"A great read! I find it brilliant -- should be required reading for anyone who claims to think."
~ Douglas D. Anderson, Entrepreneur and former banking Executive

THE SILVER BOMB

THE END OF PAPER WEALTH IS UPON US

MICHAEL MACDONALD & CHRISTOPHER WHITESTONE

Table of Contents

About the Authors

Co-author Michael MacDonald is a precious metals analyst, writer and the founder of Wholesale Gold Group.

Co-author Christopher Whitestone is a financial writer, entrepreneur and Vice President of Wholesale Gold Group.

THE SILVER BOMB – The End Of Paper Wealth Is Upon Us

Table of Contents

The Silver Bomb

The End of Paper Wealth is Upon Us

By

Michael MacDonald

And

Christopher Whitestone

Table of Contents

Publisher Information

This is a First Edition eBook version of ***The Silver Bomb - The End of Paper Wealth is Upon Us*** published April, 2012 by Michael MacDonald and Christopher Whitestone.

This book contains the complete text of the original manuscript. It has been complexly reset in a typeface designed to enhance readability via laptop or desktop computer, a handheld computer, a Smartphone or a dedicated eReading device.

The Silver Bomb - *The End of Paper Wealth is Upon Us*
An independently published book

PRINTING HISTORY
First Edition e Book version Published April 2012

ISBN: 9781624883224

The Silver Bomb ® TM # Pending

PRINTED IN THE UNITED STATES OF AMERICA

Table of Contents

Acknowledgements

The undertaking of this effort would never have been possible but for the instantaneous flow of timely information available on the World Wide Web. This book is a sampling of the voice of the stream, as it is drawn largely from the dawning awareness of endless internet authors, editors, researchers, reporters, market commentators, traders, bloggers, and observers. These voices comprise the greater part of the balancing competition to the status quo mindset of the managed and monopolistic main stream media and are therefore indispensible in the unfettered search for what is true. In as much as is possible, the authors of this book would like to thank each and every one of them. Unfortunately, that is not practical, as the number of individuals whose impressions and understandings have contributed meaningfully to the larger dialogue touched upon in these pages is absolutely immense.

The ability to access official, particularly governmental websites has also been indispensible. Our gratitude is extended to all those in government service who seek to maintain and improve the transparency of government, particularly those who understand the essential need for freedom of information.

The authors would also like to thank all of the internet freedom and privacy advocates who continue their struggle against the on-going governmental threats of draconian surveillance, censorship, and silencing of the internet.

We would like to thank and credit every one of our family and friends, neighbors and co-workers with whom we have shared ideas and who have shared with us. We particularly would like to thank our beloved wives whose input, assistance, patience, support, and understanding was critical in creating an environment that was conducive to the writing of this volume. Most of all, we would like to thank our Creator who has endowed upon us the inalienable rights to life, liberty and the pursuit of happiness.

Table of Contents

Dedication

to Francesca and to Lena

and

the children of all ages, to whom the future belongs

Table of Contents

Quotations

"I sincerely believe that banking institutions are more dangerous to our liberties than standing armies. The issuing power should be taken from the banks and restored to the people to whom it properly belongs.

If the American people ever allow private banks to control their currency, first by inflation then by deflation, the banks and corporations that will grow up around them will deprive the people of all their prosperity until their children will wake up homeless on the continent their fathers conquered."

--**Thomas Jefferson**

"There is no means of avoiding a final collapse of a boom brought about by credit expansion. The alternative is only whether the crisis should come sooner as the result of voluntary abandonment of further credit expansion, or later as the final and total catastrophe of the currency involved."

--**Ludwig von Mises**

"The phantom money printed out of thin air isn't worth the digital paper it's not printed on."

--Gerald Celente

"It'll be the investment of this decade… it's only the beginning of things."

--**Eric Sprott** (talking about silver)

The Silver Bomb

The End of Paper Wealth is Upon Us

Table of Contents

Table of Contents

Foreword *A Word About This Book*

Like in the iconic scene from *The Wizard of Oz*, the imposing curtain has been jerked back and all who dare to look inside can see the phony, manipulated charade that the financial system really is. The average person is beginning to see the handwriting on the wall in the form of current events like the Fed's profuse money printing, euphemistically referred to as "Quantitative Easing," and in Moody's heretofore unheard of "de-rating" of the USA's credit score. The financially-influenced mewling of the otherwise muted mainstream media is no longer able to pacify an increasingly awake audience, no matter how many times, for example, the myth of a bail-out boosted recovery is touted. The "official story" of the way things are supposed to work financially has all but lost its credibility.

