Central Bank Trap & Real Money

Posted November 21st, 2026 - By Chuck Coppes



*"With the exception only of the period of the **gold standard**, all governments of history have used their exclusive power to issue money to defraud and plunder the people."*
Freidrich A. Hayek, Austrian Economist (1899 - 1992)
*"Of all the contrivances for cheating the laboring classes of mankind, none has been more effective than that which deludes them with **paper money**."*
Senator Daniel Webster (1782 - 1852)

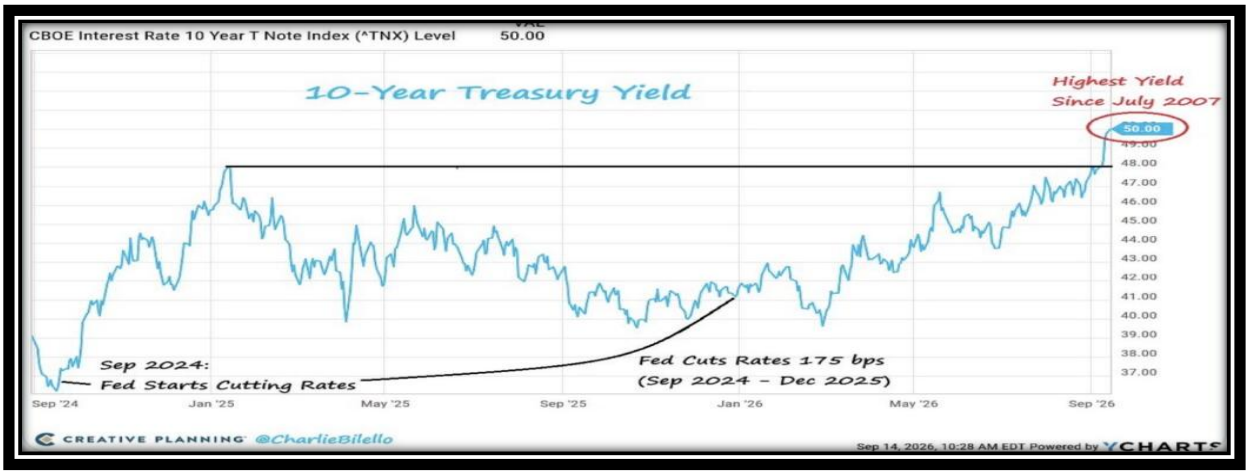
Greetings to All,

I've been a little late in commenting on current affairs lately. I glance at the news cycle looking for trends. The markets forces have been hard to analyze and especially since these forces are not at all natural or transparent. We have also had a very disruptive **political reckoning** that I saw coming, and I may comment on that later. Regardless of the political landscape and melodramas the one thing that will determine our future still remains largely in the background. I am, of course, talking about our deepening and unsustainable public debt trajectory that is literally worsening by the moment.



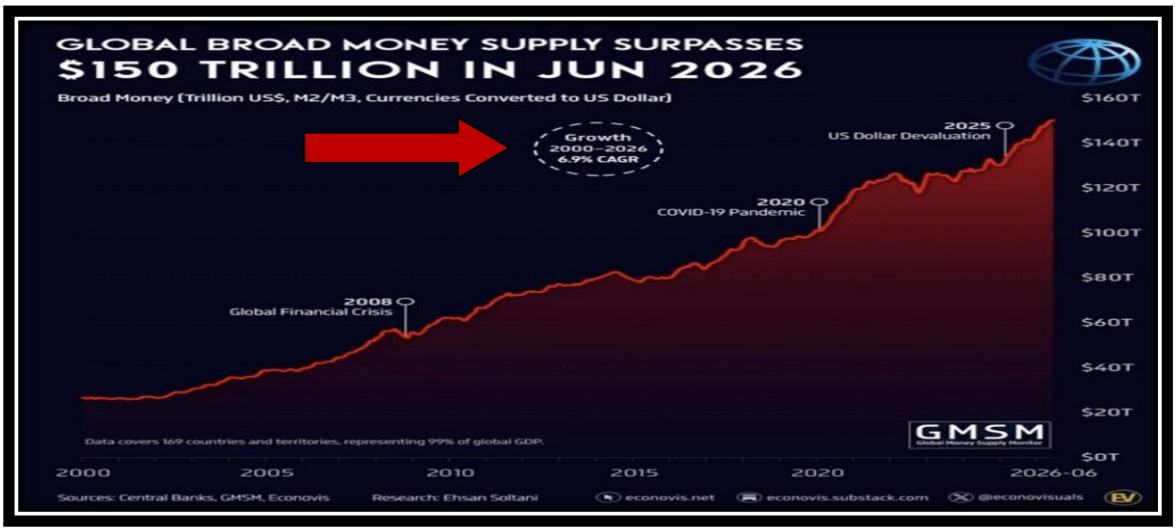
Back in August our Treasury Department did something that raised considerable attention and concern. **Bessent** sold euros to buy the Japanese yen. Why did he do this? As I reported last time, Japan has had zero or negative rates for **40** some years and they are being forced to raise rates (like we are) and this could unwind the trillions borrowed in the yen that bought risk assets. When this "carry trade" unwinds it would force Japan to sell US bonds and push our **30-YR** bond yield higher in addition to withdrawing substantial support for our highly leveraged stock markets in the US and elsewhere.

