



Socialistic Capitalism

A Monday Morning Musing from Mickey the Mercenary Geologist

With Contributions from Jeff Stuart, King James Capital

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For all my born years, we Americans living in a free-market democracy, have derided the socialistic fascist model of a centrally planned economy. This socio-economic model simply does not work. Countries that once embraced this flawed ideology in the 20th century are becoming bastions of capitalism in the 21st. Today in China, to be a capitalist is glorious; today in the United States, a capitalist incites more onerous taxation.

Our government is increasingly resorting to nationalization and central planning in an attempt to stave off the inevitable depression predicted by the business cycle of Austrian economics. Note I said *depression*. Folks, I hope you realize that a recession is already here.

From the Wall Street Journal, we find out that Treasury Secretary Hank Paulson was secretly planning a rescue of Fannie Mae's and Freddie Mac's \$7.9 trillion at the end of June and quickly got the Federal Reserve on board.

Four weeks ago, the FDIC said Indy Mac was not on its list of "troubled banks". We all know what happened in California on July 11.

Were you aware that said FDIC has \$33 billion in assets to insure \$4 trillion in bank deposits? Does that make you want to put some of your increasingly deflated dollars into your local hometown bank? With interest rates on CD's at 2-3% and inflation running at least 12%, is that a prudent move?

Jim Letourneau of the Big Picture Speculator tells us that Barrick is hedging its increasing fuel costs by purchasing an oil producer with long term reserves. At the same time, 12 US airlines are asking for Congress to impose restrictions on oil speculators and enacting a major e-mail blitz to get taxpayers to complain to their Congressmen. How many times have segments of the airline industry been bankrupt and bailed out by our taxpayer dollars? Yet here they are, knocking at the back door again for yet another government-sponsored handout. Jim makes a good point: *"There is less volatility in the price of a barrel of oil than there is in the price of an airline flight ticket."*

Here is where we need to make a clear distinction between Free-Market Capitalism and Socialistic Capitalism. Social subsidies and bail-outs by government on behalf of major corporations are what have

gone wrong in corporate America. In the true spirit of enterprise, Barrick's actions create opportunity and mitigate business risk while the airline industry, accustomed to a culture of over-regulation, labor unrest, insurance and pension legacies, and silver-spooned subsidies now demands additional taxpayer dollars, price controls, and capital restrictive legislation to rescue their failing business. *Flying the unfriendly skies* is an example of your tax dollars at work.

How long before General Motors is bailed out of bankruptcy by Federal Reserve mandate, Executive Branch collusion, and Congressional acquiescence? And at what consequence to the average American?

Are we to be sacrificed as serfs, peasants, and pawns in this feudal economic kingdom of banker barons, white knights, and black rooks?

Socialism has had a long history in the underbelly of American political thought, from the statism of Alexander Hamilton to the trade-unionism of Eugene Debs. But if we were to pin the tail on just one Donkey, it would be Franklin Delano Roosevelt in 1933. In the first leg of an Austrian cycle depression, he plied America with the Emergency Banking Act, the Economy Act, the Credit Act, the Reforestation Relief Act, the Agricultural Adjustment Act, the Farm Act, the Federal Securities Act, the National Cooperative Employment Service Act, the Home Owners' Loan Act, the Glass-Steagall Act, the National Industrial Recovery Act, the Emergency Railroad Transportation Act, the Federal Emergency Relief Administration, the Federal Deposit Insurance Corporation, and the Civil Works Administration.

It was this *Democrat* who first sowed America's wide open and wild capital fields with weedy and seedy socialism. Socialistic Capitalism was then fertilized and fostered and exponentially grown by Lyndon Baines Johnson's Great Society debacle in 1965 and *Republican* Tricky Dick Nixon's lifting of the gold standard and imposition of government price controls in 1971. It never had a single dose of pesticide nor an annual pruning until The Great Hollywood Communicator and his right hand man Paul Volcker chopped it down in the 1980's.