The only thing that is consistently, not only holding its value, but also steadily delivering a positive return on investment is precious metal, particularly silver and gold. A paradigm shift is now underway in how people everywhere in the world view paper money, especially the ailing US Dollar. Several nations of the world are now favoring physical gold as a medium of exchange, notably for the sale and purchase of oil. Moves have begun to abandon the US Dollar as the world reserve currency and exchange rate standard against which the values of all currencies are fixed.

Banks have lost their position of trust and favor as they ask too much of the populace. The growing sentiment is that the banks seem to presume that the public is obliged to come to the banks' rescue, in between being there only to surrender their wealth as depositors and investors. The monolithic central bank is beginning to show signs of imminent fracture. Ice-breaking efforts by outspoken Legislators and vocal, populist constituencies inside the US include public calls for, at a minimum, a complete third-party audit of The Federal Reserve, the nation's central banking system. Market downturns and banker bailouts, combined with soaring prices and a deluge of disconcerting financial news have eroded consumer confidence in the ability of the US Dollar to reliably function as a secure store of wealth.

This book is about the prominent role silver will play in the return to metal as money. This is not a book about some predictive financial philosophy, but rather a frank, no-excuses glimpse at the current state of things, and an honest, candid look at logical outcomes. The prestidigitations of central banking, which have until recently been shielded from scrutiny by a cloak of pro-banking cultural bias, are laid bare within these pages. Intimidating and complex financial and historical connections, no matter how deep down the rabbit hole they first may seem to be, are plainly exposed by the application of good strong light and close inspection. Formerly unquestioned fiat currency and fractional reserve banking policies and their inevitable and historical results are brought out in the open and revealed. The truth-is-stranger-than-fiction world of manipulation of the precious metals markets is opened up so that all may see inside. The focus of this book is not to persuade anyone that all of this has happened, or that it continues to happen. What is revealed here is that it is occurring in conjunction with other events of human history to create a never seen before event—the inevitable explosion of **The Silver Bomb**. And most importantly, practical actions and solutions are offered which will help the reader prepare for what is already upon the horizon, the end of paper money backed by nothing, and the return to metal as money.

The purpose of writing this book, on this vitally important subject, at this moment in time is to help wake people up to the imminent explosion of **The Silver Bomb** and what to do beyond the paper money crisis, and to help them understand how to navigate the rough economic seas ahead. It is the further aim of this book to show the reader how to invest in silver and gold, the most time-tested means of wealth preservation and appreciation. The Dollar is nearing the end of its run as a world reserve fiat (meaning valuable only because it is stated to be valuable by legal decree, and not backed in value by anything tangible) currency, and fiat currencies are nearing their end as a whole. Silver and gold will resume their historical role as the backing for currencies and the standard of value. In these fiscally turbulent days, many investment direction-seekers are looking precisely for the information contained in this book to help them in their understanding of what happened to the dollar, what is happening to silver and to gold, **and how to hedge the smart way.**

Table of Contents

Introduction

August 15, 1971: The Day the Dollar Died

40 Years of Zombie Paper

They called it the Nixon Shock.

It was the day that then President Richard Millhouse Nixon, without the consent of the Nations whose currencies had been governed since 1944 by the agreements of the Bretton Woods conference, removed the US Dollar from the Gold Standard. It will prove to be the beginning of the end for the United States Dollar and has ultimately had a large part to play in what this story is actually about, the transfer of the value of the US Dollar, and all currencies whose value is tied to the US Dollar to the hands of an ever tighter circle of beneficiaries.

The closure of the gold window was traumatic and disagreeable to the foreign holders of gold certificates that it undercut, but it was welcomed in the U.S. with public fanfare at the time. The media had made much political hay of the reports of the profits being realized by foreign "price gouger" arbitrage traders who were capitalizing on the fact that the U.S. was experiencing its first trade deficit in the 20th century. Foreign holders of U.S. Treasury bonds sensed the value-choking effect that inflation in the U.S. economy, which was standing at 4.7% in 1969 when Nixon took the presidential oath of the office, was having on the US Dollar.