This is nothing less than currency-market-bond-rate interventions and smacks of desperation. Many have seen this coming for years. "Japan is caught in a trap**,"** says **Laurent Maurel**. "The yen has lost nearly **60%** of its value in five years. To halt this depreciation for good, the Bank of Japan would need to raise interest rates much more sharply. But with public debt exceeding **200%** of GDP, it does not have the same leeway as other central banks: each rate hike gradually and significantly increases the government's refinancing costs." So, the US is not only trying to micromanage the US economy but the Japanese markets as well in order to prevent contagion. Hedge fund guru **Stanley Druckenmiller** warns, "Governments defending prices against fundamentals always lose. The only variable is how much they spend before conceding." As bad as things look in Japan the US still has the largest debt pyramid in the world and all of this debt has been created out of nothing with interest. In the same way the US is also trapped into something they call **fiscal dominance**. It is a macroeconomic condition in which fiscal policy dictates monetary policy. In other words, the Fed becomes *less* concerned about inflation in order to "accommodate government borrowing" and *spending* for the welfare/warfare state. This is why modern elections are almost worthless when it comes to promising economic relief or a better future for the children and so on. Pretty soon, fiscal dominance will blow up the bond markets and this is when people will wish they had **real money** (silver and gold). As **M N Gordan** puts it, "You cannot fix a spending problem with balance-sheet gimmicks and financial graffiti. So long as Washington adds $7 billion a day to the national debt while attempting to artificially suppress market borrowing costs, it provides a direct tailwind for non-fiat, hard-value assets."



M N Gordon continues, "When the yield on the **10-Year** Treasury note sits above five percent, the mathematical feedback loop gets ugly very quickly. Net interest payments on the national debt rapidly eclipse major spending line items like defense and healthcare. Refinancing trillions of dollars in maturing short-term debt at five percent forces the Treasury to issue even more debt just to pay the interest on the existing obligations. That massive wave of new supply depresses bond prices further, driving yields even higher. No amount of bluster from **Treasury Secretary Bessent** can alter the underlying arithmetic of this fiscal doom loop." So there you have it. The US has basically been on a "fiscal doom loop" since **1971** when the Nixon Treasury Department decoupled the nominal gold backing for US dollars held by foreigners – and *this was a gold delivery default*. This is why the credit market is way more important than the stock market indices and the stock market is a *horrible metric* for the overall health of a nation. The stock market is a casino based on the-greater-fool-theory with high frequency trading (HFT), algorithmic trading (AT), dark pools, spoofing, naked shorting, pump and dump, insider trading and lots more we don't even know about. I'll have a more to say about this in a moment. It is the bond market that will finally expose decades and trillions in fraud.

So how do unelected central banksters get away with such reckless and destructive policies? For the answer you would have to read my book, but the short answer is that the banksters and politicians both benefit from this unconstitutional system. People might find it interesting that the *Communist Manifesto* calls for a strong central bank (5th Plank) and this has been institutionalized in the US since **1913**. Instead of the Treasury issuing currency as our fiscal agent this role has been shifted to the Fed with no restraint whatsoever. Recently, a blogger discovered that the states have fiscal restraints because "they have no power to create money." He concluded, "The only way to stop the debt madness at the federal level would be to legally prohibit the Fed's open market operations and related large-scale asset purchases. This would largely prevent the Federal Reserve from expanding the monetary base in its primary and most powerful way. This and this alone would bring fiscal accountability to the federal level that states face all day every year. Absent that solution, the federal government faces the same problem that a household with too much debt faces. Eventually all its income flows will be eaten up by debt service. Right now, 19 percent of federal revenue feeds the debt machine but matters are getting worse. The latest estimates from the Congressional Budget Office forecast a coming fiscal train wreck." Yep. And **here below** is what he is talking about.



Just look at that trajectory! And please notice that this increase in the (fiat) money supply growth is **6.9%** each year – there is your *real* inflation. This is a global figure but in the US this figure is even worse. According to the Committee for a Responsible Federal Budget the US has borrowed a staggering $1.8 trillion this fiscal year which figures to be about $7 billion per day and is on track for $2 trillion despite not being in a recession (but I say we are). **M N Gordon** recently shared how the Fed alone is supporting the bond market and how this likely lead to a massive risk contagion effect.

Every time the economy slowed, every time a minor market correction threatened Wall Street, or every time a new global crisis emerged, the Fed reached for the exact same playbook. ***Wall Street is no longer trading on corporate earnings, productivity gains, or underlying economic fundamentals. Instead, market participants spend their days obsessively dissecting central bank speeches, searching for the slightest hint of rate cuts or monetary easing.*** *If the* ***Fed*** *were to exit the debt markets, stop buying assets, and allow interest rates to be determined* ***entirely by free market forces****, the entire paper tower would come crashing down. Taking away the monetary stimulus would trigger a deflationary collapse. Debt servicing costs for the federal government would skyrocket, devouring the national budget. Corporate defaults would surge, asset prices would plunge, credit markets would freeze,* ***and the resulting economic shock would make the 1930s look like a walk in the park.***

