

GOLD & THE COLLAPSE OF PAPER MONEY

The past is not prologue. The coming collapse will not be the same as the Great Depression. It will be worse. Then, it will be better.

Free will, like the idea of free markets, has an unmistakable appeal. Nonetheless, even its most committed advocates did not choose or will their birth, their gender, their proclivities, their talents or their foibles; and whether we wish to be here or not, all of us are now gathered together on the very precipice of extreme change.

To most, the appearance and severity of the current crisis is unexpected. To Professor David Hackett Fisher, author of *The Great Wave, Price Revolutions and the Rhythm of History* (Oxford University Press 1996) the crisis and its severity was both expected and understood.

According to Professor Fisher, waves of rising prices have interrupted long periods of stability throughout history. These great waves are often accompanied by unexpected disasters, extreme social upheaval and always end in economic collapse.

Such great waves last from 80 to 120 years and their appearance spells the end of epochs and eras. Great waves marked the end of the feudal era, as it did the end of the renaissance and the enlightenment; and soon, the current great wave that began in 1896 will end the era of “Victorian equilibrium”, an era that began with the reign of England’s Queen Victoria.

This era, however, could be called “the era of debt-based paper money and credit” for debt-based paper money and credit was the foundation of Queen Victoria’s British Empire, an empire now in its final stages of dissolution and collapse.

The current great wave of rising prices began in 1896. Lasting from 80 to 120 years and always culminating in economic collapse, this great wave will collapse between now and 2016. But, according to Fisher, this great wave differs from preceding waves.

...the great inflation of the twentieth century differed from every price-revolution that had preceded it. Its velocity, mass, and momentum were greater than those that came before.

Just as the magnitude of this great wave is unprecedented, so, too, will be the severity of its collapse; and, although such changes happen with varying regularity, this time, we—all of us now here—will witness and experience this event together.

Professor Fisher writes in the preface to his book:

...Every period of the past has been a time of change. The world is always changing—but not always in the same way. We shall find empirical evidence of distinct “change-regimes” in the past that were often highly dynamic, but stable in their dynamism. Sooner or later, even the strongest of these change-regimes broke down in moments of what

might be called “deep change”. When it did so, one system of change yielded to another. Deep change may be understood as a change in the structure of change itself. In the language of mathematics, deep change is the second derivative. It may be calculated as a rate of change in rates of change.

We have been living through a period of “deep change,” when one “change regime” yields to another...In periods of deep change, understanding lags behind the movement of events...In the United States problems of economic understanding have been compounded by the effects of economic prosperity...The Greeks called it hubris, and thought that it always ended in the intervention of the goddess Nemesis. That lady makes her appearance when wave-riders begin to believe that they are wave-makers, at the moment when the great wave breaks and begins to gather its energy again.

Economic misunderstandings exacerbated by recent economic prosperity have left those in the US, Asia and Europe particularly ill-equipped to deal with what is now about to occur. Nonetheless, the past is proof that misunderstandings are no defense against future occurrence, no matter how many are ignorant of its coming

While the whiff of hubris is still evident in the optimistic outlook of economic hucksters and those who job it is to keep us ignorant and complacent, it is clear that the goddess *Nemesis* is now about to take center stage. The great wave has broken.

THE COLLAPSE OF PAPER MONEY

The great stock market bubble of the 1920s was caused by the sudden influx of leveraged credit from the introduction of debt-based money by the Federal Reserve in 1913. Just 16 years after its introduction, the explosive growth of credit in the hands of speculators led to the collapse of the US stock market in 1929 and was to bring the world economy to a virtual standstill by 1933.

We are about to see a variation of that disaster, except this time it will be worse because this time sovereign monetary defaults will accompany the defaulting of debt and the contracting of credit. This time money itself will be a victim. Fiat paper money systems have always ended in failure. This time is no exception.

Massive debt failures will happen and credit will become increasingly scarce. Indeed, both are occurring already. But what will happen this time that didn't happen before is that this time the US dollar will increasingly lose value as will all debt-based paper currencies issued by central banks.

This time, the debt-based paper money of the Federal Reserve will not only be responsible for a deflationary collapse as it was in the 1930s, its continued excessive printing will be responsible for the hyperinflation that will succeed the present inflation now in motion around the world.

Currently, inflation in Turkey is 12.1 %, Vietnam is 28.3 % (Vietnam was the world's largest importer of gold in January as investors bought gold as a protection against inflation but since June 23rd, Vietnam has prohibited the importation of gold.) South Africa inflation is at 13 % and as per the calculations of John Williams at ShadowStats.com, the rate of inflation in the US is 13.64 %.

Hyperinflation Ben, *née* Helicopter Ben, Bernanke will be the usher than when the era of fiat money, the foundation of the era of Victorian equilibrium, comes to an end sometime in the next eight years when Professor Fisher's *Great Wave* finishes its work.

GOLD

When I presented my book *How To Survive The Crisis And Prosper In The Process* to Marshall Thurber's Positive Deviant Network, <http://www.posdev.net>, on March 1, 2007 the price of gold was \$645 per ounce. In *How To Survive The Crisis* I wrote that that gold was then in Stage II, a stage where the price of gold was rising, even as central banks fought its advance.

