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Issue 25 - Sept 2008



The header features a dark background with a golden glow. The word "Prosper!" is written in a large, white, serif font. To the right, in a smaller, yellow, sans-serif font, is the text "Dear Prudence, Won't You Open Up Your Eyes...". Below this, in a white, sans-serif font, is "Investment Insights from Louis Boulanger". On the left, there is a small portrait of Louis Boulanger. To the right of the portrait, his name "Louis Boulanger" is written in a bold, black, sans-serif font, followed by "CFA" in a smaller, yellow, sans-serif font. Below his name are his office and mobile phone numbers: "Office: +64 9 528 3586" and "Mobile: +64 275 665 095". To the right of the portrait and contact information is the logo "louisboulanger now" in a black, sans-serif font, with "now" in a smaller, yellow, sans-serif font. Below the logo is the tagline "Freethinking Investment Strategies" in a smaller, yellow, sans-serif font.

In this Issue:

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#### Important Reminder for readers:

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**Banksters in Charge**

*“The Federal Reserve, in conjunction with the US Treasury, is doing its best to prevent a systemic collapse. The efforts have been successful so far, and likely will continue to be for a while. The Fed and the Treasury will do whatever is necessary to save any entity that might otherwise implode the system. They will create and spend any money needed, they will arm-twist anyone they have to, they will manipulate any market, financial statistic or news medium that will help contain the still-intensifying crisis. Failure here is not an acceptable option.”*

- John Williams, [www.shadowstats.com](http://www.shadowstats.com), 10 September 2008

Nine days later, DESPITE having pumped 100s of Billions MORE of US dollars, Euros and countless other fiat currency ‘injections’, the so-called system was still collapsing... failure was still truly imminent, once again (for the 3rd time since the beginning of the so-called credit crisis in August last year)! How close did it get to meltdown? Well, pretty darn close according to this article, ‘Almost Armageddon’.

So, the Dynamic Duo was back in action; this time, Big Time, with a little help from their friends:



“Have faith in us; we know what we’re doing...”

Fed Chairman, ‘Bubble’ Ben Bernanke (that’s him on the right, not looking in command of the situation but instead looking on with admiration and hope to The Boss) and US Treasury Secretary, ‘General’ Hank Paulson (he’s the one speaking with his hands full of hot air, making a point about how Ben actually stands ready to create all those US dollars out of thin air that he and his friends on Wall Street need) apparently presented such a “chilling” picture of the state of the US financial system to members of the US Congress (that’s their leader in the middle, looking stunned and oblivious of all this) and US Senate (their leader was also at that press briefing but, for some reason, he was cut off from the above photo that was released) that we’re now going to get what’s coming to us Big Time, no questions asked.

The situation is now presented to us as being so grave that, as I write this in my hotel room in Toronto during a weekend, ‘they’ will also once again be hard at work all weekend urgently preparing a “massive intervention to revive the US financial system, including a plan to sweep away the unpaid loans that are choking banks and blocking the flow of money to borrowers”. Another weekend, another intervention or bailout... This time, however, we’re told **in advance** that

it'll happen AND that it'll be massive!

What do you mean 'massive'? Has what's happened so far not been massive enough?? If that is not considered massive, then what's coming?! There are no markets anymore; only interventions. Welcome to the New Financial Order! It's not about you or the economy, stupid; it's all about restoring 'confidence in the system'. Well, I say 'good luck to ya', banksters!

### **"Expeditious Solution" Now Needed**

Or so we are told. Yeah, right! Just like the sort of 'expeditious solution' that was put together right after 9/11, you mean? The sort of legislation that gets passed under urgency, before anyone gets a chance to read the fine print (which includes all kinds of articles authorising all kinds of measures or actions that are not necessarily in the best interest of the people and their freedom); the sort of 'final solution' that can only be found acceptable and passed into law under fear...

Gee, I sure hope not. But I wouldn't hold my breath the way things have been evolving in the US lately. In fact, I'd say that we are in the process of becoming terrorised by the prospect of a financial meltdown. After all, terror is a state of fear, an overwhelming sense of imminent danger. Isn't that how they justified unjustly the criminal invasion of Afghanistan and Iraq just after 9/11, as well as the controversial U.S.A. P.A.T.R.I.O.T. Act (342 pages!) that was also passed so soon after under extreme urgency? Be afraid, be very afraid!



The authorities are not interested in your welfare; only in the survival of a system that has by now clearly lost its integrity. They can't save the financial system with more of the same, i.e. pumping fiat money or IOU Nothings at citizens' expense without their consent to save the rich and greedy. All that is bound to achieve in due course is a Revolt!

