

Tedbits: The Financial and Economic NO SPIN Zone

By Theodore (Ty) Andros

Depression Written into Law, Part I

Black Swans

Crack-up Dead Ahead

As the next leg down in the unfolding depression and global, financial crisis intensifies we all sit on a keg of dynamite known as the developed world's economies and financial systems and wait for some fool in government to light a match. In April I spoke about black swans taking flight, now they are about to land. An explosive event is unfolding as we speak. What you are about to read is the embodiment of the Cloward-Piven strategy -- economic collapse written into law, on purpose, by radical Marxist Socialist progressives inside the Capital of the United States: Washington DC.

Bubbles are still inflating because the printed money has to land somewhere, and capital flees to where it is treated best. In this case, it is to the emerging world where capitalism is thriving and governments are focused on ECONOMIC and INCOME growth, but the bubbles inflating there are enormous from all the hot money flowing to into them. Only a pinprick waits.

At no time in memory have the opportunities been as enormous as today. As the effects of money printing, deficit spending and Marxist legislation unfold in the developed world all markets (stocks, bonds, currencies, commodities, natural resources, etc.) are set to zoom up and down to price in the mayhem being implemented by public serpents, banksters, elites and crony capitalists. BUY and HOLD is dead. Actively managed, absolute-return alternative investments which have the potential to make money in up, down and sideways markets are essential diversification. In addition you must fix your paper money so you can store the purchasing power in it and insulate it from the rapid debasement that is unfolding. This is what I do....

To regular readers I apologize for my absence; I have been producing a video book entitled "When HOPE Turns to FEAR" -- we are at that junction NOW. The video is written and narrated by me. The video will be free to direct subscribers of this newsletter. Subscriptions are free at www.TraderView.com/subscribe

Much debate has centered on the Bond Market, but the message is clear as you shall see. This bond, bull market is now almost 30-years old, long in tooth and over owned and over loved, with fools known as the public at the top that is forming. Are bonds a bubble? The answer is yes, and the bond bull is enormously overbought but with room for additional absurdity before the BLOW UP. The global, financial and economic crisis will not be over until the bond and credit markets blow up -- up to and including those IOU's/bonds masquerading as money known as G7 currencies.

First we need some perspective and for that we will turn to the US ten-year note chart with a 200-day moving average for perspective, courtesy of Martin Weiss:



Source: Bloomberg

legislation is. A cute cover to fool the useful idiots and sheeple who RELY on the main stream media for propaganda disguised as NEWS.

As the speaker of the house, Queen Nancy said: “we need to pass healthcare legislation to see what’s inside”. Talk about Benedict Arnolds; legislators who pass bills they have not read and defy the will of their constituents. Hopefully someday there will be truth commissions to find the legislators who violated their oath of office and NULLIFY this legislation they passed.

“The more corrupt the state, the more it legislates.” --Tacitus

The evil rising out of this Pandora’s Box of political corruption is happening daily. 2,500 plus pages of weasel words and unlimited opportunities for politicians to sell the healthcare industry to the highest bidders among their crony capitalists for years into the future (think about the US tax code). Meanwhile, every small business owner I speak to is facing 20 to 30 percent rate hikes (including me) for their employee’s health insurance. The next weasel-word surprise is the redefinition of income to include the value of benefits which used to be tax free.

Beginning on January 1, 2011 the withholding on taxes will be from an amount that includes healthcare benefits. People at the lower rungs of the ladder will be facing almost \$300 of additional taxes per month. What do you think will happen to private-sector demand when every household in Amerika has that much less to spend, save or invest? It will be a knockout blow for small families, delivered every time they get a paycheck. To the progressive democrats this is not a tax hike, just an adjustment in the definition of their weasel words.

What do you think a 20 to 30% rate increase will do to small business owners who are the backbone of job and business creation? They will dump the coverage, pay the 8% fine and send everyone into Medicaid. They have to; the alternative is closing their businesses or MASSIVE layoffs. You can look for BOTH in any event. Employees will go from the plans they are happy with into “misery spread widely”; healthcare decided by politically-corrupt bureaucrats; the definition of the policies of the beltway and the radical Marxists that control our federal government. Where are the policies of economic and income growth? NOWHERE.