The cost of the Marshall Plan for the reconstruction of twice-war-torn Europe, the new mandates of The Great Society initiatives enacted during the Lyndon Baines Johnson administration, and the cost of the escalation of the war in Vietnam had compounded to expand the National Debt. These budget deficits, combined with the climate of social upheaval of the time, which was largely anti-war sentiment, had continued to drive up inflation figures.

Nixon had been elected as a voice of reason by a war, and war-protest, weary America. The Vietnam War had been the all-encompassing topic of national interest. The press had encouraged the notion that Nixon had some sort of a secret plan for leading the US to an “Honorable Victory” in Vietnam. In November of 1968, voters endorsed the campaign button slogan “Nixon’s the One”, in a belief that Nixon would keep his word and end the war. The press, particularly certain print media seemed to derive great pleasure from knocking Nixon off the pedestal they had put him on. In his first year in office, he was bombarded with criticism for following the policies of his predecessor Johnson, and escalating, instead of ending the war. To the demise of his credibility, Nixon announced that the South-East Asian conflict was metastasizing across the border into Laos and Cambodia.

This combined with other factors to create a slowly rising tidal wave of economic pressures. Interest rates had not been this high since the era of Reconstruction following the end of the Civil War. By the end of Nixon’s first year in office, inflation had risen to 5.84% and there was no top in sight. High interest rates were repeatedly fought to a stalemate by soaring inflation. Foreign arbitrage of the Dollar continued and by 1970, the reserves of gold in the US treasury had plummeted to less than 22% of the dollars they represented.

The Nixon shock was only the codification of what had been a long term goal of central banking. The effort to remove the gold standard had begun with the 1933 gold confiscation and subsequent devaluation of the Dollar from its historic value of $20.60 per ounce of gold to $35.00 per ounce. It is only because of gold’s value as money and the fact that in 1933 other nations would not have accepted, what they have today, which is worthless paper backed by nothing, that the gold redemption window was open at all.

Since the 1933 confiscation act, it had been illegal for U.S. citizens to hold gold, but not so for foreign investors. Federal Reserve notes that were backed by gold, as well as mature Treasury bonds, could be redeemed in gold. The increasing trend among international investors who held assets in US Dollars had been to steadily redeem them from the Treasury, which accelerated a precipitous decline in U.S. gold reserves which, at least fractionally, still backed the USD.

Nixon faced relentless attacks in the press and by the Democrat-lead Houses of Congress. In an attempt to out-posture the President as “fighters of inflation,” the Democrat majority in congress conferred emergency powers to the Executive Branch, giving the President authority to fix wages and control prices. Nixon, a proponent of limited government favored what was called "New Federalism" (a belief in limited central government), and attempted to help the economy by devolving Federal power and returning block grant funds to the States.

It appeared to members of Congress that since Nixon was against more central power, he would not use the new executive powers, and it could be an on-going source of accusation that despite being given ample opportunity, the White House was doing nothing to help the worsening economy. By 1971, continued deficit spending had increased the money supply, and the resultant inflated or "bad" money drove out the "good" money as 22 billion US Dollars (that's $22,000,000,000.00) in gold reserves left the country in the first half of 1971.

Nixon then did what the Democrats in Congress least expected, and picked up the gauntlet as challenged. On August 15, 1971, Nixon, exercising the powers that had been dangled in front of him, declared a 90 day wage and price freeze, a 10% surcharge on all imports, and the closure of the Gold Window. Ending the convertibility of the US Dollar for gold, as in taking the Dollar off of the gold standard, was essentially a reneging by the US on its obligations under the established order, and was effectively the end of the 27 year old Bretton Woods System.

Handing Over The Reserve Currency Baton

Named for the location of the Mount Washington Hotel in which it was held, The Bretton Woods conference was convened July 1, 1944 to find a common ground between the major economies of the world. World War II was still raging as 730 delegates came together from the 44 allied nations. It was in anticipation of an allied victory that the delegates to the conference hoped to establish a global financial order which would regulate all aspects of international monetary policy.

