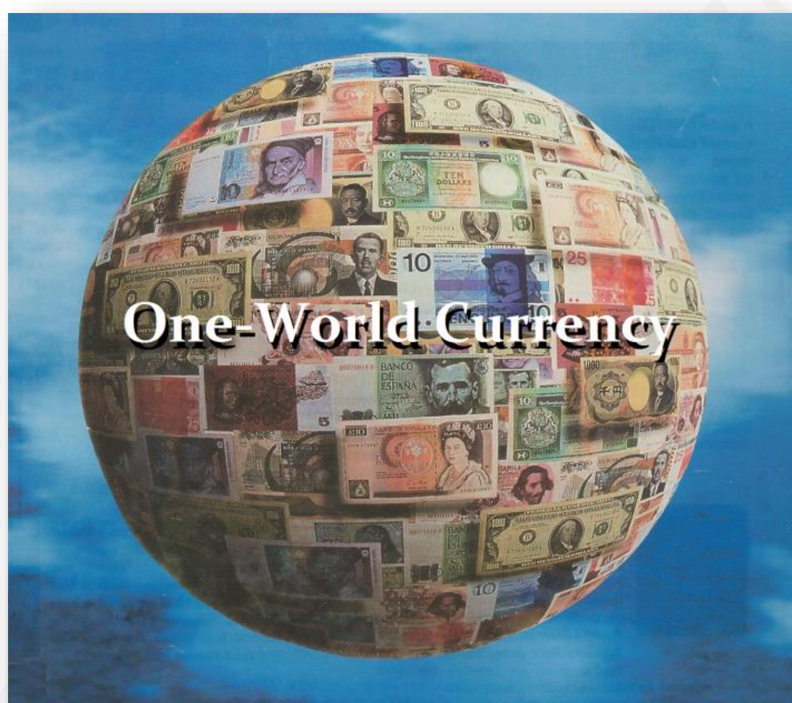
The Coming One-World Currency

Collateral Damage for the Quest for Taxes



Armstrong Economics

November 1st, 2017

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The Coming One-World Currency

Collateral Damage for the Quest for Taxes

Preface

When this subject comes up of a **One-World-Currency**, some envision a currency everyone uses throughout the world to go to the food store, and their wages will be paid. We will examine the likelihood of this development which is both impossible and inevitable. Putting this in the context, what we face is a true clash of titans on a historical level. The prospect of such a **One-World-Currency** that everyone would use on a daily basis is simply impossible on a voluntary basis and could only be accomplished by force of arms if that since not even Rome achieved that position. In contrast, governments are collapsing from Marxism with its core principle that they have the right, power, and wisdom to manipulate the economy to eliminate recessions and control society. Such measures become authoritarian, and freedom vanishes.

Today, this move toward a **One-World-Currency** is driven by taxation. The government never considers they are the problem. Instead, they see the solution as always had they just a tiny bit more power they would eliminate recession. Governments have used terrorism as the excuse, and Money Laundering is now redefined as hiding money from the government even if taxes. Today it is all about sustaining power. We have this drive toward electronic money to control all wealth. Thus, we will explore the complexity of this evolutionary process and expose trends that are in motion that dictates the future.

Introduction

There has been a longstanding view that the Bible warns of a **One-World-Currency**. It has been a prophecy that many expect to unfold. This report is not based upon the Bible or any such prophecy. Nevertheless, if this report tends to warn of this possibility, keep in mind it is purely based on politics and economics and nothing more. Presented here is an economic review, not a conspiracy theory nor a religious prophecy.

Central to comprehending the world at large and what truly constitutes the movers and shakers throughout history, only one answer emerges, albeit from different sources. Government is the **only factor** that alters society and the future. It is responsible for both creating society in its early stages and then destroying in the end. Like all things in life, there is a cycle of birth, life, and then death. As individuals, we all have our expiration date. The same is true of not merely corporations and business, but governments as well. Not a single

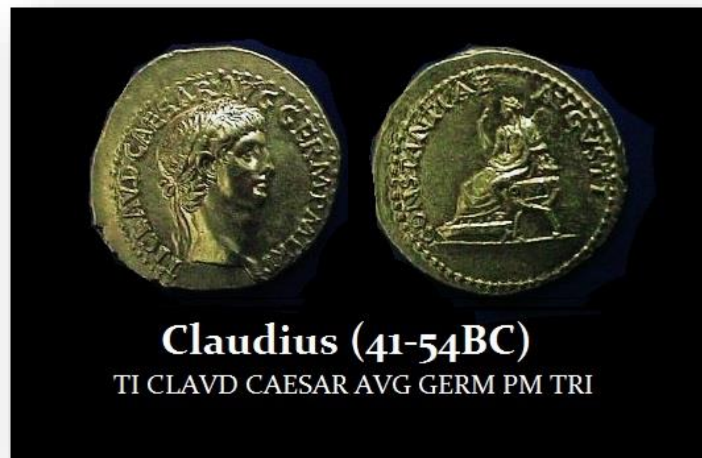
government has ever survived, or we would all still be speaking Sumerian.

Oliver Cromwell (1599-1658)
AU Gold Broad (20 shillings)

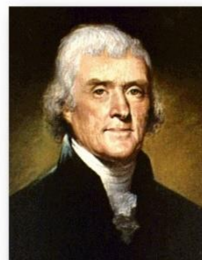
Even revolutionaries such as Karl Marx, Lenin, Mao in modern times or Julius Caesar and Alexander the Great in ancient times, always sought to take control of the government. To rule the land is power, but it has been an intoxicating power, to say the least. Kings claimed the Divine Right to rule the land while in China the Emperor was also viewed as the representative of God on earth. The king is dead, yet long live the king. When there has been the revolutionary such as Oliver Cromwell in Britain rising against the monarchy, they soon take on the same mantle of monarchy yet just change the name. Cromwell also placed his portrait upon the coinage in the same fashion as a king after beheading the king in the English Civil War over religion.

If we look at Napoleon, here too, we see that a general becomes drunk with power and replaces the king crown and all, but simply changes the title from king to emperor. They say that Napoleon sought to conquer all of Europe also to fulfill the prophecy that the old Roman Empire would be resurrected. Where

the pope typically crowned kings, Napoleon crowned himself demonstrating he would not be subservient to anyone or anything. The clergy crowned Even kings before Napoleon to symbolize they ruled by consent of God. Here is a coin of Constantine the Great picturing him with his eyes looking up to God.



If we look at the history of Rome, we see the revolution in 509BC against monarchy and the birth of the Roman Republic. The title of "king" was banished from Rome after that. When we come to the Imperial Age, we find that the emperor did not use the title of king, but "Augustus" typically suggesting the father of the country. They maintained the powers and titles of the Republic such as Tribune of the people and consul. These powers easily date Their coinage had to be renewed each year pretending to be elected. Here is a gold aureus of Emperor Claudius (41–54BC) struck during the year where he possessed the Tribunician Power year one (TRI) as if elected tribune of people.


Thomas Jefferson
(1743 - 1826)

"The tree of liberty must be refreshed from time to time with the blood of patriots and tyrants. It is its natural manure."

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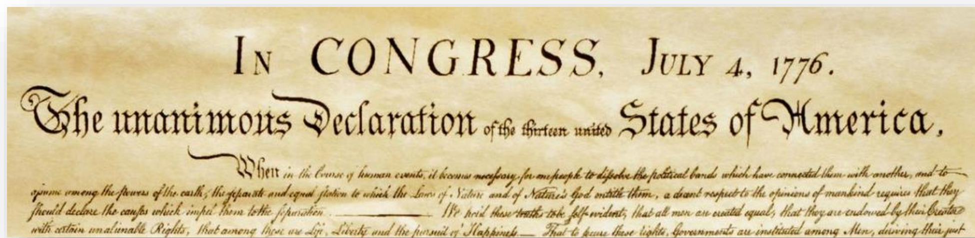
Throughout history, we see revolutions where there is an uprising against all forms of government. It is a **HUMAN RIGHT** for the people to overthrow the government whenever it becomes an enemy of the people. That basic human right was clearly stated by the Declaration of Independence written by Thomas Jefferson:


IN CONGRESS, JULY 4, 1776.
The unanimous Declaration of the thirteen united States of America,

When, in the course of human events, it becomes necessary for one people to dissolve the political bonds which have connected them with another, and to assume among the powers of the earth, the separate and equal station to which the laws of nature and of nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed. That whenever any form of government becomes destructive to these ends, it is the right of the people to alter or to abolish it, and to institute new government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their safety and happiness. Prudence, indeed, will dictate that governments long established should not be changed for light and transient causes; and accordingly all experience hath shown that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed. But when a long train of abuses and usurpations, pursuing invariably the same object evinces a design to reduce them under absolute despotism, it is their right, it is their duty, to throw off such government, and to provide new guards for their future security.

Hence, Thomas Jefferson left us with these words from one of the most brilliant minds ever to have risen to power about the dignity and human right to overthrow the government. The American Revolution in short was the fight between America and England, in order for American colonies to create their own government, which is a fundamental human right. We were **NOT** created to be slaves of a political state handing 50% of our wealth to support politicians.

Let me make this very clear. The human right of revolution is fundamental throughout history and government should beware that oppressing the people with pretend laws declaring revolution illegal is in itself a violation of human rights and a display of authoritarianism. It has historically been the right and duty of the people of any nation to overthrow a government that acts against their common interests of the people and threatens the safety of the people without probable cause as we are watching in Spain. This principle has been stated throughout history by many in one form or another. It is a foundation of human rights that has been used to justify **EVERY** revolution, such as the English Civil War, the American Revolution, and the French Revolution just to mention a few. The form of government does not matter be it monarchy, dictatorship, or a republic. Those in power will do whatever it takes to maintain that power.

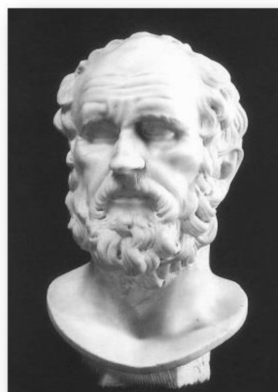
The Spanish Prime Minister, Mariano Rajoy has demonstrated that he is a fascist and his oppression is the same response taken by the English and French kings during the American and French Revolutions. Hence, the type of government matters not. He has sent in riot police who beat unarmed citizens and fire rubber bullets into crowds with even children present. This is the face of tyranny exposed for the whole world to see. He and the EU can claim a vote is illegal meaning tyranny has no recourse by revolution.

Spanish Prime Minister, Mariano Rajoy

The sad part Rajoy about that he acts no different than Spain's previous dictator Francisco Franco (1892–1975) himself. What people do not consider is the bureaucracy behind Franco enjoys the power, so his death

did not end fascism in Spain. The new power that replaces a king or dictator reveals they are no different, i.e., Oliver Cromwell, Napoleon or Maximilien de Robespierre (1758–1794). Therefore, keep in mind that revolutions come and go, yet nothing is ever permanent. There is in itself a cycle of civilization that repeats because the passions of man to rule never change.

> *"[T]he different forms of government make law democratical, aristocratical, tyrannical, with a view to their several interests; and these laws, which are made by them for their own interests, are the justice which they deliver to subjects, and him who transgresses them they punish as a breaker of the law, and unjust. And that is what I mean when I say that in all states there is the same principle of justice, which is the interest of the government; and as the government must be supposed to have power, the only reasonable conclusion as, that everywhere there is one principle of justice, which is the interest of the stronger."*



Thrasymachus (Θρασύμαχος)
(ca. 459-400 BC)

The reality of government throughout history has proven that Thrasymachus (c. 459–400BC) was correct in his debate with Socrates. Thrasymachus argued that the form of government was all the same regardless if it were a democracy, aristocracy, or tyrannical. Each would pursue its self-interest so justice would always be the same. Socrates thought a Democracy would always seek justice. In that respect, Socrates was wrong, and he paid with his life as they sentenced him to death.

It does not matter what the form of government. They follow Adam Smith's Invisible Hand and will always seek their own self-interest. This is why taxes always rise because it is the welfare of government that supersedes everything including human rights.

Governments are always the same, only the label changes form. They simply spend and never look at the consequences of the people. Thus, the coming **One-World-Currency** is a product of government's own

self-interest and the clash between trying to hold power, yet refusing to share power among all nations, is also the obstacle which prevents a single world currency to take hold.

Consequently, the **One-World-Currency** that is crossing the economic threshold is by no means a product of a single government. No government will voluntarily surrender their power to another state for that too is against their own self-interest. They will first seek to create a common currency much akin to something like the Euro within Europe. However, just as Brussels keeps trying to subordinate all member states to its dictatorship void of any democratic process where the people even vote for the head of the European Commission, the danger we face on a global scale will be of the same nature.

Once all nations review the details in attempting to eliminate the dollar as the reserve currency, they will then be confronted with the puzzle of also trying to consolidate political power in a central body that will also be **anti-democratic**. All of this is to sustain political power rather than surrender political power for the good of the people.

Governments will suddenly be confronted by the question of how do we put all these pieces together to create some new **One-World-Currency**?

Contrary to the wild conspiracy theories, I have worked with governments around the globe. There are no long-term grand schemes. Governments do not think about the long-term only the next pretend election. All they do is an

attempt to win the immediate issue before them and to hell with the future. This view has resulted in what I call the Paradox of Solution. The lowered interest rates to zero in the 2007–2009 crash and that has destroyed the pension funds that will be the main source of the Sovereign Debt Crisis. As state and municipal government cannot pay pensions, they borrow more and raise taxes. Thus, the solution to the last crisis creates the next one in line because there is no long-term planning.

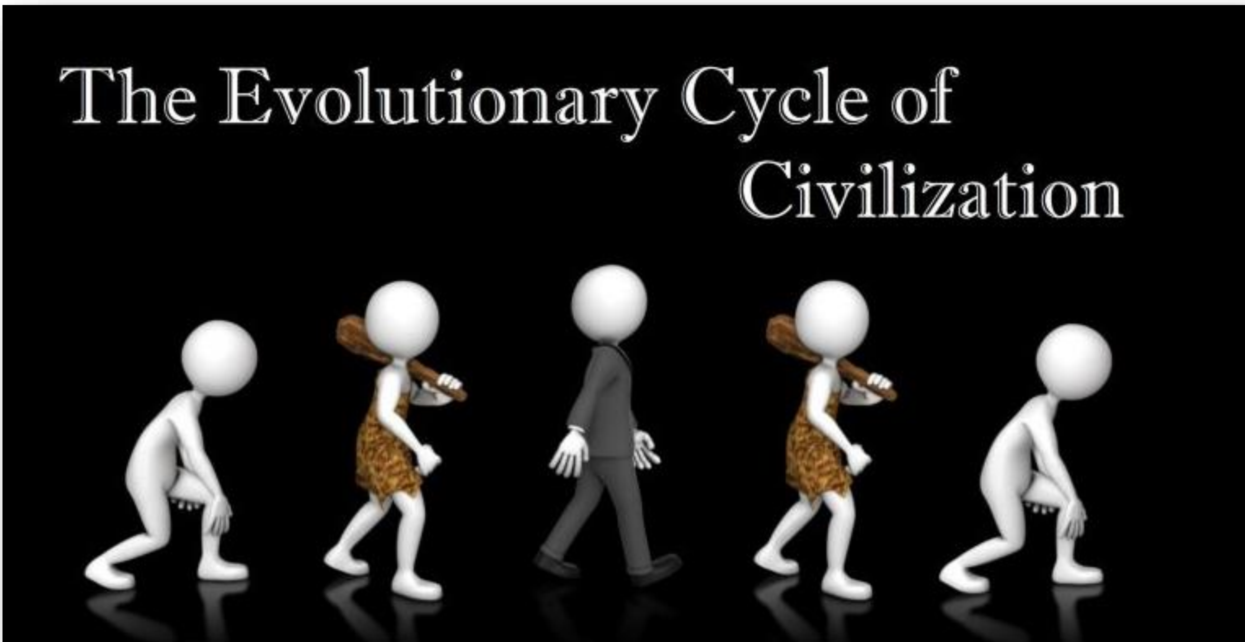
Thus, it will always come down to their self-interest at every turn. Whatever the government needs to do to retain power, they will do without any comprehension of the long-term implication of their actions.

Many people attribute way too much to those in power with their grand conspiracy theories. What they fail to understand is what is there is nobody in charge, and we are merely riding a train with no engineer? That is the real outcome of government action going forward. It's worse than any conspiracy theory for we head into the unknown even for government and the elite.

The Role of Money the Great Enabler of Civilization

It has been often stated that "***money is the root of all evil***." Is this really true? Of course there are people who have been greedy through history and done whatever they could to attain wealth. Many measure status upon the quantity of money they have. Yet money does not improve one's character, it simply reveals their hidden nature.

Still, there is another importance to money. In truth, money is the ***Alternative to Force*** that enabled civilization to take hold from the outset. Indeed, money is the very *Root of all Progress*. If we look closer, there is still another mysterious characteristic of money. It is both a ***language of commerce*** as well as a ***virtual mental concept*** by which we measure everything. In other words, money is actually ***intangible*** in substance yet it is simultaneously the ***cornerstone of***



civilization. We must then ask the question, if money is more than one role, has it actually been the element that has enabled civilization to even take hold?

Welcome to the Paradox of Money. How can money be something of substance yet simultaneously intangible? How is it possible that money is the great enabler of civilization yet the object of such corruption and greed? Largely this paradox wrapped up in an enigma that has been the great enabler of civilization and yet also its destroyer. Money is the most important element to understand within society, yet it truly is the most misunderstood aspect that creates civilization and then destroys it. So on the one hand "***money is the root of all evil***" and on the other hand it is the creator of civilization.

Reaching a modern definition of money is far from simple. As we now embark on this journey, you will see the world like never before. Money can be the object of crime – your money or your life. This intangible substantive object can appear to be the driving force that has led to **CONQUEST** where one nation invades another to reap the spoils of war not much different from a thief who sneaks into your home to take what he wants in the middle of the night. Before money was

invested, if you needed an object or food, you simply took by force possession of your desire from whoever had it to start with.

The Oldest Writing Found in an olive grove in 2011 of a Greek-speaking Mycenaean scribe between 1450 and 1350 B.C.. The Mycenaeans dominated Greece 1600-1100BC and were a legendary part by Homer's Iliad, which tells the story of Troy

To truly dissect this subject of money we must understand how it facilitated trade fostering commerce thereby creating civilization as people came together to trade by barter – the alternative to force. To be able to engage in such commerce necessitated the invention of **language**. The spoken word gave way to written language in its earliest form. However, language only became necessary **<u>because</u>** people interacted and that interaction was based upon

obtaining something the other person had be it food, shelter, tool, ornaments or some object. Eventually, commerce led to larger formations of groups.

Barter was the first step in that communication process that gave birth to language. Barter to this very day remains the core economic system upon which everything else is constructed. You go to work and accept a medium of exchange because you know someone else will accept it from you. If there was no universal medium of exchange, then you would only work if you needed the object being offered in exchange for your labor. If it was a potato and you already had all you needed, you would decline to exchange your labor for more potatoes.

In truth, everything can serve as the medium of exchange we call money in the sense that it has some value provided someone else will accept it from you. Obviously, you would accept a potato even if you did not need it provided someone else would accept a potato for a carrot that you wanted. In this manner, barter became the core economic system and a common object began to evolve as a universal medium of exchange within that society. Now you could work for that medium of exchange because you knew others would accept it in return. The medium of exchange became simply the economic language of value between two objects be it tangible or personal labor. You go to work exchanging your labor for another object that is the medium of exchange within your society. You would not accept Swiss francs in New York City for a job if everyone else would only accept dollars in exchange. That is the essence of a barter system of commerce centered on a medium of exchange.

Under a barter system, one could walk down the street and fund hundreds of different goods being traded. Prices could set in terms of a hundred different ways because in a barter economy each good is priced in terms of other goods. A sheepskin might equal ten dates, which equals one quart of wheat, or two quarts of milk, and so on. How do you keep the concept of value in your head if there can be endless combinations of equivalent values of an object?

Barter can become so complex that people don't know how to actually engage in a trade if they lack the right combination of goods to exchange. Hence, in Mesopotamia, silver became the standard of value sometime between 3100 BC and 2500 BC along with barley. Hammurabi's legal code (circa 1750BC) defines the value of various commodities and labor in terms of both barley and silver. Silver was used because it was a prized decorative material, it was portable yet not perishable and the supply was relatively common enough to facilitate trade unlike gold.

Sometime before 2500 BC a shekel of silver became the standard currency. Tablets listed the price of timber and grains in shekels of silver. A shekel was equal to about one third of an ounce in terms of weight. One month of labor was worth one shekel. A liter of barely sold for 3/100ths of shekel. A slave sold for between 10 and 20 shekels.

Once shekels appeared as a means of exchange, kings began levying fines in shekels as a punishment. Around 2000 BC, in the city of Eshnunna, a man who bit another man's nose was fined 60 shekels. A man who slapped another man in the face had to pay up 20 shekels.

Money is not the alternative to barter neither does it replace it; it simply facilitates the exchange process creating the economy because it is an agreed upon object that serves as the medium of exchange. To understand a subject, you must reduce it to its most basic seed and follow the path of evolution that emerges. We have spent precious letter time contemplating the barter paradigm in economics. Monetary theory has only complicated the subject for it is based upon the assumption of a primitive barter economy in its primordial stage. We have assumed that inflation is the rise in asset values being exchanged relative to the medium of exchange and deflation is when the medium of exchange rises in value relative to private assets. The assumption has been if you increase the supply of money then its purchasing value will decline. Yet even this theory has proven to be incorrect with Quantitative Easing post–2007.

The Code of Hammurabi Black Basalt Stele - Louvre

To understand if we can even create a **One–World–Currency** necessitates that we actually comprehend what is the role of money within society as well as the government. Modern monetary theories have overlooked the historic development and evolution of money that evolved brining into the mix the development of credit which then blossomed into a Market Economy. We find that credit obviously existed in ancient times and there must have been a financial crisis which sparked regulation of credit, interest rates, and contract law. Each of these aspects of development also were a product that emerged from invention of money or a medium of exchange.

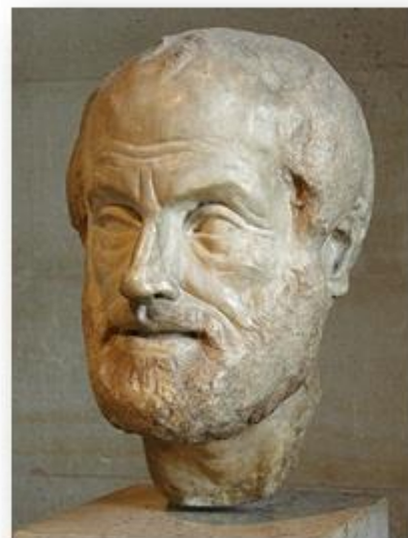
Hammurabi's legal code is really a restatement of Sumerian low. What we find is that the amount of interest one could charge was limited. Prices were to be controlled and their value was stated in both silver and barley. Agreements between people were required to be set down in writing and signed by both parties. All of these regulations clearly reflect that there had been a debt crisis and disputes because the value of the medium of exchange and the goods being exchange fluctuated. This establishes without a doubt the existence of a business cycle proving that the medium of exchange (money) was not a store of value, but fluctuated against all assets and tangible goods.

People have become distracted and wrongly focused attention upon what has served as money rather than was is the **function** of money and how did it evolve from barter giving birth to credit and the development of a dynamic Market Economy, which Aristotle (384–322BC) called people who made money from money. Implicit within the development of money is the evolution of trade and credit. This provided the evolutionary bridge from a self-sufficient Villa Economy of Aristotle time transforming it into a Market Economy fueled by trade.

It was Aristotle who influenced to a large extent Karl Marx. Aristotle saw the Villa Economy where people grew crops for self-sufficiency transformed into a Market Economy where brokers encourages over production that they could sell outside of Greece to others in distant lands.

Aristotle saw this transformation of the Villa Economy into the Market Economy and disagreed with these brokers he called the men who make money from money. But Athens was the financial capital of the Western World at that time. It was that very Market Economy that gave birth to Greek shipping, insurance and a financial system as well including banking and credit.

There is much more to this question of a **One-World-Currency** than just what money is and who will control it. This preoccupation with what is "money" has clouded our understanding of the more complex concepts of tangible and intangible monetary systems. This understanding is further complicated by the fact that Western culture began with this sense of the medium of exchange had a tangible value stemming from barter. Eastern monetary systems emerged with the emperor being considered the son of God such as in China and Japan. To the Western mind, this is a "*fiat*



Aristotle
(384–322BC)

monetary system" where "money" is something intangible decreed by government such as paper money.

This fixation with the perception of physical money rather than its function has greatly confused the subject and clouded our understanding of the most important development in civilization. If we are to advance one step forward in our economic evolution, it would help tremendously to understand what is the real function or money rather than what it is within society and who creates it. Show a British pound note to an American in Detroit and he will not accept it for a cab ride. Money is also what someone "believes" is money and can they use it in exchange with someone else.

Much of this confusion has been the result of focusing on what physically is serving as money from the barter origin. It is assumed wrongly that in a barter system one does not "*pay*" but "*exchanges*" and in a monetary system one "*pays*" with money and somehow this makes the difference. While many have tried to define money and its origin from a functional perspective such as a *medium of exchange*, *unit of account*, *measure of value, store of wealth*, and a *means of payment* perspective, still we fail to reduce the invention of money to its core basic **function** and keep investigating it as if it were some tangible object hovering above its most simplistic meaning. There is no validity to this distinction of one "*pays*" with money and "*exchanges*" in a barter system for money is only an agreed upon object to facilitate the same exchange and is thus the medium of exchange like a banana for an orange. The use of money does not alter that exchange function for it remains an exchange of two objects at all times.

If you grow potatoes and you need a haircut, as long as the barber needs a potato all is good. What happens if he needs a carrot? Now you have to find a third part with a carrot who will exchange that for a potato. A universal

object that everyone agrees is to be the medium of exchange is what we then call "money" that facilitates the barter system. Money is not the desired end objective, but what it represents in purchasing power. It is simply a medium of exchange and not the store of value that so many wrongfully assume. Such people cry for the end of the business cycle to flat line it so that their money remains a constant value. Yet they expect their assets to rise in terms of value expressed in money. They are ignorant of the entire system and are trying to have their cake and eat it simultaneously.

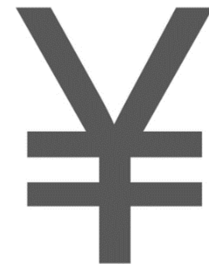
Historically, many societies have agreed upon different objects. Even the names we use today for the various currencies of different nations reflect different historical objects. The British pound "sterling" was one pound of sterling silver (0.925 fine). The Deutsche mark was named after a "Mark" of silver which was originally a medieval weight used in precious metals from the 11th century. The Mark was traditionally a half pound weight and was usually divided into 8 ounces. The Mark was not necessarily a standard in all regions. The Cologne Mark (Kölner Mark) in the German–speaking areas corresponded to about 234 gram.

Two-Tier US Monetary System

1878 United States Domestic Dollar
26.73 grams .900 Fine (0.77345 oz)

1878 United States Trade Dollar
27.216 grams (420 grains) .900 Fine (0.7875 oz)

The Japanese Yen derives its name from the Japanese word 圓 (えん) simply meaning "round". Likewise, which is comparable with the Chinese word for money "yuan", and Korean "won". Originally, the Chinese had traded silver ingots known as sycees, which were privately made by dealers rather than the government.



When Spanish and Mexican silver coins arrived in trade, the Chinese called them "silver rounds" (Chinese: 銀圓) for their circular shapes. The coins and the name also appeared in Japan. The Japanese continued to use the same word even after World War II.

The United States issued Trade Dollars for use in Asia that were issued according to the Asian standard. Thus, the United States actually has an internal and external silver dollar – a Two-Tier monetary system.

Because different societies used different objects from sea shells, cattle, slave girls, sheep skins, receipts, grain, paper, bronze, silver, and gold, it becomes

fundamental that money is by no means a specific object. The common denominator is not what serves as money, but its function within the economy.

Sumerian Bronze Ring Money
The earliest known coin currency 3000 BC (1 1/2" x 3 1/2")

The object serving as money has often emerged from a "*use*" perspective in the Western culture whereby it has a tangible "*use*" value such as cattle, sheep–skins, or grain. The first metal to emerge as a medium of exchange was bronze, hence the name it gives to the **Bronze Age**. The oldest known development of money took the form of bronze rings in Sumer. They date back to 3000 BC about when writing emerges.

The financial capital of the known world is dictated by the dominant economy. Here we see that more than 2,000 years later, the Celtic tribes in Northern Europe are adopting the ring money that began in the Sumerian economy. Here too they are bronze reflecting the "*use*" value of this metal and hence known as the ***Bronze Age.***

CELTIC 800BC Ancient Ring Money

Nonetheless, it was the Minoans who perhaps created the first International Economy taking the title of the financial capital of the Western World from Sumer after its fall to the Akkadian Empire of Iran during the 23 century BC. The Minoans traded far and wide even with Britain sailing into the Atlantic seeking tin, which was necessary to mix with copper to

make bronze. Their civilization was of the ***Bronze Age*** rising civilization that arose on the island of Crete and flourished from approximately the 27th century BC to the 15th century BC. Their trading range and colonization extended to Spain, Egypt, Israel (Canaan), Syria (Levantine), Greece, Rhodes, and of course to Turkey (Anatolia). Many other cultures referred to them as the people from the islands in the middle of the sea.

Minoan Bronze Ingot Resembling Sheep Skin
circa 1400 - 1000 BC

However, the Minoans had no mineral deposits. They lacked gold as well as silver or even the ability to produce large mining of copper. What has survived are examples of copper ingots that served as money in trade. Yet look closely at these ingots. They are representative of what the medium of exchange was previously – sheepskins. In China, the first bronze coins replicated the previous form of money – cowrie shells.

Prior to the 3rd Century BC, Gold was purely an Ornament (Varna, Bulgaria Tombs (4500-4000BC)

Keep in mind that gold at this point was rare, too rare to truly serve as money. It is found largely as jewelry in tombs of royal dignitaries. Gold begins to appear only around 5000–4500BC. It is **NOT** used as money during this period. The medium of exchange is evolving from grain, cattle, and sheepskins into bronze. These Minoan Copper Ingots are the earliest official form of money being used in international trade giving rise to the term "***Bronze Age***" denoting the object that defines the entire period as distinguished from the ***Stone Age***.

Roman *Aes Rude* ("*rough bronze*")
Lumps of Bronze used as MONEY from about 8th Century BC

In Rome, we find this Bronze Standard emerged first with the medium of exchange (money) taking the form of "rough bronze" (*Aes Rude*) irregular lumps traded obviously according to weight. Rome was really quite primitive adopting bronze almost 1000 years post–Minoan. We can see that by the 5th century BC, the Romans also developed ingots of bronze that they began to cast into standard weights. Here we have such and ingot picturing a bull, where cattle was the first form of money emerging from the ***Stone Age*** in Italy. The evolution of money first takes the form of domesticated animals and then mining.