In this chart we see two crashes in interest rates (interest rates lower), one crash is known and the other I shall identify. The first event, on the left is the failure of Lehman Brothers and the financial system crash of 2008. On the right we see another, more orderly collapse, both signaling the same thing: economic collapse. One fast crash and one crash which is more gradual.

What event happened on late March 2010? The **Patient Protection and Affordable Care Act** was signed into law and as I reported it was a tax bill in disguise, as the middle class and small businesses are learning to their chagrin. Of course it was the antithesis of its title, as all

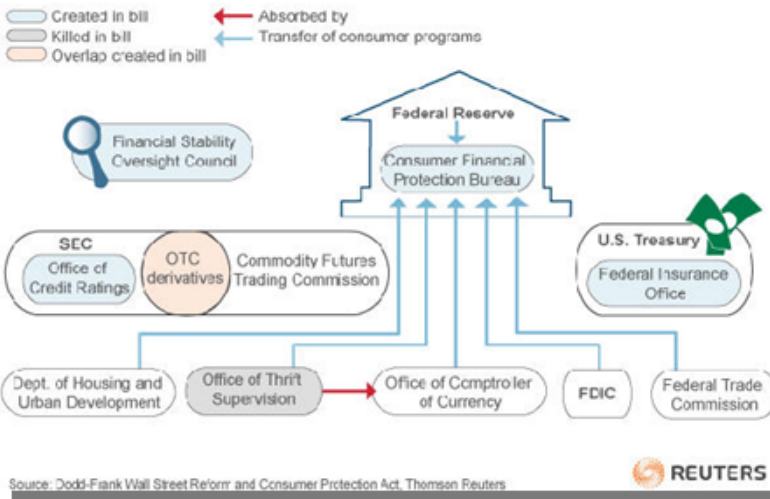
Now let's look at the next little bit of fairy tale LEGISLATION disguised as protecting the public, also known as: "**Dodd-Frank Wall Street Reform and Consumer Protection Act**"; of course it is nothing of the sort. It is another 2,400 pages of crony capitalism and political rent-seeking along the lines of the tax code. Another Pandora's Box of evil is now open.

Take a look at this monstrosity:

Dodd-Frank Financial Regulation Bill, 2,300 pages of political corruption, regulatory buffoonery and crony capitalism.

Financial regulation reform

The Dodd-Frank bill will create a new matrix of regulators for the financial system



Triumph of the Regulators

Estimate of new rule-makings under the Dodd-Frank financial reform by federal agency

Bureau of Consumer Financial Protection	24
CFTC	61
Financial Stability Oversight Council	56
FDIC	31
Federal Reserve	54
FTC	2
OCC	17
Office of Financial Research	4
SEC	95
Treasury	9
Total¹	243

¹The total eliminates double counting for joint rule-makings and this estimate only includes explicit rule-makings in the bill, and thus likely represents a significant underestimate. Source: Davis Polk & Wardwell

Twenty-three hundred pages of unfolding political and crony capitalist corruption. To put the enormity into perspective, the Federal Reserve act of 1913 was 31 pages, the Glass Steagal Act (separating investment banking from deposit institutions) of 1933 was 37 pages, the Interstate Banking Act of 1994 was 61

pages, the dreaded Sarbanes Oxley Act of 2002 was 66 pages, and Graham Leach Bliley Act was 145 pages. This is 15 to 50 times the size of those epic laws.

Well, first let's talk about what the financial reform law does NOT do. The financial reform bill was supposed to "fix" Wall Street and the financial system, but it did not do much of anything....

- ✓ It does nothing to address the problems with Fannie Mae and Freddie Mac.
- ✓ It does not eliminate "too big to fail", in fact it expands it and the price of entry is campaign contributions
- ✓ It does absolutely nothing to eliminate the horrific bubble in the OVER THE COUNTER derivatives market.
- ✓ The ratings agency's politically-correct bond market ratings are unaddressed.
- ✓ It does nothing to reform the organization most responsible for the recent financial crisis - the Federal Reserve. In fact, this new law actually gives the Federal Reserve even more power:
 - This will create the biggest, new wave of financial rule making in history and, whatever it does, it will not make lending and credit cheaper and more available.
 - It was rushed into law before the presidential/congressional financial crisis commission published any of its findings and conclusions,
 - This was done so because they don't care; Finreg is a political exercise, just as is healthcare reform; practical solutions are not to be found
 - There are not efforts to find practical solutions to the problems, so they will have political, not practical results required to head off future crisis. They will cause the next crisis, not prevent it.
 - This monstrosity of political crime right out of the Chicago mold is unbridled corruption that legislative for which supermajorities are known.