Officials can't stop the self-destruction of the financial system with more fiat money. **The problem can't also be the solution!** The only solution is to return to sound money. A major and fundamental reform to the monetary regime and its global central banking system is what is needed. Now that would be a solution. But there is clearly no political will to even consider this as a possible

solution. I doubt that there is even any awareness at the top of what the real problem actually is!

No, a kleptocratic class has taken over the US economy to replace industrial capitalism. Franklin Roosevelt's term "banksters" says it all in a nutshell! For more on what is really happening and why, read [Michael Hudson's article](#). Here are a few excerpts I selected for you:

*"Overnight, the U.S. Treasury and Federal Reserve have radically changed the character of American capitalism. It is nothing less than a Coup d'État for the class that FDR called "banksters." What has happened in the past two weeks threatens to change the coming century - irreversibly, if they can get away with it. This is the largest and most inequitable transfer of wealth since the land giveaways to the railroad barons during the Civil War era.*

*Even so, there seems little sign that it even may end the free-market patter talk by financial insiders who have managed to avert public oversight by appointing non-regulators to the major regulatory agencies - and thus created the mess that Treasury Secretary Henry Paulson now says threatens the bank deposits and jobs of all Americans. What he really means, of course, are simply the largest Republican campaign contributors (and to be fair, also the largest contributors to Democratic candidates on key financial committees)."*

...

*"This is not how the much-vaunted Road to Serfdom was mapped out to be. Frederick Hayek and his Chicago Boys insisted that serfdom would come from government planning and regulation. This view turned upside down the classical and Progressive Era reformers who depicted government as acting as society's brain, its steering mechanism to shape markets - and free them from income without playing a necessary role in production.*

*The theory of democracy rested on the assumption that voters would act in their self-interest. Market reformers made a kindred happy assumption that consumers, savers and investors would promote economic growth by acting with full knowledge and understanding of the dynamics at work. But the Invisible Hand turned out to be accounting fraud, junk mortgage lending, insider dealing and a failure to relate the soaring debt overhead to the ability of debtors to pay - all of this mess seemingly legitimized by computerized trading models, and now blessed by the Treasury."*

So much for democracy...

### **What US Presidential Election?**

By the way, can you even remember that there is a Presidential Election campaign going on in the US?! That seems to have taken a back seat for now. In fact, both leading candidates seem completely irrelevant to any possible 'solution' being proposed. Their campaigns are now focused on distractions and each other's personalities, rather than any one of the many very real crises facing Americans and the world at large as a result of absolutely pathetic and irresponsible leadership since 2001.

Could it be that this whole financial systemic crisis will degenerate into a

'catastrophic event' of sufficient proportion to in fact cause the Bush administration to declare martial law and in effect delay the US elections, as authorised by the National Security and Homeland Security Presidential Directive signed on 9 May 2007 (NSPD 51)? Hummm... I first mentioned this outrageous potential scenario in Issue 20 of *Prosper!* Don't remember? You can refresh your memory by going here [www.whitehouse.gov](http://www.whitehouse.gov) and here [www.globalresearch.ca](http://www.globalresearch.ca).

I'd argue now that, with what just happened over the last week, what's likely to happen behind closed doors this weekend and what is likely to be financial markets' and investors' ultimate reaction to the massive intervention, the probability of a necessary 'catastrophic event' – as required to trigger that scenario – actually occurring has now just increased a whole lot and will most likely continue to increase with every passing weekend from now on at this rate.

### **Protect Yourself from Financial Collapse**

Market analyst, journalist, and general provocateur Max Keiser was interviewed for five minutes Thursday on Aljazeera's international English TV service about the turmoil in the financial markets, and made an especially effective point about the essentially predatory nature of the New York financial houses that are tumbling into insolvency. That is, Keiser said, in seeking to acquire ordinary banks, the financial houses are trying to steal more of the savings of ordinary people. You can watch it at YouTube [here](#).

They may not be able to save the system anymore, but you can save yourself. That's what these letters are all about. Individually, we can all save ourselves. We just need to take responsibility for ourselves and cease to rely on any system or government to fix problems. Collectively, by choosing to act responsibly for ourselves, we can make such a difference as to even render bad government and unsound systems irrelevant. Power to the people! Read on and prosper.