Roman Aes Signatum 5th Century BC

Death Mask of Agamémnon (circa 12th Century BC)
(Greek: Αγαμέμνων, Αγαμέμνονας) ("very resolute")
discovered by Heinrich Schliemann in 1876 at Mycenae

Gold does not begin to emerge as a medium of exchange until about the 6th century BC in Anatolia (modern Turkey). Gold was strictly used for adornment. It is more commonly found in tombs of kings. This is true if we are looking at the legendary gold death mask of Agamemnon discovered by Heinrich Schliemann (1822–1890) in 1876 at Mycenae or at the tombs of Varna, Bulgaria on the fringe of recorded civilization.

Gold was viewed as a very precious object. Religiously, gold was believed to have been the tears of the sun god. In Egypt, this was the god Ra.

Consequently, gold was rare and was to be the exclusive property of the king and priests. It never made it as a medium of exchange until the 6th century BC after about 2,000 years of use as adornment.

Varna Necropolis, Bulgaria
(4500-4000 BC)
(The presence of scepter and other findings in this tomb, suggests this is a royal tomb showing gold was still an ornament rather than money)

Tutankhamun's inner coffin is 74 inches long and 20 inches wide and is made of SOLID GOLD weight of 110 kilos (3536.5 ounces)

Of course there is Egypt with its extravagant use of gold for ornamentation such as the sold gold death mask of the famous 18th dynasty Pharaoh Tutankhamun (c 1341–1323 BC), which weighs 11 kilos 353.65 ounces. Yet this was not the most overgenerous use of gold. That distinction was reserved for his inner coffin of which nothing like it has ever been discovered.

Tutankhamun's Death Mask (b 1341; 1333–1323 BC)

Tutankhamun's inner coffin was constructed of solid gold, which was a staggering 110 kilos (3536.5 troy ounces). The gold mines of Egypt obviously produced the greatest amount of gold in the ancient world. Only as gold became more commonplace outside of Egypt, did it begin to emerge as a medium of exchange – money. As long as gold was too rare it was only suited for ornamentation for kings. With gold becoming much more common, then it became a very valued object. Suddenly the lower classes could now possess an object that was once suited only for kings. This contributed greatly to the allure of owning gold.

Consequently, the idea that gold is money and always has been is simply wrong. The foundation of the monetary system will always remain a barter economic system. The value of the medium of exchange has to be established by demand and has been different throughout the ages as well as regions. Gold never filled

that one quality of "use" as did bronze that could be fashioned into weapons or tools. Gold has been simply a desired object for its status rather than "use" value.

If the object even serving as the medium of exchange is not of some recognized value, then it cannot serve as such an economic function to facilitate a barter economy between two other objects tangible or intangible. The invention of a medium of exchange was by common agreement and thus was an invention of necessity. It became the unified enabler that allowed the economic interaction between people that became the alternative to force. We note that ring money in Sumer appears about the same time as written language furthering the core that a medium of exchange became necessary to facilitate a barter economy.

Another tremendous misconception is that money is wealth itself rather than simply the medium of exchange that is the gateway to wealth. We must understand this distinction if we are to look to create a new monetary system in the future. Wealth is **NOT** in the least a medium of exchange, but the objects for which exchange takes place. The medium of exchange facilitated trade and it has evolved into a mental concept of what we call the **Unit of Account**. In other words, the **Unit of Account** is the mental concept of how we measure wealth, yet it is simultaneously, not actual wealth itself.

We look at Donald Trump and all the properties he owns with his name on it. We look to his tangible properties as the sign of wealth. Yet we equate all those properties into the **Unit of Account** to measure the sum of his wealth. Thus, it is the tangible properties and not the **Unit of Account** that defines his wealth.

Therefore, the medium of exchange provides the foundation for the understanding of the **Unit of Account** that is really a mental language by which we measure wealth. I can say I will give you $100 billion Zimbabwe dollars for your house. Your mind will immediate rush to try to equate a Zimbabwe dollar to your local currency. You are now engaging the process of a mental calculation using the Unit of Account, which is different based upon where your live – dollars, pounds, yen, francs, or euros … etc...

Money, or the medium of exchange, is how we measure the wealth, but it is not wealth itself. Someone who thought Donald Trump was "rich" did so not because they envisioned him sitting in some vacant room counting piles of cash. It was how much he had in property upon which he hung his name. It was the tangible practical objects that had the Trump name on it that created the image of wealth.

Saint Patrick in the 5th Century AD upon his arrival in Ireland, found that money was expressed in human slave-girls. He wrote in his Confession, ***"I think that I have given away to them no less than the price of fifteen humans."*** This passage shows something very important.

First, money is **not** defined as the medium of exchange exclusively. It also serves the purpose of a **Unit of Account.** In fact, this becomes the true function of money even more so than what it is. Money is a language of value. We think in the currency of our domicile. It is how we measure value in our head. It does matter if we actually make a transaction in terms of money. For example, when we travel to a different country, we then use the currency of that nation to buy and sell. We translate the price quotes in different currency back to the domestic currency of our domicile. If an American goes to Paris, he then converts the price back to dollars. He then makes his judgment based upon the currency conversion whether or not it is acceptable. Likewise, a Frenchman will do the same if he then travels to the United States. Money becomes a **Unit of Account** that is in fact a language in our head.

The function of money is more than a medium of exchange. It is a language we create in our mind that then also provides the concept of a **Unit of Account**. Saint Patrick states he has given objects worth 15 humans. He does not state he had a cage full of slave-girls to handout. One did not literally go grocery shopping dragging a cage of slave-girls with them. They were the **Unit of Account** like a ruler by which wealth (value) is measured in an exchange of two objects.

The **Unit of Account** is a critical concept to understand, for the road we are taking is to reach a practical solution for how to manage our economy in the future and the evolution of money itself depends upon this mental concept. Money is both the medium of exchange that everyone must agree, and it serves as the Unit of Account by which we actually measure wealth and value. However, just as Saint Patrick exchange things equated to the value of a slave girl, he did not actually barter with slave girls showing that the medium of exchange can be different from the **Unit of Account**.

Now we arrive at **Representative Money**. There are so many people who claim that money must be tangible and the even paper money is a fiat system destined to collapse. Paper money is simple a representative form of money that is typically just a reflection of something else. In ancient Egypt, they never issued any coins whatsoever for thousands of years until they were conquered by Alexander the Great in 332BC. Farmers would take their wheat and deposit it in

Tobacco as Money

A tobacco hogshead was a wooden barrel measuring 48 inches (1,219 mm) long and 30 inches (762 mm) in diameter at the head weighing about 1,000 pounds (500 kg). Farmers packed cured tobacco leaves and this was used in American colonial times to transport and store tobacco. A hogshead was typically stored in a warehouse and receipts for a hoghead then circulated as money in the same manner as grain farmers in Ancient Egypt used warehouse receipts as money eliminating the need for coinage until Egypt was conquered by Alexander the Great in 334BC introducing coinage. History repeated in Virginia as Tobacco Receipts circulated as money.

the state storage facilities and in turn receive a receipt. This was an early form of bank where the receipts became a representation of something tangible.

History repeats because people respond the same way all the time. This form of **Representative Money** we saw in ancient Egypt before the conquest of Alexander the Great, was also used in the American colonies. In the Southern American colonies before the Revolution we find that tobacco was the crop and farmers deposited their production and again received receipts. This became circulating forms of paper money that once again representative something else. Here is a five pounds note issued in Virginia that states it is backed by tobacco.

While many people abhor paper money as the great evil, they gloss over history or just ignore it. The greatest problem with coins were that they could be clipped or counterfeit. There were ancient counterfeiters who devised a way to produce coins with some silver brought to the surface with chemicals while the center was typically bronze or copper. We see ancient coins with test cut marks to test their authenticity. Consequently, having tangible coins presented some disadvantages.

Coins could be used in daily commerce but not for large transactions where each coin needed to be tested.

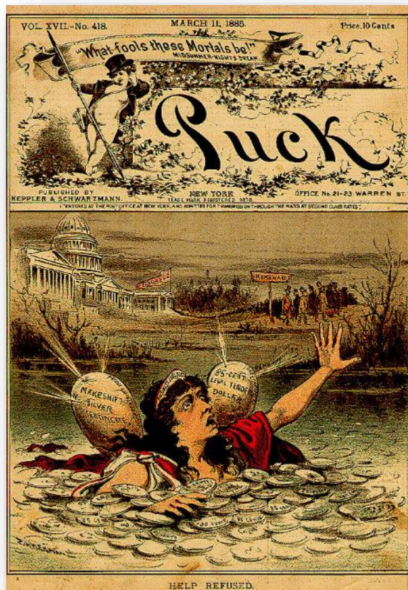
Bank receipts became the practical means to conduct larger transactions. Once the coins were tested and deposited in the bank, you receipt was better than the coins. Large transactions could be carried out simply without the need to test each coin.

Swedish 1659 Copper Plate Money (14.5 kilos)

Swedish Receipt 1666

In Sweden, the first bank to emerge issued receipts for the monetary standard which was copper plate money with a weight of 14.5 kilos. These monsters where obviously too heavy to walk around with and go shopping. Bank receipts emerged as the real convenient means of conducting transactions.

Paper money began as actual receipts for precious metals being on deposit at a bank. This concept of a receipt which was a **representation of money** became the practical means of conducting commerce. One would deposit coins in a bank and you would get a receipt which then was better than coins since it was independent verification and was much more convenient. At first, the invention



of transfers allowed you to write a check to instruct the bank to transfer an amount of coin from your account to another. When the receipts became redeemable based upon a barer in possession, the receipt became a circulating **representation of money**.

Those who argue that a return to the gold standard will cure all evils are confusing the true essence of money. All money is fiat when issued by the state and decreed to be of a specific value. Simply because a coin was gold or silver by no means distinguished it from a fiat currency. The Silver Democrats virtually bankrupted the nation because they were paid off by the silver minors who had them overvalue silver at 16:1 to gold when in fact the ratio was more in the area of 133:1 at that time (1884 211,080 $20 gold coins v 28,136,000 $1 silver dollar coins). The Silver Democrats bankrupted the United States by flooding the economy with silver at a fiat ratio of 16:1 when that was dramatically overvalued relative to supply.

Consequently, the whole argument that somehow paper money is fiat and coins are not is simply wrong. Fiat can be **ANYTHING** that is artificially valued by the government. Today, we are on the verge of paper currency being displaced by electronic. Paper money has been around for centuries in modern times and millennia from ancient times. Marco Polo was astonished that the Chinese were using paper money during the 13th century. Even the Mongols who conquered China honored the paper money and adopted the system intact.

Money also incorporated the comprehension of future. It may seem simple, but it required the understanding of future to even create the first step from the hunter-gathering culture. If one is a hunter-gatherer, they have no sense of the future and live hand to mouth much like a lion. Some animals are hard-wired with a sense of future such as a squirrel that gathers nuts and hides them for the winter, or a groundhog that eats all summer and sleeps all winter.

The fundamental requirement to also create "money" meant that humankind had to develop the idea of a future (tomorrow) in order to inspire him to cultivate crops and domesticate animals. Once you developed a sense of the future, then trade for the future emerged in a barter system. Money required a concept of future that embraced like a squirrel the idea of gathering objects of wealth that might be able to be used for barter in the future. Lastly, it must be **LEGAL TENDER**, meaning it has to be acceptable even by the government for taxes and fines.

Therefore, money is essentially:

- Medium of Exchange
- Unit of Account
- The Facilitator in a Barter System
- Representation of Wealth
- Legal Tender

The First One-World Currency

Alexander III of Macedon "*The Great*"
(356 – 323 BC)

This idea of a **One–World Currency** is certainly not new. Yet it has been achieved only once in Western Culture by Alexander the Great (356–323BC). As previously, everything is based upon a barter system and money was merely the invention of necessity to facilitate trade, not to replace it or be a store of wealth. The misconception that gold has always been money has seriously restrained our understanding of money. The fact that gold was used only by kings for their personal items for nearly 2,000 years before it entered as a medium of exchange has been overlooked. Even the Bible tells us that all of King Solomon's drinking vessels were of gold, and all the vessels of the house of the forest of Lebanon were of pure gold; silver was not considered valuable in the days of Solomon (2 Chronicles 9:20) and was use for the medium of exchange with grain.

The Vaphio Cups, from Mycenean tomb at Vaphio, repoussé gold, c 3-3.5"h
Displaying Minoan influence c. 1,500 B.C. (National Museum, Athens)

Anatolia - Electrum 7th Century BC

When the first coin was invented on a standardized weight system rather than weighing lumps of metals or rings, it took place in the kingdom of Lydia and it was a natural alloy of gold mixed with silver known as electrum. The first step toward creating a monetary system was an effort to standardize weight. Even the Bible tells us that in the early days exchanges of silver had to be weighted.

Because these standardized lumps could be reduced by filings and clippings, obviously the next introduction was some sort of design. At first, there were geometric markings to prevent clipping. Then the next step was that Lydia created the first fiat currency, stamping the electrum with an image of a lion – the king's seal. The reverse was an incuse square.

Other cities began to issue coins with their city seal. There were now competing different standards of weight.

Here is proof that there were, in fact, moneychangers or foreign exchange dealers in ancient times. This coin has nine markings of various moneychangers verifying that they inspected this coin in commerce. Obviously, simply because the coin was issued by the king (government) did not guarantee it would pass.

King Croesus (Kroisos) (560-546BC)
First Bimetallic Monetary System

During the 6th century BC, this is when we first begin to see the electrum coinage is discontinued and then refined separating the gold from the silver introducing the bi–metal standard. The gold tends to circulate for trade and the silver for local smaller expenses such as wages. Even when Persia conquers Lydia, what we see is that the Persians adopted the monetary system of Lydia and this now becomes the standard of Babylon and what we will call the "reserve currency" retaining at first even the Lydian designs.

The heirs of Cyrus the Great, Darius, alters the designs and places his own image on the coins illustrating he is armed with the bow and arrow. The gold coins, which were known as staters, are now referred to as Darics. This Daric becomes the "reserve currency" until the Persians are defeated by the Greeks. Then the "reserve currency" passes to Athens known as the silver Athens Owl.

Athens becomes arrogant and suffers a loss during the Peloponnesian war in 404BC. Eventually, Athens and the rest of Greece fall to the invading forces from the north – Philip II (359–336BC) of Macedonia.

The early coinage of Macedonia follows the course of Greek coinage in general. Tetradrachms were minted at 16.2 grams around 460BC down from the 17.35 grams of the 6th century BC, but by the time of the invasion of Philip II, the father of Alexander the Great (336–323BC), the weight had of the tetradrachm declined to about 14.5 grams.

The Battle of Issus or Battle of Alexander and the Persians
(Mosaic copy from Pompeii, 1st century B.C.)

It was only the conquest of Alexander the Great that resulted in exporting the Greek monetary system to the rest of the Western world. Therefore, the adoption of the first world currency, and only one to reach such a status in ancient times, became something people used in the local grocery store throughout the known western world.

After Alexander the Great was most likely poisoned, we can see that even 150 years following his death of, his **One-World Currency** standardization of the Greek monetary system still prevailed. Here we have a tetradrachm issued in Bactria by Eukratides I Megas (170–145BC) still being issued at 16.96 grams of silver. No other monetary system established by conquest was ever so successful.

Eukratides I Megas of Bactria Circa
(170-145 BC)
AR Tetradrachm (31mm, 16.96 grams)

When the Greek world was still the dominant economy, we find that the Romans issued silver coinage for the first time in 280BC. When they did, they adopted the Greek weight system established by Alexander the Great. Therefore, the One–World Currency first created by Alexander the Great by his conquest, we find that the Romans adopted that same standard in weight to facilitate trade with the Greek world.

It was only with the inflation of the Punic Wars did Rome depart creating the silver denarius in 211BC, which was a reduced from the standard silver coin in the Greek world known as the didrachm (2 drachms) at that point in time. This became the new standard as Rome rose in rank and power to eventually conquer all of Greece.

Nevertheless, during the Roman Empire, the cultural difference between the Eastern Greek world and that of the Latin West perpetuated the cultural differences that included language, religion, and the monetary system. While the western European portion of the Roman Empire used the original Latin monetary system based upon the denarius, the East never adopted the monetary system of the Romans and retained the Greek system based upon the drachm.

Marcus Aurelius (161-180AD)
AR Didrachm (Caesarea)

Here is a Didrachm of Marcus Aureus (161–180AD). Besides the fact that it is based upon the Greek weight system, look closely at the inscription. The legend too is not in Latin, but in Greek. Therefore, despite the fact that the Romans conquered Greece, the Greeks retained their gods, language, and monetary system. Hence, not even Rome achieved the **One–World Currency** stature.

Here we have a silver Tetradrachm of the Julio–Claudian period issued in Syria. Once again we can see that there may be one Roman Empire, but there still was no single monetary system for all. The **ONLY** monetary system that would historically be classified as a single currency was exclusively that created by Alexander the Great.

Syria AR Tetradram Julio-Claudio Period

Judea AR Shekel (14.04) First Revolt
(Jewish War) 66-70AD, year 2

We can see that upon the death of Nero in 68AD, this is when Judaea attempted to break away from the Roman Empire. They immediately began to issue their coins based upon the ancient standard of the shekel, which dates back to Sumerian times. Again. The Jews issued their own coins demonstrating that a **One–World Currency** is unlikely absent force. Rome destroyed the Temple of Jerusalem for if they did not, then other provinces would also rebel. To maintain the Roman Empire, Judaea had to be made an example of just as the USA fought the Civil War to maintain the union. Slavery was only one aspect. Most soldiers were common folk who did not own slaves. It was an issue of independence.

Gold Solidus **Silver Miliarense**

Vetranio (350-351AD)

Constantine the Great introduced a monetary reform in 312AD. The Roman gold **Aureus** had been struck at 60 to the pound. Constantine introduced the **Solidus** that would become an international currency well into the Middle Ages known as the **"Byzant"** that would be the only gold coinage until the 1300s, with only minor exceptions of some issues that had little to no economic impact serving more as political statements of Hey look at me! The new Solidus was struck at 72 to the pound. The silver coinage was now restored with sustainability into the reign of Arcadius (395–408AD) before it truly begins to vanish once more. The fractional silver did not last beyond Constantine's death in 337AD. The Miliarense that began at 5 grams drifts downward to about 3.5 grams and then disappears after Arcadius in 408AD.

BURGUNDIANS. Gundobald (473-516AD) Solidus (Gold, 4.48 g rams), Lugdunum, Mint 495-516

BURGUNDIANS. Sigismund (516-524AD) Solidus (Gold 4.43 grams), Lugdunum. Mint

The last days of Rome found the barbarian kingmaker Ricimer (b? –8/18/472) controlling the throne of Rome itself in the West. He remained the Magister Militum (real power over the state) while controlling puppet emperors. Ricimer

deposed Avitus (455–456AD) and controlled the throne at least until 472AD. His nephew Gundobad (? – 516AD) installed Glycerius (472–474AD). The Eastern Emperor Leo I (457–474AD) in Constantinople sent Julius Nepos (474–475AD) to take the Western throne in Rome, who caused Gundobad to flee to his kinsmen where he was King of the Burgundians until he died in 516AD. Gundobad as King of the Burgundians now issued his coins in Roman style. He was then succeeded by Sigismund (516–524) who also continued to mint coinage in Roman style.

Avitus (455-456AD)

Anastasius I (491 - 518AD)

Gold died out in the West, and this left only the gold Byzants of Constantinople remained. The first true Emperor of Byzantium after the fall of Rome became Anastasius I (491–518AD). Silver coinage is still very rare with gold being the common denomination series at this time. The golf Solidus now became the international "reserve currency", and it was indeed imitated in the West for a brief period of time. The gold Byzant became the dominant currency that lasted until the Great Debasement begins during the 11th century. G the reign of Nicephorus II, Phocas (963–969AD) when monetary reform began to be

introduced with a lighter weight tetarteron nomisma which the Solidus being renamed the histamenon nomisma ("standard coin").

However, in Byzantium, there was the Great Monetary Crisis of 1092. Starting with Michael IV (1010–1041), who was a former moneylender. The gold content of the coinage began to be increasingly lowered and the coins debased. The Romans debased the silver, but never the gold. After a period of relative stability 1055–1070, the gold content declined dramatically in the disastrous 1070s and 1080s.

Michael VII Doukas (1071–1078) was an incompetent emperor ruled by court officials, and oblivious to the empire collapsing around him. In imperial officials resorted to property confiscations and even expropriated some of the wealth of the church as the financial prospects worsened. The underpaid army tended to mutiny, and the Byzantines lost their last possession in Italy to the Normans. Simultaneously, they faced a revolt in the Balkans against taxes and the separatist movement to restore the Bulgarian state. The Bulgarian revolt was

Charlemagne (768-814AD)
silver denier

suppressed, but the Byzantine Empire was unable to recover its losses in Asia Minor to the Arabs.

The court officials under Michael VII Doukas accelerated the debasement that was gradual at first. The gold was about 21 karats (87.5% pure) during the reign of Constantine IX (1042–1055) and fell to 18 karats (75%) under Constantine X (1059–1067). Under Romanus IV (1068–1071), the debasement reached 16 carats (66.7%) followed by 14 carats (58%) under Michael VII (1071–1078), and then 8 carats (33%) under Nicephorus III (1078–1081) where it remained during the first eleven years of the reign of Alexius I (1081–1118). Under Alexius I Comnenus (1081–1118) in 1092, a comprehensive monetary reform, was undertaken. The debased solidus (tetarteron and histamenon) was discontinued, and a gold coinage of higher fineness (generally .900–.950) was established, commonly called the hyperpyron at 4.45 grams. The hyperpyron was slightly smaller than the Solidus.

Constantine XI (1448-1453)
AR 1/4 Hyperpyron

The Arab conquests gradually deprived Byzantium of its mines. Bir Umm Fawakhir, was a rich gold mine in Egypt lost to the Muslim Conquest in 641AD. However, local resistanmce would last until the 9th century. The Muslims had also taken the Levant and these conquests were reducing the Byzantine access to precious metals. By the time we come to the 15th century, gold has vanished and only silver and bronze coinage are minted.

After the fall of Rome in 476AD, it took about 300 years before a monetary system began to reemerge in Western Europe, which took place in England and in France. The silver denier reappears named after the old Roman denarius. Eeventually, this new monetary system was adopted by the Holy Roman Empire and even the Vatican began to issue coins as well. At first the Papacy issued coins based upon the Byzantine standard from the East.

It was finally during the 13th century when gold makes its reappearance. The first gold coin was issued in the Southern Italian city of Brindisi, for trade with Byzantium. Next, we see Florence, another great trading city-state in Italy. They quickly were followed by Genoa, the city of Christopher Columbus. Finally, we saw Henry III of England issue the gold penny in 1257. With all of this competition to display wealth and status.

Pope Gregory III (731-741) & Leo III
1/8 Siliqua 0.39 grams

Brindisi Gold Augustalis
(5.21 g) circa 1232

Florentine Gold Florin
Circa 1252 (3.5 g)

Genoa Republic
1253 Gold Genovino (3.5 g)

England Henry III (1216-1272)
1257 Gold Penny (2.9 g)

Venetian Empire (697–1797)

Gold Ducat (3.60 grams) Silver Grosso (2.11 grams)

The Venetian Empire finally issued the gold Ducat in 1285 following the edict of 1284. Venice began minting gold ducats (zecchinos), also for international trade. Because of the favored status of Venice in trade with Byzantium, the gold ducat of Venice began to rise as a major competing currency to the florin of Florence thanks to the French debasements.

Philip IV
(1268–1314)

The French were in dire need of money and as a result of the war with England. The French king Philip IV (1268–1314) began to debase the silver coinage and confiscate all the wealth he could get including seizing the Catholic Church and moving it to from Rome to France.

However, it was the outbreak of the Hundred Years' War was a series of conflicts waged from 1337 to 1453 that saw the dramatic debasement of the French coinage. Consequently, the French impacted the silver-gold ratio disrupting the monetary system of their neighbors. Because Florence utilized a two-tier monetary system whereby gold was used for international trade and silver was the denomination for local wages and expenses, driving the price of silver higher spread from France to Italy. The French Debasements post-1337 set off a **CONTAGION** that devastated the monetary system of Europe. It is also clear that the Florin was in

fact devalued against the pound sterling in 1344 in the aftermath of the monetary crisis of 1343. The workers could not be paid as silver rose. The people blamed the bankers and thus stormed their mansions and burned them in protest. From this Financial Crisis of 1343, the reigns of financial power shifted from Florence to Venice. It was post–1344 that we begin to see the Ducat replace the Florin as the main reserve currency throughout Europe.

The Joachimsthaler, or thaler for short, was a silver coin used throughout Europe for almost four hundred years which became the monetary standard during the

16th century. It began to appear in 1518 as silver mines were discovered in Joachimsthal of the Kingdom of Bohemia (now the Czech Republic. This original Bohemian thaler carried a lion, from the coat of arms of the Kingdom of Bohemia on its reverse side. Its name lives on and it is what the "dollar" in America is names after.

The rampant lion on the Netherlands version of the thaler became known as the Dutch Lion Dollar, which played a crucial role in world trade during the 16th and 17th centuries. The first Lion Daalders or leewndaalders were produced in the province of Holland in 1575 during the Eighty Years War. Within a short period of time, most mints throughout the Dutch provinces began producing the new coinage. Although a variety of mints produced Lion Daalders, they are easily distinguishable from one another by their legends, which in most cases bear the name of the Dutch province where they were made.

1666 Dutch Lion Daalder .750 fine silver

Spanish 1768 "*Pillar Dollar*" 8 Reales

Even as the economic power passed from Germany to Spain, the standard of the thaler remained intact. By the 18th century, Spain was the main monetary system. The thaler equivalent had become the eight reals, commonly known in America and the Pillar Dollar. The term piece of eight means that these coins were being cut into pie sections for small change: **2 bits, 4 bits, 8 bits a dollar**.

As Spain lost its Armada against the British in 1588, she began to decline due to fiscal mismanagement. Spain became a serial defaulter with its Sovereign Debt Crisis beginning in 1557 followed by 1570, 1575,

Spainish Fleet of 1715 Shipwreck Set

8, 4, 2, 1, Escudos Cob type
struck in Mexico 1714-32 all dated 1714

1596, 1607, and 1647 ending in a 3rd world status. Spain was arrogant and assumed it could borrow and then simply refuse to pay. They provided the reason behind the saying I will pay you when my ship comes in. Indeed, financial crisis would unfold whenever they lost treasure ships at sea.

It is clear that kings knew nothing about fiscal management. They assumed that first they did not have to repay loans. Spain then also just assumed that they could tax whatever they liked because they had power. Then there was the absurd idea that government could borrow money to wage war without any concept of the cost or how to repay the loan.

These misguided aspirations of power are not much different from today's ideas that Marxist-Socialism mixed with Keynesian Economics proposing that governments can simply borrow and never pay back their debts. Today, money is simply created, whereas in the case of Spain, debts were to be repaid in gold and silver. When Spain could not pay, they just defaulted. Today, we just raise the debt ceiling and issue more debt to repay the old debt.

Bankers use to believe that it was prestigious to deal with kings, but they failed to realize that states also claim powers not to pay and there is no recourse. The Spanish Cortes urged Charles V (1500–1558) to reduce the gold content of Spanish coins to end the flight of gold from Spain. Charles at first altered the

Carlos I (Charles V) & Joanna

Debasement of 1537

Charles-Joanna (1516-1556)
Zaragoza 2 ducados (6.95 grams)

Charles-Joanna (1516-1556)
Seville 1 escudo (3.32 grams) 0.9167 fine

silver–gold ratio, but in 1537 he started the debasement of the Spanish gold coinage. Charles replaced the ducado with the escudo thereby debasing the ducat. The escudo, 24 mm, 3.383 grams, 0.9167 fine (3101.117 mg gold), was rated 350 Maravedíes. The ducado was not minted after 1537 but continued as a money of account mentally (Ducado = 375 Maravedíes), especially for foreign exchange.

In 1524, Charles V experimented assuming that he could simply by decree make his money worth more. He increased the value of his gold coins raising the silver to gold ratio from 9 or 10 to 11 3/8 times their previous weight. In England, Henry VIII (1509–1547) thought this was a clever idea and thus he too revalued his gold coinage in 1526 upward by 10%. The gold Sovereign had been equal to 20 silver shillings between 1509 and 1526. He now raised its value to 22 shillings 6 pence. These manipulations would eventually lead to Sir Thomas Gresham's observation that debasing the money supply would lead to the hoarding of the old coinage – bad money drives out the good.

Sir Thomas Gresham (1518-1579)

Henry VIII (b 1491; 1509 - 1547)

Debasement of the Gold Coinage

Sovereign **Angel** **Half-Angel**

Standard was 23 carats up to 1544, 22 carats in 1545, and 20 carats in 1546

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Charles V thus retained the revaluation of gold but lowered the value of the silver coinage and thus returned the ratio to 10:1 in 1542. This put pressure on Henry VIII who had to now follow that lead and in 1544, he lowered the value of his gold Sovereign from 22 shillings 6 pence hack to 20 shillings where it had stood before 1526.

Henry VIII (1509-1547)
Debasement

First Coinage 1509-1526 (92.5% silver) **Second Coinage 1526-1544 (50% silver)**

Third Coinage 1544-1547 (33% silver)

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Henry VIII also debased his silver coinage. This period demonstrated that capital flows and currency arbitrage were alive and well during the 16th century.

Now, the quantity of silver that had started coming in from America was dramatically rising, and thus Charles V altered the silver to gold ratio again to 13.5 ounces to one. The gold Ducat (11.24% of an ounce) was reduced to 7.29% of an ounce. This drove gold from circulation and

given the massive imports of silver, the economy was being turned upside down and provided the incentive for rebellion in Holland in 1572 against the Spanish rule.

Where imports were at 5000 ounces of silver over the decade between 1521–1530, this would peak going into the end of this century reaching a staggering 87.3 million troy ounces between 1591 and 1600.

If we look at the entire imports of gold and silver from America to Spain as reported by Earl J. Hamilton, we see 5.8 million ounces of gold compared to 545.4 million ounces of silver. This shows the real silver to gold ratio was 93.31 to 1. Indeed, just after World War I, this ratio soared to 120:1. Governments have historically overvalued silver relative to gold. When it was electrum being found in Sardis, Lydia (Turkey), this type of disparity did not exist. However, as the Greeks had silver but not gold mines to speak of, their monetary base became a flood of silver. The Romans had copper and thus based their monetary system upon bronze. Nevertheless, the true rarity of gold has historically been downplayed thanks to the government seeking to overvalue silver to simply have more money to spend. The silver–gold ratio has fluctuated between (9:1 to 150:1 historically.