How much longer will our (foreign) creditors/investors keep showing up at our US bond auctions? In 2013, **China** held more than $1.3 trillion of US sovereign debt and today it has fallen to $618 billion. Since the US weaponized the dollar in **2022** (against Russia, etc.) there has been a steady decline from other nations who don't think the US can be trusted and that fact that we are becoming uncreditworthy. The American people just have not figured that out yet. The Fed, and all central banks, are basically trapped in their various fiscal doom loops because the monetary base must always be expanding and *never ever* deflating. This is your primary source of price inflation but rarely discussed in the media or polite society. As Mark Thornton at the **Mises Institute** says, "The Fed doesn't even have a monetary policy in any sense. It's been playing games for more than a quarter century, really ever since **1971**, and even earlier going back to its very beginning of the Fed. These games center on the problems of printability. The Fed prints as it pleases and it wants to please its masters. Its mandate is not CPI inflation rate target or the Unemployment Rate target of the natural rate of unemployment—that is a tall tale to gain public acceptance and gain credibility for itself." Who are these masters? It is the banksters and politicians. In addition to monetary inflation we have cost-push inflation coming to bear on diesel prices due to war in the Middle East. This is a condition where wages and raw materials are pushing inflation and there is little that the political class can do about it. You cannot create diesel by decree. Diesel is used to transport everything and this is why most consumer items have gone up. This is also why the voters created a **bleunami**. Diesel was $2.81 a year ago and now almost $7/gallon.



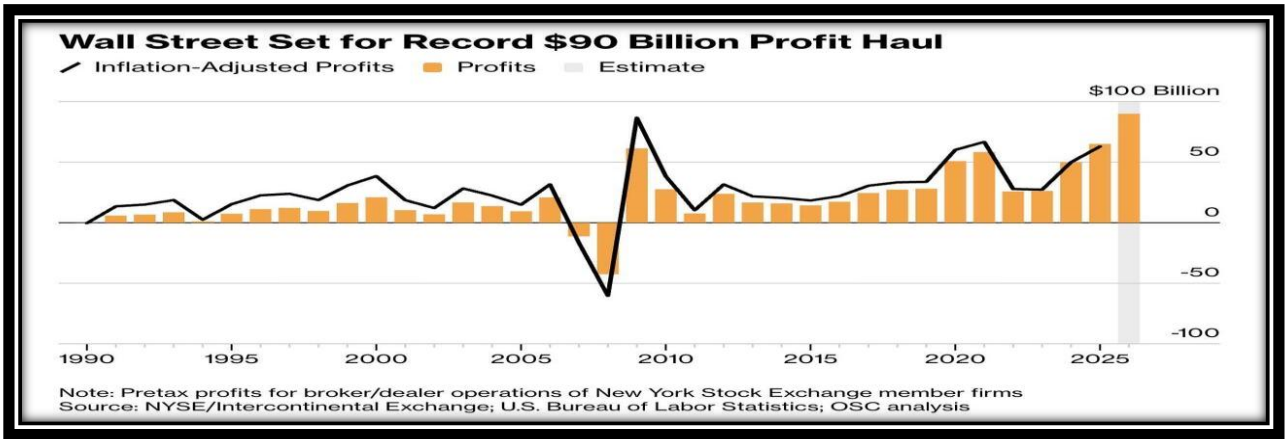
Meanwhile, in February of this year the **Dow** hit **50,000** points and smiles were everywhere (and caps). As I said the stock market is a *horrible metric* for the economy. It is merely a nominal scoreboard. It is a product of the *wealth effect* created by the expansion of currency and credit. In other words, people may feel richer on paper, but the fundamentals are flawed. Financial assets are being inflated but growing real corporate earnings based on profits or building factories and research takes years.



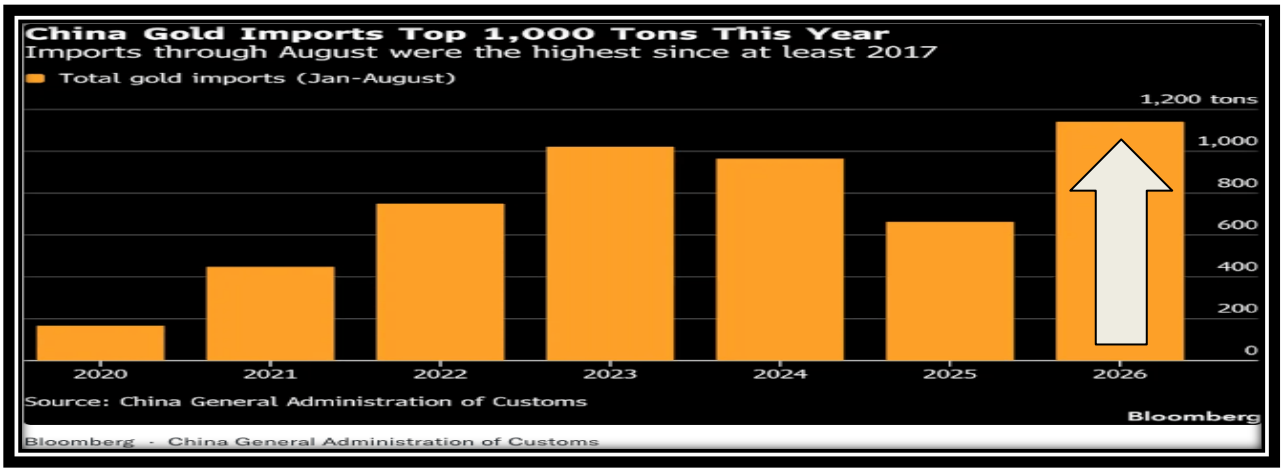


"That distinction matters," says **Tyler Durden** at Zerohedge. "Because today we increasingly celebrate *the scoreboard* without asking how much *the measuring stick* itself has changed. Nominal numbers are wonderful things to celebrate if you don't ask too many questions about what the unit you are measuring them in is worth." In other words, the measuring unit (US dollar) is distorting reality.