*"There is no means of avoiding the final collapse of a boom brought about by credit expansion."*

*- Ludwig von Mises  
(1881 – 1973)*

*Austrian Economist, philosopher and a major influence on the modern libertarian movement*

**Please note that all past issues of *Prosper!* are available [Here](#) for your convenience.**

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**This Is It and It Is Now**

*"Many are destined to reason wrongly; others, not to reason at all; and others to*

*persecute those who do reason."*

- Voltaire

(1694 – 1778)

*Pen Name of François-Marie Arouet, French Enlightenment philosopher, prolific writer and defender of civil liberties*

I look at the world out there and just shake my head. My opinion hasn't changed one iota. You can take the entire world's financial and monetary system and drop it in a dumpster. But the band plays on... regardless of the angle of the Titanic's deck! It simply beggars belief!!

The US government is in the business of stacking one monumental fraud on top of another...trying to give everyone the idea that he or she can live at someone else's expense. Sooner or later, the whole mountain of flimflam will fall down.



Here's what's important for you to know and realise for yourself, never mind what you read in the paper or hear on the news:

*"Without question, nobody alive today has ever lived through a week like we've just had. It was history in the making. The US financial system came close to imploding...now it's only frozen solid. What the Fed and the US Treasury are attempting has never worked...ever. They (and the rest of the world's central banks) are trying to save the world's fiat currency system. None has ever survived the test of time...and these won't either. We are watching the death throes of a giant beast, and as it flails about on the ground, it's best to stand well clear of it."*

- Ed Steer, for Casey Research's Casey's Daily Resource Plus newsletter, on 20 Sep 2008

He is a keen observer of the financial scene and a board member of [GATA](#).

### [So What Should You Do?](#)

You know, in a way I'm happy now that I've not had the time to write a

newsletter over the past two months. It's all been a heck of a lot of NOISE, really. We're just starting to see what may be the endgame of this long and complex unwinding of the Super Bubble, as George Soros calls it, of the past 25 years or so.

As I sit here in my hotel room in Toronto, looking out on Lake Ontario towards the US where I'll be all of next week (in Boston), I wonder: what will next week be like? Will things ever be the same again in the financial world? A headline in The Globe and Mail's Report on Business weekend issue reads: "The mess may be mopped up, but the floor's still slippery". That pretty much sums it up. It's a great 'taking stock' sort of article and here are some excerpts:

*"Now we know what it takes to get U.S. financial services off the death watch and rekindle the fading fires of optimism in capital markets around the world: Empty the U.S. Treasury's vaults in an unprecedented bailout, crush the short sellers and saddle taxpayers with the cost of mopping up untold billions of dollars worth of toxic mortgage debt and other sludge that have brought the financial system to its knees.*

*Down the road, the Treasury may actually turn a profit on some of this junk once the financial system stabilizes and the U.S. mortgage market returns to something resembling normal. But no one knows when that might be or what the final tab will total. Nevertheless, Washington's open-wallet interventionism, coupled with billions of dollars in further pump-priming by central banks, was enough to fuel a stunning global rally on the last day of a wild and woolly week in the markets. Equities soared and the U.S. dollar strengthened on the news that Washington had finally abandoned its futile strategy of trying to plug individual holes in the financial sea wall while the flood waters poured in over the top. The hugely expensive gambit is wrapped up in something called the troubled asset relief program. Talk about understatement in search of a cute acronym. TARP may well have put a floor under collapsing financial sector stocks. But the euphoria could be short-lived, once investors take a harder look at the broader North American and world economies, their dimming prospects and the fact that the stock market has yet to take this fully into account.*

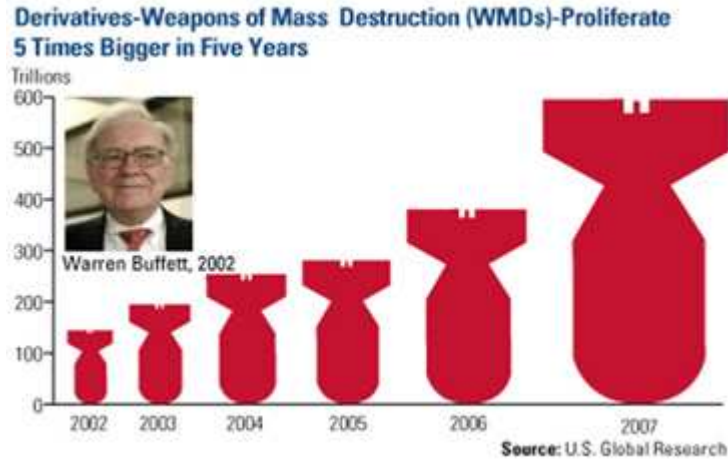
*The massive increase in government borrowing needed to finance this bailout -- amounting to more than 8 per cent of U.S. GDP -- is bound to crimp economic growth."*

That's right: the US government does not even have the money to pay for all these bailouts! It's already so much in debt that it already needs to borrow more than US\$2 billion each day just to stay afloat... So, where exactly is all this money to bailout Wall Street going to come from??