Spanish Imports of Fine Silver and Gold from America in Ounces

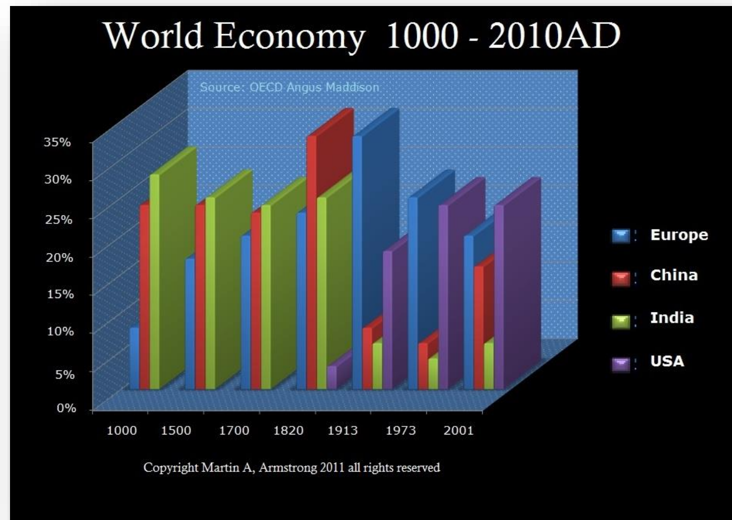
Period	Gold	Silver
1503–1510	160,167	———
1511–1520	295,265	———
1521–1530	157,711	4,798
1531–1540	466,656	2,780,447
1541–1550	805,068	5, 728,166
1551–1560	1,374,841	9,778,102
1561–1570	371,965	30,414,799
1571–1580	304,165	36,083,611
1581–1590	390,375	67,839,602
1591–1600	630,368	87,342,791
1601–1610	379,486	71 ,407,459
1611–1620	285,675	70,717,935
1621–1630	125,476	69,204,485
1631–1640	40,012	45,056,761
1641–1650	49,980	34,784,418
1651–1660	15,142	14,298,598

Source:

Converted from grams reported by Earl J. Hamilton, 1929 "Imports of American Gold and Silver into Spain 1503–1660" Quarterly Journal of Economics XLIII 436–72 (Conversion rate rounded to 31 grams per Troy ounce)

Without question, this 16th Century adventure into monetary manipulation was very costly regarding lives. The debasement of silver was a daring experiment that ruined–the European economy and set in motion the very need for banks

and foreign exchange brokers since money became no longer trustworthy when issued by kings. Despite the fact that coins were gold or silver, they were still clearly fiat – which means that the state simply decrees a value against the free market.



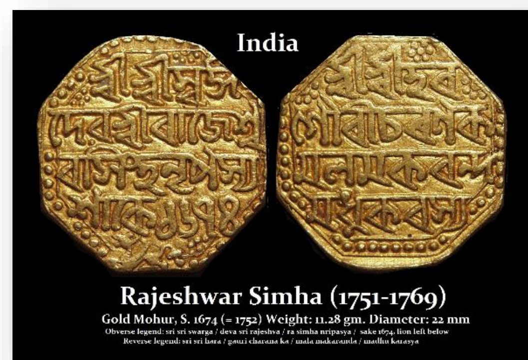
Therefore, this experiment in revaluing silver to gold, and then playing with the reduction in the purity of the content of the coinage, gave rise to the banking and foreign exchange markets in Northern Europe. The financial capital left Spain and moved to Amsterdam and the Dutch. Clearly, the defaults of Spain and France with the massive debasement of the coinage in England opened the door to the Dutch. Indeed, the introduction of debased money had driven the old coinage out of circulation and into hoarding. This strangely created a shortage of money.

The Ottoman Empire was founded at the end of the 13th century in northwestern Anatolia (modern Turkey) in the town of Söğüt (modern–day Bicelik Province). It was founded by the Oghuz Turkish tribal leader Osman. It was in 1354 when the Ottomans crossed into Europe conquering the Balkans. The Ottomans kept expanding and eventually they conquered the last holdout in 1453 capturing Constantinople under Mehmed II the Conqueror renaming the city Istanbul. The Ottoman Empire never extended into India. However, they did control the Mediterranian by sea.

Abul Muzaffar Muhi-ud-Din Muhammad (1658-1707)
Gold mohur, Aurangabad (10.97 grams) Mint Aurangabad

The Mughal Empire (1526–1857) which was a dynasty of Indo–Persian in a culture which began about 72 years following the fall of Constantinople. The Empire began with the victory by its founder Babur over Ibrahim Lodi, the last ruler of the Delhi Sultanate. The Mughal emperors had roots in the Turco–Mongol Timurid dynasty of Central Asia. They claimed direct descent from both Genghis Khan who was, of course, the founder of the Mongol Empire which has conquered China in 1215. Consequently, the financial capital of the world moved from Constantinople to India.

There was also the Ahom Kingdom which was founded during the 13th century by migrants from northeastern Burma who conquered the old kingdom of Kamarupa. The earliest coins from the Ahom kingdom date from the 15th century. Originally, the coins were round, but in the 16th century, the shape of the coin was made octagonal, supposedly because the Yogini Tantra mentions that Kamarupa is eight–sided.



Rajeshwar Simha (1751-1769)
Gold Mohur, S. 1674 (= 1752) Weight: 11.28 gm. Diameter: 22 mm
Obverse legend: sri sri swarga / deva sri rajeshva / ra simha nripasya / sake 1674, lion left below
Reverse legend: sri sri hara / gauri charana ka / mala makaranda / madhu karasya

The Ahom were able to withstand invasions from the Bengal Sultanate and even the Mughal Empire (1526–1857), although the king was forced to pay some tribute and Aurangzeb who even briefly issued coins in Assam. Eventually, the kingdom was defeated by invading Burmese armies in 1821–1822. At that point, the British stepped in and made Assam a British protectorate in 1825.

Genghis Khan invaded China in 1211. By 1215, he conquered the new Jin capital at Beijing. This new Mongol Empire was the largest to have ever existed from a land base perspective stretching from China through Russia down to Iran. They devastated the Muslims in Uzbekistan (1216–1223).

It was the Song Dynasty which gave rise to the term in the West, "***Chinamen***" that had nothing to do with race, but with the new product they began to export – ceramics. A major port was developed at Ch'uan-chow, located about 600 kilometers north of Canton. The new booming trade was in porcelain that began to surpass silk. There was an economic explosion in kilns at Ching-te-chen and we now begin to see China truly rise to displace India, which has become rich from spice trade, as the largest economy in the world.

It took until about 1450 for China to pull ahead of India, but eventually China reverts back to a period of isolationism after 1433, and this will reduce these gains, while creating the incentive for Europe to reach India, as Christopher Columbus tried in 1492.

Traditional Chinese silver sycees and other currencies of fine metals were not denominated or made by the government and their value was determined by their weight in taels. They were made by individual silversmiths for local exchange and thus there are great variations. The weight standard also varied among regions. A sycee was a type of silver or gold ingot currency that was used in imperial China from its founding under the Qin

dynasty until the fall of the Qing Dynasty in 1911. Common weights were 50, 10, 5 and one tael. The Thai equivalent of the tael is known as the tamlueng, with a weight that is now standardized at 60 grams.

It was the wealth of the spice trade that made India rich in the middle ages. Pepper had been worth more than the weight of gold. In fact, bankers who emerged from merchants were called "Peppermen" in Germany.

It was the Mongols who took China and raised it to the new financial capital of the world. In the year 1162, a man named Temujin was born into a nomadic tribe living in northern highlands of Mongolia. A rival group murdered his father and his tribe then scattered. Temujin was raised in poverty by his mother, Hoelun. Then in 1206, it was this young boy Temujin who united the Mongol tribes, receiving the title "Genghis Khan" (1162–1227) meaning "universal ruler." For the next two decades, he led the Mongols to conquer much of Eurasia.

Genghis Khan
(c. 1162 – 1227)

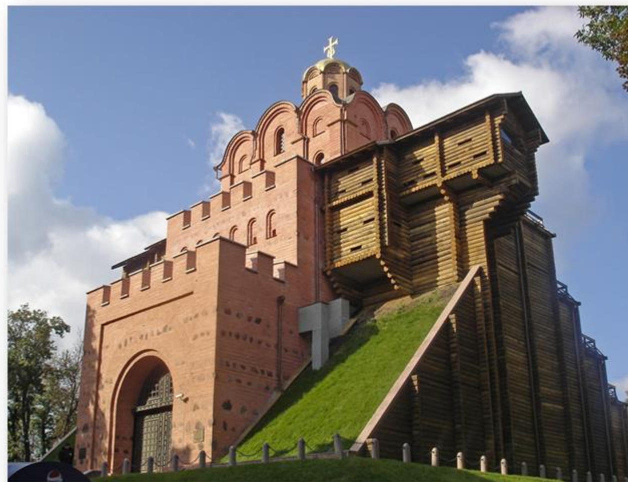
Genghis Khan became perhaps the most successful conqueror in history. He looked to the West and led the Mongols on a journey sweeping the civilized world that was simply no match for their skilled nomadic herdsmen.

The Mongols had launched two campaigns intent upon taking Europe. The first Mongol Campaign took place between 1218 and 1225 and was led by Genghis Khan personally where he conquered all the great cities of Central Asia, and then went down to the Indus River in 1221. Genghis himself departed with a small force and gradually returned to Mongolia 1222–1224. However, the main body

of his forces split into two armies and invading the Caucasus and the Kipchak Steppe. These forces eventually returned to Mongolia 1224–1225. When Genghis died, the Mongol Empire covered some 24 million square kilometers (9.25 million square miles). His grandson Kublai became emperor of China in 1271, founding the Yuan Dynasty, which lasted until 1368.

The second Mongol campaign took place between 1235 and 1241 led by Genghis' heir, Ogodei. This invasion force first destroyed the Bulgar state (1236–1237), then they sacked Vladimir and Moscow, subjugating Russia for the next 200 years, and took Novgorod in spring 1238.

The Mongols turned south and reached Kiev in 1240. The vanguard army was apparently taken by the splendor of Kiev and offered the city terms for surrender. Their envoys were killed and the Mongols then attacked the city. On November 28th, the Mongols set up catapults and began a bombardment that lasted several days. On December 6th, Kiev's walls were breached, and hand–to–hand combat followed in the streets. The next day, the Mongols commenced the final assault. After the Mongols won the battle, they plundered Kiev as punishment. Almost all of the population was massacred. Out of some 50,000 inhabitants before the invasion, only about 2,000 survived. Most of the city was burned and only six out of forty major buildings remained standing.



Golden Gate (Kiev)

The Mongols then proceeded westward into Europe, and then turned north again moving into Poland. This is when the German and Polish forces were

destroyed at Liegnitz in April 1241. Simultaneously, the Mongols conquered Hungary.

Genghis Khan (1162-1227)

AV Dinar **AR Dirham**

Mongol Imitation Islamic Coinage

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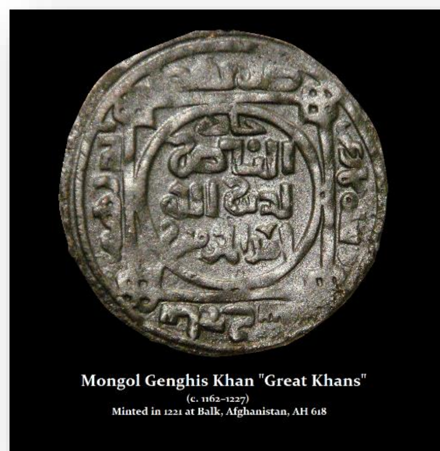
As nomads, the Mongols had little use for money. They measured wealth in horses, sheep, and cattle. They valued well-made weapons, bridles, and saddles. However, when they came to rule the sophisticated urban economies of central Asia, Iran, and China they had to adopt forms of currency that were familiar and acceptable to these populations. In China, they honored the paper money in circulation and did not devalue it as normally occurs during a conquest.

The coinage of the Mongol empire falls into two main categories. The coinage for use in Muslim areas adopted the well-established pattern of Islamic coinage: gold, silver and copper denominations with Arabic inscriptions and geometric decoration. In China, they issued mainly cast



Mongol Genghis Khan "Great Khans"
(c. 1162–1227)
Minted in 1221 at Balk, Afghanistan, AH 618

bronze with a square hole in the center and paper money.

What is most interesting concerning the Middle Anglo–Saxon period unfolds during the reign of Offa (757–796) from a monetary perspective not just that he created the penny/denier, but also introduce a gold coin for trade. Offa issued an imitation of an Arab gold dinar of Caliph Al Mansur dated in the Islamic year 157 AH (774AD).

This gold coin of Offa is a unique object with the Arabic inscription **'There is no Deity but Allah, The One, Without Equal, and Muhammad is the Apostle of Allah'**, which is clear yet not copied perfectly. The engraver obviously had no idea of what the writing even said. Additional evidence of this ignorance is the fact that **OFFA REX** has been inserted upside down relative to the Arabic inscription. Nevertheless, this demonstrates that international trade was starting to reemerge with the Arab world in Mercia, England. Additionally, this coin further illustrates the distinction whereby gold was only used in international transactions with silver being reserved for domestic use. Hence we have a two-tier monetary system.

A Two Tier Currency System

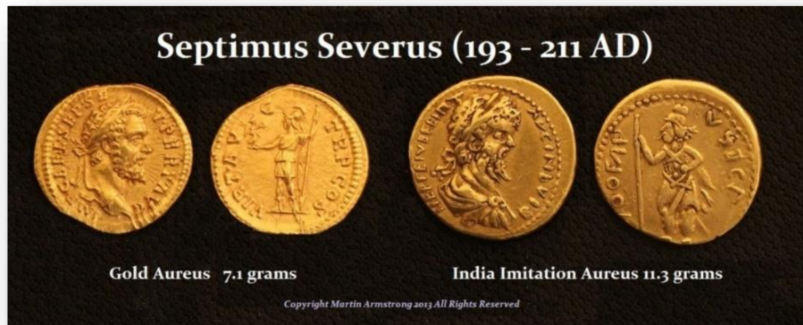
Throughout history there have been many different monetary systems. Some have been based upon food, sheep skins, cattle, bronze, sea shells, slave girls, wheat, silver, and gold. What many do not comprehend is there have also been monetary systems that distinguish between a domestic money and an external form of money.

Consequently, throughout recorded history, there have been numerous two-tier monetary systems in use that dealt with domestic transactions held separate and distinct from international transactions regarding trade. There have also been periods in time when the domestic currency loses confidence and thus people decline to accept it and they turn to rely upon currencies of other countries.

Such periods of domestic v international currency conflicts are interesting for they are not official fiat systems, but rather they emerge from and by the people. These are periods when confidence in government collapses. Such events typically unfold as hyperinflations as in Germany during the 1920s or the distrust that unfolded in Zimbabwe leading to hyperinflation.

There are also instances where foreign currencies circulate against local currencies as U.S. dollars did for years in Russia to Asia without necessarily a collapse in the domestic economy. These periods typically reflect simply a crisis in trust of one's home government.

At times, there have been shortages of a local currency and people turn to an external currency. We even find these type of two-tier monetary systems emerging when there have been shortages in external currencies where the population tends to trust a foreign government more than their own.



Pictured here is an Indian imitation of a Roman gold Aureus of Septimus Severus (193–211AD). This is not a counterfeit for it actually was gold and it weighed more than the real thing. There are hoards of Roman Republican coinage discovered in India dated back to 150BC. Whatever money was being used within India, Roman coinage made its way there through trade for spices, silks, and dyes. Roman coinage was recognized as a medium of exchange in India. So here we have a gold coin struck in India which is over-weight because its acceptance in this form was more respected than then raw gold itself. Indian imitations are know from the time of Augustus (27BC–14AD) to Gordian III (238–244AD).

The recognition of Roman coinage as a medium of exchange in India is not merely confirmed by Indian imitations, it further demonstrates that there was a shortage of a medium of exchange which was met by imitating Roman coinage. Therefore, imitations appear supplementing local currency that has been consistent throughout history during shortages.

Indeed, imitations of the reserve currency so to speak go back to ancient Athens. It was the Athens Tetradrachm known as an "Owl" which rose to the status of a world currency. Evidence of this is also where we find imitations in fine metal circulating in Asia.

We even find imitations of later ancient Greek coinage of Philip II (382–336BC) among the Swiss tribe known as the Helvetii. In this case the coin is underweight as a Stater, but was probably used as a Half–Stater given that such foreign coins in Switzerland were highly prized. We also find Celtic imitations of Philip II tetradrams. Clearly, the peripheral economics both East and West imitated the coinage of the dominant economy as we have seen with dollars.

----- First Japanese Coinage of 706 AD -----

Wado Kaichin
(5.272 grams; 22.65 mm)

Wado Kaichin (or Wado Kaiho)
(3.3 grams; 25.1 mm)

----- Monetary Reform of 760 AD -----

Kaiki Shoho
(4.3786 grams; 26.3mm)

Mannen Tsuho
(4.3786 grams; 26.3 mm)

765 AD
Jingu Haiho
(2.6 grams 24.2 mm

796 AD
Ryuhei Eiho
(2.6 grams 24.2 mm)

818 AD
Fuji Shinpo
(2.8 grams; 23mm)

835 AD
Showa Shoho
(2.04 grams; 20.7 mm)

848 AD
Chonen Daiho
(1.77 grams; 19.5mm)

859 AD
Nyoyaku Shimpo
(1.898 grams; 19 mm)

890 AD
Kanpei Daiho
(2.22 grams; 19 mm)

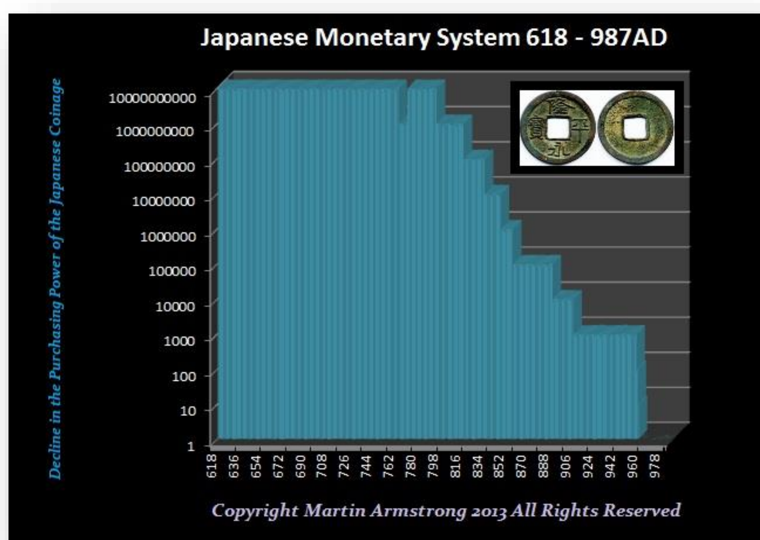
907 AD
Engi Tsuho
(3.04 grams; 19 mm)

958 AD
Kengen Daiho
(3.3 grams 20.5 mm)

Even when we turn to Asia, we find the human response to be the same in ancient times as it was in Zimbabwe. The progression of Japanese Emperors devalued the outstanding money supply upon coming to the throne. The constant issue of a new coin with its value being decreed as worth 10 times that of the old coinage in circulation ruined the economy and undermined the integrity of the state. This practice created the incentive to rely upon barter and Chinese coins in Japan. Finally, the people just stopped accepting the coinage of the Emperor and Japanese Emperors lost the ability to create money – people simply refused to accept it. The state's assumption of the power to decree value of coinage (fiat) only produced an accumulative inflation during the Nara

Period and early Heian Period that remains one of the highest in history. It would have been as if government printed a new one dollar bill and declared arbitrarily that all one dollar bills dated today are worth 10 old one dollar bills. This wiped out people's savings and thus the people stopped hoarding Japanese coins and turned to Chinese coinage and bags of rice.

Consequently, this belief of an assumption of power to simply decree the value of money as the government so pleased claiming the Emperor is chosen by God, destroyed the Japanese economy. This practice simply created a two-tier monetary system whereby Japanese coinage just fell out of use and the people returned to a barter system with tangible goods possessing some utility value such as rice and silk. Only Chinese coins would be used in Japan and Japanese coin production stopped for about 600 years until 1587. Foreign coins appeared in Japan from China, Korea and Annam (now part of North Vietnam) during this period right up until the Meiji era (1868–1912), but this was reflecting international commerce existed much as we see Roman and Greek coins in hoards outside of their regions.



But there are also instances where there have been a **two-tier monetary systems** that are officially established by the state such as the Rand and Financial Rand in South Africa which was finally abolished in 1995, and the two-tier gold system

The New York Clearing House was organized officially on October 4th, 1853

under Bretton Woods established in 1968. There are also emergency two–tier currency issues that are private and exist alongside the official currency of the state.

One example of where a private currency has been created in the middle of a financial panic due to a shortage of official currency issued by the state was the events that gave birth to the concept of the need for an ***"elastic currency"*** during the 19th century. The Panic of 1873 saw the government make a small gesture to try to calm the panic. The U.S. Treasury did the same thing as **Quantitative Easing** post–2007 back then as well where it too failed.

The US Treasury injected cash by purchasing government bonds. It did **NOTHING** to help the economy. Why? When confidence crashes, people **HOARD** money and will not spend it if they fear the future. The cash they injected was hoarded by the banks just as it has been post–2007. **Quantitative Easing** in this manner **NEVER** produces inflation nor does it stimulate the economy. Those in government think they came up with a brilliant idea and nobody bothers to look at history or ask: Has this been tried before? Did it work?

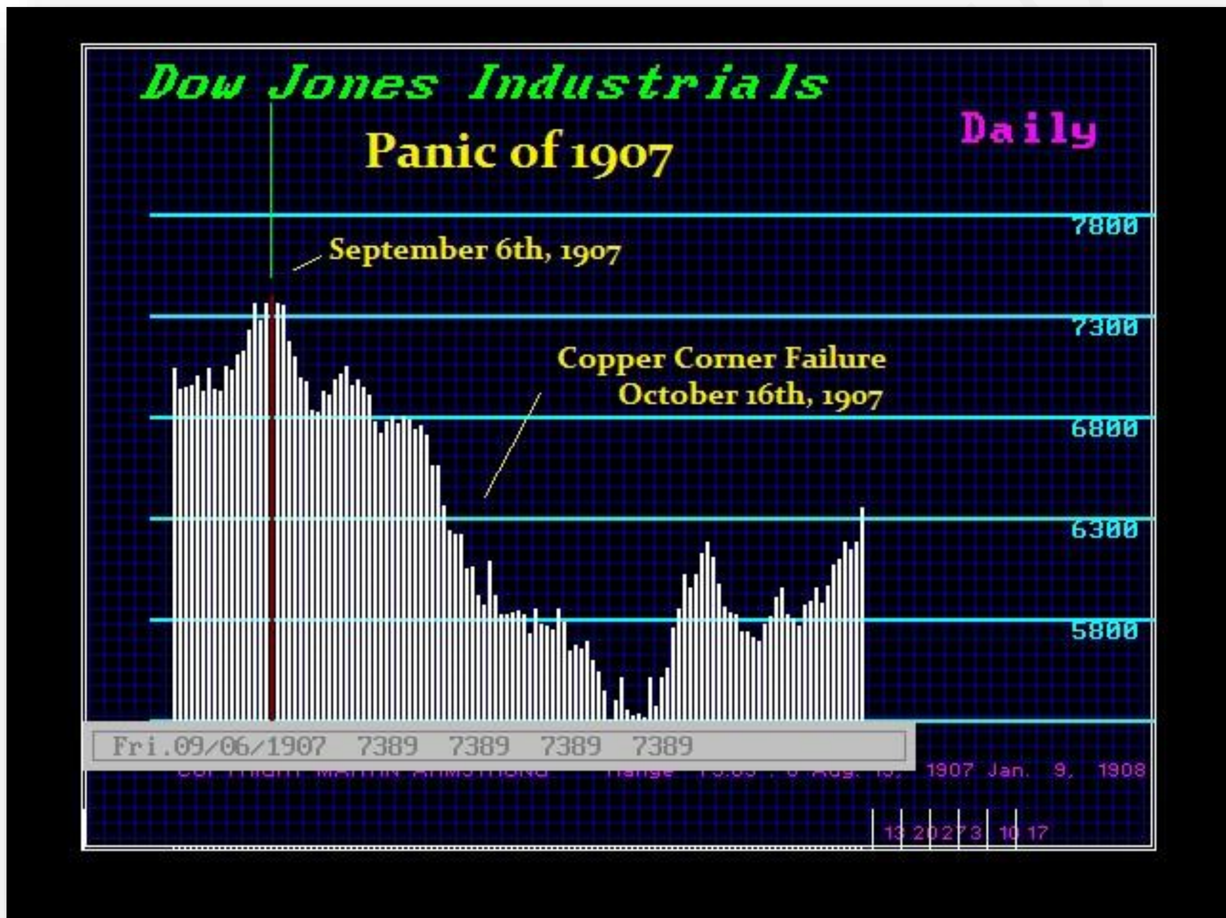
The banks got together to create their own ***"Elastic Money"*** using the **New York Clearing House**. Failing to increase the money supply meant that the value of money in purchasing power rises and all assets decline. This is the hallmark of **EVERY** recession or depression. During the Panic of 1873, the national banks of New York pooled their cash together and collateral into a common fund, and

placed this in the hands of a trust committee at the **New York Clearing House**, which had been founded on October 4th, 1853. The **New York Clearing House** then issued loan certificates that were receivable at the Clearing-house against this collateral. These certificates were absorbed like cash and could be used to pay off debt balances among members. Ten million dollars' worth of these certificates were issued at first, but the sum subsequently doubled. This Clearinghouse paper served its purpose admirably functioning as ***"Elastic Money"***.

By October 3rd, 1873 confidence had been returned and $1,000,000 of these certificates was called in to be canceled. The next day, another $1,500,000 more of these certificates were recalled. In the end, not much of this issue was outstanding very long. The Clearing-house scheme was successfully applied also in Boston, Philadelphia, Pittsburgh and other cities, but not in Chicago.

The tool of creating an ***"Elastic Money"*** supply was private in nature and was also used during the Panic of 1907 very successfully. This is where we begin to see small denomination notes in circulation that took the form of checks being issued against certificates and in some instances banks issued bearer checks

backed by the certificates. The Panic of 1907 was markedly different from other panics for this disrupted the domestic commerce preventing the free circulation of the credits between regions within the country that would typically take place through the bank drafts drawn by one money center upon another. In order words, you write a check on your bank to another who deposits it in



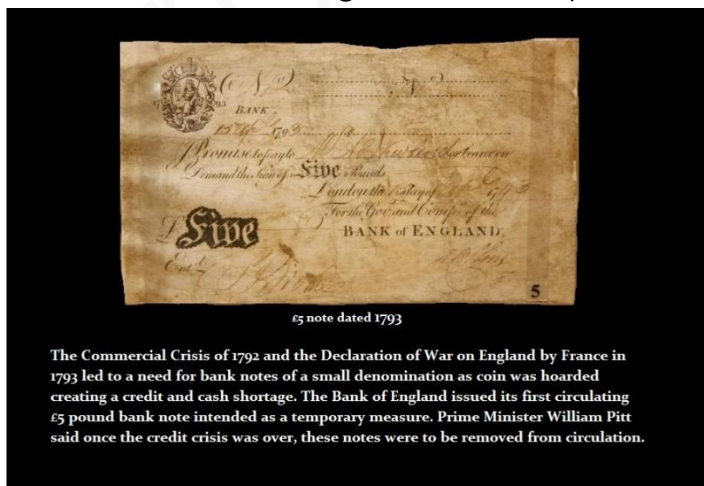
their bank and it must go through a central clearing operation.

Clearing House Loan Certificates served a far more important role during the Panic of 1907 than in any previous panic in American history. They were instruments that represented temporary loans made by the banks banded together as a Clearing House Association. They were then issued to the individual

members of that association upon depositing collateral that was acceptable to a Committee. The certificates bore a stated specific rate of interest, and were available to the banks only for use in settling balances among other members of the same association. As Clearing House balances are normally payable in cash, these certificates became ***"elastic money"*** that was created backed by collateral and made available for other purposes equal to cash for settlement purposes.

An example of this concept would be you accept a check from one person and endorse it so it may be cashed or used by another. The check represents "money" and becomes a substitute for it in a derivative manner. Various instruments served such purposes during a crisis such as Cashiers' Checks, Clearing House Checks, Clearing House Scrip and Certificates of Indebtedness. All of these various derivative forms of representative money were issued and circulated freely as money in the communities when there were shortages of cash due to hoarding and a crisis. BitCoin would fall into this derivative form of money today. Historically, some skirted the law while others were subjected to a tax. The Clearing House Loan Certificates were markedly different insofar as they were immediately retired/redeemed as soon as the conditions that had necessitated their issue had passed. It was this quality that created the class of ***"elastic money"*** that could be created for the crisis and then retired as the crisis subsided. This trait separates them from BitCoin or using the currency of another country in its stead.