He goes on; "If tomorrow we woke up and every stock doubled in dollar terms while every house, gallon of milk, insurance premium, restaurant bill and salary *also doubled*, would America suddenly be *twice* as prosperous? Of course not. But hey….*hats*….Celebrating the nominal number without adjusting for the shrinking measuring stick is increasingly like celebrating that your kid grew from four feet to eight feet after you changed the definition of a foot to six inches. So before somebody fires the confetti cannon for **Dow 100,000**, I'd like to see a few additional statistics displayed next to the giant "100,000" on **CNBC**. What happened to the purchasing power of the dollar along the way? What happened to median real wages? What happened to housing affordability? How much of the country's financial wealth is owned by the people wearing the hats, and how much is owned by the people watching them on television?" The answer to that last question is only **10%** of the wealthy class own **90%** of the stocks! And according to Bloomberg the traders will have "the biggest round of Wall Street bonuses on record" and just in time for Christmas. Notice how they adjust this for **inflation!**



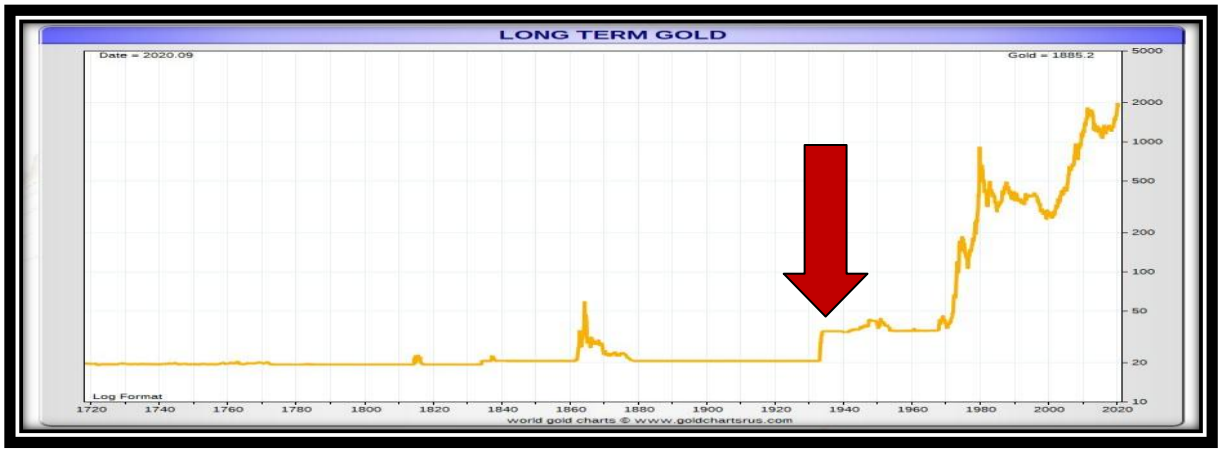
Yep, life is good if you are rich and getting richer (at least on paper), but again, the measuring stick is the key as **Matt Piepenburg** likes to point out, "Based on decades of monetizing trillions in budget deficits with trillions in magical money mouse-clicked at the Eccles Building, the central bank has been killing the purchasing power of your currency (and hence wealth) in an incremental death by a thousand cuts. This murder has now become so exponential that even Wall Street has finally given it a name: The Debasement Trade." That's right. As precious metals were soaring last year this rotation was coined the debasement trade literally admitting that our fiat currency is getting debased and people want **real money** instead! Leading the way were the central banks themselves buying gold and **China** is leading the way as you can **see below**. China has already imported more this year than last year.



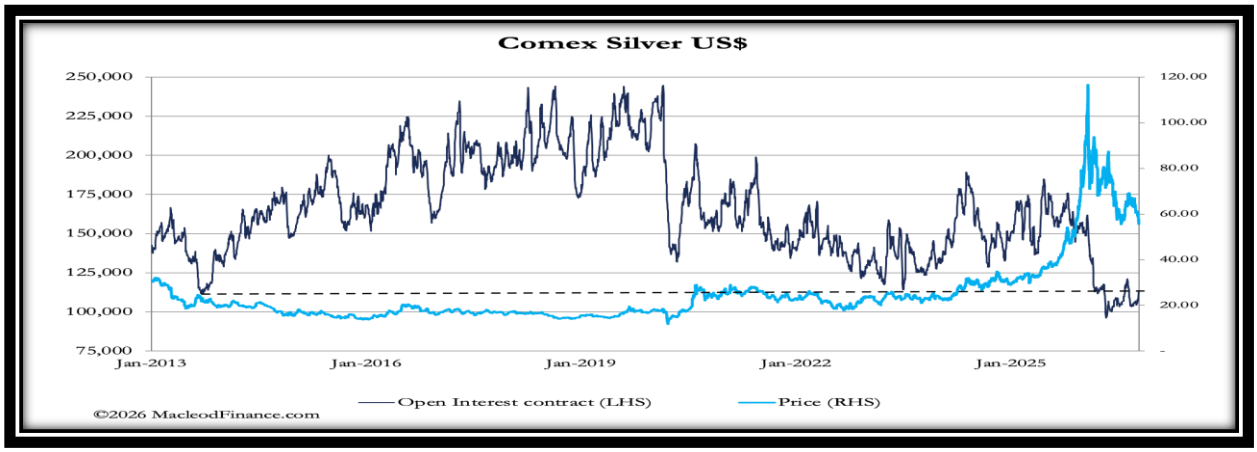
One writer notes this "buying spree reflects Beijing's push to cut its dependence on the US dollar, and Chinese households' lack of safe alternatives, with analysts expecting sustained demand for the bullion in a struggling economy." Can you imagine our government being concerned that Americans have safe alternatives like **bullion** in a struggling economy? This is the Chinese mindset, and even though gold has dropped in nominal terms the "bigger picture" has not changed in the world says **Mike Maharrey**. "Governments are borrowing enormous sums. Central banks are accumulating gold. Investors are increasingly questioning paper assets and sovereign debt. And geopolitical tensions are putting additional strain on an already fragile monetary system." And these factors are worsening.



