

The Most Important News You NEVER Heard

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MONROE, Michigan, Nov. 23 – The month of October was a busy month for news professionals with headlines from the upcoming election, the war in Iraq and many other events. But I'll bet there is one piece of news that you DIDN'T hear. In the month of October, the United State federal government hit its statutory debt limit of \$7.38 trillion.

ABC, NBC, CBS, CNN, FOX, they were all silent as lambs! George Bush didn't tell us, and neither did John Kerry. No whistle-blowers, no turncoats, every insider kept this dirty little secret to themselves.

On Thursday, November 17, 2004, the United States Senate approved an \$800 billion increase in the federal debt limit. The new debt limit is \$8.18 trillion.

So how does a government stay in business for a month when it has hit its debt limit? They did what you and I would go to jail for if we did it, they took cash from a civil service retirement account. They will pay it back of course, but any of us caught with our hand in the cookie jar would say the same thing ... and go directly to jail.

Who remembers the last time congress had to increase the debt limit? It was May 19, 2003 and the limit was raised from \$6.4 trillion to \$7.38 trillion.

Almost a trillion dollars in additional debt incurred in just seventeen months!

Many Americans regularly hear reports on the performance of the stock market, but what most fail to realize is that the value stock in your average company doesn't change much. If Acme Corp has profitably manufactured widgets for the last ten years; chances are that its value is well established. So why does the price of stock vary so much from day to day, week to week and month to month? It doesn't!

The value of the United States Federal Reserve Note is constantly changing.

The Federal Reserve Note is a debt instrument (i.e. promissory note, mortgage note, etc.). If there are too many notes in circulation, the value drops, or if there is some doubt about whether or not the notes will be repaid, the value again drops. This creates volatility in the stock market and even more so in the international markets where we buy and sell labor, raw materials and finished goods.

To quote myself, "Everything should be as simple as possible, but never simpler." To make this really simple, let us consider the relative value of dollars and a commodity that is known to have a stable value in the world markets, gold.

On April 2, 2003, gold closed at \$225.95. Gold had traded under \$300 for most of the previous 27 months. Since then, gold has been on the rise and especially so in the last few weeks. Through 1970, gold could be bought for \$35 or less. Since then, the value of the dollar has been wild, like a roller coaster ride with gold peaking well over \$612 in the inflation year of 1980 and visiting the \$400 plus range numerous times since.

Between 1992 and 2001, the value of the dollar continuously strengthened.

It annoys me to say that these were the Clinton years. From the first fiscal year of George W. Bush to the present, the dollar has slipped and the debt has skyrocketed.

On Friday, November 18, 2004, gold traded over \$447, a sixteen-year high!

To greatly simplify this, the United States Federal Reserve Note (dollar) is trading at its lowest rate relative to gold in sixteen years. And that's not all!

The dollar has been slipping in the past several weeks relative to major currencies on the world market and saw its all-time record low against the Japanese yen on Friday.

So, I close with the same thought that I began with; why isn't this news?

Why didn't anybody tell us? Who is pulling the strings that still the tongues?

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