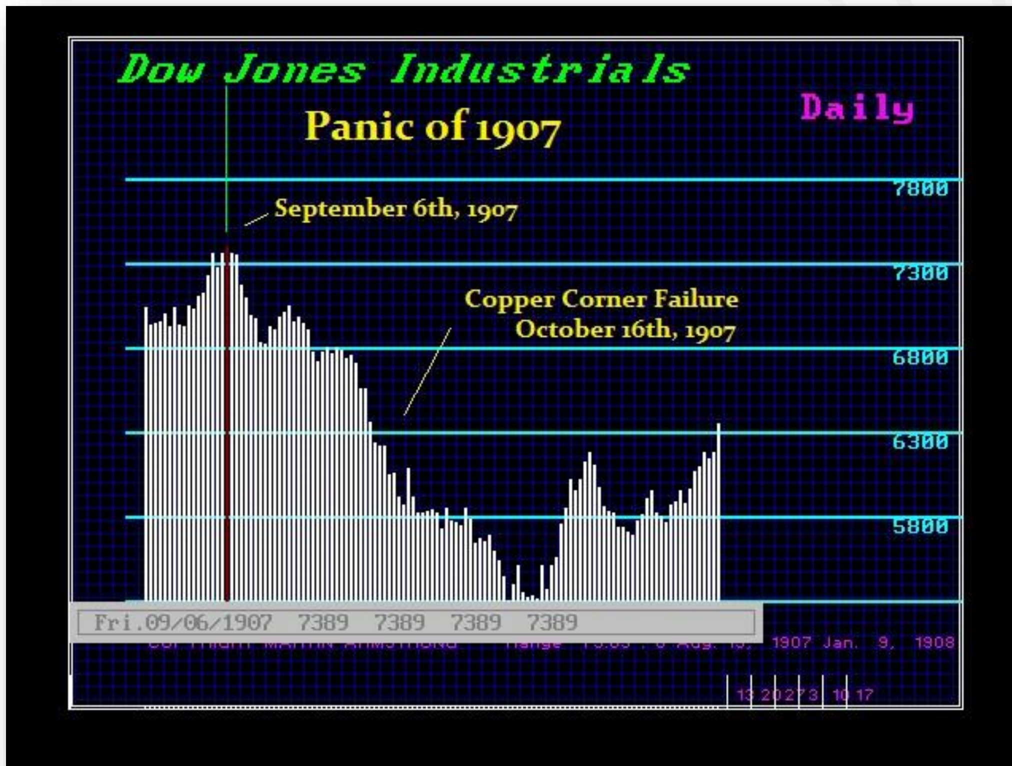
Even the Bank of England charter prohibited other banks from issuing money and that the currency issued had to be backed by gold coin. During a crisis, such as Napoleonic Wars, this restriction was lifted. Britain itself experienced an even greater shortage of coin during the Napoleonic Wars 1797–1813. It



£5 note dated 1793

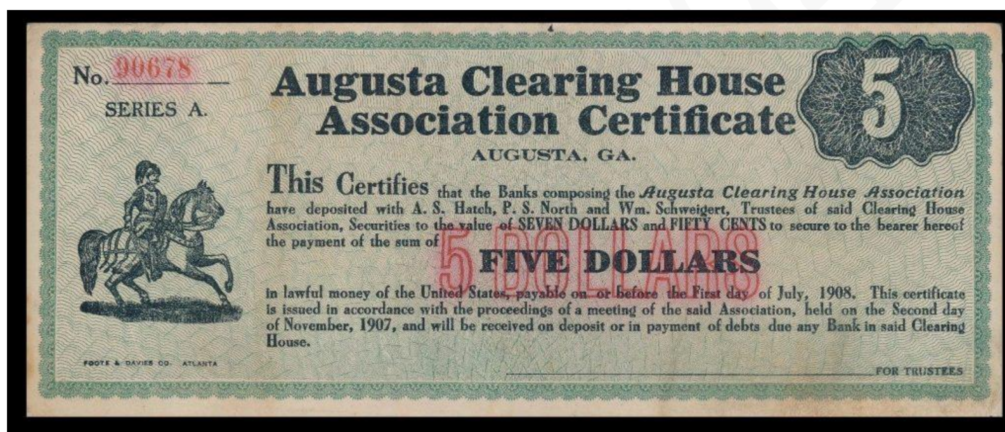
The Commercial Crisis of 1792 and the Declaration of War on England by France in 1793 led to a need for bank notes of a small denomination as coin was hoarded creating a credit and cash shortage. The Bank of England issued its first circulating £5 pound bank note intended as a temporary measure. Prime Minister William Pitt said once the credit crisis was over, these notes were to be removed from circulation.

was during this historical war when banknotes became common in Britain and there were no gold Guineas issued between 1800 and 1813. The Bank of England was allowed to issue small denomination notes as a temporary measure (***"elastic money"***), and when the crisis passed, the notes were to be redeemed. This most likely served as the role model for ***"elastic money"*** that appeared in the United States during a crisis in the mid–19th century.



During the few months immediately subsequent to the Panic of 1907, Clearing House Associations had sprung into action within 48 hours in New York City. The same plan in general, with variations, was employed from East to West and North to South with numerous cities participating. In the case of New York Clearing House Association, the aggregate issue was about $101,000,000 of these certificates during the panic. The date of the first issue was October 26th, 1907 and the date of the first cancellation was November 14th, 1907. The entire issue

had been redeemed by January 30th, 1908, and the date of the final cancellation was March 28th, 1908. The greatest amount of these certificates issued to any one bank was $17,000,000, and the smallest $250,000. The time elapsed from the first issue to the final cancellation was 22 weeks, or 154 days. The New York City Clearing House scrip differs from other issues only in the omission of the name of the bank to which they were issued, the identity of the certificate with the collateral being preserved by means of the certificate numbers, a record of which was confidentially kept at the Clearing House. By this means no attention was drawn to the banks which found it necessary to use them.



In Augusta, Georgia, the Clearing House issued small denominations of $1, $5, $10 and $20. These were secured by collateral set at 50% in excess of the amount issued. It was on November 2nd, 1907, when the banks authorized the issue and had appointed three Trustees. The issue was due to expire on July 1st, 1908 but they became payable at any time during the interim with Clearing House Certificates or lawful money.

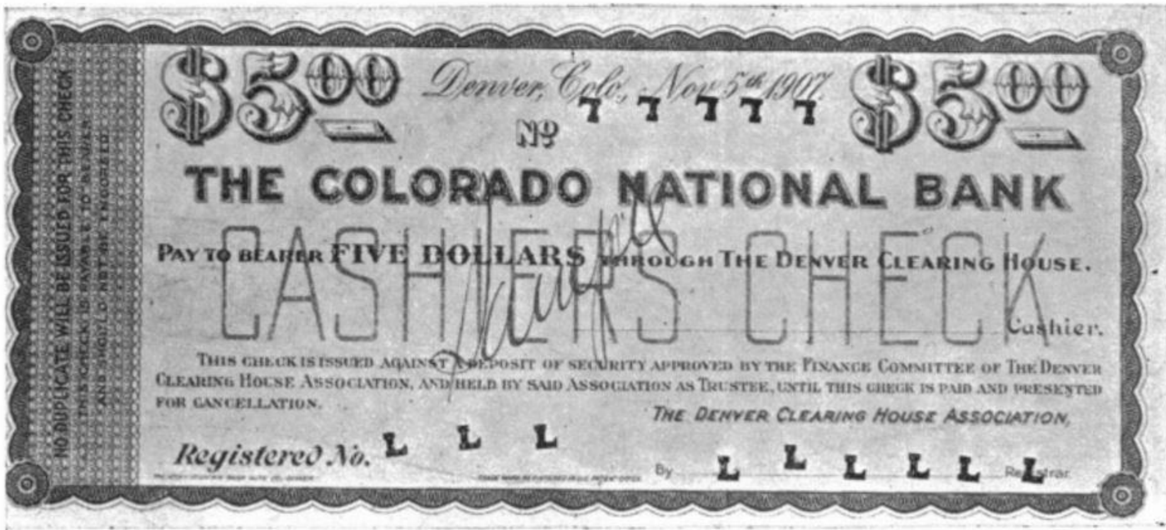
The Clearing House of Canton, Ohio Canton was different insofar as this was a manufacturing center and required larger amounts of cash for pay rolls, which was not available and would have resulted in laying off workers. To save the day, the banks issued checks in three denominations, $5, $10 and $20. The checks were made payable to "Bearer" through the Canton Clearing House Association only and had to be signed by an authorized person connected with

the corporation issuing them. These checks failed to provide a money supply for when workers tried to use then, shops had to make change in cash and that only depleted the local supply. Subsequently, the solution was that the checks had to be restricted and were payable to "Bearer," through the Clearing House only, in amounts to $1, $2, $5 and $10. These checks had no collateral security backing of them and were accepted purely on the responsibility of the issuing bank. This would serve as the model for Depression Scrip issued during the Great Depression.

Chicago, Illinois in 1907 also issued Clearing House certificates for the first time in its history, failing to adopt this tool during any of the panics during the 19th century. The Chicago Clearing House Loan Certificate was followed the same form as that in New York City. They were issued in early November 1907 with the provision for the deposit of these certificates by any bank. The Clearing House checks were then issued in denominations of $1, $2, $5 and $10, in amount equal to the face value of the certificates that were on deposit. Therefore, the checks were secured by certificates, which were the collateral. These checks were all made payable through the Clearing House.

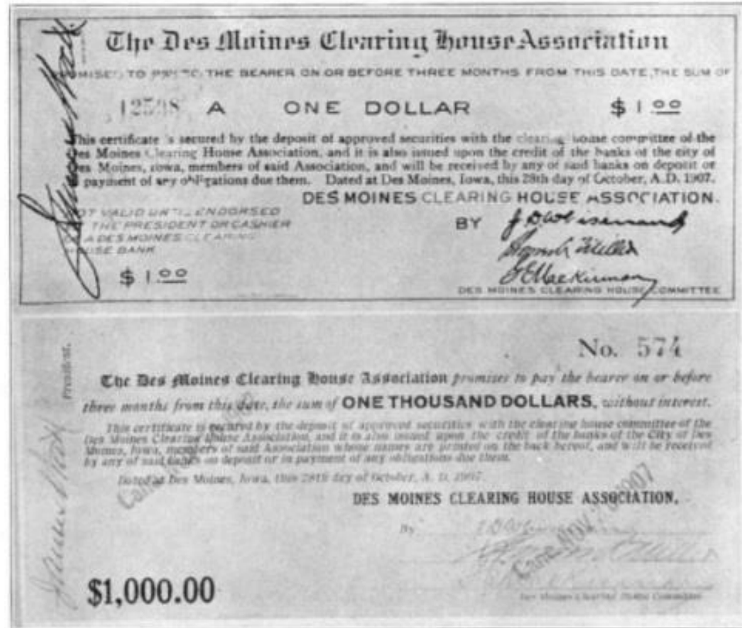
In Cleveland, Ohio the Clearing House Loan Certificates and Clearing House check system were both issued with the checks issued against the certificates. However, the Loan Certificates in Cleveland, unlike those of Chicago, were not

used for settling balances at the Clearing House. Here the Loan Certificates were issued solely for the purpose of securing the issue of Clearing House Checks.

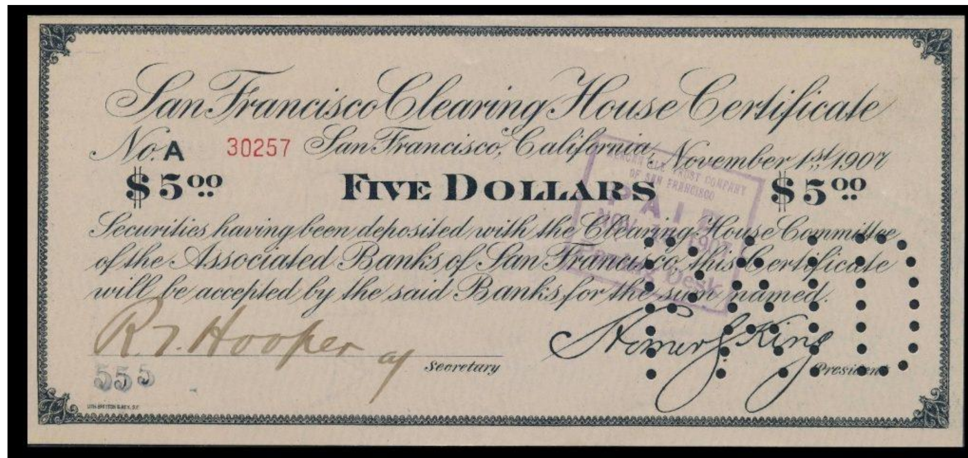


In Denver, Colorado, Cashiers' Checks issued in amounts of $5, $10 and $20 by the individual banks were issued against deposits of acceptable collateral with the Finance Committee of the Clearing House. A Registrar was appointed to register and sign all checks before issue. By agreement, the banks would each issue $50,000 of these checks, in order to make the action unanimous.

Des Moines, Iowa this issued Clearing House checks which were secured by approved collateral deposited at the Clearing House Committee, however, all the Bank members of the Clearing House also was pledged for its payment. All member banks took part in that pledge. The Clearing House Loan Certificates of Detroit, Michigan were issued but they did not issue smaller denominations Clearing House checks. The individual banks issued Cashiers' Checks in amounts of $1, $5 and $10 for that purpose.



The idea of issuing elastic money to facilitate the immediate shortage of cash was used around the nation quite successfully. The people accepted the non-governmental issues of paper money and it clearly laid the foundation for what would become the Federal Reserve in 1913 with the power to create elastic money.



The Clearing House Loan Certificates issued in San Francisco were issued in small denominations and were originally printed on safety paper, but it was soon discovered that this grade of paper would not stand the wear of circulation. They were then replaced with lithographed certificates on bond paper and the previous issued was recalled. This currency was issued against the deposit of Clearing House certificates, and was used by the San Jose Clearing House Association as well as by San Francisco.

This was the birth of ***"Elastic Money"*** as a substantial medium of exchange that extended down intro the economy and outside of just the financial center clearing house. This prevented a wholesale liquidation of assets to get cash in short supply to settle accounts. The problem is neither the Federal Reserve (Fed)

nor the concept of ***"Elastic Money"***. The Fed was originally established in 1913 to act like the **New York Clearing House** but for all assets outside of Wall Street. Then came World War I the next year in 1914 and Congress ordered the Fed to buy only US government bonds. They never returned the structure of the Fed to what it was originally designed to do.

Hence, today we have **Quantitative Easing** when central banks buy government paper attempting to stimulate as they tried and failed every time previously. The difference was that the **New York Clearing House Certificates** were good among security dealers. They were not expanding the money supply nor could they be used for groceries at home.

The certificates were redeemed and those from 1873 are non-existent today because they were used among institutions. If you want to blame anybody or anything – blame the right person or group. What you are doing is blaming a murder on the person who manufactured a gun rather than the person who pulled the trigger. Blame Congress! Not the Fed! We need a central bank and ***"Elastic Money"*** in times of a financial contraction for it is simply a sharp rise for the demand in cash to settle accounts that cannot be met. This then forces the banks to dump assets at losses and recall loans only further exasperating the contraction. In reality, this became a private issue that formed a two-tier monetary system for brief periods of a contraction. The first tier is naturally the state money supply in common use. The second tier is the ***"Elastic Money"*** created privately, which automatically expires.

Therefore, "Elastic Money" fulfills that vital role in an economic contraction of expanding the money supply to meet the sudden demand for cash. The key is this "Elastic Money" cannot be that of Government Issue for they are always the worst possible fiscal manager and will act out of their self-interest. This is why

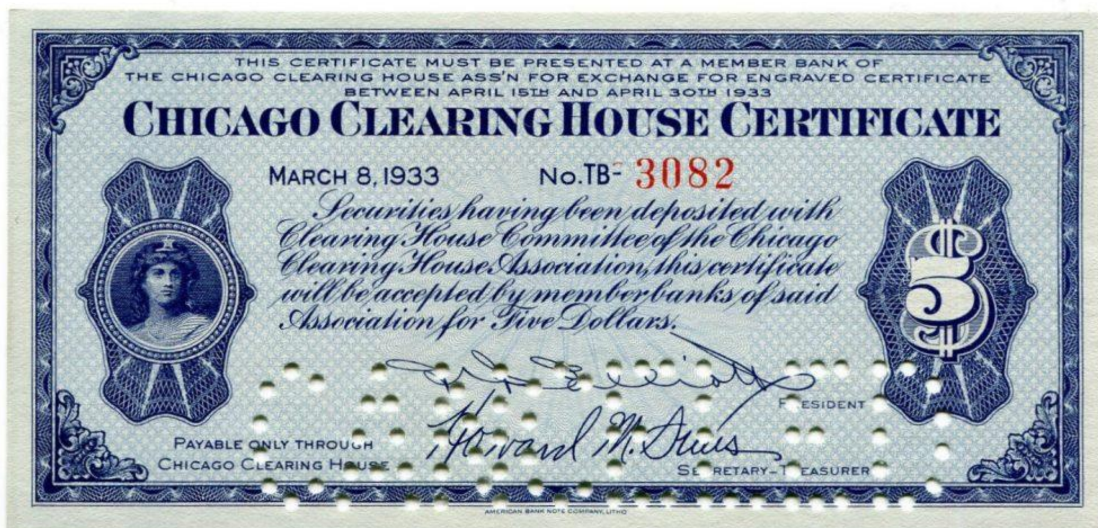
Mario Draghi of the European Central Bank has completely failed in 10 years to reverse the deflationary contract by merely creating money to buy government debt.

$5 Federal Reserve Note 1914

During the Great Depression, the Federal Reserve had now been in place since 1913. While its power was to be able to create ***"Elastic Money"*** in the middle of a contraction, the Fed failed to fulfill that role once government gets involved. The political self-interest takes hold and becomes dominant. The Fed was acting as Merkel has oppressing Europe as a hold with her demands of austerity. The Fed had excess gold pouring into the country fleeing Europe, but the Fed did not accommodate by increasing the money supply. Instead, the Fed lowered interest rates dramatically from 6% to 1%, with no effect of stabilizing the economy.

As the economy contracted even worse following the 1931 Sovereign Debt Defaults throughout Europe, Asia, and South America, a major banking crisis unfolded and cash was in desperate supply. The U.S. Mint had stopped producing silver dollars in 1929. As the crisis unfolding, the Mint resumed producing silver dollars in 1934 and continued into 1935 before stopping the issue because people just hoarded the coins. The $20 gold coins in 1928 saw a production of 8.8 million, but in 1929, in an effort to stop the bubble, production was cut to 1.7 million and then in 1930 it collapsed to 74,000. As the contraction was massive,

in 1931 production of the $20 gold piece was increased to about 3 million dropping to 1.1 million in 1932 and the 445,500 in 1933 that were never put into circulation.



We find that during the Great Depression the Clearing House certificates were reintroduced by many of the leading cities including Chicago, who had previously refrained from such issues during the 19th century. However, you will notice that they were issued during 1933 thanks to the collapse of about 9,000 banks caused by fears of Roosevelt's "managed currency" he eluded to during the 1932 election. By 1930, nearly 1200 banks had failed, and even the Sovereign Debt Crisis hit in 1931, did not lead to the massive bank failures inspired by Roosevelt's election. True, people began to hoard money during the beginning of the Great Depression as they always do. However, it was the election of 1932 that really caused the panic.

On June 6, 1932, President Hoover signed into law the new Revenue Act which increased income taxes and corporation taxes along with a variety of excise taxes under the theory that austerity was necessary – raising taxes to help cover costs of stimulation was a disaster and sent the stock market into its July 1932 low. The Europeans saw Roosevelt as the populist and were sure Hoover would win much as they believed Hillary Clinton would defeat Donald Trump. During the election Roosevelt misrepresented everything and blamed Hoover for creating the Depression claiming it spread to Europe from the United States, which was exactly opposite.

Herbert Hoover
(1874 - 1964)
(President 1929 - 1933)

Then the focus began to turn to the upcoming presidential elections in November 1932. The most serious problems resulting from Roosevelt's statements began to arise over his position on currency. He had made several vague statements in reference to a "managed currency" but distinctly omitted the word "gold." On the eve before the elections, pressure from many sectors demanded that Roosevelt clarify his position. He did. He pledged that he would not abandon the gold standard and inferred that concerns in that respect were not warranted.

Nevertheless, the rumors that Roosevelt would confiscate gold or abandon the gold standard led to a panic going into the elections. By October 1932, about 1200 banks had failed that month alone as people were frantic to withdraw their money before the election. People were in a state of panic rushing to all banks and demanding their money in coin. Anyone who had money withdrew it much as they did in Germany 1918 with the Communist Revolution installed the Weimar Republic. Americans

"All the News That's Fit to Print."

The New York Times.

LATE CITY EDITION

ROOSEVELT WINNER IN LANDSLIDE!
DEMOCRATS CONTROL WET CONGRESS;
LEHMAN GOVERNOR, O'BRIEN MAYOR

BIG VOTE FOR M'KEE

O'Brien Is 245,464 Behind Ticket as Protests Rise

BUT FINAL LEAD IS 616,736

Pounds Concedes Defeat Early, Saying 'Day of Miracles Is Past.'

THE GOVERNOR-ELECT.

STATE VICTORY SOLID

Lehman Gets Record Party Plurality of 900,000.

WAGNER CLOSE TO HIM

National Ticket Has Margin of 640,000—Full State Is Elected.

JUDGES IN 'DEAL' WIN; PROTEST VOTE HEAVY

The President's Message To the President-Elect

DEMOCRATS CONTROL STATE SENATE, 26-25

UPSET IN THE SENATE

Moses and Bingham Beaten—Smoot in Close Fight.

VETERAN WATSON BEATEN

Democratic Victories Point to a Large House Majority.

THE PRESIDENT-ELECT.

The Electoral Vote

SWEEP IS NATIONAL

Democrats Carry 39 States, Electoral Votes 444.

FIVE STATES FOR HOOVER

He Loses New York, New Jersey, Bay State, Indiana and Ohio.

hoarded their cash and this created a massive wave of deflation. The rumors were so massive that even France was concerned enough about the "populist" Roosevelt would devalue the dollar that they withdrew all their gold reserves from the New York Federal Reserve on June 14th, 1932.

Nevada was the first state to impose restriction on November 1st, 1932 Lt. Governor Griswold declared a state banking holiday for 12 days. Nothing would stop the massive panic to withdraw funds. By February 4th, 1933, Louisiana's Governor proclaimed a public holiday to prevent a run on the banks in its state. Then on February 14th, 1933, Michigan's Governor Comstock declared a bank holiday until February 21st freezing $1.5 billion on deposit in about 550 banks. The crisis did not abate so he extended it allowing the banks to reopen on the 23rd, but then restricted withdraws as we saw in Greece post-2010 indefinitely.

"All the News That's Fit to Print."

The New York Times.

LATE CITY EDITION

ROOSEVELT ORDERS 4-DAY BANK HOLIDAY, PUTS EMBARGO ON GOLD, CALLS CONGRES

HITLER BLOC WINS; A REICH MAJORITY; RULES IN PRUSSIA

JAPANESE PUSH ON IN FIERCE FIGHTING; CHINA CLOSES WALL

BANKS HERE ACT AT ONCE

City Scrip to Be Ready Today or Tomorrow to Replace Currency.

The President's Bank Proclamation

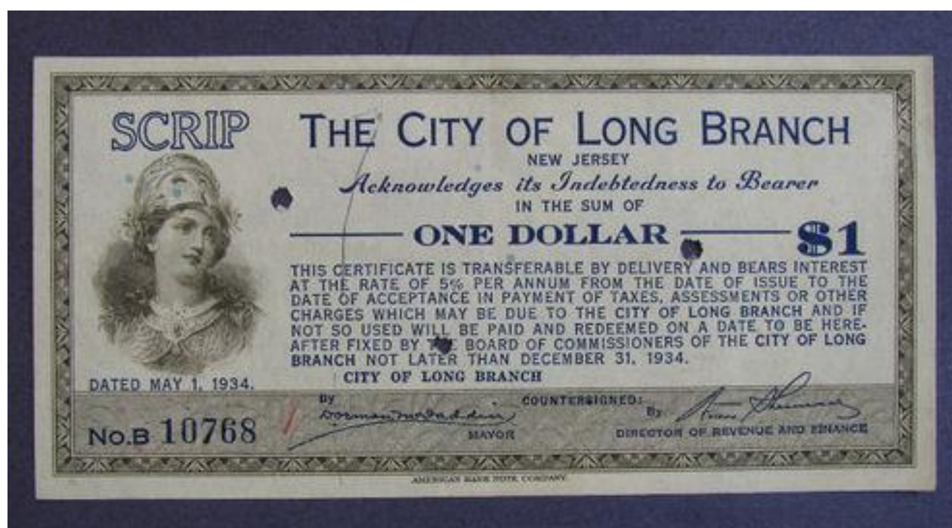
A Proclamation

President Takes Under Sweeping of War Time

FDR's March 4th, 1933 - 4-Day Bank Holiday

It was the news of Michigan that then set off a major panic nationwide to withdraw money from banks. Bank holidays spread to Maryland, Ohio and Indiana between February 25th and the 27th, 1933. By March 1st, the news hit Alabama, California, Idaho, Kentucky, Louisiana, Mississippi, and Tennessee. Then the panic spread and bank holidays were called in Illinois and New York before Roosevelt took office on March 4th. Roosevelt's first act was to declare a national bank holiday on March 6th, 1933. Indeed, had people not been moved to panic withdrawing their money from banks in coin, there would hardly be a

$20 gold coin still in existence today. When the banks were closed during FDR's Bank Holiday, they were all ordered to turnover their gold to the government by his Executive Order April 5th, 1933 with the deadline of May 1st, 1933.



It was during the Great Depression where we now see this concept of issuing private script extend from Clearing Houses to more than two hundred cities. Here is what has been known as Depression Scrip from the United States. Unlike the Clearing House certificates and checks, these were issued by local governments and were not backed by assets. While the banks were being progressively reopened, the birth of the FDIC insurance program for bank deposits did not take effect until January 1st, 1934 with a limit of $2,500. This was raised to $5,000 in 1935 because many people would still not return to the banking system. By August 1933, about $2 trillion in paper currency had returned to the banks. However, the predominant size note was $50, which was clearly a large denomination used for hoarding not everyday commerce.

The Great Depression Scrip began to appear in 1930 and there were many stories written trying to describe all the various forms of substitute money that appearing. Some scrip was issued backed by expected taxes. This variety we refer to an Anticipation Depression Scrip – issued in anticipation of collecting future taxes.

Monetary System of the Republic of Florence

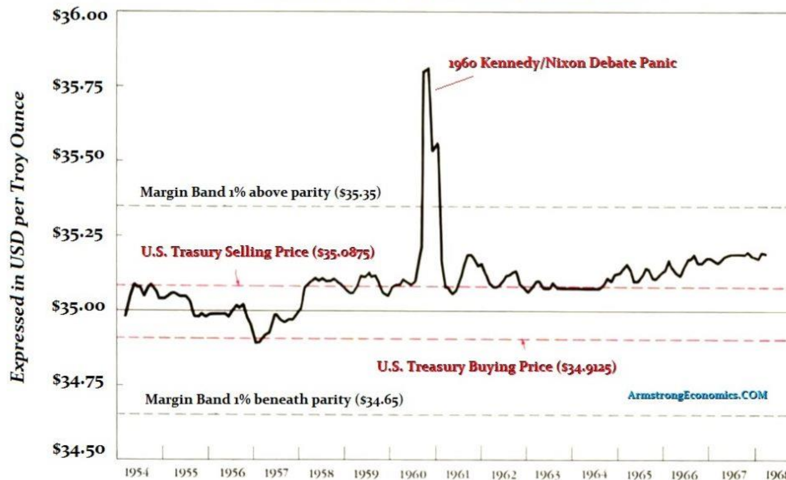
Fiorino d'Oro
1252-1303

Fiorino d'Argento
(Grosso), c. 1260

Two-Tire Monetary Systems have also existed with the distinction between gold and silver. In Florence, Italy, the gold Florin, as it was known, was used in international trade. Domestically, wages were paid in silver. Merchants were required to maintain two sets of books, one for gold transaction externally in international trade and the other calculated in silver for local expenses.

In ancient times, we do see large denomination coins both in silver and in gold, which were too high in value for circulation in day to day transactions. In Athens, they produced Decadrachms, which were equal to 10 drachms of the Attic weight standard (roughly 4.3 grams), and as such tend to weigh between 42 and 43 grams. These are mostly discovered outside of Athens typically in trade ports. Clearly, large denomination currency united were typically used for international trade and thus formed a quasi-Two-Tier style monetary system. We see the same practice with modern currency where this $10,000 1934 bill was obviously to facilitate international trade before there were really wire transfers.

Athens Decadrachm (c. 465-460 BC) 41.86 grams



During the televised Third Debate between John F. Kennedy and Richard Nixon during the Presidential election of 1960, the question about the outflow of gold from the USA reserves took place and set off a financial panic in the London gold market and elsewhere whereby gold rallied as high as almost $36 in London and reaching nearly $40 for the first time in other forums. The was the first crack showing that the Bretton Woods System was indeed collapsing for the one thing that history has proven is you cannot fix anything in a specific price indefinitely. The United States outflow of gold was not really from a trade deficit, but from the fact that the USA was defending the world with its military establishing bases everywhere. That meant capital was leaving. Kennedy responded to a question on monetary policy, which set off the panic.

> *"Now on the question of gold. The difficulty, of course, is that we do have heavy obligations abroad, that we therefore have to maintain not only a favorable balance of trade but also send a good deal of our dollars overseas to pay our troops, maintain our bases, and sustain other economies. In other words, if we're going to continue to maintain our position in the sixties, we have to maintain a sound monetary and fiscal policy."*

The 1960 Panic in Gold shook the foundations of the Monetary System. The London Gold Pool was thus established in response to that event to make sure

no such panic would take place again. The idea was that the pooling of gold reserves by a group of eight central banks would be able to control the marketplace, not much different from the 1985 **Plaza Accord** that created the Group of 5 (G5). This was to include the United States and seven European countries. The accord was reached on November 1st, 1961 to cooperate in maintaining the Bretton Woods System of fixed–rate convertible currencies and defending a gold price of US$35 per troy ounce by interventions in the London gold market.

1964 / 1965 United States Silver Demonetization

This was the last year that silver was used to mint coinage in the United States whereby the silver content was 90% now valued at $2.1.

A blend of copper and nickel covering a copper core in this case. The value of the metal in this coin is now 2 cents.

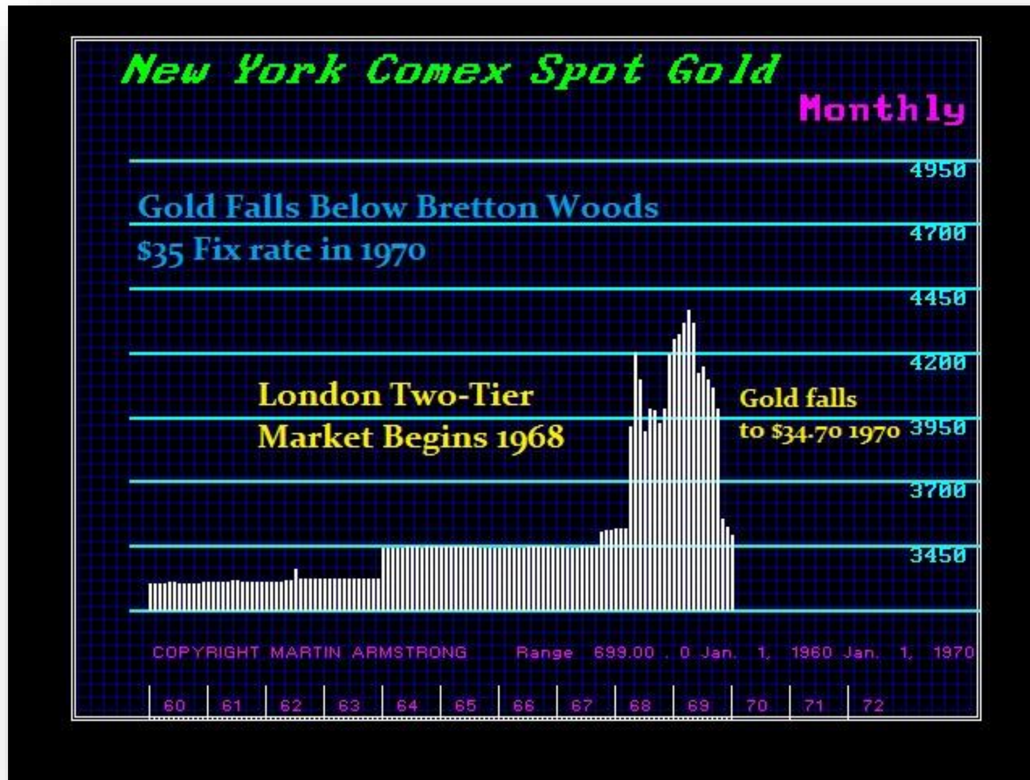
Nevertheless, 1960 Gold Panic was an early warning sign that confidence was beginning to erode in the fixed–rate system of Bretton Woods. The long–term pressure of inflation was first felt in the silver market. President Kennedy issued an Executive Order 11110 on June 4th, 1963. This executive order delegated to the Secretary of the Treasury the President's authority to issue silver certificates under the Thomas Amendment of the Agricultural Adjustment Act, as amended by the Gold Reserve Act. The order allowed the Secretary to issue silver certificates, if any were needed, during the transition period under President Kennedy's plan to eliminate silver certificates. On November 28th, 1961, President Kennedy halted sales of silver by the Treasury Department. It was the consisted increase in demand for silver as an industrial metal, which had led to an increase in the market price of silver above the United States government's fixed price. This led to a decline

in the government's excess silver reserves by over 80% during 1961. President Kennedy also called upon Congress to phase out silver certificates in favor of Federal Reserve notes. The last issue of Silver Certificates was that of 1957 Series.