The so-called debasement trade is actually **Gresham's Law** being played out these days. This Law states very simply that bad money (fiat currency) *drives out* good money (silver and gold) into the people's hands to avoid risk. It is based on human behavior and the evil banksters understand this too based on a **World Gold Council** survey as **seen above**. I mean, what does *that* tell you? And here comes **China** – the largest producer and consumer of gold – deftly preparing for the day when the paper markets fail in the West. As **Jim Rickards** recently said over at The Daily Reckoning, "China is positioning itself as a global gold trading center, with infrastructure for investment, retail accumulation, hedging, imports, settlement, clearing and storage. China is not troubled by the decline in the dollar price of gold between January 2026 and today. The reason is that China is in acquisition mode. In my view, Chinese policymakers expect the price of gold to soar sooner rather than later." I am betting with China. And **below** is an interesting **300** year old chart of gold in the US. Notice how gold was $20.67 all the way until **1933** when FDR banned private gold ownership. Then notice what happened in **1971** under Nixon. *Gold is not getting expensive the currency is getting cheaper!*

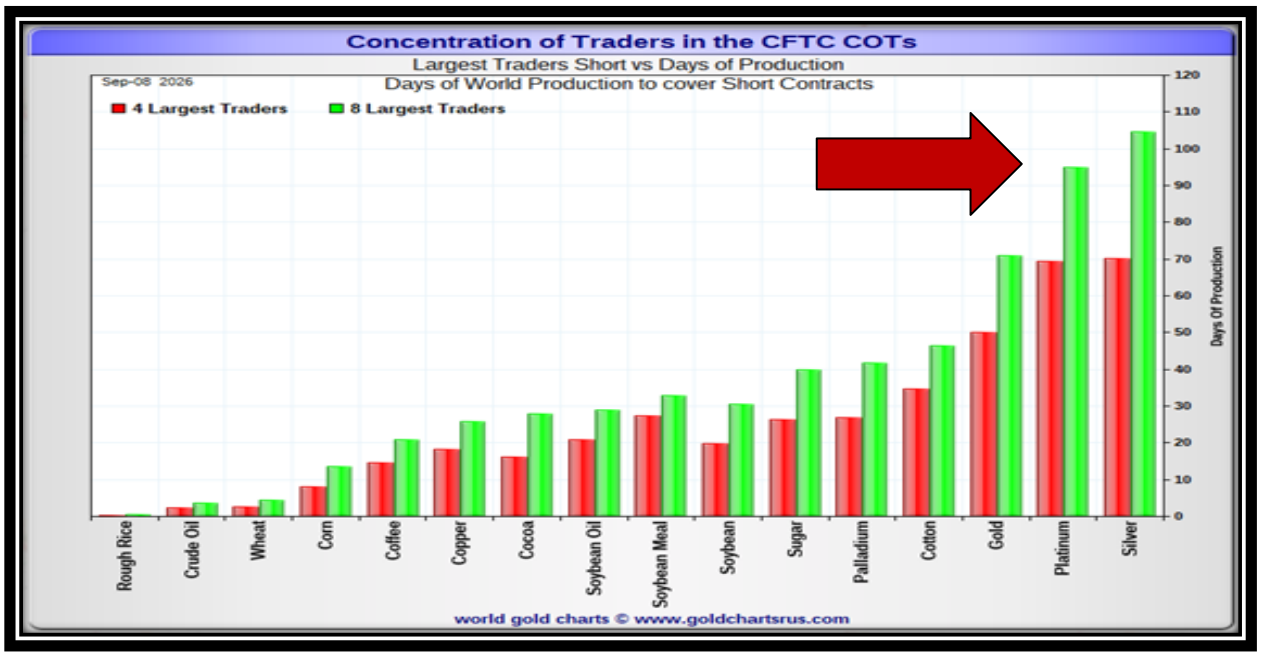


And this brings up an all-important question. What happens when investors wake up to the danger? The good folks at **Bullion Star** put out a report and found that there is more than ***$300 trillion*** in liquid assets and any diversification into **gold** would be historic. Read this carefully. "Gold accounts for just **2.7%** of global liquid financial assets, compared with a historical peak of 8.3%. Even a modest shift in this enormous pool of capital could translate into substantial increased demand for gold .The 2026 *'In Gold We Trust'* report estimates global liquid financial assets to be approximately **$321 trillion** at the end of 2025, with gold accounting for just **2.7%** of that total, compared with 46.5% in equities, 44.7% in bonds and 6.2% in alternative investments. The point is not that private investors should hold some particular "optimal" allocation to gold. It is that gold remains a very small component of an enormous pool of global financial wealth. A **1%** reallocation of **$321 trillion** would represent approximately $3.2 trillion. This is not a prediction that investors will suddenly move **1%** of their portfolios into gold. It simply illustrates the scale of the capital pool relative to the size of the gold market." You do get the idea here and I would imagine much more than **1%** might want some **real money**…if they can get it. **The report concludes**, "Gold's importance in the current environment is not limited to its ability to preserve purchasing power. Its deeper value is that it sits outside the liability structure that governs every other financial asset. Gold has no central bank that can create more of it by decree. No government promises to repay it. No corporation stands behind it as a debtor. It has no maturity date and no political allegiance. The price is set at the margin, but the repricing applies to the stock." This repricing will be substantial and I like to point out that in **1980** the Dow was **800** and gold was **$800**, so why don't we see **$50,000/oz**. for gold today? Just sayin. **Silver Academy** has the final word here; "Paper equities, sovereign debt bonds, and fiat currencies are exposed as leveraged bets on an unsustainable, debt-burdened system. As fiat wealth dilutes under the weight of endless money creation, **physical precious metals—gold and physical silver**—remain the only unencumbered, counterparty-free assets capable of preserving capital against systemic currency degradation."