But alas after eight years of economic prudence, we selected 20 years of the George Bushes and the Billary Clintons with their pre-arranged polygamist marriages of Federal Reserve money men, morally bankrupt world bankers, economic spin-doctors, the Amero, and One World government. No longer a place where every good seed has a chance to find purchase, the political and economic system of American has become a tangled jungle of weeds, invasive species and choking vines that block out our liberty-giving Sun.

53% of Americans now get the majority of their incomes from a government check. That's just *wrong*, but the tangle is so thick that it discourages even the most robust and enterprising from honing their tools, putting on their work boots and gloves, giving an honest day's work, and getting an honest day's pay. Now we just depend on the *mojados* to do that.

These are shaky—if not *dire*—economic times and it remains to be seen whether the US government's attempts at massive re-inflation and tax-supported bail-outs will succeed in putting off the inevitable depression as it did in the early 1970s and 80s. Doug Casey, respected economist, writer, thinker, and fellow libertarian, tells us this is the beginning of "*The Greater Depression*" and to reduce our standards of living and increase our gold holdings *now*.

I am currently reading famed Russian writer Leo Tolstoy's "War and Peace". I find his writings still timely after nearly 140 years. In that classic Tolstoy stated: "*At the approach of danger there are always two voices that speak with equal power in the human soul: one very reasonably tells a man to consider*

the nature of the danger and the means of escaping it; the other, still more reasonably, says that is too depressing and painful to think of the danger, since it is not in man's power to foresee everything and avert the general course of events, and it is therefore better to disregard what is painful till it comes and to think about what is pleasant.

Minyanville's Kevin Depew documents the slow, methodical development and belated recognition of the Great Depression in the 1930's and how some were seriously impacted but for others, life just went on, albeit under less prosperous conditions. He says: "*The time for preparations and battening down the hatches has passed. It's finally here. Let's Party.*"

Party on Garth. Party on Wayne. And Party on America with your sub-prime mortgages and your GDP growth fueled by credit card debt and your bankrupt banks and your nationalizing, helicoptered monopoly money. *Party like it's 1999.*

Whether you choose to come to this Party prepared or not is a personal choice. My guess is the host is about to run out of Party favors, and no fine wines will flow. It will be BYOB with lots of hillbilly moonshine and frequent visits to the Party outhouse since the no longer functioning indoor plumbing is mired in a bureaucratic debate over a low-water toilet rebate.

But pardon me while I take the Boy Scout route.

Along with the socialism comes its conjoined twin, fascism. Again, the best thoughts on the creeping madness of this ideology come from a man who witnessed it first-hand and helped save humankind from its horrors in World War II, Winston Churchill. He said: "*Socialism is inseparably interwoven with totalitarianism and the object worship of the state...No socialist system can be established without a political police. They have to fall back on some form of Gestapo, no doubt very humanely directed in the first instance.*"

It has come 20+ years later than predicted, but George Orwell's chilling novel of socialistic totalitarianism, "1984", is quickly becoming a reality in the United States of America. Reading this book on a snowy Saturday in the winter of 1968 was one of the seminal moments of my life: Right up there with the days that Kennedy was assassinated in 1962, Neil Armstrong set foot on the moon in 1969, Nixon resigned in 1974, I got fired from the only real job I ever held in 1987, Mark McGwire hit number 62 in 1998, and of course 9-11 in 2001.

That day of infamy led to a war on terror, (which is an endless war by design—how can America ever win a war fighting a *concept?*), another unwinnable civil war on foreign soil, this time to secure our Empire's oil supply, and a war which is now increasingly being "fought" on domestic soil against ordinary, patriotic but dissenting American citizens.

"1984" is finally here. In the United States of America, this question remains: How long before it becomes "*Animal Farm*"?

Skeptical? I suggest you watch Anthony Russo's landmark 2006 documentary, "*America: Freedom to Fascism*" and make up your own mind about America's direction and whether you want to flounder on board this ship or become part of the mutinous minority with Congressman Doctor Ron Paul.

As he was leaving the Constitutional Congress in 1787 after seven long months of heated debate and compromise, the very first American, Benjamin Franklin, was asked what these learned men had accomplished. His response: "*A republic, if you can keep it.*"

I fear we have lost it.

Ciao for now,

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Mickey has worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for the past 22 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey’s professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

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