficit.
- 6) We weren't fighting two wars that have sapped already \$2 trillion from our American treasury and it's getting worse.

"Dragflation"

So, we're going into a downturn as America is sinking. This is 'dragflation,' a term that we at *The Trends Journal* have coined. When you had stagflation you had a declining and stagnate economy; you had rising inflation. But you also had rising wages. People remember back in the 1970s, they got a 10% cost-of-living increase in our wages.

Now wages are declining, you're lucky to have a job, the median American household income is below 1999 levels. So we're in for a devastating crash and people are not prepared for it.

2008's Weak American Dollar

THE TOTAL AMOUNT OF GOLD BULLION IN THE UNITED STATES IN THE FEDERAL RESERVE AND AT FORT KNOX IS ONLY IN A FEW BILLION DOLLARS IF TRANSLATED INTO CURRENT MARKET VALUE. WITH A \$14 TRILLION DEBT IN THE UNITED STATES, IT MEANS THAT THE DOLLAR IS NOT BACKED UP BY MUCH.

You've got it and it's not only the dollar we are going to see problems with. We're going to see all the paper currencies experience the same kind of problems. You're looking at a global market unraveling. The Russian stock market is down almost 45% from the beginning of 2008. The Chinese and Indian are all down 40% to 50% from their highs. We're going through a global crisis. We've been talking about this for a long time. I was just the keynote speaker at the International Diamond Conference in New York at the Waldorf Astoria on September 8. This is what we at *The Trends Journal* warned: the United States is going to go into a depression and the rest of the world into different levels of deep recession and depression.

If you look at the markets today, what's going up and what's going down? The softer commodities are retreating and the only thing going up in the markets today is gold. It's coming off its lows where it's been battered down, but it's up some \$17. We're still firm believers that gold and diamonds and other precious gems and metals are going to be the things to invest in as the paper currencies collapse. There are no fiscal or monetary tools that can turn this around.

What people I know are doing is taking their money and putting it into other currencies, particularly the Swiss franc, and putting it into more secure international banks, and betting against America on every level. And we know it is only going to get worse. There is nothing to turn this around. What is the Federal Reserve going to do? Print more money?

On September 16, the Federal Reserve is going to decide whether or not to raise or lower interest rates. If they lower interest rates, you're going to see the dollar plummet. If they keep interest rates the same, then we have the same situation we're in now. They can't raise interest rates. If they do, they will put the brakes on an already credit-squeezed economy and that will really push us into a really steep depression quicker than what we have seen. Looking across Europe, you can see the markets collapsing, along with the Russian market down 45%. There is no safety net. Ships do sink!

We like the Swiss franc because Switzerland always seems to survive at the worst of times, including back to World War II. But the Swiss banks are having problems, too. So, you have to be careful about which banks you put your money into. But what we're saying is that people we know are hedging their bets by keeping some money in dollars and some money in Swiss francs, some money in Euros, so that if one goes down, others are up. So, you are preserving wealth. That's the game right now. It's not about making more money. It's about preserving what you have.

Global Economic Depression?

In China, factory orders are plummeting. They have 1.2 billion people and millions of problems. So, they are not going to escape this global economic collapse either. There is no way out.

Remember the old fable about the grasshopper and the ant. The grasshopper played during the summer thinking it didn't have to do anything to survive the cold winter coming. People are still acting like grasshoppers. What people are saying is, 'I'm going to wait until after the elections to see what happens.' To see what happens for what? The people running for office don't have the economic skills.

AND WHOEVER IS ELECTED IN NOVEMBER 2008 IS INHERITING THE \$14 TRILLION IN DEBT.

On top of that, government, corporate and private debt is over *200 times* the gross domestic product, much worse than the Great Depression of 1929.

And Greenspan was saying as recently as May 2008 that the worst was behind us. So, too, was Hank Paulson, the U. S. Treasury Secretary. So, too, was the head of Lehman Brothers, Merrill Lynch and J. P. Morgan. They were all saying that the credit crisis was not as bad as it was because of the great bailouts of Countrywide and Bear Stearns. So, they were singing a different tune than now.

Never before have current events been so clear in front of us that spelled disaster. What is stopping people from admitting that the worst is yet to come and there are no plans to save it? This is a classic Titanic situation in the sense that what we saw with the Fannie and Freddie bailouts and the Bear Stearns bailouts and now the AIG request for \$40 more billion from the federal government – it's just like the Titanic where the rich and affluent were given the lifeboats and the rest of the people went under from steerage. The rich and powerful are too big to fail; the rest of us are too small to save. When we need to be saved, the government saves us with Katrina-quality rescue plans, which means that we drown.