Now, we are clearly in Stage III, a period of price volatility evidenced by its ascent to its \$1,033 March high and recent correction to \$830. This period of volatility will not change until Stage IV begins

It should be understood that Stage III is the last opportunity to invest in order to profit from the coming shift. Stage III is the interim stage which is, as in the cowboy movie, *The Last Train To Yuma*, the last remaining chance of investors to liquidate soon to be illiquid positions and reinvest in gold and silver which will be among the few safe havens in Stage IV.

In the final session of Gold Standard University Live to be held in Canberra, Australia from November 11th – 14th, Professor Fekete and I will discuss using the gold and silver basis to maximize precious metal investments during this period, There are only a few seats left on *The Last Train To Yuma*, see feketeaustralia@yahoo.com.

It is not certain how long Stage III will last. It is only certain that Stage III will be succeeded by Stage IV, a stage whose end will coincide with the collapse of paper currencies, a collapse that will also mark the end of the era of Victorian equilibrium.

The price of gold will be a marker of this event because gold—or rather the lack thereof—provided the key to the bankers debt-based money that funded England's 19th century empire.

Now that England's surrogate successor, the US, has completely removed gold from the debt-based money first issued by the Bank of England and now issued by all central banks, the current debt-based global economy, a house of cards, a monetary abomination of historic proportions out of which bankers have sucked all remaining productivity and

profit, will fall—a fall which will denote the end of England’s surrogate dominance and the collapse of its banks.

The bankers are bankrupt
Who would have thought
What once was so
Now is not

The guard is changing
The kingdom’s exposed
Its coffer’s empty
Its exit closed

Time is now moving
Towards an end unknown
May the Hand that guides us
Lead us home

HUMPTY DUMPTY & THE BRIDGE OVER SAN LUIS REY

*Humpty Dumpty sat on a wall
Humpty Dumpty had a great fall
All the king's horses and all the king's men
Couldn't put Humpty together again*

Such will be the end of fiat money. No system of fiat money has every survived and now, for the first time in history, all currencies of all countries are fiat. This is the economic equivalent of everyone having AIDS. Its end will be catastrophic. The collapse of paper money as store of value is as unimaginable as it is now virtually inevitable.

China, late to the party, is not yet aware that the party is about to end. Nonetheless, China, better off than before, is beginning to realize the precariousness of its present well-being, a well-being predicated on the continuation of debt-base economies operating on fiat currencies.

With gold no longer a protective barrier between currencies and nations, the transmission of monetary pathologies such as inflation is as inevitable as the transmission of AIDS at an orgy with infected and unprotected participants.

Note: Since the issue of protection has been raised, previous to our discussing matters of economic importance, Martha & I primarily tended to the affairs of our condom company, Mr. Happy’s Hat Inc., see www.mrhappyhat.com.

To the unanchored mind, events appear disconnected and without meaning. Chaos is the apparent backdrop to an incomprehensible life which dictates dominance as the only path of survival and success. Fortunately, it is not so.

The rhythms of history move through both our individual and collective lives. If we cannot see any meaning, it does not mean there is none. It only means we are blind to what is.

The great wave that began in 1896 is about to bring the era of Victorian equilibrium, *sic* the era of debt-based paper money and credit to a close; and, as with all endings it will be succeeded by yet another beginning.

It is our individual and collective fate to be here at this momentous and very difficult time; and, if we had a choice in the matter, it is obfuscated by our unawareness that it might be so. Nonetheless, we are here now and must deal with what is about to be.

Thornton Wilder's Pulitzer Prize winning novel *The Bridge Over San Luis Rey* (Penguin 1926) begins with three words, *Perhaps an Accident*. The story is of five people who fall to their death when a bridge gives way in Peru. The question asked is why were these five individuals on the bridge at the moment of its collapse—was it an accident or was it fate?

When someone asked Thornton Wilder about his purpose in writing "The Bridge Over San Luis Rey", he replied that he was posing a question: "Is there a direction and meaning in lives beyond the individual's own will?"

This very question may well be asked of us who are here at the end of a momentous great wave unprecedented in *velocity, mass, and momentum*, a great wave that will bring to an end an extraordinary era, an era that until just recently appeared to be a glimpse into an infinitely unfolding future.

Due to Professor Fisher's scholarship, we now know that this is not so. The era of Victorian equilibrium was going to end as certainly as did the feudal era, the renaissance, and the enlightenment which preceded it. Merely because we are alive now does not imbue this particular time with an eternality somehow missing in previous epochs.

Whether we believe our presence during this period has meaning or not, nonetheless it would behoove us to act as if it were so and to therefore bring our best to the table. What lies in front of us individually and collectively will not be easy to survive

Disasters such as the bubonic plague (the Black Death) and the 100 years war happened during previous great waves; and, now, the polar icecaps are melting and there is a feeling that we have now moved past the tipping point in our provocation of nature.

While credit paved the way in the past, it will not do so in the future. Character and courage, not credit and hubris, will be the requisite currency demanded in the new era.

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