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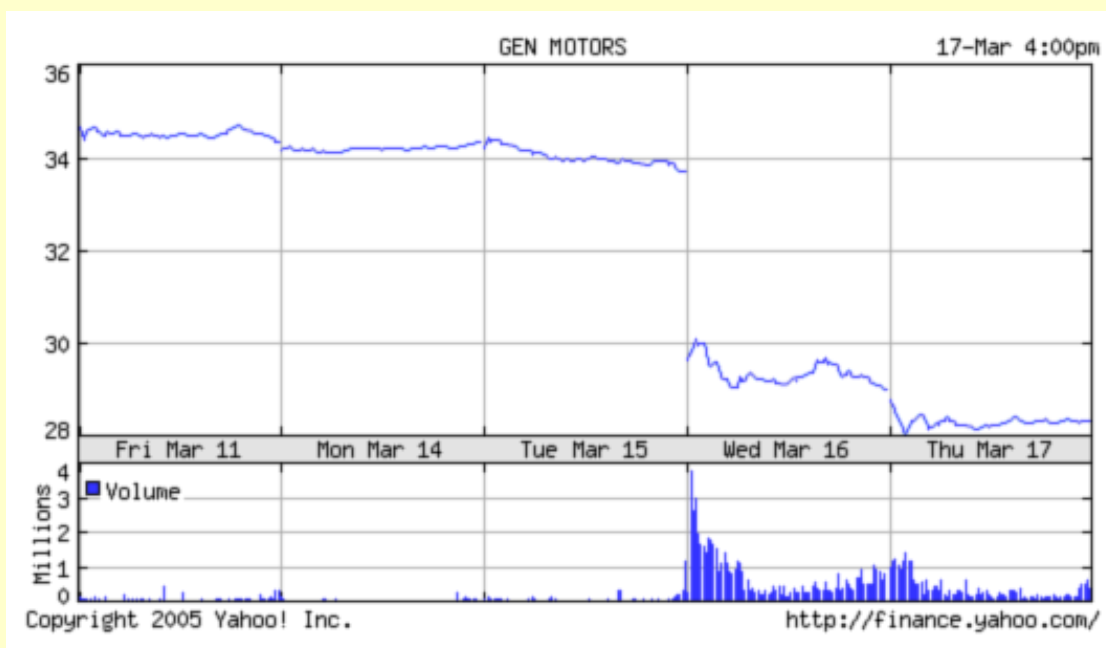
The Death of the Dollar

Jason Hommel

*Caesar was supposed to be a god.
Julius Caesar was killed
on the Ides of March (March 15th)*

Today, we don't make men gods. Instead society has made our financial system into a false god.

On March 15th, 2005, (the ides of March) we may have just witnessed the beginning of the death of our financial system as General Motors stock took a nosedive from \$34/share down to \$30.



It does not seem like much (GM down just over 10% in one day), but as of March 17th, the stock is down to \$28.35, and the market cap is down to \$16 billion. (GM is down nearly 18% for the week.) It's the type of volatility that we usually only see in silver stocks!

What does this mean?

GM's stock price decline is like a dagger right into the heart of the U.S. financial system, and the dollar itself!

Why did it happen?

Apparently, someone in power did the equivalent of shouting "the emperor has no clothes" and people woke up, and are beginning to see more clearly! The media decided it was time to

expose the truth that GM is nearly insolvent, and will expect to lose \$1.50/share in the first quarter alone!

But the story is worse than that! GM has \$300 billion in debt <http://finance.yahoo.com/q/ks?s=GM>

...and has a market cap, now, of \$16 billion. See the problem there? The bondholders could buy the company nearly 20 times over if they used their money to buy stock instead of loan it to the company. The implication is clear--that GM is headed towards bankruptcy, and will default on the bondholders, who will then own a company worth less than \$16 billion dollars!

For every one point that interest rates rise, refinancing GM's debt will cost an additional \$3 billion in annual interest payments -- money that they clearly do not have! Where is GM going to get another \$3 to \$6 to \$9 billion as interest rates rise by 1%, 2%, and 3% more? Selling cars? Nope. Selling stock? Unlikely in this market! Borrowing more? From whom? The U.S. government itself is propping up this bond market, and there are no buyers even for U.S. bonds, and there haven't been for months now!

So, therefore, GM will soon be a \$300 billion dollar blow-up!

How big is that? It's bigger than Enron, Global Crossing, LTCM, K-Mart, and the IRAQ war all put together!

\$300 billion going belly up is a big enough event to topple the U.S. government! How so? It will shake the confidence in the entire financial system. Companies as big as GM are not supposed to go bankrupt in our "normal" world. They are "supposed" to be "too big to fail".

The value of the "official" U.S. gold hoard of 261 million oz., at \$440/oz. is only a mere \$115 billion.

See what this \$300 billion blow-up will mean? Imagine the financial chaos as a pile of wealth almost three times larger than the current value of the U.S. "official" gold hoard evaporates!

The annual deficit is around \$700 billion. How will the U.S. government sell bonds to finance the deficit if bondholders are getting wiped out?

If the government can't sell bonds while running a deficit, then the government must simply be printing money to fund the deficit--and they are, as can be seen in the rate of growth of the money supply, M3! Therefore, inflation is raging, and interest rates must keep pace, which is why GM is doomed!

Interest rates must head up, as confidence in the U.S. dollar bond market will be shaken like a tree in a hurricane!

Foreign nations are all sounding the alarm already that they will be selling U.S. bonds to diversify the holdings of their central banks: Russia, India, China, South Korea, Japan... what major foreign nation is left to buy them?


A Tsunami of dollar selling is about to begin, and will make the recent dollar decline seem like a small bump in the road.

It may take a few months for this to play out. You may have time to buy silver at under \$10/oz. for a few more weeks or months. But after GM declares bankruptcy, which may take between 3 months to a year, get ready for the dollar to crash by more than 90% in the following 6-12 months.

Germany's hyperinflation in the 1930's took about a year and a half. Recently, Argentina's took place nearly overnight. Who knows which way the dollar will die, whether a quick death, or a more slow and painful one?

Either way, the dollar is dead. Long live gold and silver!

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