United States Conditions in 2009?

“This Christmas 2008, you're going to see major chains go bankrupt. If you can see Lehman Brothers go under – guess what? Macy's, J. C. Penny, GAP and the rest of them could go down, too.”

IF THIS IS WORSE THAN THE GREAT DEPRESSION OF 1929, COULD YOU LAY

OUT WHAT YOU EXPECT TO SEE HAPPEN OVER THE REST OF 2008 AND TO FALL 2009?

Let's take retail sales, for example. This Christmas 2008, you're going to see major chains go bankrupt. If you can see Lehman Brothers go under – guess what? Macy's, J. C. Penny, GAP and the rest of them could go down, too.

All these companies, like the leverage buyout firms, have been built on an economic model of growth and expansion. That means opening new stores in new locations, but not necessarily increasing in store sales. You're going to see major bankruptcies. We forecast this before. It's going to happen.

You're also going to see violence go to levels we've never seen before. You're going to start to see gangland mentality that is running through Mexico start seeping up north into the United States. The Mexican government cannot control the level of violence. And we're going to start to see it happening here: more gangs, more kidnappings, more violence and crime. The knee jerk reaction, of course, will be more police on the streets and that is not going to solve the problem.

We're also going to see more movements for the break up of the American government – not necessarily in 2008, but we can certainly see the secessionist movements that have been gaining more strength because the federal government cannot fix this problem. It's too big.

Alan Greenspan - Is Former Fed Chief Cause of Financial Dominoes Falling?

Greenspan is the guy that's behind this whole collapse. By lowering interest rates during the dotcom bubble of 2000. They lowered the interest rates to 46-year-lows and created the situation that exists now for all this cheap money and all the financial games. Greenspan is the Prince of Destruction. The Federal Reserve is what is behind the destruction of this country and now Greenspan is warning us! He's the one who caused all this!

Ron Paul (former candidate in 2008 presidential primary) has informed the people that the Federal Reserve is basically a rogue organization. It's a private bank, it's not a federal agency. They have taken the power of the money printing press out of the hands of Congress (Article 1, Section 8, Clause 5) that gives Congress the sole authority to print and regulate the money supply. And Alan Greenspan is the one that caused this Great Depression. He started it by bailing out the big guys following the 1987 Stock Market Crash, following the 1997 Asian currency crisis, following the 1998 long-term capital management bailout. I had an Op Ed piece in The New York Times in 1998 that I called 'Capitalism for Cowards.' This is what keeps happening – bailing out the big guys by printing cheap money because their friends are too big to fail.

WHAT HAPPENS THIS TIME IF THE UNITED STATES DOES NOT BAIL OUT AIG AND GIVE THEM THE \$40 BILLION THEY ARE ASKING FOR?

It's not going to make any difference whether they bail them out or not.

BUT IT'S IN MORE THAN 130 COUNTRIES WITH A TRILLION DOLLAR BALANCE SHEET.

Yes, but there are other huge ones that are going to be collapsing right along with it. What is going to happen when Blackstone goes under? Or Ceberus goes under? Or the Carlyle Group goes under? We've already eliminated the big names of Lehman Brothers and Merrill Lynch. Merrill Lynch was the nation's largest brokerage firm and they were just gobbled up by Bank of America that was just gobbled up by the failing Countrywide. Who is going to bail out them? There is not enough money to bail them out. Where is the money going to come from? Americans are working two or three jobs already. Do you think they could do four jobs to bail these big people out? Impossible! We're looking at the collapse of Empire America.

The 9/11 attack happened and it was the greatest military strike in history, much greater than the Trojan Horse. It brought down the financial pillars of the United States figuratively and literally.

The United States as not recuperated from the great strike of 9/11 and the debacle of the dotcom crash. It was temporarily ameliorated by Greenspan by putting interest rates at 46-year-lows and creating the credit bubble. So, it's over now.

The United States looks like to me what you see when a third world country starts going into chaos like any other failing empire. It's going to be a very ugly scene. As I said, we're going to see more crime. We're going to see more federal intrusion into our lives. We are going to see more geopolitical turmoil. We're going to start seeing our minds diverted from the financial crisis into more geopolitical affairs. We can also see by Election Day 2008 that the United States is involved in a major geopolitical confrontation, whether it is Iran or Russia.

Geopolitical Tensions Add to Dominoes Falling?

You know, the Russians are really angry at America right now because of Georgia invading South Ossetia and Russia's response. Since then the Russian stock market has collapsed 45% and Russians are blaming the United States. We're going to see a lot of dirty dealing going on in a lot of different markets in a lot of different ways.

