



By *Uncle Harry Schultz*- Jan 16, 2011 Dear Reader, Welcome back to Hslm's & welcome to Aden sisters' readers. We all meet on common ground here. Ironically, this joining means I have more readers, by double, than before. Likewise, so do the sisters. May it bear fruit for all. ....

I am returning to (& expanding) my former forecast that of all the possible outlooks, it seems quite likely we're **already** well into that future-zone & the name of it is: **inflationary depression**. The inflation will range from high to devastating, depending on geographic locations. & the depression will be extreme (I define that as worse than 1930's Great Depression I). Inflation is almost out of control in several countries, Brazil & China included & they're raising interest rates to compensate (a never ending process during high inflation). Inflation is the same in USA, but govt lies & uses false data—which everyone knows but mass media ignores (as it's elite-controlled). For proof, see: [www.shadowstats.com](http://www.shadowstats.com) •But US inflation will likely soon be higher even in the false govt numbers. Why doesn't Congress demand honest numbers on inflation---& include food&fuel? It doesn't suit them. Like not auditing the Fed & the gold reserves suits them or their string-pullers. The depression side of this equation is already well underway; just count the homeless, the massive home foreclosures, the 5mil empty houses, & the jobless & the projections by everyone that the job numbers won't get better for years (it suits them to admit this as it "justifies" big spending. And the continued fall in house prices. Multi-lateral corp. profits come mainly from overseas sales & benefit from job cutting! Big corp. profits are not an indication of economic health or trend. Neither is the stk mkt, propped up by Quantitative Easing—which is eroding the purchasing power of income & savings. Yes, Virginia, there is a Santa Claus clone, but under his beard is govt, trying to buy votes with promises/bribes, subsidies/tax cuts, fake statistics. Coming soon: tax rises & special fees at every level—to pay interest on the debt, but deepen the depression.

I forgot to mention that rising inflation guarantees the depression becomes fixed in place, entrenched. For the unemployed & underemployed, it's a disaster. The middleclass will struggle. My friend Bill Sardi gives my kind of advice. I call it the *6-shoes principle*. He sees huge inflation. He suggests we all buy 6 pairs of shoes to tide us over the price inflation. In other words, stock up on things U would otherwise buy over the next 7-10 years, as they'll become price inflated. A new car, computer, TV, clothes, longlife food items, tinned pet food, medicines, whatever. Booze for barter. Even some distressed real estate, especially if rentable. A farm. Also stockpile cash, enough for a year at least! And, of course, half of your net worth, not just stocks/bonds

must be in gold shares/bullion, silver, palladium, rare earths, fertilizers. Some of the gold in your "pocket." Some in wafers or 1/10<sup>th</sup> oz coins. The real price of labour will drop, but the price of things of real value will rise. U can see the squeeze factor in that. Hopefully all the above is a "prudent word."

**STOPRESS**—Since writing the above (& in support of my forecast) 4 news blasts: IMF warns of dangerous rise in food prices. And Germany's banker Herr Weber warns "*Inflation could move higher*" which is German underspeak for Achtung, lookout above! And China raised its bank reserve requirement by 50pts—which smacks of its zipping inflation. And US gasoline prices rose to an inflation-adjusted \$3 a gallon. I reckon U get my point.

*"The strength of a civilization is not measured by its ability to fight wars, but rather by its ability to prevent them."* Gene Roddenberry

..... *"War is legalized mass murder; it is rightly relegated to the measure of last resort by civilized people the world over. Thus the majority of the civilized world was horrified when the US {govt} launched a preemptive war on Iraq without the authorization of the United Nations."* Thom Hartmann

**Invisible Bank Runs** *"Facing facts like these, each morning when I wake up I wonder, 'Why is today not a good day for a wholesale run on the Irish banking system?'"* asks Scott Miner, chief investment officer at Guggenheim Partners. *"And if there is a wholesale run on the Irish banking system, then what stops the same scenario from cascading into Portugal, Greece, Italy, & most importantly, Spain?"* And only Europe? U jest!

Friend Bill Sardi comments: I check Yahoo Finance 4 times a day to see if THIS is the day a run on banks around the world will occur. And it appears a quiet run on the banks has started in Ireland & could sweep through Europe & around the globe. The paper money systems are bogus. Buying Swiss francs is not a total answer. Just where will people put their money? There is only so much gold, & if the price rises to \$1700 an ounce, gold will become a parallel currency with paper money & the world will become a gold economy, & then gold will rise incredibly to the point where only the rich can buy & the rest will sell (their jewelry). Then govts will have to take action, but they can only declare a bank holiday for a short while, & may be forced into gold-backed currency {in order to reopen the banks}. But if the banksters own most of the physical gold, paper money will become a sham again. If we only knew how much real gold is in Ft. Knox. And how much real gold COMEX & other precious metal exchanges really have in their vaults. As these are revealed, gold soars beyond belief. The definition of rich will be gold, & the definition of poor will be no gold. India is prepared, people there own scads of gold jewelry.