The fixed exchange rate system was clearly still under pressure. Politicians resisted recognizing this trend, but the free markets were applying the check and balance against a failed system. The 1960 Gold Panic actually exposed the fundamental problem. The government fixed the price of gold in dollars at $35, but they continued to create more dollars as Kennedy pointed out building all these military bases around the world. The economic pressure began to build once again now in 1968, about 3.14 years from the abandonment of silver in the coinage in 1965.

By the end of February demand for gold in both Zurich and London increased to very high levels. The demand for gold was not relieved by an announcement of the selling members of the Gold Pool who met at the Bank for International Settlements in Basle on March 10th, 1968. The public announcement said that ***"the central banks contributing to the London gold pool reaffirmed their***

determination to continue their support to the pool based on the fixed price of $35 per ounce of gold."



As typical, government tries to scare the market with its statements. The public didn't buy it and the demand for gold simply exploded rising to a whole new level of panic proportions. They made a decision to close the London gold market on March 15th, 1968 trying to stop the drain on official monetary reserves. That was taken as a confirmation that the central banks were weak and could not meet the demand.

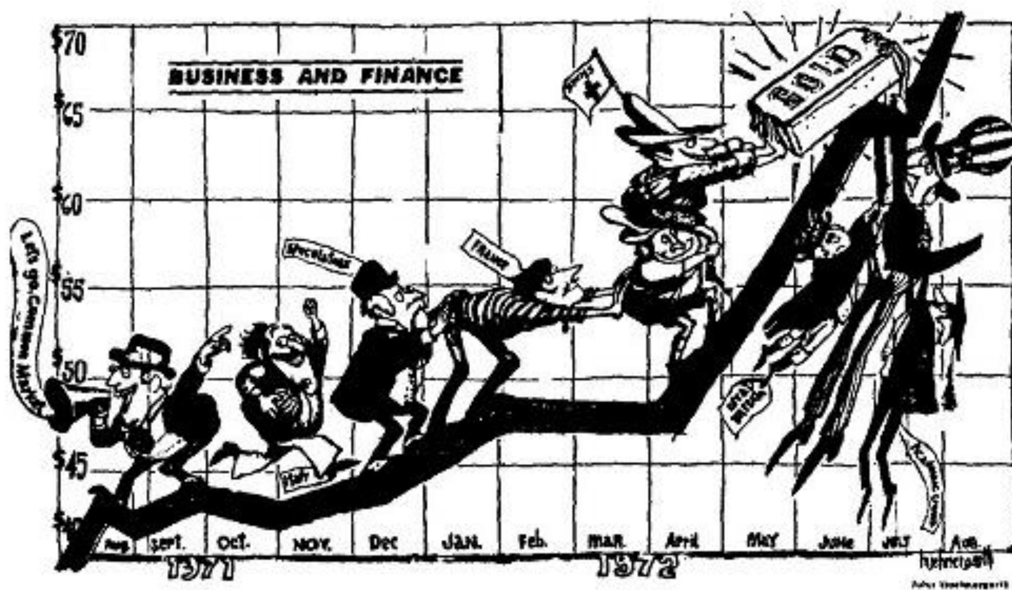
An urgent meeting took place Washington on March 16th and 17th, 1968, which I will refer to as the 1968 Washington Gold Panic Meeting. There the selling members of the gold pool capitulated and decided to stop supplying gold from monetary reserves to the London gold market or any other gold market. The

strings were cut and the free market won. The London market remained closed until April 1st, 1968 to allow the market to regain its stability in hopes that the panic would subside.

When the London Gold Market reopened, the private purchase and sale of gold was carried out at free market rates, the first time since the Great Depression. There were now two daily price fixings that were established – the AM and PM fix. For most of the month following the reopening of the market, trading was light. At first, gold fell back down with the first fixing upon reopening being set at $38.00. Zurich had remained open and was not impacted by the Gold Pool. During the London closure, gold had soared to $40. Therefore, when London reopened, the $38 price was still an 8% increase from the closing price on March 14th, 1968.

By mid–May, however, the demand for gold became very heavy again and by May 21st, 1968, the price of gold reached $42.60 on the London market. Thereafter, demand moderated and prices fell to about $41 a fine ounce in the last week of June. Gold eventually fell back to $34.70 going into 1970 just before the entire Bretton Woods system collapsed on August 15th, 1971 when Richard Nixon closed the gold window at the Treasury.

Nixon closes the Gold Window August 15th, 1971 Beginning the Floating Exchange Rate System



The Gold Rush: What Price Money!

South Africa's offer to sell gold to the International Monetary Fund and by the desire of many European central banks to purchase gold from South Africa for addition to monetary gold stocks to defeat the dollar, contributed to the collapse of the Gold Standard. The longer-term significance of the **1968 Washington Gold Panic Meeting** was that the two-tier system it represented at that time abandoning the Gold Pool, was an important step toward diminishing the role of gold in the international monetary system. In September 1973, the price of gold was officially raised to $42.22. However, the technical devaluation of the dollar was insufficient and uneventful. Within two weeks of the second devaluation the dollar was left to float. In October 1976, the government officially changed the definition of the dollar and any references to gold were removed from statutes. The two-tier gold system set up in 1968, was merely temporary and was simply a step along the way to total collapse.

An important example of an official deliberate two–tier monetary system is the modern monetary history of South Africa. Until the late 1960s, South Africa had a fixed exchange rate for its currency. The the rand was pegged to major foreign currencies as was the case under the Bretton Woods system. In 1979 the government switched to a system that formally expressed parity against the dollar. The value of the rand followed changes in the balance of payments and moved roughly with sterling and other weaker currencies until 1985 when the dollar soared and the birth of the **Plaza Accord** took place.

The foreign–debt crisis of that year caused the rand to depreciate at a spectacular rate, and it fell to an all–time low of less than 40 cents to the US$. The rand recovered somewhat in 1987, reaching 43 cents, but it declined steadily thereafter. The rand collapsed to about 26 cents against the US$ in late 1995. Between February 1st, 1996 and May 1st, 1996, the rand lost roughly 16% of its exchange value, falling from R3.7 to R4.33 = US$1, or a value of about 23 cents to the US$.

The government realized that its domestic policy objectives were incompatible with international investment. They then created a parallel currency to act as a

two–tier currency unit they named the "financial rand". The hybrid currency was used exclusively for the movement of nonresident capital during the 1980s and the early 1990s. Financial rand developed out of currency–exchange controls instituted in the early 1960s, known as the "blocked rand." The financial rand was available only to foreigners for investment in South Africa and was created by the sale of nonresidents' assets in the country.

Therefore, South Africa created a formal two–tiered currency system, which insulated the country's foreign reserves from politically motivated capital flight. Since any divestment by nonresidents was automatically met by new investment, and the price of the financial rand varied independently of the commercial rand, a stability was achieved. The Financial rand invariably stood at a discount to commercial rand, but the size of the discount depended on South Africa's relative attraction as an investment destination. The discount stood at almost 40% during most of 1992 during the political crisis. The Convention for a Democratic South Africa (CODESA) began in December 1991 at the Johannesburg World Trade Center, attended by 228 delegates from 19 political parties. Mandela remained a key figure and after de Klerk used the closing speech to condemn the ANC's violence, he took to the stage to denounce de Klerk as the "head of an illegitimate, discredited minority regime". This confrontation sent the rand into collapse. CODESA 2 was held in May 1992, at

which de Klerk insisted that post-apartheid South Africa must use a federal system with a rotating presidency to ensure the protection of ethnic minorities. Mandela opposed this idea and demanded a unitary system governed by majority rule. Following the Boipatong massacre of ANC activists, Mandela called off all negotiations, and called for a special session of the UN Security Council and proposed that a UN peacekeeping force be stationed in South Africa to prevent "state terrorism". Calling for domestic mass action, in August the ANC organized the largest-ever strike in South African history, and supporters marched on Pretoria. The rand declined to about 20% by late 1993.

Reserve Bank governor Chris Stals, under pressure from the banking and business communities, said that the government would phase out the financial rand in 1994 or 1995, assuming that South Africa's foreign currency reserves reached at least R20 billion and that the discount between the financial and the commercial rand narrowed to about 10%. Foreign currency reserves were low in early 1994 but thanks to a dramatic reversal of the capital outflow in 1993, foreign currency reserves increased throughout 1994 and into early 1995. Finally,

by March 1995, with foreign reserves of only about R12 billion, the government abolished the financial rand. The newly unified currency began to trade on international currency markets, marking a vote of confidence in South Africa's business potential.

Consequently, there is a wealth of examples of a Two-Tier Currency System that has existed throughout history. What we need to no consider is that we need a two-tier system that would allow us to retain the individual sovereignty which embraces the "culture" of each nation and simultaneously create accountability among nations. The whole problem with Bretton Woods back in 1944 setting up the U.S. dollar as the reserve currency, was that it was inflexible and polluted the global economy causing it to suffer by the exportation of domestic economic policy from the United States.

Bretton Woods was not well planned. It "fixed" the dollar to $35 of gold, but it did not account for domestic policy interfering with international stability. If politicians stood up and ran for office promising new spending programs, they did not consider the impact upon the supply of dollars relative to gold. Had gold been allowed to float, then perhaps the domestic policies would not have been exported to the global economy that led to:

(1) the establishment of a two–tier gold standard in 1968 when gold began to trade on the London Metals Exchange establishing a "free market price" for gold that rose to $42 at one point, and the "official" standard between nations of $35;

(2) The entire collapse of the gold standard by 1971.

Europeans began to see massive increases in dollars, but no corresponding increase in gold reserves. The Europeans began to "put" dollars to the US Treasury demanding gold at $35. This effort was led by the Swiss and French. Yet finally, in 1971 even Britain joined and asked for a "guarantee" that the United States would secure the value of the dollar with gold. That sparked the closing of the gold window where gold was exchanged for dollars, and thus the end of the gold standard officially took place.

Bretton Woods was a total failure. Why? Because it did not recognize that no matter what the nation, politicians always spend more than they have. There was no practical way for the world to force economic responsibility upon American politics. American politicians would never yield sovereignty to the world, for how else could they run for office if they could not promise gifts for the people?

Bretton Woods Monetary Conference

So What Actually Makes the Dollar the Reserve Currency

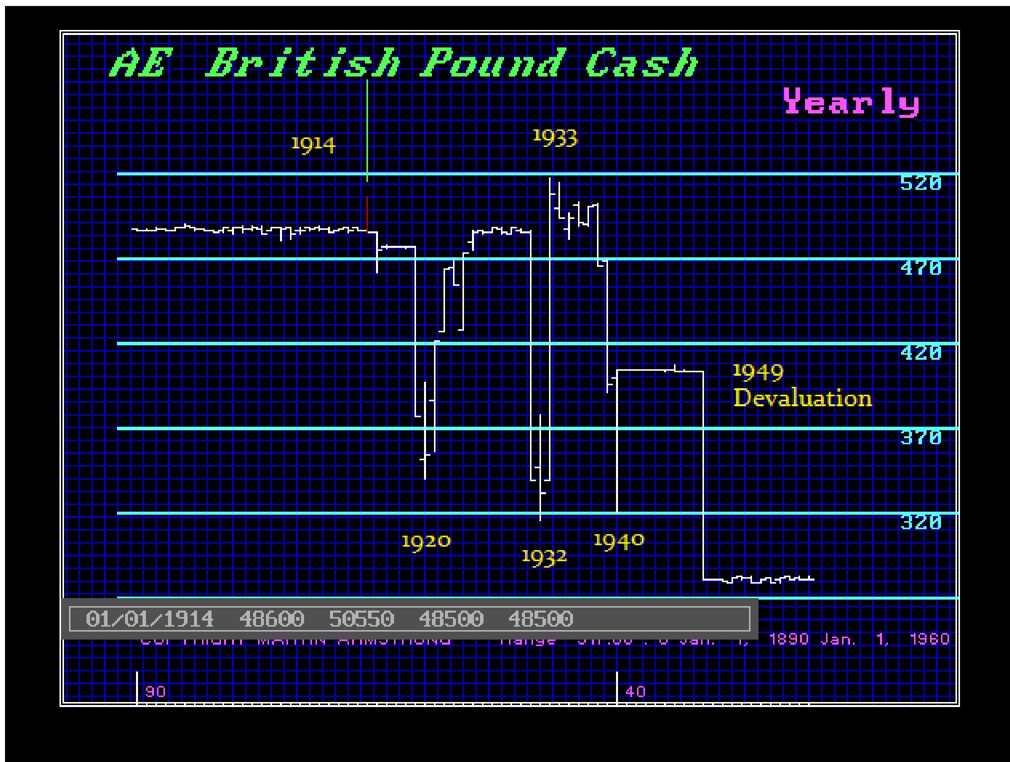
Largely ignored in this entire discussion of the coming **One-World Currency** is what actually makes the dollar the reserve currency to start with. After all, the USA was virtually bankrupt in 1896 after the Silver Democrats tried to artificially declare silver was worth more than everywhere in the world.

> "If they dare to come out in the open field and defend the gold standard as a good thing, we shall fight them to the uttermost, having behind us the producing masses of the nation and the world. Having behind us the commercial interests and the laboring interests and all the toiling masses, we shall answer their demands for a gold standard by saying to them, you shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold."

Bryan' Cross of Gold Speech

The Silver Democrats, led by William Jennings Bryan (1860-1925) and his famous speech against the Gold Standard, overvalued silver on a ratio to gold at 16:1,

which led to massive arbitrage. Silver poured into the country and gold fled. This unsound finance led to the virtual bankruptcy of the USA by 1896.



This is when JP Morgan came to the rescue and arranged for a gold loan to bailout the US Treasury. It was Morgan who made every effort to raise the stature of the United States in dealings in London. Indeed, by 1914, that was the final peak in the pound and thanks to World War I, Britain had found itself deeply in debt. The British pound had collapsed in value against the dollar significantly moving into 1920.

JP Morgan had come to the rescue of the USA in 1896 and saved it from bankruptcy under the Silver Democrats. As always, no good deed goes unpunished. It was that effort that led JP Morgan to suffer so

Samuel Untermyer (1858–1940)

many conspiracy theories that focused on accusing him of profiteering rather than saving the country.

Morgan had been summoned to the Pujo Hearings and the ruthless prosecutor, Samuel Untermyer (1858–1940), sought to destroy him to raise his personal stature. Morgan's testimony in the Pujo Hearings being interrorgated by Untermyer revealed not merely his character, but the unethical and extremely hostile nature of Untermyer. It became blantant that Untermyer was trying to paint Morgan's whole life as being a crook and scam artist. One of the most often cited parts of Morgan's confrontation with Untermyer illustrated just how much this prosecutor did not even understand finance.

- **Untermyer**: Is not commercial credit based primarily u:i;:on money or property?
- **Morgan**: No, sir. The first thing is character.
- **Untermyer**: Before money or property?
- **Morgan**: Before money or anything else. Money cannot buy it .•• a man I do not trust could not get money from me on all the bonds in Christendom.

Everyone blamed Morgan's continued decline in health on the treatment he received during the Pujo Hearings, which were a congressional subcommittee between 1912–1913. Untermyer and the politician Charles Linbergh destroyed Morgan's faith in his own country. He felt betrayed and Morgan left the country, truly a broken man in heart. He died on March 31st, 1913 in Rome. What the politicians did to this man should never be forgotten. The cartoons of him trying to control the world struck a deep blow to his dignity. It was not

only that Morgan moves the financial center from Philadelphia to Wall Street in New York, it was his effort to always further US interests that led to the dollar displacing the pound by 1913.

Grover Cleveland (1837–1908)
only President of United States to serve two non consecutive terms (1885–1889 and 1893–1897)

"At times like the present, when the evils of unsound finance threaten us, the speculator may anticipate a harvest gathered from the misfortune of others, the capitalist may protect himself by hoarding or may even find profit in the fluctuations of values; but the wage earner – the first to be injured by a depreciated currency – is practically defenseless. He relies for work upon the ventures of confident and contented capital. This failing him, his condition is without alleviation, for he can neither prey on the misfortunes of others nor hoard his labour."

The politicians in 1913 who sought to hurt Morgan in any way possible had forgotten just how bad things were during the Panic of 1893. President Graver Celeveland called it the "evils of unsound finance" and aptly pointed out that the speculator can move his money offshore, but the laborer cannot.

The United States rose from virtual bankruptcy in 1896 to displace the British pound as the reserve currency by the end of World War I to a large extent on the back of the efforst of JP Morgan. Morgan saw it as competition of the New York v London. That was his objective and that is what he worked to achieve.

By the end of World War II, the United States emerged with 76% of the entire world gold reserves. That is what put the USA on the map as the "leader of the free world" and the Financial Capital of the world. This is why the **Bretton Woods** agreement restructuring the world economy used the dollar as the reserve currency. Additionally, all the debts of most nations were worthless. Those who took their money and moved it to the USA survived.

The chorus of dollar haters keep preaching the end of the dollar because the USA debt ceiling always rises, as if it was the only government in debt. Naturally they only look at the USA and ignore $160 trillion of world debt they totally ignore the entire world. The US National Debt at $20 trillion is but a tiny fraction of world debt. The USA became the Reserve Currency because the rest of the world's debt simply evaporated in default. The USA could not be invaded and that was also a major factor behind the net capital flows to America.

The bonds of most countries were simply defaulted upon. You can buy them of EBay and frame them up if you like. The entire reason the dollar remains as the Reserve Currency is because it has a National Debt that is large enough to park international money in both among governments as well as private sector institutions.

Part of the dollar Reserve Status is also taxation. Taxes are simply lower in dollars than in Europe. Capital invests always on a net basis. If Trump lowers the corporate tax rate to 20%, you will see an explosion in foreign investment into the USA and this will impact Europe as well as Canada.

The dollar is the only game in town to park big money. All of these conspiracy theories that hate the dollar so much fail to understand that the USA is not trying to keep the dollar as the Reserve Currency. It was the **Plaza Accord** that encouraged Europe to join together to create the Euro to compete with the dollar. The USA has also tried to convince Japan to relax its regulation to freely allow the yen to participate in the world economy. Yes, the yen floats. However, nobody could issue a bond in yen without the approval of the government even in London between two private parties.

When the Euro was born these conspiracies swore the dollar would be killed. Then when China opened, they against forecast that the dollar would be killed. You can price every commodity in yuan, but at the end of the day, where do you park your profits? US or China bonds? Until that is answered China, the dollar remains on top.

The IMF & SDR

As the rumors making the rounds would have us believe, the International Monetary Fund (IMF) has tipped its hand in a quest for power. Its June 2017 **“Fintech and Financial Services: Initial Considerations”** IMF Discussion Note, proposes to replace the US Dollar as the global reserve currency with its Special Drawing Rights (SDR). The IMF argues by converting the “foreign–exchange reserve assets” into a global currency.

It is only a matter of time when the US dollar will be replaced by something, but hopefully not the SDR from the IMF. There are many who hate the dollar and see this as US hegemony built upon its reserve currency status. What is fascinating is the belief that the United States defends the dollar as the reserve currency based typically upon the age–old conspiracy theory that thinks if the dollar collapses then gold will rise.

Of course, there are those trying to merge the SDR with DLT (Distributed Ledger technology), commonly known as Blockchain technology.

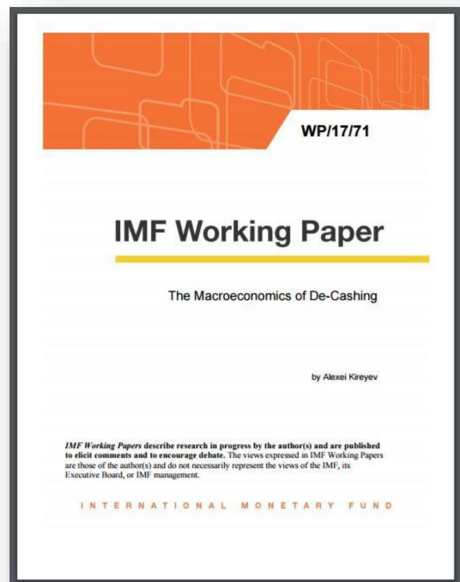
There are Central Banks looking into creating such a currency among themselves in competition to the IMF. For whatever currency is adopted internationally, make no mistake about it, there will be a transfer of economic power.

Unelected Troika

Christine Lagarde Head of IMF — **Jean-Claude Juncker** EU President — **Mario Draghi** Head of ECB

Naturally, this idea of replacing the dollar with the SDR is truly dangerous for it would elevate the IMF to a position of power above that of governments rather than subordinated by the government. The degree of power that would accrue to the IMF would be dictatorial for they do not stand for election at any point in time. Because the SDR is composed of a basket of currency, it has declined in value against the rise in the dollar. The IMF is solely interested in expanding its power. They have been part of the Troika ruling Europe when there is no democratic process to object. This is what would emerge should the IMF take control of the Reserve Currency.

Make no mistake about it; the IMF has been at the heart of hunting down the underground economy. The IMF took the lead in threatening tax havens to give up all people hiding money or suffer the same fate as Iran – expulsion from the


WP/17/71

IMF Working Paper

The Macroeconomics of De-Cashing

by Alexei Kireyev

IMF Working Papers describe research in progress by the author(s) and are published to elicit comments and to encourage debate. The views expressed in IMF Working Papers are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

INTERNATIONAL MONETARY FUND

SWIFT transfer system. That would mean no money in or out. The IMF even threatened the Vatican that if it did not report all money movements, then it too would be sanctioned and removed from the SWIFT system.

The IMF has been at the forefront of shutting down the world underground economy so that tax collection can be effective. We even find that the International Monetary Fund in Washington published a Working Paper on **"de-cashing"** the economies of the world and what the implications would be.

This IMF Working Paper stands as a clear warning of the future direction of the world economy. The IMF has been providing advice to governments who want to join in the latest authoritarian maneuver abolishing cash to eliminate the underground economy.

The IMF recommends in its conclusion to this paper that although some countries most likely will **de-cash** in a few years, going completely cashless should be phased in steps. The **de-cashing** process could build on the initial and largely uncontested steps, such as the phasing out of large denomination bills, which was adopted by India. Additionally, the placement of ceilings on cash transactions are recommended, which has also been adopted in Europe where hotels are prohibited from accepting more than €1000 in cash. Furthermore, this Working Paper instructs that the reporting of cash movements across the borders is also necessary. Hence, the aggressive nature of searching travelers for cash.

Moreover, there are also suggestions that creating economic incentives to reduce the use of cash in transactions will play a part. We are watching this strategy applied in Australia where anyone purchasing anything in cash without a receipt should be denied consumer rights. Additionally, also suggested is that opening bank accounts should be simplified, and direct deposits are to be

encouraged. Already we have seen Europe declare that bank accounts are a "right," and not a privilege. In the United States, any payment to a lawyer necessitates the filing of an IRS 1099 report that such payment was made to cross-check the accounts of the lawyers. The IMF also encourages the rapid computerization of the financial system.

This IMF Working Paper does not advocate eliminating cash in a single step overnight. It does go through the plus and minus to such a policy of eliminating cash. While governments are pressing to eliminate the underground economy using terrorism as the pretense, they cannot simply eliminate the entire monetary system of the world even to catch 100 terrorists and their camels. This trend is all about the collapse of socialism and the desperate need to raise money for the government. The IMF has been instrumental in moving this proposition forward.

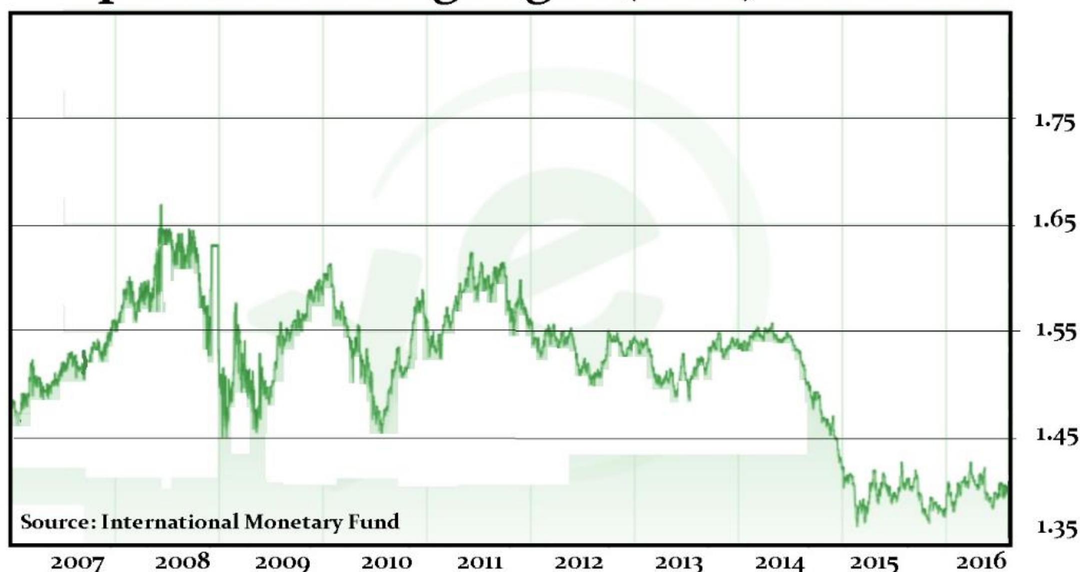
Those who cheer the IMF and the SDR because they simply hate the dollar are blind to reality. If their wish ever came true, they would find that this would most certainly be the final step in eliminating the democratic process forever.

Democracy is dying a slow and agonizing death right before our eyes. We live in a delusion, a nightmare from which there seems to be no escape. We can argue and yell back and forth, but it will change nothing. For as much as we may believe we have a Democracy and that the state is somehow controlled by the people, there is nothing that is further from the truth than this fiction of our imagination.

Supreme Court Justice Brown wrote for the Court in 1982, the definition of tyranny as defined by James Madison in the Federalist Papers No 47, p300

> "The accumulation of all powers, legislative, executive, and judiciary, in the same hands, whether of one, a few, or many, and whether hereditary, self appointed, or elective, may justly be pronounced the very definition of tyranny."
>
> **Northern Pipline v Marathon Pipeline**, 458 US 50, 57 (1982)

Obviously, to allow the IMF to replace the dollar with the SDR would be the final nail in the coffin of Democracy. Everything people had fought for in all the wars would have been for naught. The IMF does not stand for election at any moment. They would be an unelected monetary dictator.



Yes the IMF is making a pitch to be placed in charge of a new **One-World Currency**. The SDR is a basket of currencies. It too has declined against the dollar and has by no means proven to be a store of value any more than any other currency. The SDR cannot replace the dollar when it offers no national debt where money can park. You must first issue debt in SDRs for capital to invest in currency. There must be a foundation of value and then a solid rule of law. All member states would need to issue debt in SDR and then convert back to their home currency.

It is entirely possible that governments could simply denominate their debt in SDRs as they often do regarding US dollars. The question becomes the salability of an SDR denominated bond and maintaining a stable formula. What happens when one component gets in trouble? What happens if war broke out between two component currencies?

If the IMF controls the quantity of SDRs, then you are looking at a degree of political power. On the other hand, if governments are free to denominate their bonds in dollars or SDRs, then it does not require the political control by the IMF

Consequently, this is the contrast between yen-denominated debt and dollar debt. The Japanese yen never became a true reserve asset because the government controlled the issuance of debt in yen. Even two private parties could not issue a yen bond without the approval of the Ministry of Finance (MOF). Anyone can issue dollar-denominated debt anywhere. They need not do to the US government asking permission to issue a dollar bond. The IMF could take either

position. If they attempted to control the issuance of SDR debt like Japan, then certainly they could never replace the dollar.

Originally, I too had argued for letting the SDR back in the 1980s replace the dollar when the IMF was a legitimate agency and not political as it is today. Time and money have conspired to corrupt the IMF. Since Obama installed Christine Lagarde, the IMF has adopted a decisive policy of eliminating the underground economy globally to increase tax collection. Obama effectively usurped the IMF for the socialist agenda. Ever since the IMF has become a major player in pushing this socialist agenda forward to hunt down money globally and to expand taxation.

Back in 1985, I was one of the analysts invited when the G5 (Group of Five now G20) was being formed. The goal was effectively coordinated intervention because the dollar had soared to all-time record highs from 1980 into 1985. The British pound had fallen to virtually par at that time. The strength in the dollar was viewed as a serious detriment to international trade. Every time the dollar has risen, it has been seen as a crisis for exports becomes expensive, and thus it has been the leading culprit blamed for the export of US manufacture and jobs. Of course, this has been a very myopic viewpoint, which is completely false. Nonetheless, this has been the primary culprit being blamed behind the curtain.

I wrote to the White House on October 25th, 1985: **"In response to your invitation to attend the U.S. Congressional Summit on Exchange Rates, I would look forward to this opportunity to meet such a distinguished gathering."** Here is my full letter warning against such intervention only increases volatility and in the end has always failed to achieve its purpose.

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October 25, 1985

President Ronald Reagan
White House
Washington, D.C. 20510

Dear Sir:

In response to your invitation to attend the U.S. Congressional Summit on Exchange Rates, I would look forward to this opportunity to meet such a distinguished gathering. Nevertheless, I do find this subject of major international importance which has been at the very foundation of the concerns expressed by our clientele. Even though our firm profits from the current floating rate system through the consultation services which we provide, we are prepared to set personal benefits aside for a worthwhile cause to revise this monetary system. It is the position of our firm, that unless constructive efforts are taken virtually immediately to revise this system, the free market volatility will force upon the world a mandatory reform in any event. We are prepared to assist in whatever capacity is necessary to effect an orderly change for the benefit of the international economy. It has become clear that unless this issue is seriously addressed, the stability of the world both on an economic level as well as a political level will be drastically effected within just the next few years.