[Editor's Note: *Wikipedia* – “The 2008 South Ossetia War was a land, air and sea war fought between Georgia, on one side, and the separatist regions, South Ossetia and Abkhazia, and the Russian Federation, on the other. The Ossetians are an Iranian people whose ethnogenesis lies along the Don River. They came to the Caucasus after being driven out of their homeland in the Mongol invasions of the 13th century. Most clans settled in the territories today known as North Ossetia-Alania (currently part of Russia) and South Ossetia (currently northern part of Georgia).]

RUSSIA'S PUTIN WANTS TO BOTH EMBARRASS AND HURT THE UNITED STATES, SO THE NEXT STEP MIGHT BE WHAT BETWEEN RUSSIA AND THE U. S.?

We're looking to the winter. People have to understand other cultures look at things in a different way than our knee jerk reactionary responses in the United States. Start watching the gas spicket being turned going into the Ukraine and Europe. I'm not certain of the number, but I believe it is 40% to 60% of the natural gas that Europe uses comes out of Russia. You're going to start seeing Russia turn off spickets. You're going to see the same thing happen in Venezuela. Those countries are going to start making energy really difficult to get. They aren't going to give their product away. At the end of the day, Russia and Venezuela are going to get more money for their petroleum products.

DOES THE U. S. HAVE ANY LEVERAGE WITH ANYONE NOW?

The U. S. has no leverage with anybody now. We're leveraged out. We used to be able to play the financial card. We can't play that anymore. We used to play the military card. We can't play that anymore. The United States is losing third world street fights in Afghanistan and Iraq. I don't care about people telling me the surge is working. That is fairy tale language. As soon as there is a little rest, they are going to attack again. There were major bombings again this last week and they are not going to stop until the United States is thrown out. So, now you have all these countries that have weapons of mass destruction. They are not going to bow to America. It's not like the old days of Venezuela or Chile or Argentina or Bolivia getting out of hand and the United States sends down gunboat diplomacy.

They are going to fight back and not with bows and arrows and little weaponry. They are armed to the teeth. So, the U. S. has lost its military supremacy and its economic supremacy. Yes, the United States could obliterate any country and bomb them into the Stone Age. But that country, what's left of it, will retaliate again.

There is still a hole in the ground after the 9/11 attacks. That's a metaphor. If anybody thinks the American government has the wherewithal, the intelligence or the integrity to get anything done, there is still a hole in the ground seven years later, there are still levees that have not been properly re-built after Katrina and people still can't vote in the United States and have their vote properly counted because the voting machines don't work. That's America now.

IS IT IRONIC THAT BECAUSE OF WHAT HAS HAPPENED IN AMERICA, THE ENTIRE GLOBAL ECONOMY IS BEING DRAGGED DOWN AT THE SAME TIME?

It's ironic in the fact that the international community bought into the same myths as everyone else. It's greed that ruined this country and it's greed that is ruining others. They all played the quick money game.

Another irony is that people could thrive in these times because as the old is dying,

something new is being born. If there is intelligence, integrity and dignity behind the next movement, we could move into a new Renaissance, a brighter time and not a dark one.

HOW LONG DO YOU THINK IT WOULD TAKE TO GET OUT OF A DEPRESSION?

As long as it took 1929 and that was a war. And unfortunately, that's the way authorities will start thinking. The only thing more I can say for this country is that the American people need to regain their dignity and look at their own moral base and what they are accepting as truth and lies. The only thing that will save us is enlightened leadership. I think it has to come from the individual and move up.

And unless people change the way they are living their lives, nothing is going to change. These people, Obama, McCain, Biden and Palin aren't my leaders. They couldn't lead me across the street! When are the American people find their own strength and become their own leaders? Until individual people find their own greatness within, nothing is going to change.

To everybody out there, make provisions now like the ant did for a cold, brutal winter wherever you live. Things are going to get very tough. Don't waste a dime you don't need to waste. Buy local and support your local community. Start by doing everything locally to preserve and save."

More Information:

For further reports about trends research, please see other reports below in the **Earthfiles Archive**:

- 12/21/2006 — Top Trends for 2007 by Gerald Celente
- 02/03/2006 — Trends 2006
- 12/31/2000 — Top Trends 2001
- 01/02/2000 — New Trends for 21st Century
- 01/03/1999 — Trends in 1999 with Gerald Celente

Website:

Trends Research: <http://www.trendsresearch.com>

U. S. Bullion Depository: http://en.wikipedia.org/wiki/United_States_Bullion_Depository

Great Depression of 1929: <http://www.nps.gov/archive/elro/glossary/great-depression.htm>

http://en.wikipedia.org/wiki/Great_Depression

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