So, **is 2011 the year of the bank run?** Read the view of Colin Barr at: <http://finance.fortune.cnn.com/author/colinbarr/> and <http://financefortune.cnn.com/2011/01/>

03/2011-year-of-the-bank-run/> He (& a few others) ask: Is a bank run about to bring Europe to its knees? Some market watchers say yes, pointing ominously to the torrents of money pouring out of Ireland. <[http://fortunewallstreet.files.wordpress.com/2011/01/sroberts\\_broomhill\\_03.jpg](http://fortunewallstreet.files.wordpress.com/2011/01/sroberts_broomhill_03.jpg)>

The solutions policymakers slapped together in the fall of 2008 helped in some cases to create even bigger problems -- ones that are now coming due. Unconditionally guaranteeing bank deposits is just such a policy, in a country where loan losses made the banks insolvent, job loss left many taxpayers penniless & bank deposits now at least double annual economic output.

**Bottom line:** The fear is: will bank runs, already underway under the surface, spread & break above the surface throughout the West? My advice: make sure U have spread your risks, eg, use several banks & in diff countries, have assets outside banks, assume your bank (if not all banks) may close. The "crisis" is only in early stages.

**It's fitting** to give space in this initial column to HSL readers who wrote me upon the closing down of HSL-- an emotional moment in time. Here's a few: "At the ripe age of 87 myself, & a life long subscriber of HSL, I find myself already feeling the withdrawal effects of not having an HSL to read. How will I possibly pass the time without something worthy to read? Thanks for all U have done for me, but I am so saddened I must go now & weep! Thomas V. Bumbarger, Lifetimer."

"Dear Uncle Harry. We only met once - in Paris where we spent a wonderful evening dining at the Tour d'Argent! I remember it like it was yesterday. Even more so as U picked up the check. Last night when I read your last letter - & realized it will be your last letter I became very sad! U have been a companion to me & so many others; more than a companion I think of it like a buoy which acts like a guiding light but also a place where U can hang onto when it gets really rough out there in the economic ocean. And it has been rough & maybe getting rougher. Hopefully U will have instilled in me & others an economic & market sense that will continue to guide us & to keep our head clear amongst all the nonsense that is being spouted. My hat off to U for having done a great job & having performed an essential & important service to us investors & mankind! Your wisdom will be sorely missed. Thank God I will still be receiving bits of it via the Aden Sisters letters. With great affection. Frank (Burgel)"

From Marvin, the Sage of LV: "U never lose your touch. It's been 45 years of reading HSL & the quality has never gone backwards. Your mind & wisdom have always been extremely valuable. U are one person that no regular reader will ever forget, & will always wish the next HSL will be coming any day. Good luck, good health." ●●● "The Force will always be with you Harry.....forever. The new adventure is waiting. You will do great. ML, Ken. Kenneth J. Gerbino & Co."

"Dear Uncle Harry, I am so sorry your health is not so good & I can only wish that with less stress U will

*weather the storm more easily. Senior age is not a comfortable place to be without good health so U must look after yourself as much as possible & look to your own needs rather than those of others. I must thank U most sincerely for the good advice & lessons learned through your newsletters; they have been invaluable in helping me understand markets & charts. But, it takes experience of long standing & intuition to read the markets, & U of all people are a master of the art. May U enjoy your well earned retirement, I shall be sad not to be the recipient of your weekly GCRU & monthly HSL, but I am sure the Aden sisters will do their best to keep the flambeau alight. Take care Harry & God bless. Wishing U a very happy New Year. And many more to come. Susan Forbes."*

"Dear Uncle Harry & Paul, I'm very grateful to being on the receiving end of your wise insight & guidance over the past decade. U will be missed. I'm praying the good Lord will restore your health & strength so U may continue to be a blessing to others & that U may enjoy the fruits of your labor in your twilight years. May your twilight be even brighter! Blessings to U & your family, Jesse HSLM Lifer." ●●● "I knew folks wud rally around U as u go on to the next chapter of life. Over the years U have not just been a great guru, but U have inspired a lot of love & affection in your following & in the investment industry. PKM"

"Please tell Uncle Harry he will be sorely missed, & if health/travel permits to the Los Angeles or Palm Springs/Rancho Mirage areas, I hope he will visit us. He is family & will always have progeny throughout the world. Dan Peters."

●●● "Harry, do us all a favor. Find some automated way to send your final HSL683 out into the future, maybe 20 years from now. Then we will know U are scouting heaven prior to our arrival. Bill Sardi." OK, Bill, I'll get Paul on it.

"Uncle Harry, Happy new Year. Hope U & Paul feel better. The Aden sisters have some very large shoes to fill. By your recommendation I'm sure they will. Thank U for your wonderful service & dedication. U have changed me & my families life for the better with your commodity, stock recoms & special info. May your 'retirement' be blessed with good health & happiness. I could never thank U enough for the knowledge U have passed onto me. All The Best, Ralph Cecere."

**My Starship size thank U to all of U who wrote. We are indeed a family & always have been. Uncle Harry**

**Potpourri:** thoughts ON WORLD POLITICS Diplomacy is the art of saying "nice doggy" until U can find a rock.

●●● ON DRUGS & DEVELOPMENT There are 2 major products to come out of Berkeley: LSD and UNIX. We don't believe this to be a coincidence. ●●● ON: A day without sunshine is like.....night. ●●● TEACHER: Winnie, name one important thing we have today that we didn't have 10 years ago. Winnie: Me! ●●● TEACHER: Glen, why do you always get so dirty? GLEN: Well, I'm closer to the ground than U are.