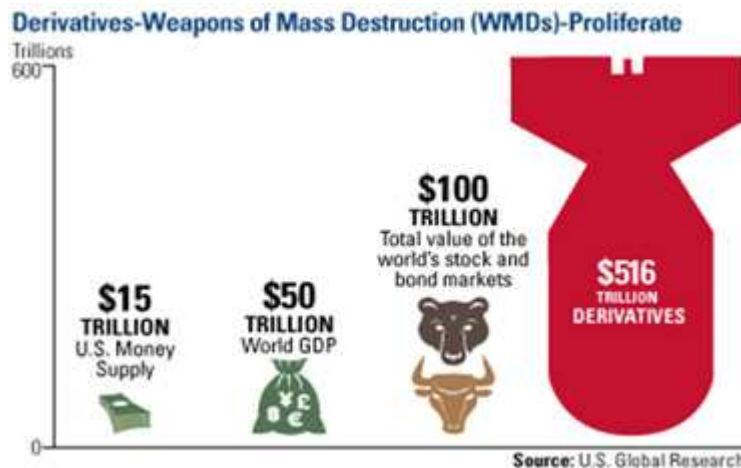
As Ed Steer quite colourfully says, "we are watching the death throes of a giant beast, and as it flails about on the ground, it's best to stand well clear of it". How does one stay 'well clear' of the beast? Well, it's not possible to stay completely clear of it; it's simply too big, too contagious and too out of control... especially when you consider the derivatives monster out there. Remember what Warren Buffet said about derivatives?

In 2002, Warren Buffett warned that derivatives were "financial weapons of mass destruction" after he took over the insurance company General Re and tried to sell its derivative book. Few listened to Buffett, and in the years since,

these derivatives grew about 500 percent, as shown in the first of two charts taken from the latest of Frank Holmes' excellent Weekly Investor Alert:



You can see in the next chart below, the magnitude of these derivatives compared to other financial measures. At more than US\$500 trillion (and that does not include another US\$500 trillion plus of 'over the counter' or unregulated derivatives), derivatives are five times larger than the total value of the world's stock and bond markets, and they're 10 times larger than global GDP!!



But, don't worry, the system itself may be doomed; you can still protect **yourself** from the financial effects of a systemic failure/collapse. Just remember that economic freedom and gold are inseparable. Even Alan Greenspan said so! (See [www.lewrockwell.com](http://www.lewrockwell.com) for more on that)

### Buy Some Bullion!

I'm here in Toronto to meet the founder and president of Bullion Management Group Inc (BMG) for the second time this year. I am pretty impressed with what he and his organisation have achieved over the past five years or so. It is unique in the world of money management as far as I can see. BMG makes owning bullion easy and safe. Its BullionFund is NOT an ETF; unlike ETFs, **you**

the investor actually own the bullion in the BullionFund.

BMG BullionFund has gained acceptance in the marketplace through its successful track record and its continuing potential for higher growth. The Fund only buys bullion, not futures, certificates or mining company equities. It does not hedge or lease its holdings and its trust structure and strict investment covenants ensure unit holders are fully protected. Holdings are held in trust and made absolutely secure because of a comprehensive series of third party checks and balances.

The BMG BullionFund is the first (and only, as far as I could establish from around the world) open-ended mutual fund designed to allow investors the opportunity to hold gold, silver and platinum bullion as part of their portfolios. Liquidity of units is comparable to bullion itself. The only variable affecting the price of units in the Fund is the daily spot price of gold, silver and platinum, in addition to the expenses of the Fund itself.

The Fund qualifies for all registered Canadian retirement savings plans. I have such faith in the integrity of the BMG BullionFund that I am currently looking into how to make it accessible to all New Zealand and Australian investors. Hopefully, I'll have more to share with you on this front in my next newsletter. In the meantime, buy some bullion wherever you can.

For more information on BMG and the BMG BullionFund, please visit [www.bmginc.ca](http://www.bmginc.ca) and sign up to receive the Bullion Buzz, their free weekly newsletter. You can find the latest issue of the Buzz [here](#) to test it out.

### **Stateless Money**

In 1971, when demands from France and other European countries were starting to drain the United States of America's gold reserves (since, under the post WWII Bretton Woods Agreement of 1944, only the US dollar was exchangeable for gold and countries were entitled to demand that settlements of trade balances with the US be made in gold), US president Nixon summarily severed all links between the US dollar and gold... on the 15th of August. 15 August 1971; a date which will live in infamy for sure!