And this brings us to an update on **silver** and the outlook going forward. Above is a **chart** from last month by **Alasdair MacLeod**. As we can see, silver spiked to $120/oz. and open interest (by the banksters in the Crimex trading pits) declined. What does this portend? Basically, buying pressure came from the tariff tax scare on metals imports and geopolitical concerns and so on and the-powers-that-should-not-be took short positions. "The way to read this development," says **Macleod**, "is that metaphorically the last silver bull left the building. Selling is over, and the odds favour market makers and bullion banks now face a developing **bear squeeze** as they return." What is a bear squeeze? It is when short sellers are forced to cover positions as the price remain stable or higher which is a bullish signal. We are not yet seeing this pressure as silver is floundering along with all the other metals today. Why are metals floundering? Because the US Dollar Index keeps marching higher and higher.

It is a great irony is it not that we are facing a **global financial reckoning day** as sure as the sun comes up tomorrow yet sentiment for the "real money sector" is flat or even declining? This is not normal. In a report issued one week later **MacLeod** had this comment. "Despite economic and debt deteriorations leading to a global crisis, PMs remain the playthings of the paper traders. So why are gold and silver languishing today, when the situation is demonstrably worse? In a word — **Complacency**. Complacency about inflationary consequences, complacency about bond yields and debt traps. Complacency over consequences for markets enjoying a credit bubble. Complacency over the consequences for manufacturers and debt zombies. And refusing to address the question: how on earth do we get out of this mother-of-all crisis?" This reminds me of the guy who asked what is the biggest problem in the US today, ignorance or apathy? And the guy answers I don't know and I don't care! Let's face it people are ignorant and stupid. If they knew what you and I (and the Chicoms) know they would be *running* to the coin dealers! But…*caps*…casino lights and smoke and mirrors. As I said at the beginning, market forces today are not natural or transparent and **below** is an excellent example.



Let's call this **Exhibit A** at the local crime scene in NY. This is what naked shorting looks like by the evil banksters and you will never see this posted at Bloomberg or CNBC. At Crimex this "market" is not represented by the miners or investors. It is entirely the banking syndicate. This is a paper shell game and their favorite tactic on Wall Street. Even during this oil/diesel crisis the-powers-that-should-not-be were shorting the oil futures through the Treasury or ESF! They were also busy draining the strategic oil reserves to deceive voters. This is why **Doug Casey** once said we don't have markets, just interventions. As silver analyst **David Jensen** has been sharing the fraudulent paper markets at both Crimex and the LBMA in London have issued derivative contracts and promissory notes for physical gold and silver at their exchanges and this activity has been going on for several years and it:

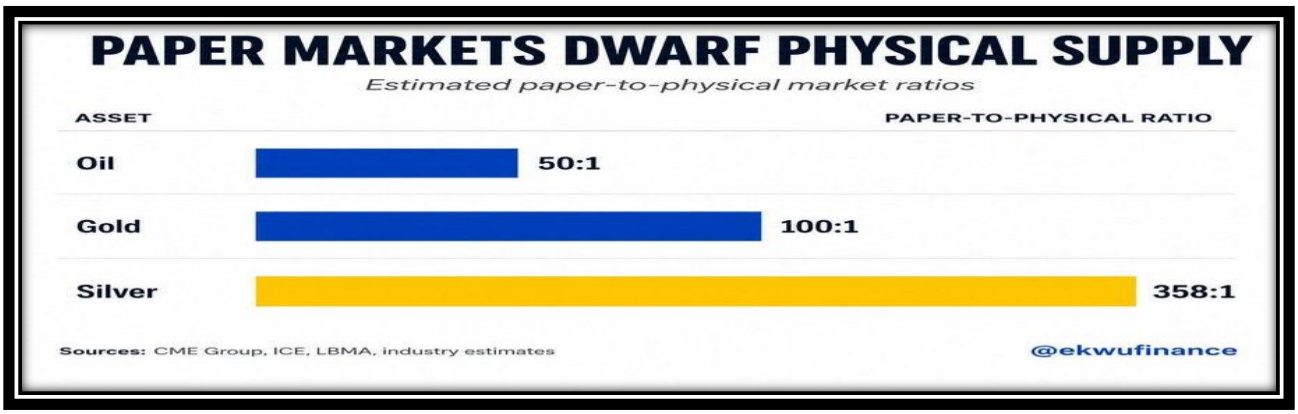
*"...has resulted in **tremendous paper leverage** being built up in this market of claims for metal that is not secured and held will result in a break in both of these markets in the future. This will in turn result in rapid repricing higher as the supply of 'paper' gold and silver in the system that has **masked** the true level of supply of these monetary metals for many decades is swept away. Paper metal revulsion sets in and only metal is accepted when this occurs. The central issue is the buying of holding of such contracts of artificial unallocated cash/spot gold and silver **in lieu of metal bars creating great market distortions that compound over time.***

