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# From the Desk of Karl Denninger

September 12, 2007

The Honorable Senator Nelson  
United States Senate  
716 Senate Hart Office Building  
Washington, DC 20510  
Fax: 202-228-2183

Dear Sir:

I write to you today about a matter of the *utmost importance*.

We face a fiscal **emergency** in this nation – right now.

I am attaching a chart of the US Dollar. You will notice that it has been in a serious downtrend for a long time.

But in the last few days, it has totally fallen off a cliff.

This is because the Chairman of the Federal Reserve is widely expected to **cut interest rates** in an ill-advised attempt to bail out Wall Street (and Main Street) speculators in the housing market.

Mr. Nelson, the cost of this bailout **will quite literally be the economic security of this nation**.

Please be aware that **just today**, we have seen Oil hit new highs and **real interest rates, which are determined in the bond market, are up wildly today as well**.

This will continue.

Do you remember the days of Jimmy Carter and 18% Interest Rates?

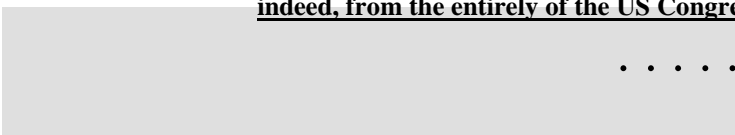
*We will see them again. It is absolutely certain if Ben Bernanke does not step in right now to state that he will not cut interest rates and that lenders and speculators who made bad bets will have to eat them.*

In addition, Mr. Bernanke recently **waived safety provisions in the Federal Reserve governing code** and allowed Primary banks to raise their “affiliated capital levels” from 10% to 30%. *These regulations were put in place after the Great Depression to insure that an “affiliated dealer” could not cause a banking system COLLAPSE!*

**Yet now these safety measures have been removed!**

**This must not be allowed to go on; it requires IMMEDIATE attention from your office and, indeed, from the entirety of the US Congress.**

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You are our elected representatives.

**This is the worst threat to our economy in more than 30 years.**

**Please realize that as foreigners take capital losses due to foreign exchange deterioration we run the risk that these foreigners will abandon US investments – especially Treasuries! If this happens then the US Government will be unable to finance its operating debt without dramatic interest rate increases.**

**THE NATION CANNOT AFFORD THIS RISK.**

It is incumbent on you to act – **TODAY** – to stop this insanity.

Yes, I realize that there are people at risk of losing their homes.

How many people will lose their homes **WHEN** (not if) we trigger massive capital flight **AND REAL INTEREST RATES RISE TO 18%?**

**That is what WILL happen if the Dollar collapse is not halted NOW.**

Please act today.

The nation depends on it.

Congress needs to tell Mr. Bernanke – either tell the markets – **TODAY** – that you will not bail them out (and then act in accordance with that) **OR** Congress needs to initiate Impeachment proceedings against him.

This letter is being published on the Internet so that in the event Congress fails to act, and this comes to pass, the citizens of this fine State are fully aware of **WHY** the economy of this nation has been sacrificed – and who could have prevented it, but did not.

Sincerely,

Karl Denninger