The actual name of the meeting which lasted for 22 days in July of 1944 was the **United Nations Monetary and Financial Conference**, but is commonly known as the **Bretton Woods conference**, simply because it was held in Bretton Woods, New Hampshire. The ensuing **Bretton–Woods System** was developed, which remained the status quo until it essentially unraveled in the 1970's with the Nixon Shock. The structure of international finance and exchange rate management was set forth in agreements made at the conference, including provisions for creation of the **International Monetary Fund (IMF)**, the **International Bank for Reconstruction and Development (IBRD)**, and the **Global Agreement on Tariffs and Trade (GATT)**.

The conference has been characterized as a struggle for control of the world's reserve currency between Great Britain and The United States. The British delegation was headed by Lord John Maynard Keynes who proposed the **International Clearing Union (ICU)** which would have essentially been a central bank for the entire world. Keynes proposed that the bank issue its own currency in the form of the ***Bancor*** to which the value of all national currencies would be pegged. Keynes' vision of a central bank included it having power to control the disproportionate economic development of any individual nation. Keynes believed that forced measures of economic redistribution on an international scale would be the end of economic inequity, which he viewed as the source of all war and conflict.

Keynes was also strongly motivated to direct the conference proceedings so as to prop up Britain's historic place of prominence in world economics. England, as being the national home of the Pound Sterling, then the reserve currency of the world, had enjoyed a long run at the top of international finance. Following Wellington's defeat of Napoleon at Waterloo, the British Empire fully dominated the military and economic landscape and the British Pound became the world's reserve currency. The Bank of England was the undisputed central bank of the world.

Then came the combined forces of crushing debt from two wars and British pursuit of interests in the Middle East, particularly oil interests, following the institution of the British Commonwealth of Nations under the 1926 Balfour Declaration after the end of WWI. England had slipped from being a creditor nation to being deeply in international debt, primarily to the U.S.

The United States had become the largest creditor nation in the world at that time and as such, carried a lot of weight at the conference. Refusing to be held to any limits on the growth of U.S. interests, regardless how disproportionate, the U.S. delegation, led by Henry Morgenthau and Harry Dexter White vetoed the British proposals for the Bancor and the ICU.

Keynes was also the strongest opponent to the dissolution of the **Bank of International Settlements (BIS)** which had been formed after WWI to facilitate payments of reparations from Germany to its victors. The BIS was shown during the conference in evidence from the delegation from Norway to be guilty of war crimes, specifically, that the bank had helped Nazi Germany launder assets stolen from occupied lands. The BIS had several Hitler appointees on its board of directors, as well as prominent war profiteers such as Baron von Schroeder whose **JH Stein bank** was a significant depository for Nazi held funds.

Keynes, together with representatives from **Chase Bank** argued in favor of the BIS, which was supported by the international banking contemporaries Montague Norman, who was the governor of the **Bank of England** at the time and his German counter-part Hjalmar Schacht, Adolph Hitler's finance minister. Keynes' attempt to retain Bank of England access to stolen Nazi gold on deposit at the BIS was ultimately outvoted by the U.S.-led move to take action based on the Norwegian evidence, and dissolve the BIS. Primarily due to continued resistance from the UK, the dissolution never actually occurred, and thus the BIS is still extant today.

The most significant feature of the conference for the USA was the creation of a system that placed the US Dollar, which was arguably the strongest and most stable currency at the conference table, as the world's reserve currency and the development of the exchange rate system as administered under the US central bank, the Federal Reserve.

For nearly thirty years, the economies of the western world were tied to the value of the Dollar, which had been pegged to gold. The Nixon shock ended all of that. It did not, however, end the hegemony of the US Dollar. The pricing of oil in "Petro-Dollars" has continued primarily out of international habit and because the U.S. has used its residual clout to prevent any moves away from the practice of tying of the price of oil to the now purely fiat US Dollar.

At the onset of World War II, the world's currencies were already in a mess but the British pound reigned supreme. By the end of WW II, the world reserve currency baton had been handed off to the then dominant US Dollar. After Bretton Woods, the US Dollar took its turn at the top, but in 1944 the US Dollar was enshrined as the world's reserve currency based upon the United States' status as the world's largest creditor, and that the Dollar was backed by reserves of gold.