The distortions in the precious metals industry are so great now that the evil banksters will have to issue *force majeure* and settle in cash only and not the physical metals (which they never had). This will be a delivery default just like the **US** did to the world in **1971**. We almost had delivery defaults in the last run up. This is why China is positioning itself through the Shanghai Gold Exchange (SGE) to become a new and better benchmark for pricing gold and silver. As **Rickards** says, they know this day is coming and they are anticipating a repricing of silver and this also why they are currently paying a **13%** premium for silver – see LINK. So, what shall we make of the current trend in silver? As I indicated, when the DYX Index is "strong" (up) in inversely pushes metals down because they are priced in US dollars. When the dollar is "weak" metals go up and they surely will again. The guys at **Money Metals** provided this perspective very recently. "Gold and silver investors got another unwelcome reminder: persistent inflation does not automatically send precious metals higher. Sometimes, it sends traders scrambling into the Federal Reserve note "dollar" instead. Gold fell roughly 4.5% to finish near $3,880 an ounce, while silver lost about 6.1% to $48.80. The selling carried into early Monday, with quotes around $3,860 for gold and well below $48 for silver. The previous week's encouraging rebound has given way to renewed pressure. The immediate culprit is familiar: expectations of another Federal Reserve rate increase. For precious-metals owners, this is a difficult stretch. Pretending every decline marks the bottom does nobody any favours. But neither does confusing a falling gold price with evidence that paper money's problems have been solved."

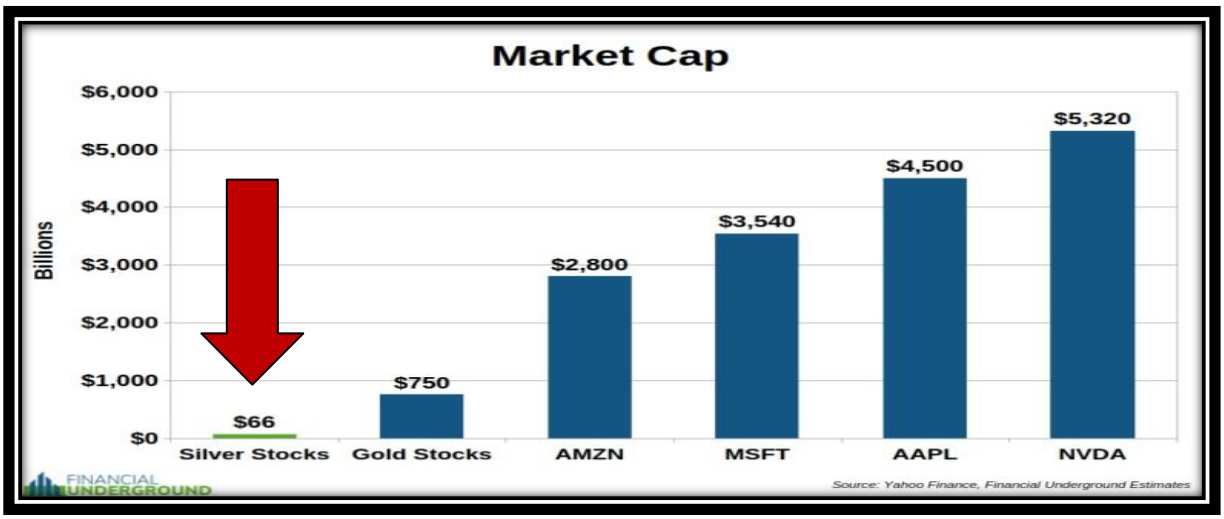




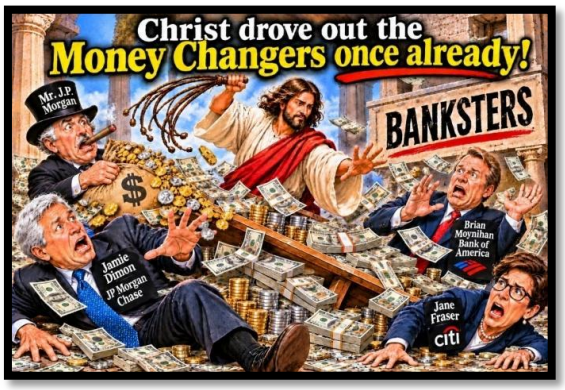
Their final observation that none of our paper money problems have been fixed is key. We are in a rough patch but this too will pass. Even at these prices silver has doubled in 18 months and so has gold. **Silver** still remains the most undervalued asset in history. Keep your resolve. Look what the **miners** did last summer (above). It beat every single sector by a wide margin! In my research I came across **this chart** for your consideration. This is straight from the CME/Crimex and the LBMA and fully reveals that there are **358 claims** for every alleged *ounce* - this is musical chairs! What a farce.