Undoubtedly, you will notice that our firm takes its name from its native location in Princeton, New Jersey. Nonetheless, we represent perhaps one of the few truly international economic firms in the world since we maintain offices in London and Geneva and service corporate, institutional and private international clients.

1

Personally, I have held numerous seminars for our clients both here in North America and in Europe. The problems that we deal with are not those solely from an American perspective. It is my deepest concern that as an American we do not truly comprehend the strength behind the dollar. This cannot be understood unless you deal day in and day out with the very people who buy or sell currencies. This is not simply an American issue for it is not the Americans who have openly sought the dollar on international foreign exchange markets. It is imperative that this point is understood for any measures of the best intentions can lead to drastic volatility which in the end could easily harm the American economy for many years to come.

There has been a growing cry for protectionism around the world. Governments have sought to intervene on behalf of political-economic goals. These efforts have produced only short-term victories and in the end the free market forces have always dominated. Perhaps the finest example of this has been the U.S. attempt to maintain a gold backed dollar between World War II and 1971. Eventually, that policy had to be abandoned after the U.S. gold reserves had been depleted from 75% of the official holding down to 23%. Granted, it lasted for many years, but time is the enemy of any political system when it attempts to control the free markets.

Intervention is nothing new. May I point out that the U.S. government has intervened in many markets as have the various European governments. I am enclosing a chart reproduced from The Wall Street Journal published in 1932. During that period of time, foreign exchange was a serious problem. Silver, as you will recall from history, was a component of money. Like the dollar today, world confidence swung towards the United States and the value of silver began to rise dramatically as well. The U.S. intervened and froze the price but international demand was too strong and the intervention succeeded for less than one year. Once lifted, silver rose from $1 to $1.40. Then as the war came to an end, international confidence began to turn back and the immediate pressure subsided "naturally". Silver collapsed from $1.40 to .50 cents in one year after the unsuccessful intervention. Feeling that this was too drastic of a decline, the U.S. Congress authorized 200 million ounces to be bought between 1920-1923 in an effort to support the price of silver. This effort was effective short-term, but once again intervention did not solve the problem long-term and silver fell into 1932 declining to .25 cents.

I have also enclosed a chart of the Federal Reserve action moving into the infamous 1929 Panic. This chart clearly outlines the actions of the Federal Reserve and its attempt to control the economy during 1922-1929. Steps taken by the Fed only increased the volatility as we are witnessing today. Traders,

bankers, investors and speculators await each week's economic numbers and immediately take action based upon their interpretation of what the Fed will or will not do. This drastically affects the marketplace and adversely affects the domestic economy as seen in the agricultural sector. This further increases volatility in all markets and as a result disrupts political-economic policy. Intervention was used by ex-President Carter who authorized the Treasury gold auctions and this effort was joined by the IMF. To no avail, the dollar declined to post-war record lows moving into 1978- 1980 and gold rallied to $875 despite the official intervention efforts. I can provide countless examples of intervention and why it failed every time to provide a lasting solution to an age-old problem of free market volatility.

Your distinguished panel of economic advisors indeed offer some impressive credentials. But I implore you to seek new methods, new ideas. To continue to shape the future by the same tools and methods employed in the past is to rob the future of this great nation of the very essence which has made it great; progress and innovation, not stagnation and intervention. We must improve upon our methods of government or be lost to an endless cycle of repetitive error.

The problem does not solely lie within the United States. It does not lie in the fact that interest rates were higher here at one time. The interest rates peaked in April 1981 and have steadily declined into 1985 while the dollar has continued to rise to post-war highs against every currency in the world except three. Had interest rates been the sole factor, then the Euro-dollar market, which pays on the average 1- 1.5% more than domestic dollar deposits, would never have declined by nearly 50% in deposits itself. Interest rates remained higher in Canada throughout the past four years. Yet the Canadian dollar has fallen to 10-year record lows against the U.S. dollar.

We deal with real live Europeans, Canadians, Australians, Japanese and Arabs as well. We do not deal with theories in a closed room which make sense on paper yet fall apart in the reality of the marketplace. People, corporations and institutions are willing to take less in interest in favor of a domestic dollar deposit for numerous reasons ranging from geopolitical to fears of the U.S. cancelling the currency and replacing it with blue dollars for domestic circulation and red dollars for international circulation thereby making a Euro-dollar somehow worthless in purchasing power compared to a domestic dollar. These were methods used by Italy, Britain, France and Germany in the past and remain a concern about the U.S. options for the future.

Our firm is willing to help develop new ideas in harmony with the international community. But I warn you. The eyes of the world are now focused upon the G-5

actions. If they fail, government will lose the respect of the international community and intervention will be laughed at as a mere feeble attempt. The marketplace will respond to its own interpretations and assume that government is incapable of managing its own affairs much less the international markets. There are methods which would work to demonstrate stability and determination and these must be sought out objectively. But even cries for a return of the gold standard will also fail in the future.

The free market has forged the dollar to record highs in direct contrast to all normally accepted economic theories. Ask yourself this question. If the U.S. deficits have reached unprecedented proportions, the money supply has expanded far greater than ever before in the history of the United States and the national debt is now approaching $2 trillion dollars, how is it possible that the dollar is at record highs rather than record lows? If supply and demand are correct, then this huge expansion in dollars should have led to record lows. Yet in reality, worldwide demand has outpaced the supply and in direct contrast to monetarism inflation remains flat despite an increase in money supply.

This is not something which can be looked upon lightly. Granted, perhaps your distinguished panel is well versed in economic theory which has been completely wrong on this issue, but are they well versed in the understanding of the true causes of this historical economic imbalance? Have they talked to people, not politicians or theorists? There and only there can one obtain an understanding for the confusion that now exists in every corner of the monetary system.

The free floating exchange system has allowed the public their vote of confidence in a worldwide election process. Their vote has been clearly cast in favor of the American economy. The only means to shift that vote is to lose that confidence in the American economy and that is not in favor of the United States. Therefore, intervention is a short-term medicine for a long-term illness. It cannot cure it and at best it will only serve to agitate the problem and dramatically increase the volatility as was seen in the silver market in 1920, the gold market in 1980 and in the foreign exchange markets these past five years.

We must sit down and analyze the problem. If you seek to restore international stability to foreign exchange, it is the system which must be revised. If internationally this problem cannot be placed on the top of the roster, time itself will be its greatest enemy. Within the economy, many products are priced in dollars from oil to gold. This constantly creates a demand for dollars to satisfy international payments. Since the world business community has sought to make the dollar the unit of international exchange, and this natural demand for dollars will undoubtedly disrupt the domestic policies of this nation, the only solution is

to develop an international unit of payment similar to that of the ECU. This is a drastic step and one which should be addressed.

If we revised the international system for payments with SDR's and bring this down to the private sector, perhaps some insulation can be restored as was the original objective of Bretton Woods. Each nation would maintain its own currency unit domestically, but international trade would take place in a new international currency unit. This would help to stabilize the payments within the international trade sector and reduce the exposure each corporation inherits through the normal course of business. A fixed rate could then be restored between each nation to the international unit of value. The central clearing could be managed by the IMF. Naturally, there are many details which must be worked out, including the valuation of the fixed rates from one nation to another. But then international commodities could be priced by the private sector in terms of the international unit of value.

Concerns from the world community and the dramatic swings in confidence from each economic number released would be less apparent in any one currency. The international unit would serve as a buffer spreading the volatility among all nations thereby creating far less volatility in currency rates of all nations. The example of this has been the ECU. It has fluctuated less in comparison to any individual component.

As it now stands, intervention only adds to the volatility because corporations and institutions cannot sit back and afford the luxury of watching their assets swing 30% in a few months simply because the G-5 wishes it so. Intervention creates real losses for companies in their transactions if caught on the opposite side of government's wishes. The threat of government intervention is only seeking to demand confidence from the private sector. They buy and sell on the foreign exchange markets solely based upon their interpretation of political-economic events. If government cannot demonstrate responsibility which would in turn gain the respect of the private sector, it does not have the right to intervene in an attempt to extract that confidence.

The situation is reaching an intolerable level of instability. It should be the directive of Congress to adopt measures which will serve as a model to demonstrate its concern and responsibility, not to attack the private sector for responding to situations created by governments themselves.

Intervention has only led to greater volatility. That volatility will destroy many private companies worldwide and will only increase unemployment in all nations. If we do not reform the international system and replace the dollar with

a non-political unit of value, the volatility will seriously damage short-term trade and increase the threat of private bankruptcy due to foreign exchange losses.

Government must realize the dangers of intervention and the instability of the foreign exchange rates on an international level. It is not merely an issue of a strong dollar lessening U.S. exports. To try to solve one problem will only lead to a number of new problems. Volatility is the major threat to all nations and without a definitive step towards stability and not G-5 short-term goals, the years ahead will create chaos in the world economy and self-interests will demand from local government protection from foreign trade. The very existence of our free market system now lies at risk.

There are those who will cry out for a gold standard. But I implore you. This must not be taken unless the budget is balanced. The deposit of nearly $3 billion in gold to establish the London Gold Pool in 1968 was depleted in less than 10 days by the private sector. If confidence is not restored, dollars will be redeemed in favor of gold and the decline from 76% to 23% of the official U.S. gold reserves between 1950 and 1971 stands as witness to that warning. We cannot afford a repetition of that costly error of Bretton Woods.

Any monetary step will be a step for mankind itself. Economics is a subject which is dangerously overlooked. It was the contrasting theories between Keynes and Marx which created the Berlin Wall. The future generations and their survival is at stake. This is a time in which we must set aside political goals and join together as Americans to lead a world in the preservation of human freedom. To fail in economics will be to leave the door open to political chaos at home and provide further justification to the socialist and communistic movements within Europe itself.

I sincerely hope that due respect is paid to our prior mistakes. We must seek a new method, a new idea for the world and not merely one nation. If a concerted effort with a true understanding of the problem from an international perspective is not grasped here and now, the next four years will be plagued by protectionism as a sheer by-product of the increase in volatility within the free markets of the world.

Thank you for your time and I hope you will take these issues into serious consideration and not allow them to be dismissed with skepticism. Myself and the company will join in an effort towards a solution for the long-term, but we cannot endorse short-term cures.

Sincerely,

Princeton Economics International

Martin A. Armstrong,
Chairman of the Board

The White House responded within 14 days. With respect to my concerns expressed about volatility being reflected in the exchange rates into 1985, Beryl Sprinkle, Chief Economic Adviser to President Ronald Reagan, responded:

> *"We agree that foreign exchange rate intervention is not appropriate means by which to influence the exchange rate. We do not share, however, your concern over exchange rate volatility.*

Of course, the declarations being made publicly by the G5 was that they wanted to see the dollar down by 40%. This was to create jobs and expand exports. On the one hand, it is true that a lower dollar should, in theory, increase exports and deter imports as their price would advance relative to the dollar. However, this does not take into account the decline in quality instigated by the unions. Additionally, what was completely being overlooked was the capital side of the ledger. They failed to consider the amount of foreign capital is also investing in US assets be it the stock market, real estate, and bonds.

To ease trade friction, the Japanese had purchased nearly one-third of the US National Debt trying to help reduce the appearance of the trade deficit. They were also investing in US real estate. Therefore, with the G5 publicly announcing that they wanted to see the dollar down by 40% meant that foreign investors would lose 40% on all US-held assets. This would come to a head in just two years manifesting in the 1987 Crash.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

November 8, 1985

Dear Mr. Armstrong

The President has asked me to respond to your letter of October 25. It is important that concerned citizens such as yourself express their views and we appreciate your efforts. We share your concern about intervention into foreign exchange markets. Numerous studies have failed to show that sterilized intervention has a long-run impact on the exchange rate, and unsterilized intervention affects the exchange rate while at the same time increasing the risk of renewed inflation. We agree that foreign exchange rate intervention is not the appropriate means by which to influence the exchange rate. We do not share, however, your concern over exchange rate volatility.

Both the high value of the dollar and the volatility of its value under the flexible exchange rate period have been sources of concern for many. The first issue which needs to be addressed is the reason behind the dollar's appreciation and the implications for our economic performance. The simultaneous existence of a current account deficit and a high foreign exchange value of the dollar are often cited as evidence that our international economic system is in disarray. Modern exchange rate theory has demonstrated that the exchange rate we observe need not be the one which balances the current account in a world of capital mobility. The exchange rate is instead influenced by both current and expected trade and capital flows. Intervention which attempts to force the exchange rate to a level thought to achieve a current account balance of zero is therefore misguided and may not be desirable.

In addition, one must remember that the exchange rate, at the same time, both reflects and affects economic variables. The exchange rate, for example, is affected by the same variables which have led to the rise in the current account deficit. One important factor driving the present current account deficit is the difference in economic growth rates between the U.S. and the rest of the world. This economic growth which we now enjoy is therefore an important factor driving the value of the dollar.

The volatility of the exchange rate is also cited as evidence of disarray in international financial markets. We do not believe this to be the case. The exchange rate is the price of an asset which, like all assets, is determined by the values of future economic variables as well as by their current values. As is the case with many asset prices, day-to-day fluctuations which reflect a reaction to news can be large; however, the apparent volatility does not indicate

market imperfections or irrationality on the part of market participants. In addition, the empirical evidence does not support the hypothesis that exchange rate volatility is an impediment to trade. On the contrary, international trade has flourished in the floating-rate period, expanding much more rapidly than it did during the fixed-rate period.

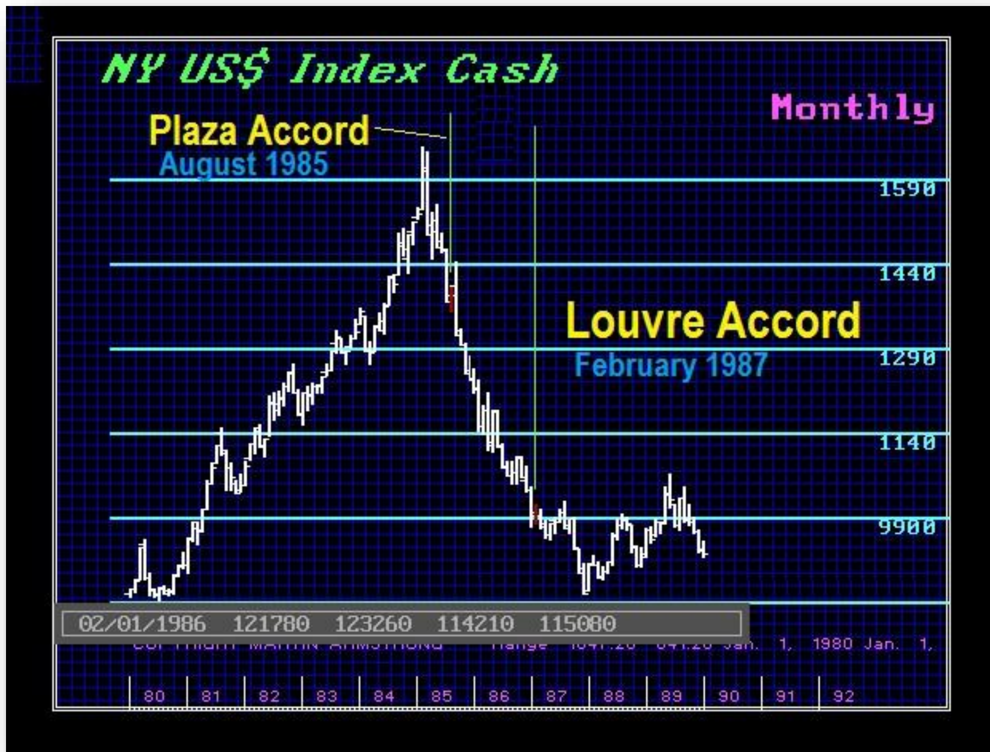
The system you proposed to eliminate exchange rate volatility essentially implies a return to a fixed-exchange rate regime. We believe that such a system would suffer from many of the same problems encountered under the Bretton Woods System. Since there is no central international monetary authority, an SDR-based system would require that the monetary authorities of various nations intervene either directly or indirectly to maintain the par value of their currency with respect to other currencies included in the SDR currency basket. This would mean that nations relinquish the ability to use monetary policy to pursue domestic policy objectives, a very unpopular alternative. The proposed SDR-based system also suffers from the reality of portfolio preferences. Countries have failed to exhibit a demand for SDR's and have preferred to either let their currencies float or to fix their currency to a basket of their own choosing. It would be undesirable to force a country to accept a system which fixed their currency to other currencies which they do not desire to hold.

In conclusion, we believe that the attributes of a floating rate system have been misinterpreted as deficiencies. Exchange rate volatility has not been linked to a decline in economic growth and merely reflects a rational response to current or expected changes in economic conditions. The high value of the dollar does not imply an economy in turmoil; rather, the dollar reflects a healthy economy. The policies which are required to reduce our current account deficit and to reduce the uncertainty surrounding exchange rate movements are those which encourage economic growth and monetary stability at home and abroad. Actions which reduce fiscal deficits, ensure noninflationary monetary policies, and yield a worldwide reduction in barriers to trade will promise progress toward such goals.

Sincerely,

Beryl W. Sprinkel

Mr. Martin Armstrong
Chairman
Princeton Economics International
101 Carnegie Center, Suite 314
Princeton, New Jersey 08540

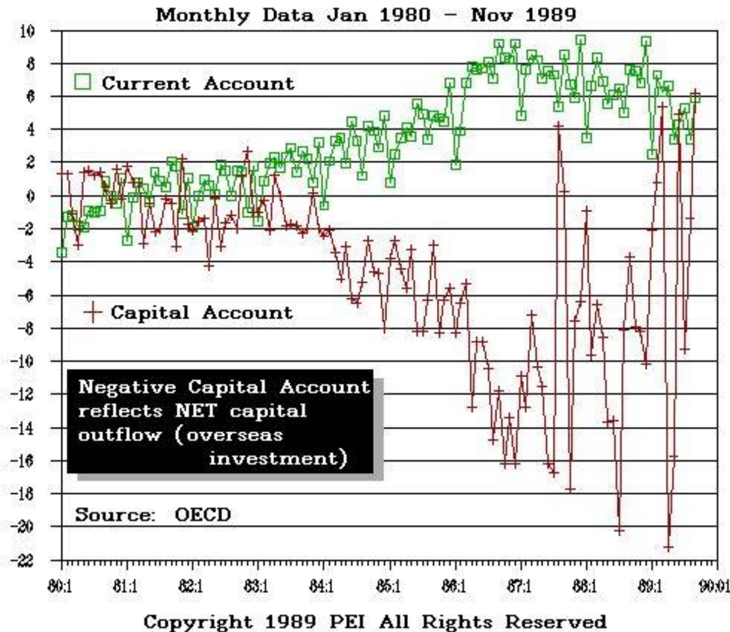


The volatility that I had warned about would unfold and which the White House disagreed with me, made itself felt in spades. To be precise, the entire Great Depression saw the stock market crash from September 1929 into July 1932 taking 34 months in total. The crash in the dollar from the high in February 1985 to December 1987 was also 34 months – the same amount of timing. The volatility by February 1987 saw the dollar had fallen 41%.

When the dollar had crashed by 41%, governments began to complain that their currencies were too high. The then G7 came out and tried to talk the dollar up which became known as the **Louvre Accord,** which was an agreement, signed on February 22, 1987, in Paris. Now the G7 aimed to stabilize the international currency markets and halt the continued decline of the US Dollar accelerated by the **Plaza Accord**. The agreement was signed by France, West Germany, Japan, Canada, the United States and the United Kingdom. Italy declined to sign the agreement.

The G7 meeting of central bankers and finance ministers in Paris announced that the dollar was now **"consistent with economic fundamentals."** The G7 announced that they would only intervene when required to ensure foreign exchange stability. The objective was then to manage the floating currency system. Democrats gained control of Congress in 1986 and immediately called for protectionist measures. The dollar depreciation agreed to in 1985 at the **Plaza Accord**, failed to improve the trade perspective. In 1986, the trade deficit rose to approximately $166 billion with exports at about $370 billion and imports at about $520 billion. The object of manipulating currency to try to create jobs and alter trade flows proved to be completely false.

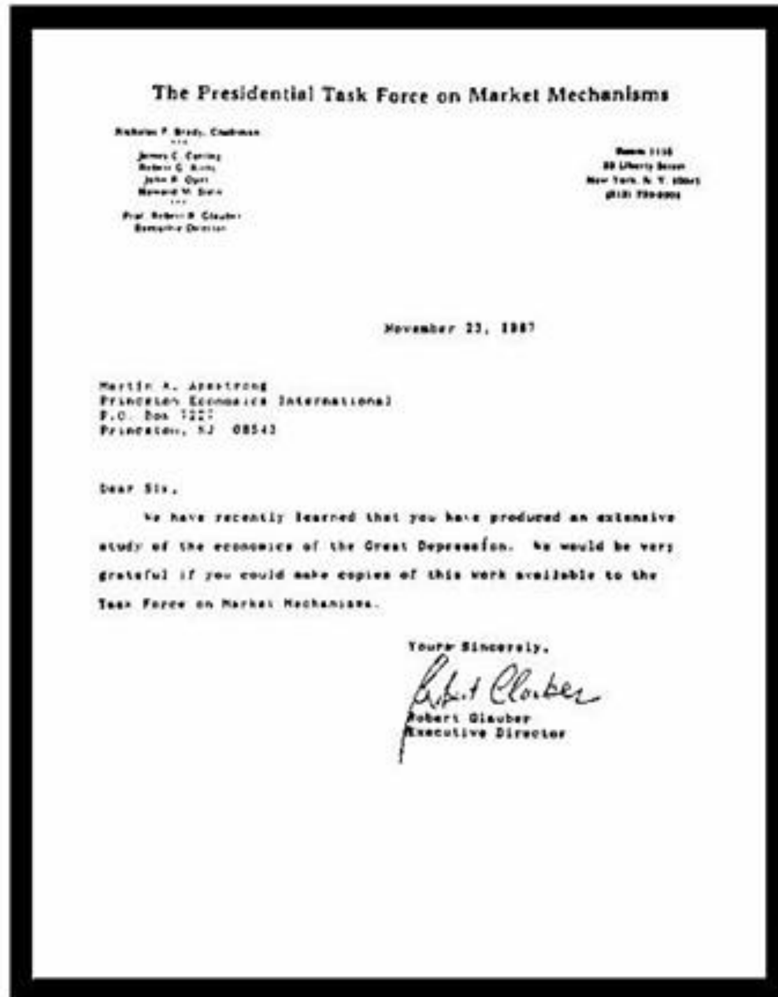
My concerns warning that volatility would increase made back in 1985 were materializing. What they did not understand was that lowering the dollar in value also led to a shift in capital flows and the selling of US assets. Foreigners were suffering loses by financing U.S. trade through purchasing United States Treasury bonds. They were attempting to ease the trade deficit criticism by purchasing US debt. I was advising Japanese clients to buy gold on the New York COMEX, export it, and then resell in Asia which would also make it appear that the US exports were increasing. However, the lower dollar was then resulting in the importation of inflation into their nations trading with the USA.



We can see that first of all the dollar had already begun a decline before the **Plaza Accord** in August 1985 on the previous page. By the time we arrived at the **Louvre Accord**, you can also see that the dollar continued to decline. The attempt to manipulate the foreign exchange markets proved to be beyond the capacity of the G5 which had been expanded to G7 and today is now G20. We can see the capital flow data between the USA and Japan began to move in early 1984 establishing the trend that nobody seemed to pay attention to at that moment.

The price action of the dollar proves that the central banks lacked the power to influence the markets truly. The trend had begun before the **Plaza Accord,** and it continued to decline following the **Louvre Accord**.

The net capital movement concerning Japan then reflected the huge wave of volatility that was unleashed by the G5. Their attempt to reduce the trade deficit backfired. Nobody in the government understood the capital flows and that the bulk of dollar profits on trade was merely being re–invested in dollar assets. Lowering the dollar to reduce the trade deficit would only lead to net asset sales reflected in the capital account.



The Presidential Task Force on Market Mechanisms

November 23, 1987

Martin A. Armstrong
Princeton Economics International
P.O. Box [illegible]
Princeton, NJ 08543

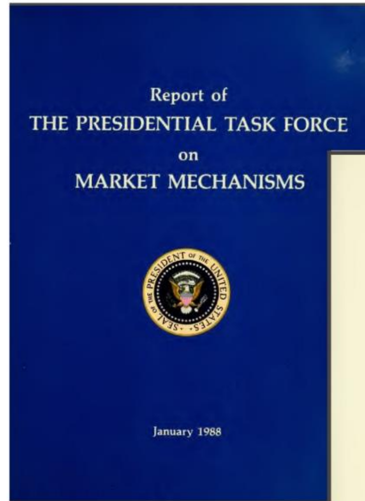
Dear Sir,

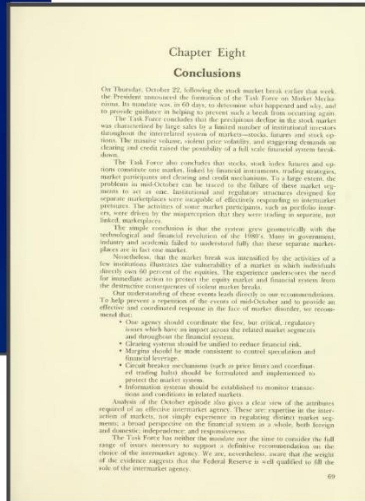
We have recently learned that you have produced an extensive study of the economics of the Great Depression. We would be very grateful if you could make copies of this work available to the Task Force on Market Mechanisms.

Yours Sincerely,

Robert Glauber
Executive Director

It was at that moment of extreme volatility when the government once again requested our research for the **Brady Commission**. It had become obvious that volatility soared becoming the number one problem. The marketplace was completely dumbfounded since there was no domestic economic news to justify such a crash. The total ignorance of the fact that it was not simply trade but capital investments that were the true movers and shakers behind the exchange rate is a lesson still not fully understood within academia or behind the curtain among governments. The tinkering at the margin to attempt to manage the economy in Marxist style has failed.





Chapter Eight

Conclusions

On Thursday, October 22, following the stock market break earlier that week, the President announced the formation of the Task Force on Market Mechanisms. Its mandate was, in 60 days, to determine what happened and why, and to provide guidance in helping to prevent such a break from occurring again.

The Task Force concludes that the precipitous decline in the stock market was characterized by large sales by a limited number of institutional investors throughout the interrelated system of markets—stocks, futures and stock options. The massive volume, violent price volatility, and staggering demands on clearing and credit raised the possibility of a full scale financial system breakdown.

The Task Force also concludes that stocks, stock index futures and options constitute one market, linked by financial instruments, trading strategies, market participants and clearing and credit mechanisms. To a large extent, the problems in mid-October can be traced to the failure of these market segments to act as one. Institutional and regulatory structures designed for separate marketplaces were incapable of effectively responding to intermarket pressures. The activities of some market participants, such as portfolio insurers, were driven by the misperception that they were trading in separate, not linked, marketplaces.

The simple conclusion is that the system grew geometrically with the technological and financial revolution of the 1980's. Many in government, industry and academia failed to understand fully that these separate marketplaces are in fact one market.

Nonetheless, that the market break was intensified by the activities of a few institutions illustrates the vulnerability of a market in which individuals directly own 60 percent of the equities. The experience underscores the need for immediate action to protect the equity market and financial system from the destructive consequences of violent market breaks.

Our understanding of these events leads directly to our recommendations. To help prevent a repetition of the events of mid-October and to provide an effective and coordinated response in the face of market disorder, we recommend that:

- One agency should coordinate the few, but critical, regulatory issues which have an impact across the related market segments and throughout the financial system.
- Clearing systems should be unified to reduce financial risk.
- Margins should be made consistent to control speculation and financial leverage.
- Circuit breaker mechanisms (such as price limits and coordinated trading halts) should be formulated and implemented to protect the market system.
- Information systems should be established to monitor transactions and conditions in related markets.

Analysis of the October episode also gives a clear view of the attributes required of an effective intermarket agency. These are: expertise in the interaction of markets, not simply experience in regulating distinct market segments; a broad perspective on the financial system as a whole, both foreign and domestic; independence; and responsiveness.

The Task Force has neither the mandate nor the time to consider the full range of issues necessary to support a definitive recommendation on the choice of the intermarket agency. We are, nevertheless, aware that the weight of the evidence suggests that the Federal Reserve is well qualified to fill the role of the intermarket agency.

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Brady Commission Concluded that all markets are all interconnected. The Brady Comm. recommended a single agency to regulate markets and bluntly stating that the Federal Reserve was best qualified.

The Brady Commission managed to conclude that the cause behind the crash was indeed foreign exchange volatility. They also suggested that the Federal Reserve should be the regulator of the markets, not the SEC or CFTC, which was not adopted. My warning in the 1985 letter to President Reagan stated: **"We must improve upon our methods of government or be lost to an endless cycle of repetitive error."** Indeed, by 1997, Secretary of the Treasury Robert Rubin once again attempted to talk the dollar down in the same price manner as did the G5 back in 1985. Once again I wrote this time to Rubin directly.

Princeton Economics International Ltd

May 20, 1997

Mr. Robert Rubin
Secretary of Treasury
US Department of Treasury
Washington, DC

Dear Mr. Rubin:

The current conflicting statements out of the US and Japan over the value of the yen and Japanese trade surplus have obviously unleashed untold volatility within the foreign exchange markets that are endangering the stability of the entire global economy and capital flows.

I must point out that the US government has still not taken into account that the trade numbers as reported reflect only currency net movement and not actual units of goods and services. The methodology of trade statistics is a throw back to pre-1971 gold standard days when the value of money did not change. Subsequently, trade could then be easily monitored by merely following cash flows. Today, the floating exchange rate system has rendered all international statistics worthless and dangerous when used for political economic purposes. Comments relative to the US/Japan trade account reflect the sharp decline of the yen and not a substantial rise in actual exports of goods to the US.

We have investigated this matter very carefully and the true net sales of goods to the US from Japan have declined, despite the fact that the surplus in yen terms has risen 150% over the past year. If actual exports to the US had risen, then Japan's economy would be booming instead of the current dismal performance. Corporate profits would rise instead of decline, and above all, unemployment would decline instead of rising as is the current case in Japan.

We were one of the firms requested to help investigate the 1987 Crash by President Reagan. The conclusion of that investigation was clear. The Crash of 1987 was caused by a 40% swing in the value of the dollar over the previous 2 year period. That volatility forced investors to withdraw from the US market due to the view of the dollar, not their view of our assets.

Herbert Hoover also wrote in his memoirs about how confidence in the foreign exchange markets collapsed in 1931. He stated that capital acted like a loose cannon on the deck of a ship in the middle of a torrent. Capital rushed from one currency to another so rapidly

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Mr. Robert Rubin
Secretary of Treasury
May 20, 1997
Page Two

that government was unable to form a committee fast enough to investigate what was taking place, no less prevent it from happening.

