

Hobbling the Four Horses of the Apocalypse

Written by Bruce Enberg

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New unemployment claims jumped by 66,000 last week to 374,000 after months settling down toward 300,000. This doesn't begin to show the real effects of the government shutdown as contractors are only now beginning to kick people to the curb. The effect this will have on the rest of economy will begin to show soon as the lack of spending by those affected by the shutdown starts to mushroom into a reduction in US GDP. This is one of those self reinforcing feedback loops that are commonly referred to as a 'death spiral'.

You see, the problem isn't confined to the simple math of less spending, but is actually multiplied by the fact that the natural mitigators of an economic downturn that we commonly refer to as 'government safety nets' are also being removed. State run programs are running out of 'pass through' money, and the charities will be affected soon. Right wingers are always saying churches could care for the poor better and somehow do it at no cost, but the christian charities get 2/3 of their money from the Feds. With Uncle Sam out the picture, their private donations will dry up too.

President Obama is going for broke, he's told the Republicans he will accept no half measures. They will accept the will of the people as he and the majority of Congress represent it, or they will leave the world economy to be resolved by what ever emergency powers that Obama elects to use.

It appears that Obama is placing his hopes in the Federal Reserve bank to back his play with his announcement of Janet Yellen to replace Ben Bernanke as Chairman. The 'hard currency' crowd is freaked by the nomination of someone even more committed to 'money printing' than the current Chair 'person'. These people don't think that women should be able to vote and wear pants, let alone control the world's reserve currency. All of the gold that they bought from Glenn Beck at \$1900/oz is now trending below \$1300/oz despite the ongoing Apocalypse, and

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they know 'girl cooties' have got something to do with their world being upside down. The thing is, once Bernanke steps down, Yellen as his Vice Chairman will assume the position even if the Republicans in the Senate attempt to block her.

It's not incidental that the all of the 'too big to fail' banks submitted their final 'living will' plans as required by the Dodd-Frank Act to the FDIC in the past two weeks. Given a real crisis there will be no one page demand submitted to Congress for trillions in bailout money like during the financial collapse during the final months of the Bush Administration. The heart of billionaire capitalism will simply be broken up into manageable chunks based on this prior disclosure, and put back to work. The shareholders will be wiped out, upper management sacked with no golden parachutes, and the Dept of Justice on speed dial will get the call.

At least this is the plan, we'll find out if it really works, or maybe the Republicans will blink instead. There is still time for them to kick the can down the road to early 2015, and I have been predicting that they will do this. The thing is they might not see any future there with the House almost certainly going to Progressive Caucus. They might opt for the end of the world instead. We'll find out in the next few days how this will settle out.

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