Since abandoning the gold standard, it has been a forty year global experiment involving the US Dollar and all the other debt-based currencies that are, or were, tied to it as the world's reserve currency.

Today The U.S. is the world's largest debtor nation and the Dollar is purely a fiat currency, meaning it is only valuable as declared by law, but is not backed by anything but the "Full Faith and Credit of the United States."

The average life span of paper fiat currencies backed by nothing is 30 years, so the US Dollar has had a good run. As the world's reserve currency, the US Dollar could write its own ticket, but now the world is looking for something more stable.

This has all happened before…only the last time it was the British pound on the decline. This time it is the US Dollar. The difference is that this time, the interdependent entanglements of all currencies is more pervasive, so the potential for damage is much bigger and its effect is likely to be more widespread.

In his 1993 book, Joel Kurtzman refers to the end of the gold standard as ***The Death of Money***. Kurtzman also warned of the potential repercussions of an electronic banking system. His use of the term The Death of Money also refers to the end of the understanding of paper money as being representative of actual assets, like reserves of gold or silver. Deposits largely exceed the amount of paper money they are thought to represent to the point that many banks do not have large sums of cash on hand. It is common for most banks to require the maker of a cash withdrawal in excess of a given amount, often anything over $5,000.00, to schedule for up to five days in advance to give the bank time to get the cash.

Clearly ahead of his time, Kurtzman also warned of the dangers of "securitization," or the speculative risking of currency assets in complex and risk-intensive mortgaged-backed securities, by pointing to the potential for a wide-spread debt crisis.

These used to be separated by the now repealed The **Banking Act of 1933,** commonly referred to as the Glass-Steagall Act after the names of its sponsors, which maintained a separation of commercial and investment banking. The act was the birthplace of the Federal Deposit Insurance Corporation (FDIC). Guaranteeing account deposits up to a certain limit, the FDIC was meant to be a safety net for depositor's funds in case of bank failure. The Glass-Steagall Act was repealed by the Gramm-Leach-Bliley Act in 1999, however, much of what it had intended to prevent had already been deemed to be legal as interpreted by the Federal Reserve.

Since the Federal Reserve Note (FNR)--the US Dollar denominated currency issued by the Federal Reserve System--has been taken off of the gold standard, there has been no limit on the amount of it that could be put into circulation. Backing by gold had the effect of controlling the amount of debt that could be created, as any dollars issued into existence had to be redeemable. Since the debt-extinguishing effect of a value-backer for the Dollar has been removed, the U.S. Treasury has "borrowed" more and more from the Federal Reserve.

Following the Federal Reserve in the U.S., central banks worldwide have participated in the creation of mushrooming mountains of debt. We have entered a unique moment of history, where not just one nation or alliance of nations is financially imperiled, but the economy of every nation that is tied to the USD dominated western market is in grave financial crisis. The currencies of all nations are falling in comparison to commodities, as is evident in accelerating inflation world-wide.

Since 1971, the issuance of debt-backed currency into circulation has resulted in a parabolic rise in both national sovereign debt and money supply. The "money" most people recognized is really only a representation of a debt obligation that was created out of thin air when the loan was made. The more debt that is created, the more expanded the money supply becomes, the faster the existing currency is devalued, and the higher the rate of inflation.

Having lost over 80 percent of its purchasing power since 1971, the US Dollar is leading the race to the bottom as all other currencies join in the competition to print their currencies into oblivion. In a global game of financial brinksmanship, the central banks of the world, with the Federal Reserve at the lead, are locked in a currency war of debasement and inflation.

While the lending spree has brought the world to the incredible state of global insolvency; for the central banks, which "loan" to their governments, it has been the most lucrative period in the history of man. The banks have been the direct beneficiaries of the present cycle as they have raked in colossal amounts in interest payments secured by the tax bases of their respective populations.

It has been good business for the banks, but now it has reached the end of the road as the central banks of the world, led by the developing nations have now embarked upon a quest to obtain and hold precious metals as commodity money. The era of debt-based economy, which is dependent upon the creation of debt, which is leveraged with still more debt will draw to an end. The free-fall will come to a sudden stop and a hard reset of the respective values of all commodities and currencies will occur. The banks are already preparing for the paradigm shift.