Our historical computer models are warning that unless the volatility in foreign exhange markets is reduced, we are endangering the stability of the entire global economy once again. If such statements do not seek to constructively reduce volatility instead of fuel it, you will see short-term interest rates in the US explorde and your extremely short-term funding of the US national debt will seriously disrupt our entire economic future.

We have been in contact with our institutional clients in Japan. Their purchase of US government securities has risen from 7% to 33% of our entire US national debt. The majority are now telling us they can no longer endure this type of volatility in the currency markets and if the dollar/yen falls below 110, you will see massive liquidation of US government assets.

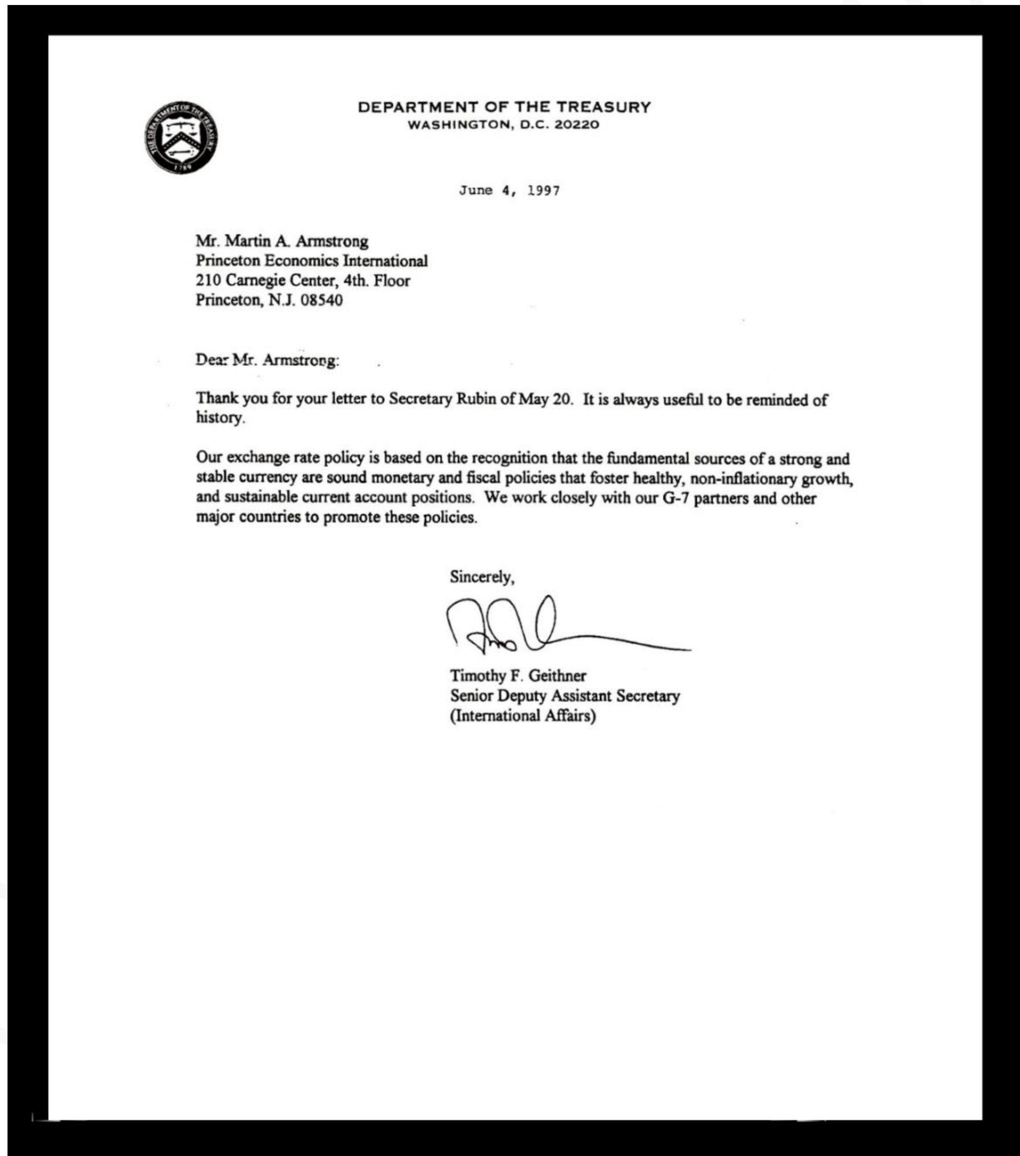
If you are not extremely careful with this issue of foreign exchange and trade surpluses, vague statements will cause the Crash of 1997 within a matter of months. If the dollar/yen does not stabilize, and soon, the current administration will go down in history next to that of Herbert Hoover.

Sincerely,

Martin A. Armstrong
Chairman of the Board
Princeton Economic Institute

cc: President William Clinton
Congressman Bill Archer
Senator Trent Lott

Once again, the reply came very quickly for government by June 4th, 1997 in just 14 days. This time the letter was signed by the future Secretary of the Treasury, Timothy F. Geithner merely saying that they worked closely with then the G7 partners. They did cease the jawboning of trying to talk the dollar down once again.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 4, 1997

Mr. Martin A. Armstrong
Princeton Economics International
210 Carnegie Center, 4th. Floor
Princeton, N.J. 08540

Dear Mr. Armstrong:

Thank you for your letter to Secretary Rubin of May 20. It is always useful to be reminded of history.

Our exchange rate policy is based on the recognition that the fundamental sources of a strong and stable currency are sound monetary and fiscal policies that foster healthy, non-inflationary growth, and sustainable current account positions. We work closely with our G-7 partners and other major countries to promote these policies.

Sincerely,

Timothy F. Geithner
Senior Deputy Assistant Secretary
(International Affairs)

You can see from this correspondence that exchange rate problems have existed from the beginning. While the floating rate system corrects all mistakes made by the government, over the course of more than thirty years I have had a front row seat in this affair. In response to using the SDR to replace the dollar back in 1985 when the **Plaza Accord** was scheming to create the euro to compete against the dollar, the Reagan White House rejected the idea of the SDR in a letter dated November 8th, 1985.

> *Since there is no central international monetary authority, an SDR-based system would require that the monetary authorities of various nations intervene either directly or indirectly to maintain the par value of their currency with respect to other currencies included in the SDR currency basket. This would mean that nations relinquish the ability to use monetary policy to pursue domestic policy objectives, a very unpopular alternative. The proposed SDR-based system also suffers from the reality of portfolio preferences. Countries have failed to exhibit a demand for SDR's and have preferred to either let their currencies float or to fix their currency to a basket of their own choosing. It would be undesirable to force a country*

to accept a system which fixed their currency to other currencies which they do not desire to hold."

Indeed, over the course of the last 30+ years, any return to a fixed rate system would unquestionably bring disaster. As the White House pointed out, countries **"have failed to exhibit a demand for SDR's and have preferred to either let their currencies float or to fix their currency to a basket of their own choosing. It would be undesirable to force a country to accept a system which fixed their currency to other currencies which they do not desire to hold."** If such a system of attempting to maintain a fixed value of the SDR were imposed, it would meet the same fate as the European Exchange Rate Mechanism (ERM) system when the pound collapsed under Prime Minister John Major.

Many in the UK during the 1970s believed in the idea of the Euro would recreate Bretton Woods' fixed rate regime. Britain had joined the EU in 1973. This dream of a fixed exchange rate was reborn in the ERM introduced by the European Economic Community on March 13th, 1979. It had been the Labour Party which agreed to the Euro for Thatcher became to Prime Minister on May 4th, 1979 just after the ERM began. This was part of the European Monetary System (EMS), to reduce exchange rate variability and achieve monetary stability in Europe. This was to be stage one in preparation for Economic and Monetary Union and the introduction of a single currency, the euro, which took place on January 1st, 1999. After being endorse at the Plaza Accord in 1985.

Thatcher's **"The Bruges Speech"** delivered September 20th, 1988 will always be remembered. She stated bluntly:

"I want to start by disposing of some myths about my country, Britain, and its relationship with Europe and to do that, I must say something about the identity of Europe itself. … Europe is not the creation of the Treaty of Rome. … Nor is the European idea the property of any group or institution."

Thatcher clearly saw the motivation behind the Euro was the federalization of Europe – a political union to prevent European war creating one government, not simply a monetary union. This is why the structure of the euro has proved to be a disaster. It was not merely a single European currency, it was to be a clever rouse to create a single European government copying the US model. It was the debts of these countries that Germany objected to any consolidation. Leaving the member states with their own debt yet recalibrating them in euro would produce massive economic imbalanced and then impose upon them deflation. The dream of an economic boom proved to be a nightmare for southern Europe.

Richard Edward Geoffrey Howe
(1926 – 2015)

Undeniably, any attempt to now create the SDR Reserve Currency by force in the same manner as imposing the Euro upon all member states, would merely result in repeating the same mistakes. It was Geofrey Howe (1926–2015) who resigned from Thatcher's cabinet and ultimately force her resignation over refusing to join the ERM.

Nigel Lawson (born March 11th, 1932)
Member of Margaret Thatcher's Cabinet from 1981 to 1989

Thatcher's two key cabinet ministers, Nigel Lawson and Howe, could not comprehend that Bretton Woods failed because fixed exchange rates never work. Nigel Lawson had represented

Britain at the **Plaza Accord** and thus supported creating the euro at first. After resigning, Howe betrayed Thatcher still trying to push Britain into what would become the Euro delivering the famous speech from the back benches that set in motion a leadership contest to oust Thatcher.

Sir John Major
(born 1943)
British Prime Minister (1990 – May 2, 1997)

The new government headed by John Major took the Pound into the Exchange Rate Mechanism (ERM) the same month that German unification began. The monetary policies of Germany were starkly different from Britain. I was called when the attack on the Pound unfolded and was asked what our model said about the Pound because they knew I was a friend of Thatcher. I relayed its analysis that the Pound had to be devalued. I was told that was impossible that John Major had said even the week before the Pound would be maintained in the ERM. I then said that the Pound must be suspended if not officially devalued. The pressure was intense. I explained that a fixed rate is a **GUARANTEED** trade. I can bet billions and if wrong, nothing happens and I get my money back. That finally made the point.

Black Wednesday, September 16th, 1992, was when the UK Conservative government that had thrown Thatcher out of power to take the Pound into the coming Euro was forced to withdraw from the ERM. While everyone blamed George Soros for making over US$1 billion from this **GUARANTEED** trade, the truth of the matter this is the only thing that **SAVED** Britain from joining the euro and surrendering its sovereignty.

Bretton Woods Monetary Conference

Consequently, we can safely rule out the SDR replacing the dollar as the Reserve Currency in any possible fixed relationship. Any attempt to create such a system will result in the economic implosion of such a system and we would see confidence collapse drastically much as what took place during the 1970s following the demise of the Bretton Woods system.

Paul Adolph Volcker, Jr.
(born September 5, 1927)

Paul Volcker, who became Chairman of the Federal Reserve (August 6, 1979 – August 11, 1987), delivered an extremely profound observation of the evolutionary process of economic theory. In his famous speech back in 1979, he warned that the age of **"New Economics"** was failing in practice. Other than Volcker's speech in 1979, this issue has never been addressed. Universities still teach this **"New Economics"** which has been utterly proven to be useless. The entire theory that the government could manage the economy was first set forth by Karl Marx (1818–1883) and later elaborated and expanded by John Maynard Keynes (1883–1946) proved to be just a wishing thought of government power.

> *The Rediscovery of the Business Cycle – is a sign of the times. Not much more than a decade ago, in what now seems a more innocent age, the 'New Economics' had become orthodoxy. Its basic tenet, repeated in similar words in speech after speech, in article after article, was described by one of its leaders as 'the conviction that business cycles were not inevitable, that government policy could and should keep the economy close to a path of steady real growth at a constant target rate of unemployment.*
>
> *-- Paul Volcker, Rediscovering the Business Cycle (1979)*

There were those who actually believe that the SDR will destroy the dollar once the IMF incorporated the Chinese yuan on October 1st, 2016. That proved to be

another forecast in a long list of failures. The SDR is calculated simply by a basket of currencies including the dollar, yen, pound, and euro. The IMF can change its mix at any time. How can we explain that the SDR will end the dollar when it is merely a calculated basket of currencies that include the dollar?

The SDR against the dollar has declined as has the euro, pound, and yen for starters. Looking at the Chinese yuan fails to reverse the trend for the SDR. It is impossible that the SDR will destroy the dollar without a magical recovery in Japan, China, Britain, and Brussels. The United States simply represents the bulk of the world economy because it is the American consumer who supports the world. Destroy the American consumer and you will destroy the world economy. If the USA continues to raise taxes and reduce disposable income, that alone will seriously impact the global economy exporting deflation.

So the dollar-haters that keep preaching the end of the dollar and rise of just about everything that has emerged from the Euro, Yen, and Yuan, have never

been correct even once because they fail to comprehend the entire structure of the world economy and just how dependent everyone else is upon the American consumer.

Order #87659412

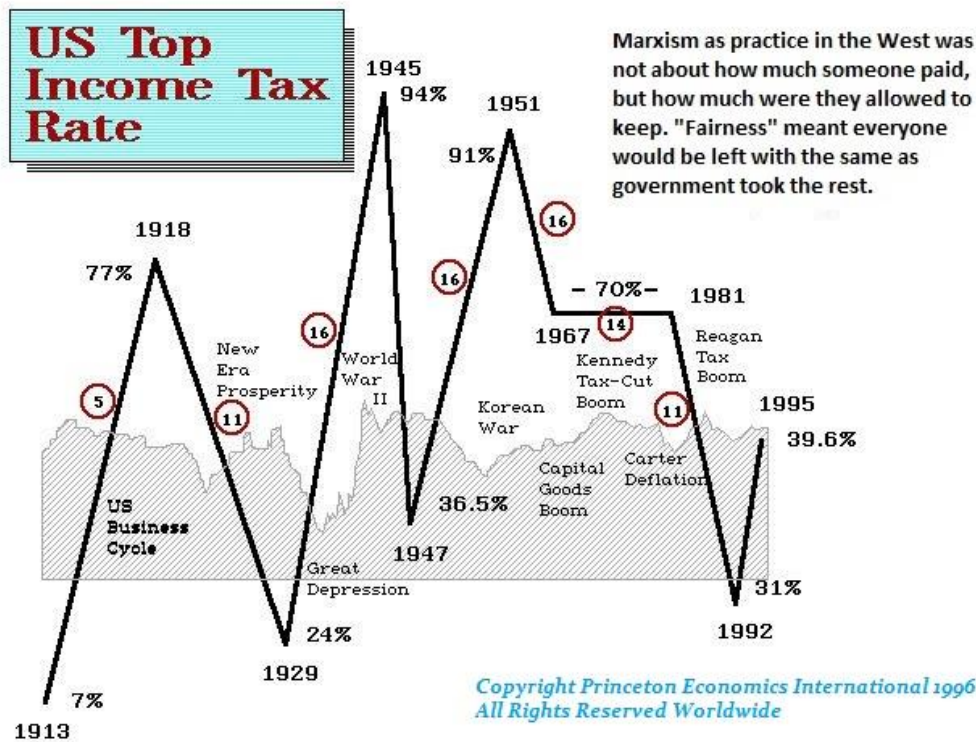
The US Consumer Supporting the Global Economy

First Buick 1903

What we must also consider from the trade side of the balance sheet has been the mere fact that the US economy has supported the entire world. The auto industry is what led the United States out of the agrarian economy of the 19th century. In 1900, still 40% of the American civil work force were in farming. The Roaring Twenties was really set in motion by the Industrial Age boom much like the internet boom has dominated the modern era presently.

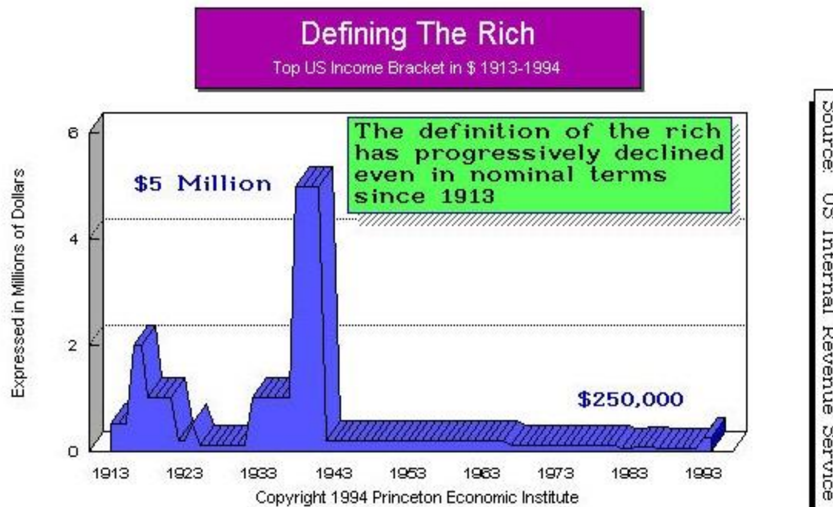
It was the ability of the Japanese to deliver quality produces and undermine the rising unionization of the American work force that injected Marxism. Unions demanded more and more money while simultaneously viewing their employment as a confrontation with management. In between these two forces stood the American consumer who suffered from declining productivity and quality, especially in the auto industry.

The Japanese exploited the auto industry by providing quality products in contrast to declining quality in the American industry. Likewise, the Germans also were able to exploit this same situation. Both Japan and Germany rose from the debts of postwar collapse with quality manufacture. The German auto industry is the backbone of the German economy.



The American consumer is unquestionably the cornerstone of the world economy. The low tax rate has fueled the world economy. However, as taxes have risen and healthcare has become such a huge portion sucking up disposable income, the buying power of the American consumer has been seriously reduced with time. The higher the taxes and the burden in healthcare act as a major suppressant for economic growth moving forward. The consumer is being attacked by rising taxes and healthcare costs so that the net disposable income has been reduced to 50% of what it once was back in the 1950s.

The United States has been plagued by the Democrats who constantly see the income of the people as their pet resource for wealth. It has not been merely the wage costs that sent manufacture overseas. We have seen the tax rate as a political tool and the lack of consistency has resulted in companies moving simply for taxes.



Moreover, the definition of the "rich" constantly changes. It was once $5 million back during the war era. Today that is $250,000 but defined as household income. Therefore, a married couple each earning $125,000 will quickly discover they are the hated rich. Therefore, it is easy for a politician to always blame the rich without ever defining who they precisely are. The people always assume it is someone who earns more than they do or envision Warren Buffet and not the small business owner who actually provides 70% of the jobs in the civil work force.

The most critical aspect of taxation is to fix it and place it beyond the authority of politicians to change it. You would never sign a lease for an apartment if the landlord said he could raise your rent anytime he feels the need for more money so he can go buy something. Business is the same. Even major corporations will not open a plant based upon a business plan that can change at any moment. The Republicans come in and taxes decline, The Democrats come in, and up they go again. There is no economic stability as long as taxes remains the toy of politicians to play with.

The Dollar Bubble

1861 $5 Demand Note

There are a few compelling reasons that stand behind the fact that the US dollar has become the world's reserve currency. One is generally totally ignored by Americans for they are unfamiliar with the issue of cancelling currency. No other currency has never been simply cancelled as India implemented or routinely expires as is the case in Europe. Currency before World War II in Europe was generally issued by governments who no longer exit. This is true throughout Europe from Germany, Poland, Italy, and France etc..

German Occupation of Poland 100 ZLOTYCH (1939) Counterstamp on 1934 note (bh 8901571)

Cancelled British Currency Notes

Even Great Britain routinely cancels its currency. The old 50 pound notes in Britain were cancelled as of April 30th, 2014. Then in 2016, Britain cancelled all its currency again coming out with plastic notes abandoning paper. Cancelling currency prevents people from hoarding cash and avoiding taxes.

1861 $5 Demand Note

The first $5 bill issued in 1861 is still legal tender and can be spent, yet its value to collectors is far beyond $5. The US issued new $100 bills, but the old $100 bills remain legal tender. Consequently, the simple fact that the US dollar remains the ONLY paper currency still valid since 1861 allows it to be used globally without fear of cancellation. Since Europeans routinely cancel their currencies, this remains another major issue that leaves question lurking in the minds of those holding Euros outside of the EU.

Economic Freedom

Another critical issue has been Economic Freedom. What this means is that you can issue any private bond or note denominated in US dollars without asking permission from the US government. That is not the case in Japanese yen for example. You must seek permission from the Ministry of Finance (MOF) to issue any security or loan in Japanese yen. This has been one primary reason that has deterred the yen from being a reserve currency. The Swiss franc has been used to denominate loans outside of Switzerland. Nevertheless, the Swiss denominated loans were often sold due to lower interest rates used in mortgages. Whenever

domestic loans or mortgages are denominated in a foreign currency, then the borrower inherits foreign exchange risk, which has often blown-up in their face.

The Atlantic Popular Latest Sections

The World's Next Mortgage Crisis?

How the rise of the Swiss franc could destabilize Europe

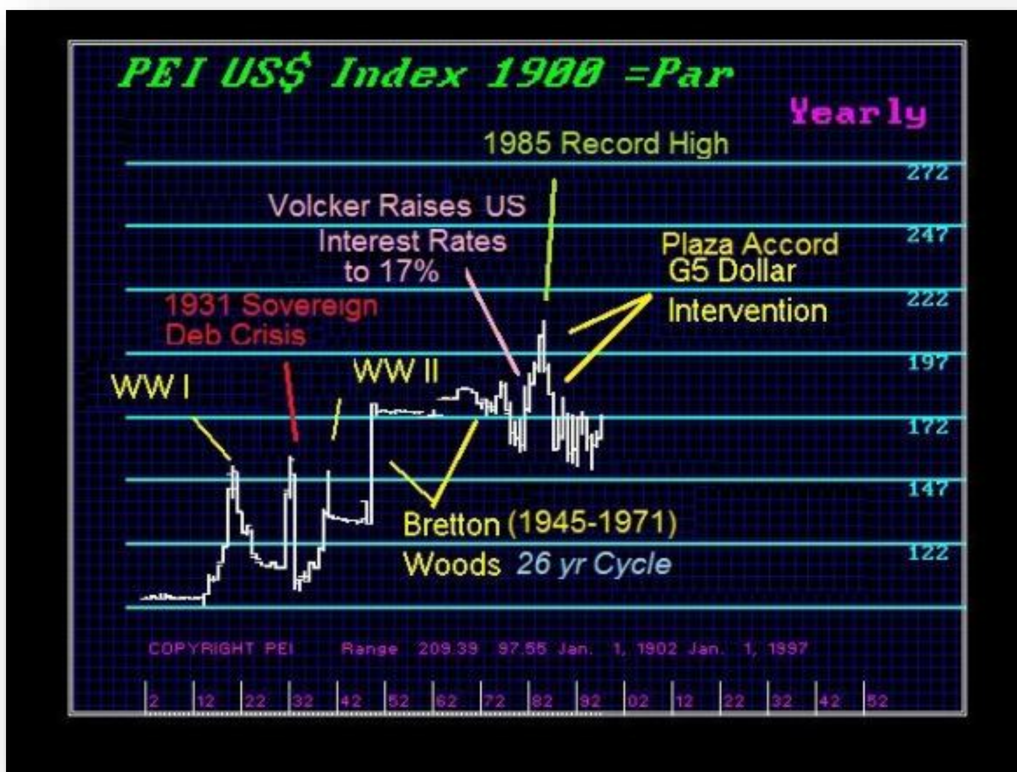
During the 1980's, banks in Australia sold Swiss loans on the basis that the borrower would save on interest rates. When the Swiss franc rose against the A$ was the way to save massive interest with no view of the A$ whatsoever. Then the Swiss rallied and A$ fell and the losses to borrowers were massive. This even altered the capital flows confusing the hell out of economists. Back then, there were countless bankruptcies and it was good business for us for we were getting called in among Australia's top 50 companies all dealing with currency losses on a grand scale. We saw the exact same crisis when the Swiss peg broke against the Euro. Mortgages were sold in Swiss for the lower interest rates. The peg broke and people suddenly owed more than they ever dreamed since the Swiss rose in value.

Well, the short dollar debt bubble has been rising globally and in some respects for perfectly rational reasons in Europe and especially in Asia. Lending and borrowing have been encouraged by super low interest rates and bogus analysts who kept swearing the dollar would move lower, gold would soar, so borrow in dollars and you will pay back with funny money. This attitude has created a global private debt bubble with everyone expecting to profit from a dollar collapse. Unfortunately, as the Euro presses lower because of massive structural problems that have revealed that currency could **NEVER** rise as a true **RESERVE** currency displacing the dollar lacking a single national debt, the risks associated with a dollar rally are just off the charts.

Rising debt levels are a natural outgrowth of rising wealth that has been emerging in Asia. As economies advance, financial sectors become more advanced and debt tends to increase. Nevertheless, there are reasons to be concerned about what's going on in Asia. These economies are requiring more debt to keep going and privately have been following the West down the primrose path of financial indebtedness.

Asia is not as economically healthy as its GDP growth rates suggest. There are growing debt problems with much of the debt in dollars. The economic growth is highly credit-dependent, which in fact provides leverage. Fundamentally, this is a trend we must respect comes with risks because of the cross currency borrowing that introduces massive currency exposure. The dollar has provided incredibly easy money conditions in the entire global economy. This extends far beyond the Fed's balance sheet and in fact, the Fed looks conservative compared to the rest of the world no less the ECB. Debt has the possibility to rise even further, as financial institutions are under pressure to lend money as evidenced in the USA with mortgage rates dropping below 4%.

The analysis that constantly harp about the Fed and its quantitative easing being massively bearish for the dollar have only helped to create this dollar bubble that is the mirror image of gold. We are beginning to enter the more interesting stage as we await the final break in gold, but the shift in even more capital from Europe that is helping the US share market explode to new record highs lining up with a Euro low.



The dollar rise into 1985 was similarly fueled by massive dollar bearishness and goldbugs swearing new highs were around the corner. In 1980, the US national debt hit $1 trillion when gold hit $875 and the Eurodollar deposits also reached $1 trillion. Europeans were convinced as all the press there touted the way the

USA would get out of its debt bubble was to create a two-tier dollar with green ones still domestic and red ones for Eurodollars. This belief led to huge capital outflows from Eurodollar deposits that collapsed by 50% going into 1985 shifting to domestic dollar deposits that they believed would be worth more. As the bearish dollar view expanded, the dollar rose even further.

This is what has taken place in recent times. The cry that the dollar will collapse because of Fed quantitative easing has been used to both sell gold and dollar loans. The Fed's $3 trillion expansion was merely offset by the near $6 trillion in capital contraction by the deleveraging. Hence, the net effect of **QE1, QE2**, and **QE3** have utterly failed to produce the hyperinflation that the majority were forecasting because it was not actually an increase in money supply but a swap between debt and cash.

This expansion by the Fed helped to create a gold rally, but more significantly, it created a short dollar bubble in debt on a global scale that will cause a dollar rally which will shock the borrowers just as the Australians who were borrowing in Swiss. The extensive short dollar positions through dollar loans counting on its demise, is enough fuel to cause the dollar rally. This is being egged on by the stupidity in Europe at the ECB over this whole Cyprus deal. As geopolitical concerns also rise in Japan with North Korea threatening everyone, the dollar is poised to move higher there. In Britain, the economic decline continues and we may even see negative growth rates there as they become also hunters of the rich and applying their tax laws internationally. The Swiss pegged their currency to the Euro to try to fend off capital flight there but with Russia pissed off over Cyprus, the safer bet is the dollar.

In Australia they called it ***"the economic equivalent of Mission Impossible"*** where their burgeoning foreign debt problem was accelerated by a government that did not understand capital flows any more that they do today or most conventional analysts still stuck in the Bretton Woods era of increase money supply must be inflationary ignoring international trends. The Australian Hawke Government at the time claimed to have the answer by tight monetary policy and high interest rates. But the loans were in Swiss. The more they raised interest rates, the greater the A$ rose and this increased the losses in foreign loans. The current account deficit rose because what was included in that is interest payments. The Australian government totally screwed up everything because they were clueless. Meanwhile, academics are focused intensely only on domestic models trying to apply random walks and market efficiency concepts unable to look at anything else like a 12 year old boy who sees his first nude woman unable to even blink.

So hang on to your seat. The press, government, herd of domestically fixated analysts, and most spellbound economists have no clue what has been created because they do not look to the horizon and do not understand the accounting system government are using in any event. As the dollar rises, Washington will call it a currency war, raise interest rates to discourage dollar loans, engage in protectionism, and this will create a feed-back loop sending the currency higher as was the case with the A$ and the Great Depression. Then we have the **Sovereign Debt Crisis** on top of this mess. So for all those touting the demise of the dollar, the majority are always wrong because that is the fuel that drives the markets. The majority **MUST** be wrong to create the swings within the economic pendulum. So don't worry, be happy, we need those people to make money and survive.

When we look at our Dollar Index 1900=Par, we see a starkly bullish chart. The dollar has remained within the uptrend channel for the last century. It has never closed out of it yet. The secondary channel created from the World War I and 1931 high will provide the major technical resistance above the 1985 high when they formed G5 to manipulated the dollar lower creating the 1987 Crash & 1989 Japan Bubble. Even our Energy Model shows the dollar is **FAR** from over-bought and we can see the flat-line created by Bretton Woods for a brief shining moment. It certainly appears that the US dollar will befuddle everyone as it did before and the A$. We are looking at record highs **ABOVE** that of 1985 before this flips. So just as the 1980-1985 period when dollar bearishness was at its height yet the dollar rose, we are looking at a similar situation once again.

Emerging Markets & Dollar Loans

The view that BREXIT and the events in Spain more recently, have been creating uncertainty in Europe with the swell of populism, the demand for dollar denominated debt has been strong over the past few years. This has led to more debt being racked up at a faster pace than ever in US dollars among emerging markets, which stood at about 50% of the US National Debt at the start of 2016. The debt in new offerings has exploded as bears continue to say the Dow will crash giving a strong bid to debt. The issuers have bought into the idea that the dollar will crash so issue dollar debt since it will depreciate was the view of "smart" money, or so believed.

These trends in thinking and demand have led to an extraordinary offering of new dollar debt which is close to $160 billion by the 1st of May, 2017. This represents more than twice the dollar value reached by May 1st last year. This

has been spurred onward by the typical analysis that always concludes that whatever trend is in motion will stay in motion.

The willingness of investors to buy debt securities is rooted in these bearish forecasts for equities, but also the need of pension funds to increase yield for their insolvent funds. Now the crisis becomes if the dollar rises, the issuers will be unable to pay the foreign exchange differences. They have been selling dollar debt as the dollar declines. So when it rises through their sale price, massive defaults and losses will unfold.