I think the above is all you need to understand the real transparent truth about the silver market. One almost gets the idea that they *fear* a rising silver market more than anything else in the financial world. And perhaps they should. When this all goes *force majeure* the jig is up. The pricing at Crimex or the LBMA for silver (and gold) will never be quoted, trusted or needed after that reckoning day and they know it. Again, keep your resolve. Go along a bit longer with the charade. As **Adam Sharp** (Daily Reckoning) reminds, "Silver mania isn't over. This is the intermission. No investment goes straight up, nor should it. But that doesn't mean we have to try to trade it. You can, certainly. But personally, my goal is to hold investments I believe in for many years. It's what works for me. If timing the market works for you, that's fantastic. Just make sure you consider tax implications, and have the experience necessary to trade in and out. Or have someone to guide you. If you've been waiting to buy silver, now is a fine time. We might go a bit lower over the short-term, but my confidence over the next 2-5 years is extremely high. Silver will hit $100 again, then $200, then $300, and beyond." Yes, this is just the intermission. Wait til **2027**. In the meantime, you might consider the tiny **silver mining sector.**



Here is another revealing chart. Look at the market cap for silver mining shares compared to the market cap for the meme tech stocks. The mining industry represents just **1%** of the entire global equity market. Talk about opportunity! As mentioned (p. 7), a reallocation into the metals space will be explosive. "Silver miners are not simply a substitute for owning bullion. They are leveraged exposure to the silver price," says a recent post at the **Silver Academy**. "A mine has major fixed costs: equipment, labor, energy, permits, processing facilities, exploration, and infrastructure. Once those costs are covered, a higher silver price can flow disproportionately into operating margins and cash flow. A 20% rise in silver does not necessarily mean a 20% rise in a miner's earnings. In a favorable operating environment, the impact can be much greater. It only needs a sliver of the capital now concentrated in the $23,200 billion mega-tech complex. When that money eventually looks for silver exposure, the miners will be too small to absorb it quietly. This is why the miners are poised to 5x, 10x, 20x and some may 100x . You don't have to be a Warren Buffett genius to understand this, just a brain in your skull will do**."** **Doug Casey** says when the average retail investor and institutions come into the metals/mining sector it will be "…like trying to siphon the flow of the Hoover Dam through a garden hose." It is best to locate that hose today and hold your positions. According to *Forbes* there are now **3,428** billionaires in the world and I often wonder what would happen if just **1%** of them perhaps decided to diversify into mining shares or even physical silver!? Even if they do nothing the raw fundamentals of supply and demand will come to bear soon and demand from China and India alone will be enough to finally drive out the **money changers** in the West once and for all.



Summary & Conclusions. Somebody made a graphic for me and I had to use it. **The Bible** says, "The LORD detests differing weights, and dishonest scales do not please him" (Pro. 20:23). What a scene that must have been in the Temple and how *much more* **He** must hate the monetary/financial system we have today! "For the love of money is the root of all sorts of evil" (1 Tim. 6:10). As we have seen the evil banksters are **trapped** and it only makes sense to have and hold **real money**. This week has seen sharp declines related to Fed policy. "The short-term charts look ugly," says **Maharrey**. "But Washington's massive debts haven't disappeared. Inflation hasn't been defeated. Central banks haven't stopped accumulating gold. And geopolitical instability continues threatening the global economy. The Fed may be able to push precious metals prices around in the short run. What it cannot do is manufacture sound money, eliminate government debts, or restore the purchasing power Americans have already lost." As **Hayek** warned **100** years ago, "All governments of history have used their exclusive power to issue money to defraud and plunder the people." I have also warned that it is the **bond market** that is exposed to decades and trillions in fraud. Raising rates is an admission that we need a risk premium (bribe) to attract buyers, but this also raises our debt service. Lower rates mean more loose fiscal policy and inflation. See the problem? Pick your poison. Our "money" is going to destroy us. As **Gordon** writes, "A society that destroys its money will inevitably destroy its *markets*. And a society that destroys its markets will soon find itself picking through *empty shelves*, fighting over rations, and wondering how a country of such vast abundance turned into another cautionary tale." There are two emotions in the market – fear and greed. I don't like what I see coming but I am prepared. Are you? I saw THIS LINK on safe places to be in America for consideration. If you are anchored in real money you are ready for the debasement trade coming. As **Woody Allen** used to say I am more concerned about the *return* of my money and not the *return on* my money. Did you know that the AI trade is now **65%** of our GDP? Talk about distortion! If you have silver and gold or considering I want to leave you with **THIS VIDEO** by **Swiss Broker Matt Piepenburg** for a *great* macroeconomic overview!

Finally, let's remember that this is the wonderful season of giving thanks, family and faith. "Enter His gates with thanksgiving" (Ps. 100:4). **Christmas** softens our hearts toward the **Lord** and I invite you to click THIS link from my site for more. I also offer THIS 10-minute clip on the prophetic lateness of the hour concerning Persia and global events that also point to the **Lord** of glory, Amen.

Until next time, your Messenger from Sandpoint,



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