- It does nothing its proponents claim; it is a grab bag of vague outlines the details of which are to be filled in behind closed doors in exchange for political rents of one sort or another.
- ✓ It is to be defined by bureaucrats with no experience in banking or the private sectors over the next 18 months with a phase-in period of 12 years. The bill itself was written in a deliberately vague fashion by legislators with no experience in the industry as well, was unread by most of them and passed almost completely along supermajority lines, with only a few small changes of legislative horse trading to push it into law.
- ✓ Of course, the rule making coincides with the next election cycle, so big money is heading Washington's way.
- ✓ 533 new rule makings by eleven different agencies, 67 one-time studies and 22 periodic reports. These studies and reports' conclusions will be written in advance of the studies and reports designed to produce the political conclusions.
- ✓ To put this in perspective, Sarbanes Oxley - the latest example of Washington overreach - required only 16 new rules, Dodd Frank is 30 times larger.
- ✓ This to me is the definition of the indefinable, just like the 10 million words and counting of the tax code.
- ✓ This is called *historic red tape* and it will rap itself around the economy like a python squeezes the life out of its prey.
- ✓ The economy and public are the prey to the politicians, elites, banksters and crony capitalists who spawned this hell.
- ✓ Quoting the wall street journal: ***“The SEC alone, whose regulatory failures did so much to contribute to the panic, will write 95 new rules. The new Bureau of Consumer Financial Protection will write 24, and the new Financial Stability Oversight Council will issue 56. These won't be one-page orders. The new rules will run into the hundreds if not thousands of pages in the Federal Register, laying out in detail what your neighborhood banker, hedge fund manager or derivatives trader can and cannot do depending on how much they have contributed.*”**
- ✓ The proverbial fox in the hen house is placing the Consumer Financial Protection Agency inside the federal reserve; this is the same fed who allowed the predatory mortgages to be sold, allowed the credit card industry to charge rates which used to be called usurious when they actually taught these things, allowed pay day loans companies and predatory lending of all kinds, naked credit default swaps and fictitious ratings to be placed on financial products including sovereign debt. So, nothing will change in the future while they remain in charge.
- ✓ Political allocation of credit and bailouts are not based upon sound underwriting standards, business prospects or solvency considerations.
- ✓ Remember, the express job of the Federal Reserve is to run the economy to the benefit of its shareholders, banks and corporations.
- ✓ To put the public into debt to banks and corporations that own it, creating debt slaves to the illuminati and their web of business holdings of one sort or another.
- ✓ When complete, the winners and losers will be defined by those who know the halls of congress and their campaign committees in the most intimate ways. Those who don't will be losers by law to those who do.
- ✓ The Freedom of Information Act has been suspended for the Securities Exchange Commission, so corruption between crony capitalists and regulators cannot be uncovered.