In one reckless instant, he alone closed the only remaining sound unit of **measure** in the global monetary system (or 'gold window', as it was called in the jargon of the day) and consigned the last remnants of the monetary gold standard to history... Currencies then started to trade in open markets independently to each other. Gold, no longer money or a currency, started to trade as a commodity. But it is often still labelled a quasi currency or stateless money.

I like the stateless money label because it associates gold with its role as a universally recognised store of value over thousands of years. In fact, the most ringing recent endorsement of gold's stateless money franchise came from none other than Alan Greenspan himself in 1997 when, as Fed Chairman, he was the world's most powerful central banker.

In testimony to a Congressional Committee he advised against selling any of the US gold in Fort Knox because *"gold still represents the ultimate form of payment in the world. Fiat money in extremis is accepted by nobody. Gold is*

*always accepted.”*

Sure, it's not pleasant to think about being affected by a possible catastrophe. It's not particularly satisfying to hoard gold as protection against our paper money becoming worthless... Yet, as risks to our personal safety and financial security have magnified since 9/11, whether we like it or not, we would probably buy some crisis insurance if it was available. Am I right? Well, for insurance against the unthinkable we have to own and possess gold. It's really that simple.

Gold is stateless money that will keep its value even in the worst of times. Keeping even a small amount in your personal control will offer instant protection whenever you need it.

### **Why Gold Makes Sense Now**

Owning some gold bought at a reasonable price, which it most certainly is still at below US\$1,000 per troy ounce, can be useful to spread risks and insulate assets from damage caused by a financial crisis.

In 1934, when gold was still the universal **measure of value** and the US Treasury could no longer meet its commitments, then President Roosevelt *devalued* the US dollar to gold by 47%...

37 years later, in 1971, as mentioned above, then President Nixon ran into trouble and reneged on all US commitments to gold. Well, the price of an ounce of gold rose within a decade from an annual average of US\$35 to over US\$600...

37 years later, we find ourselves once again at the crossroads of fiat or paper money and real money. The current crisis, in my opinion, is nothing more than a race to the bottom of competitive currency devaluations by all issuing countries. The winner(s) will be the currenc(y/ies) that will accept and be able to afford to be redeemable in something else than another IOU; something like gold, silver or platinum.

Let us not forget that the US is still at war; the Global War on Terror is still on, as far as I am aware. That's now more than seven years long; longer, in fact, than WWII... And it's not looking like it's about to end any time soon either! Just take a look at what's going on now with Russia... Russia's back!

In managing our personal affairs, we have to draw a line between the pre 9/11 world (when the US was at peace) and the post 9/11 world (with the US now at war), whether we like it or not; whether we believe the official story about what caused 9/11 or not; whether we refuse to accept there is a war going on or not. Currencies of countries engaged in war always tend to be weak.

The US dollar has been the world reserve currency ever since the end of WWII. There is no alternative. The Euro is pretending to be 'the one', but has just as much potential to become worthless. The US dollar hegemony is one of the two essential legs for the survival of the American Empire. The other is the US Armed Forces and their overwhelming presence around the globe. The Bush administration will do whatever it takes to keep both legs 'strong'; but one is quickly running out of blood...

How much longer then, do you think, before the beginning of the Zimbabwezation (as Dr Marc Faber likes to call the scenario where the whole world goes into hyperinflation as paper money or currencies are rendered worthless) of the world?

This is it and it is now. Be brave. Protect yourself and prosper!

*"In the beginning of a change, the patriot is a scarce man, and brave, and hated and scorned. When his cause succeeds, the timid join him, for then it costs nothing to be a patriot."*

- Mark Twain

(1835 - 1910)

*Pen name of Samuel Langhorne Clemens, American writer; 'Father of American literature'*

Your freethinking investment strategist, who remains fearless and resolute in the face of adversity and refuses to become terrorized, knowing how to protect himself and his loved ones from the ongoing orderly financial meltdown and hoping that by now you do too.

Louis Boulanger, CFA  
Louis Boulanger Now Ltd.

#### **Disclosure and Disclaimer Statement:**

I am not a disinterested party. I personally own gold and silver bullion and invest in a commodity index fund. One of my objectives in writing articles such as this is to interest potential investors in the subject of monetary reform to the point where you may be encouraged to conduct your own further diligent research. Neither the information nor the opinions expressed should be construed as a solicitation to buy or sell any security, currency or commodity. Investors are recommended to obtain the advice of a qualified investment advisor before entering into any transactions. I have neither been paid nor received any other inducement to write this article.

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