- ✓ Nothing will be written in the public's best interests except in the most meaningless ways which can be media sound bites that mislead the useful idiots in society into believing this is to protect them rather than allow further depredations which are politically authorized and bought and paid for.
- ✓ The something-for-nothing society lives in fear and desperation, and it is this type of crisis in which the most damage is done by the people in whom they have placed their trust.
- ✓ Fleece-able sheeple and this law will allow a lot of wool, known as money, to be gathered. Borrowing money that the banks print out of thin air, lent to the public and repaid with their labor and hard work as they work to pay it back with interest. Selling unsound paper money which the public believes to be sound. The banksters get something and the public gets nothing; I don't call it a something-for-nothing society by accident.
- ✓ What will the economy get from this? Years and years of uncertainty, as the definitions are years away,
- ✓ What business will be formed if they do not know the cost and availability of credit? VERY FEW
- ✓ Small competitors with superior products only await the new rules which will regulate them out of business, consigning the public to less financial services, inferior products and having to pay more for them.
- ✓ Look at 401k's, mandating retirement investments which have NO CHANCE of growing in real terms. NONE. They are legalized and mandated by law FLEECING machines. Nothing in this law changes that. You are mandated to buy paper, financial products and stocks which yield nothing from big investment banks and traditional ones.
- ✓ That is the definition of crony capitalism; the public serpents regulate the competition out of business, and customers into crummy products not suited to today's economy and leave the politically connected as the only game in town at a higher price.
- ✓ In a capitalist economy, this is creative destruction where dinosaur corporations fall to more-nimble competitors who give more goods and services for less. This will increasingly end that virtuous process
- ✓ This is just the next nuclear bomb on capitalism, wealth and income generation and the economy by the terrorists inside the beltway.
- ✓ This is on purpose folks, and the immensity of it is a testament to the size of the corruption. The victim is you and our economic prospects.
- ✓ The healthcare legislation is more poisonous than what I just outlined, in every respect, written in a back room, and not by legislators but by their special-interest and crony capitalist supporters.
- ✓ It was unread by 99% of congress before the torturous process to passage through budget reconciliation. As Nancy Pelosi said just before passage: "we have to pass it to see what's inside". This will never end; it is an open book and law for political benefits.
- ✓ Financial regulation was no different. We still don't know what's in it, as the writing of it will never end. Sounds like the tax code... in fact, IT IS

"The fat lady never sings in Washington. No decision is ever final; no word is a bond; no contract binds a congressman; no bill or resolution has force beyond the next election. That's the first principle of our government, and the second is similar: Every dollar of federal spending is pork first."
-Thomas Donlan, Barron's

In Conclusion: The depression is intensifying due to these pieces of legislation, reflected in the unbelievable drop in interest rates as they price in the depression-era laws BEFORE and while they are being implemented. The collapse in interest rates is testament to this. I will be covering this further in the next edition of Tedbits, don't miss it, subscribe, it is free at www.TraderView.com/subscribe/.

"I think this group does not understand what it takes to create jobs. And I think they're flummoxed by their experiment in [Keynesian economics](#) not working..." "Every business in America has a list of more variables than I've ever seen in my career." If variables like capital gains taxes and the R&D tax credit are resolved correctly, jobs will stay here, but if politicians make decisions "the wrong way, people will not invest in the United States. They'll invest elsewhere." - Paul Otellini, CEO Intel

Of course they will invest somewhere else, count on it. Capital flight is in full bloom, in the United States and in the European Union. Only 8% of the current corrupt crew in Washington has worked in the private sector. The bubbles in Asian asset markets are evidence of this. The purposeful final destruction of the middle class and the capitalist economy by socialist progressives is at hand. This is called the Cloward-Piven strategy, look it up on the internet. Their goal is to make the majority of US citizens DEPENDANT on government, rather than independent of them by collapsing the economy.

At no time in memory have the opportunities been as enormous as today. As the effects of money printing, deficit spending and Marxist legislation unfold in the developed world, all markets (stocks, bonds, currencies, commodities, natural resources, etc.) are set to zoom up and down to price in the mayhem being implemented by public serpents, banksters, elites and crony capitalists. BUY and HOLD is dead. Actively managed, absolute-return alternative investments which have the potential to make money in up, down and sideways markets are essential diversification. In addition, you must fix your paper money so you can store the purchasing power in it and insulate it from the rapid debasement that is unfolding. This is what I do....

Unemployment is about to SKYROCKET as small businesses close and the next group decides not to open their enterprises. By early next year you can expect monthly employment figures to reflect the bloodbath we saw in early 2009 of approximately 700,000 job losses a month, as small businesses flee the vipers in the beltway, close down, say enough is enough and REFUSE to be their slaves.

This is a currency and financial system extinction event and we know the destination; it is the zigs and zags to that destination that we seek to understand. The developed-world government and financial systems' MORAL and FISCAL insolvency is inescapable and inextinguishable, but the illusions of safety still persist. The moral and fiscal insolvency of public serpents, elites, banksters and crony capitalists are on plain display. Only the inevitable collapse will allow the developed world to return to its roots as capitalist, industrialized societies which produce wealth rather than consume it.

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