Investment funds specializing in emerging market bonds reported inflows of $1.9 billion, according to data provider EPFR Global. Also, exchange–traded funds from this sector were able to show more than $200 million. Investors from the US and Europe are currently particularly interested in corporate bonds from countries such as Brazil, Indonesia or Argentina, since they yield comparatively high returns and have rather short maturities. This is similar to the Russian bond collapse back in 1998, which took down Long–Term Capital Management.

The bond debt from developing countries is growing exponentially with total commitments reaching around $425 billion+. This crop of bonds have an average maturity of 6.3 years as compared to 10 year maturities for investment grade rated as risk–free.

This is adding to the crisis we see on the horizon and a dollar rally will set off a debt crisis like nobody has ever seen in more than 100 years. Private debt among emerging markets is almost about $1.6 trillion with maturity due to foreign creditors over the next five years. It looks like about 90% of this debt is in US dollars.

Both economics and geopolitical trends are conspiring to produce a strong dollar that the majority will never understand until it is too late mumbling – ***But the Fed increased the money supply!*** Yes – there is also the other side of that coin, it is called **DEMAND!**

In Latin America, piles of dollars have been flowing to the region since 2013 and recently dollar borrowing rates have skyrocketed as all US benchmark rates reached record lows. Economies were booming and it doesn't take a genius to see most of it has been funded with cheap dollars flowing from the United States as well as Europe.

Most Latin American countries indeed live on effective two–tier systems as the dollar is readily accepted for payments of most transactions. In particular, mortgages as well as land purchases are usually financed by dollar loans, it's cheaper, and the lenders usually refuse to have long term exposure to local currencies. This introduces tremendous risk for a dollar rally.

Governments are also usually in the habit of borrowing in dollars. And borrowed they have! Argentina is the key here because they defaulted for political reasons a few years back, and up until now they were being financed by Venezuelan oil money, also for political reasons when Chavez was in the habit of handing out "gifts" in exchange for political favors; but those days are gone.

So the short dollar position is indeed a **WORLDWIDE** issue. It will be very interesting to see when the dollar begins to rise once again. Dollar borrowers the world over will indeed have a 'religious experience' of Biblical proportions! The higher the dollar moves, the greater the pressure will be applied to revising the world monetary system.

Understanding Trade v Taxes

Our most serious problem is that those who want to rule the world are simply ignorant of how the world really functions – and that includes Trump. We are headed into a **TRADE** and **CURRENCY WAR** because those who run the governments of the world are truly clueless. Why? The theories are all still based upon the old fixed exchange rate and do not take into account international capital flows and what truly drives them hither and yon.

In 1929, the total amount of imports: was only 5% of GDP. In 2009, that number was 15%. The problem is that trade is measured only in currency terms – not units of actual goods. Hence, in 1929, money was fixed so there was not major distortion to trade figures created by currency fluctuations.

Today, the entire calculation of trade is based solely on the value of the currency. Therefore, a 40% change in currency will alter the appearance of trade statistics, but it will not always directly correlate to job creation.

If we look at China, the so called cheap labor factor resulted in rising wages. To some extent, jobs began to migrate to India when the cost of labor in China was rising. The China perspective shows that their imports were 3% of GDP in 1970 soared to 21% by 2009. China is actually importing more as a percent of GDP than the USA. Yet, the USA is bleeding at the seams and it is trying to blame China rather than placing the blame where it **ACTUALLY BELONGS** – on Congress.

Philip IV
(1268–1314)

Edward I (1272 - 1307)
"Longshanks" King of England

Every Economist has deplored the events of the 13th Century when both England and France tried taxing their exports. In their mind, they were clever. They believed that they discovered a way to tax other people's money. There was a major economic crisis that developed between 1294 and 1297. The kings of England and France were at war. They taxed everything they could. Edward I borrowed from the Jews and then expelled them when he could not pay his debts. Philip IV imprisoned the Italian bankers lending to Edward, then he seized the assets of the Catholic Church, moved the papacy to Avignon, and executed all the Knights Templar seizing all their assets on Friday 13th, 1307.

Today, America does the same thing by taxing income higher and by placing tariffs on imports all to protect jobs, which does not work. Nobody looks at the economics and thus they have no clue what we are doing. Everyone just tried to manipulate the currency lower to increase exports as was the purpose of the G5 and the **Plaza Accord** in 1985 or Roosevelt's dollar devaluation of 1934.

I testified in 1997 before the House Ways & Means Committee. The question that was asked of me was why no American companies were getting contracts in China to build the Yellow River Dam? I explained that the American tax system taxed **Worldwide Income** unlike all other civilized nations, except Japan. Did anybody listen? **NO!** Did anyone understand that we were in effect taxing our exports? **NO!**

Let us follow this out. If domestic tax rates are higher than the rest of the world, you cannot overcome that by lowering the currency value. Government has to be very competitive. The States have to compete. If one is very high in taxation, people will move to the next State. The same thing will happen among nations. Currency cannot mask the uncompetitive nature of taxation.

Secondly, because America taxes **Worldwide Income**, we are taxing Americans as if they are slaves. Just being born in the USA makes you the property of the government. It does not matter if you use any service. You owe taxes as a slave regardless of where you live and earn income.

Because we tax **Worldwide Income**, if an American company builds a dam in China, they have to pay axes in America. The German companies do not. The USA is making the same mistake as England and France during the 13th Century for we are taxing our export labor and expertise.

We blame everybody else, yet we refuse to look in the mirror. We are bleeding **NOT** just manufacture jobs, but back office jobs ’and educated jobs such as computer science. Why? Because the taxation, benefits, and skyrocketing healthcare costs are combining to prejudice American citizens in a global environment. Because Congress is dominated by lawyers, we will never get tort reform regardless of the party. It would be like electing all Goldman Sachs bankers and then expect them to regulate banking.

Thailand has tried to fight the rise in their currency by reinstating a 15% withholding tax on foreign investment in Thai bonds. They believed this will stop the buying of their currency that they thought was reducing their exports. Singapore also did not use interest rates to manipulate demand. Only the West seems to be misguided on that tactic.

Government has completely ignored the impact of taxes upon world trade. They assume they can raise taxes to whatever level they desire with no adverse impact. Taxes play a vital role in international trade even more so than hourly labor costs.

The Drive toward Electronic Money

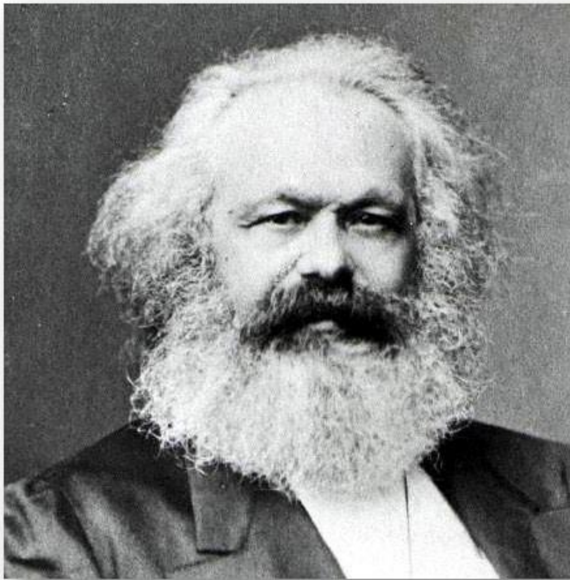
The drive toward electronic money eliminating cash is strongest in Europe where governments are the most Marxist in Western culture. Nonetheless, the United States under President Obama, led the charge toward hunting down the rich on a global scale. Obama was more concerned with taxation and to increase the coffers of government while racking up $1 trillion budgets, which were the size of the national debt under Ronald Reagan back in 1980.

At the 2015 G20 Meeting, Obama managed to push through the first step to hunt money worldwide. The basic assumption was that anyone having any asset or bank account outside the USA was doing so only to avoid taxes.

The Europeans are far more socialistic than Americans. After all, Communism began as a French experiment with the French Revolution – eliminating the rich by chopping off their heads, seizing all the property of the Catholic Church, and

Napoleon even imprisoned the Pope until he signed over the Papal States in Italy. Napoleon crowned himself refusing to even pretend a ruler was subservient to God.

The philosophy of Karl Marx has been deeply embedded within European culture, which has resulted in significant state ownership of industries post–World War II, which in Britain Margaret Thatcher began to reverse in privatization. Taxation is on average twice that of the United States when one looks at the entire landscape from income taxes, property taxes, and VAT taxes adding 20–30% in real costs to consumer goods all the way down the class scale.



Karl Heinrich Marx
(1818-1883)

There are significant problems to implementing any electronic currency. Less than 50% of the world population even have bank accounts. It simply becomes impossible to eliminate all tangible money and demand that the entire world operates only on electronic money. That would leave out a vast amount of the world's population. What do you do in the industrialized countries when about 10% of the population does not have a bank account?

In Europe or India, the answer to that question is rather simple; you force them to open a bank account. The attempt to force people to abandon tangible paper currency has not gone as smoothly as governments expected.

In India, Prime Minister Narendra Modi shut down the cash exchange of the 500rs and 1000rs notes. Those who still possessed older notes had the option of depositing these bills into their bank accounts. That was the ploy to force people out of the underground economy and into the new above ground economy where they could be taxed. India's "unbanked" population was staggering due to its sheer scale, which is not a negligible number of people exceeding 200 million compared to a total population in the USA of about 300 million.

Prime Minister Modi simple took the position arbitrarily and never even discussed the topic with the central bank. He was eventually forced to agree to reissue notes. The economic crisis he inflicted upon India was massive.

A report prepared by PricewaterhouseCoopers said that India back in 2015 pointed out that India's unbanked population was 233 million. This was half the number it was in 2011, at 557 million, primarily because of the Pradhan Mantri

Jan Dhan Yojana scheme aimed at making it easier for people to open new accounts. Since that report, in October 2015, the Jan Dhan Yojana has grown even further, adding 68 million accounts as of the most recent report on November 9, 2016.

European Parliament in Brussels is now claiming that they are just simplifying terminology, every EU member state had to implement an EU directive before the beginning of 2016 which "entitles" every citizen to have a so-called "basic" bank account. That was one step forward moving to electronic money. Since about 10% of the European population is without a bank account, this naturally prevents government from moving to electronic money eliminating cash, which is their objective for tax purposes.

The European centralized government in Brussels wants to move toward a cashless society at a very rapid pace by decreeing everyone **must** have a bank account by the start of 2016. This is a veiled attempt to make it appear to be some new right to have a bank account as part of a new modern 21st century society. The truth of the matter is all about taxes. Hence, the real right is the obligation to pay taxes. The curious effect, this has now been extended to include this "entitlement right" for all of the homeless and asylum-seekers.

Clearly, there is a serious push toward electronic currency. This is supported by the banks as well because if you eliminate physical money, you will also eliminate bank runs and bank robberies. Therefore, we must surrender all our privacy and freedom to support these new objectives. Say goodbye to all freedom and simply embrace "1984" — it was just a little behind schedule.

The Bankers are now supporting the idea of an official electronic currency using the Block–Chain technology. This is also supported by the central bankers. There is no way they will allow something such as BitCoin to operate in competition. China has also taken the position that BitCoin is being sold illegally, especially when it has been in use to launder money to get it out of China.

Of course, the political elite are still in denial why Donald Trump was elected. The Republican elite bluntly say that those who voted for Trump were ***"not real Republicans."*** Meanwhile, the Democrats want to paint Trump as a White Supremacist. Both of these positions are really motivated by the state of denial that the silent majority are growing restless with the way Washington has been run. They are fed up with the corruption. Donald Trump's promise to "drain the swamp" was cheered, but he seriously under–estimated the issue for it is not a swamp but an ocean. Hence, the likelihood of Trump or anyone actually succeeding in reforming Washington is negative below zero.

The question of a worldwide currency electronic or otherwise that is used by the public to go shopping is also unlikely. This would require the surrender of culture and sovereign identity. Keynesian economics of manipulating demand with raising or lowering interest rates would be totally abandoned. This would require politicians to actually run on sound economic policies rather than promising to hunt down the rich.

Politically, you can't get everyone in Congress or in any European Parliament to ever agree on economic issues within their own country no less surrender that power to some international sovereign. We already see the stress within the EU as they attempt to force central laws and policies upon 28-member states. A single currency worldwide necessitates **one** government.

The clash between the left and right forces is building. It is unlikely that everyone will suddenly surrender their political differences and adopt some mythical middle-ground politically. Historically, the only way to impose a single currency requires force. That was what took place by the sheer force under Alexander the Great and to a lesser extent the Roman Empire conquest of Europe and Asia.

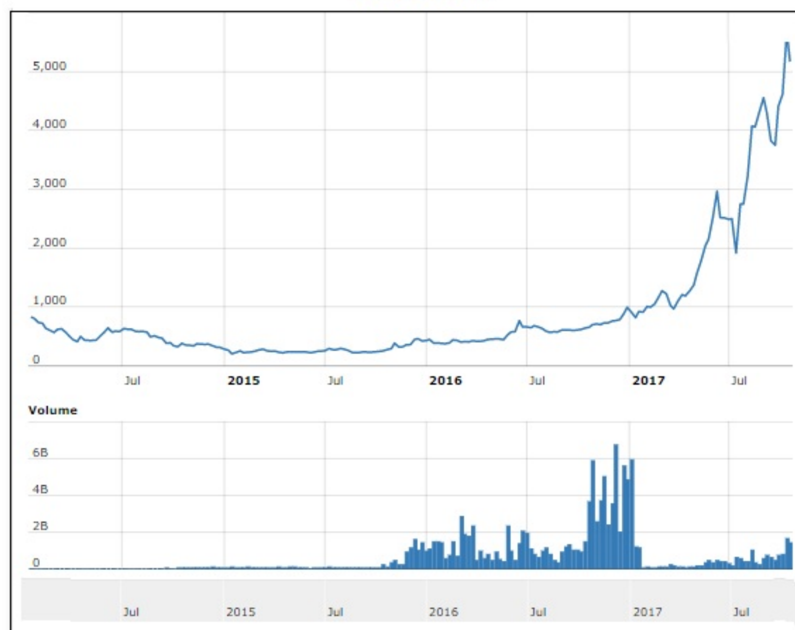
The Emerging Electronic Currency for Central Banks

WHile the speculators have been rushing into cryptocurrencies with the delusion that this will circumvent the government completely, one must really ask if these people comprehend what they are doing. Watching Bitcoin rally as they cheer how much they have made, these speculators are ripe for a major collapse when they see no end to their profits. The old maxim is **NEVER** marry the trade. Once you become a faithful believer in Bitcoin you are at risk of being blind to the trend. You are into the realm of a religion and not a trade.

This is a dangerous human emotion that is no different from the Tulip Bubble of the 17th century, South Sea Bubble of the 18th century, or all the way to the DOT.COM Bubble of the 21st century. Cryptocurrencies are by no means an actual "currency" for it is not **LEGAL TENDER**, meaning you cannot pay your taxes with it and a very few companies will even accept it in payment for some goods. It is also certainly not an alternative to the dollar or any currency for the entire idea at first was this would be a currency that was not FIAT and would then

resistance inflation. But it has proven to be simply another speculative bubble offering dreams.

Bitcoin



The mere fact that Bitcoin has skyrocketed demonstrates that it is by no means a store of wealth. It has been a great sales–pitch as somehow the alternative to the dollar and doing battle with fiat currency. But at the end of the day, you still have to pay your taxes in your local currency – not Bitcoin.

The very thing that the proponents of cryptocurrencies argue is that they are the alternative to fiat paper currencies because fiat depreciates over time and are not a store of value. By adopting such beliefs, they have lost all objective reasoning and are destine to lose what they made and more. The cryptocurrency boom has been not much different from the DotCom Bubble with wonderful expectations of the future. What goes up, also does down. The **First Commandment** in trading.

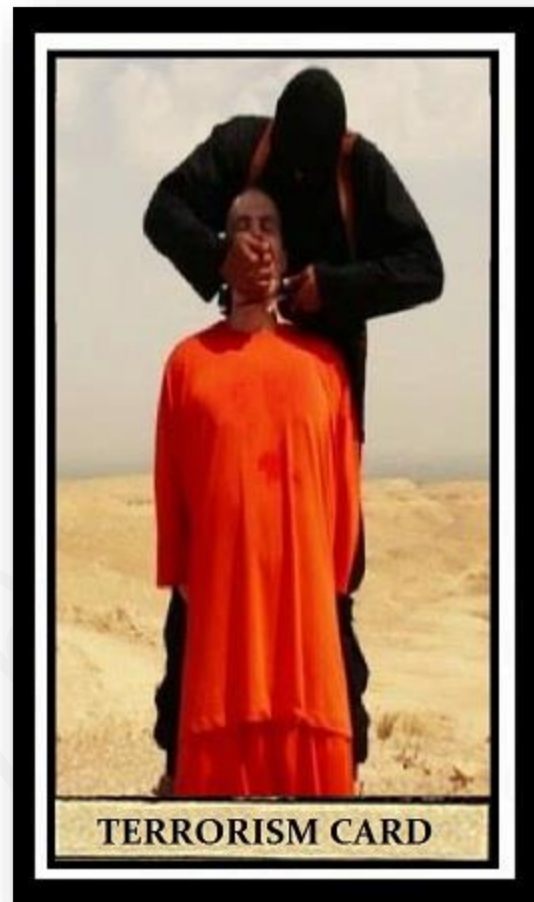
The number one problem with cryptocurrencies is the idea that they can be the alternative to government. Yet you will still have to sell them at some point to

pay your taxes, rent, and to buy food. Moreover, the government is not about to lay down and surrender to the world of cryptocurrency and just let people avoid taxation. That is **NEVER** going to happen. So we have to look at this issue no different than anything else because we are dealing with a governmental power.

Central banks around the world are now very seriously looking into creating Cryptocurrencies. After all, the vast amount of the economy transactions are electronic to begin with. The existence of cash in physical form is what they are trying to eliminate to force everyone on the grid in order to increase tax collection. There is no question that we will be looking at this as the next evolutionary step forward in the monetary system. The problem people do not grasp is that government can easily outlaw private cryptocurrencies and declare it as money laundering that avoids taxes. They will be 25 years in prison and the first person they prosecute will be held up as an example to scare the life out of everyone else.

Back in 2015, France was using the terror attack as the excuse now to shut down pre-paid debt cards which in essence was much like a cryptocurrency. Terrorists, they claimed, could circumvent any restriction on moving cash by placing it on a debit card and travel internationally. It is like gun control. Criminals do not buy guns at a store. Like drugs, they are readily available on the streets. Regulations only impact honest people just like debit cards or whatever. A pre-paid debit card can act the same or better than a cryptocurrency if one is truly trying to use it in commerce. The European Union quickly followed of course using terrorism as the excuse to now crackdown on any virtual currency claiming that anonymous payments made online and via pre-paid cards "can" be used by terrorists without any proof they even know how to use such currencies. The EU is using terrorism

to crackdown on taxes without admitting that is really what they are after. The fact that a Bitcoin supporter would disagree with demonstrates that they are into the profit, not the economic function.



Governments are hunting money everywhere simply because they are broke. There is just **NO POSSIBLE WAY** they will allow private cryptocurrencies to circumvent taxation. All governments have to do is claim that cryptocurrencies are the mechanism of terrorists and it will be game over.

Governments love to play the Terrorist Card to listen to all our phone calls, emails, and text messages. They are already targeting pre-paid debit cards in Europe so cryptocurrencies are no different economically speaking.

We are in a battle to the death. A cryptocurrency is a digital asset people hoped would work as a medium of exchange to secure the transactions and to control the creation of additional units of the currency. That directly attacks government power. Cryptocurrencies cannot be a store of wealth any more than paper currencies since they too rise and fall in value. They have not altered the currency game or managed to flat-line the economy as Karl Marx had hoped by stopping the business cycle.

The rise of cryptocurrency is a reflection that people do not trust the government. Those in power know that and see this as unacceptable. Edward Snowden has pointed out that Bitcoin is not as safe as everyone believes. He said:

"Obviously, Bitcoin by itself is flawed. The protocol has a lot of weaknesses and transaction sides and a lot of weaknesses that structurally make it vulnerable to people who are trying to own 50 percent of the network and so on and so forth." … "Focusing too much on bitcoin, I think is a mistake. The real solution is again, how do we get to a point where you don't have to have a direct link between your identity all of the time? You have personas. You have tokens that authenticate each person and when you want to be able to interact with people as your persona in your true name, you can do so."

Zcash is far better than Bitcoin for to remain equally interchangeable, units of Zcash are unlinked from their history so that one unit is as good as any other unit and this makes them really fungible in the cryptocurrency world. They have unlinked shielded coins from their history on the Blockchain. This means they can be used for tax avoidance and the government can use its Terrorist Card. They will not allow cryptocurrency to defeat taxes and Bitcoin is not secure enough in that manner.

The rise in cryptocurrency has another side to it that is not being mentioned. Many of the people cheering Bitcoin are the dollar–haters who also tend to be the goldbugs. The interesting question that arises from this is very blunt. Has the introduction of cryptocurrency been displacing gold as the alternative currency? Indeed, many who have supported gold have switched to cryptocurrencies under the same theory that it is anti–fiat currency. But this is a fantasy world. Cryptocurrencies have

fluctuates greatly proving they are no different economically from the fiat–currencies that supposedly oppose.

The defections from gold to cryptocurrencies have allow many to make a fortune in Bitcoin. The question is are they smart enough to take a profit and remain dispassionate about Bitcoin to trade it objectively? Or will these investments prove to be nothing different than the DotCom Bubble?

Exactly what type of technology would governments adopt to create a possible new **Central Bank Digital Currency (CBDC)**? Would this actually be a single world currency? Would it be limited to a reserve currency or perhaps an international currency in a two–tier manner? Are we looking at a national currency denominated electronically for each central bank?

It is often presumed that Blockchain of **Distributed Ledger Technology (DLT)** would be the structure of choice. However, obviously this could provide some benefits and some see it as mandatory. DLT could be a sensible approach to this issue as you would in the private sector if government can actually trace ownership.

Nonetheless, if we look at this issue of a CBDC issue, this would raise rather important economic considerations as well. For example, let us focus on the

technological considerations. If we are to create a CBDC which is widely used by individuals as well as businesses on a major scale since the FOREX markets trade at $5 trillion in volume per day, we must obviously look very closely at creating such an animal.

A CBDC which is used by individuals in the retail world like Bitcoin, would not also be used by financial institutions and institutional investors on a wholesale level in the same manner. The requirements of retail are different than institutional. Therefore, we would need a neutral technology that would accommodated both retail and institutional to create a real CBDC.

Obviously, the number one issue will be **SECURITY**. A CBDC would need to be secured against cyberattacks. It would need to be designed to protect against any unauthorized access to, and alteration of, data, as well as disruption to operation. The most common attack is a DDoS which in short stands for Distributed Denial of Service. DDoS is a type of DOS attack where multiple compromised systems, which are often infected with a Trojan, are used to target a single system causing a Denial of Service (DoS) attack.

Federal Reserve

The threats faced by a CBDC could be much greater than the threats faced by private digital currencies. Potential attackers may have different motivations such as simply disrupting or undermining confidence in the system that was a means of war to undermine an opponent's currency. Counterfeiting the other's currency was a major weapon in war. Governments have far more resources available to them than a simply hacker trying to make some money. State-sponsored cyberattacks would be at a much high scale of competence where cost is no object.

Consequently, creating an electronic currency for governments poses different security risks than Bitcoin for example. A CBDC would be a door to the entire financial infrastructure becoming a critical national security issue. Any unexpected downtime could have a major impact on the functioning of the financial system and unleash a financial panic on a moment's notice.

Such a system would have to operational across the nation in all time zones on a 24 hour day basis 365 days a year. The settlement of transactions would be absolutely critical and must be instantaneous. How could you buy something in a store if the merchant did not know he was paid within a few minutes like a credit card? If that system is incorporated, then the central bank must monitor multiple service providers, which they do not do currently. Therefore, would such a system require that every transaction clear instantly at the central bank? This would change the role of central banks and create a lot of overhead expense. Could everyone then have to have a credit card or debit card? In reality, a cash transaction would have to still be instantaneous as a credit card.

It is estimated that there are 10,000 payment card transactions made every second around the world and that was back in 2009. Americans made 33.8 billion credit card transactions in 2015 (up 3.1 billion from 2012), worth $3.16 trillion (up $0.61 trillion since 2012). The value of card payments has increased 9.3% per year from 2009. We are now approaching 15,000 transactions per second globally and rising.

If we are looking a government taking over the cryptocurrency world, the computing power will be significant. Unlike Bitcoin, it would not be set up on private computers. The other question becomes, will every nation then have its own cryptocurrency? If this ends up being correct, then does this really alter the world monetary system? The surrender of sovereignty to a central authority to create a One-World-Currency is a real hot topic for politics. We do not see that working so smoothly in Europe under the Euro.

Is Debt Forgiveness the Way Out?

Many people argue that we should just cancel the national debts as in the Biblical decree of debt forgiveness every seven years to solve all our problems with excessive government debt and their persistent move to extract taxes that is leading to transform money into digital cryptocurrency to prevent tax avoidance, which is of course a crime.

The **"seven year rule"** respecting the discharge of debts stems from the "Lord's Release" in the bible. In Deuteronomy, it was mandated that debts shall be forgiven every seven years, regardless of a person's circumstances. Deuteronomy 15: 1–3 ("At the end of every seven years you shall grant a release. And this is the manner of the release: every creditor shall release what he has lent to his neighbor or his brother, because the Lord's release has been proclaimed".)

The Sumerian king Urukagina Social Reforms describing also a debt cancellation (ca. 2500-2340)

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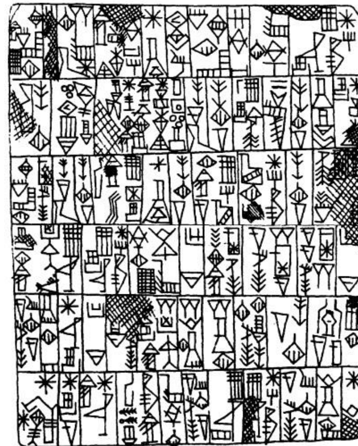
Debt cancellation or forgiveness actually was a tradition that began under Sumerian rule in Mesopotamia. The Jewish tradition appears to have been adopted from the Sumerian. Do not forget that Abraham came from the

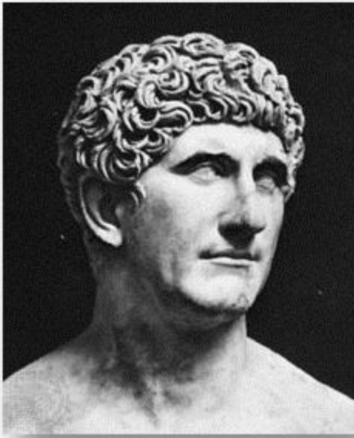


Sumerian city of Ur, located in southern Iraq today. Therefore, he would have grown up with that tradition.

Consequently, the debt cancellation practice began in Mesopotamia and can be traced back to 2400 BC extending into 1400 BC. The noted historian on this subject, Michael Hudson, I believe is absolutely correct when he states that general debt cancellation was one of the principal characteristics of **Bronze Age** societies in Mesopotamia. There were numerous debt cancellations in the Mesopotamian cities which used the words for these debt forgiveness decrees or cancellations such as ***amargi*** in Lagash (Sumer), ***nig-sisa*** in Ur, ***andurarum*** in Ashur, ***misharum*** in Babylon, ***shudutu*** in Nuzi. (See: Michael Hudson's Debt Cancellations)

The idea of cancelling the private debts emerges during the revolution in Rome that ended the corruption of the Senate in the Civil War that brought Julius Caesar (100–44BC) to power. When Caesar crossed the Rubicon and invaded Italy, the Senate fled for they lacked the support of the people. City after city opened their gates and cheered the arrival of Caesar who was regarded as honorable and a true man of the people – a ***Popularis***.

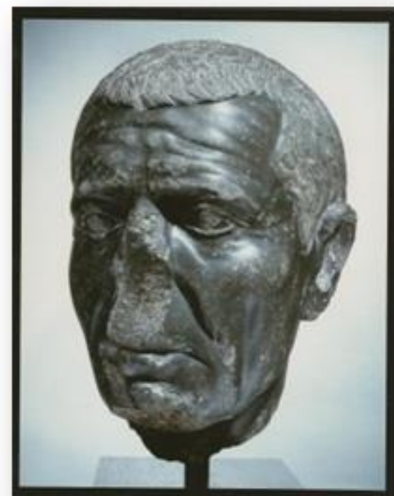
Property values has been collapsing. Private debts were excessive. Those who held mortgages refused to accept the property back against which they had lent money. The core of the ***Popularis*** position was the cancellation of all debts. Even before the Civil War was concluded, there was rioting in Rome. Mark Antony (82–30BC) was the ***magister equitum*** in charge of Rome. However, a man


Mark Antony
(82-30 BC)

named Dolabella brought forward the proposals to cancel all debts and rents. The Senate was deeply alarmed at these protests. The Senate anointed Antony with the ***senatus consultum ultimum*** bringing in strong troop reinforcements. There had been street riots and fighting but Antony took action. These troops stormed the Forum that had been barricaded by rioters. The troops attacked and over 800 were killed. The tablets inscribing the law were smashed. Most leaders of the debt rebellion were killed.

Antony himself was clearly trapped politically. He lost favor with the people and yet he himself was in favor of the cancellation of debts. He in fact bought the estate of Pompey at public auction on the assumption that when Caesar took full power, he would cancel the debt as originally proposed before the Civil War.

Indeed, Caesar showed his disapproval of Antony and essentially dropped him as a favorite for nearly 2 years. Caesar showed his confidence in Dolabella and granted some relief awarding home-owners a rent reduction for the current year of up to 500 denarii in Rome, and 125 denarii throughout Italy. However, Caesar again stood by a decree he made in 49 BC rejecting quite decisively the cancellation of all debts (*Cassius Dio, Historia Romana 42,50,2-5; Suetonius, Divus Iulius 51*).


Julius Caesar
(100-44BC)

Caesar explained that he had to borrow to fund the war and it was unethical for him to cancel all debts since he himself would benefit. Caesar forced Antony to pay the full price that he had bid for Pompey's estate that included everything within it including all its slaves.

Antony assumed his debt would have been cancelled and Pompey's estate would be free. Only Caesar's mistress, Servilia, is said to have secured some bargains at these auctions of property of people who died or were not pardoned (*Cicero, Philippica 2,64–69; 2,71–73; 13,10–11; Suetonius, Divus Iulius 50,2*).

Since the ***Popularis*** movement championed the cancellation of all private debt, it was widely assumed that when Caesar came to power, he would forgive all private debts. He faced a very serious problem, for a debt crisis embraces the entire economy, not just an isolated sector. Caesar was perhaps the only political leader to show a remarkable insight. Suetonius informs us on this subject that Caesar did not do what everyone had expected. Aside from instructing Mark Antony that he would have to pay the full value of his bid for Pompey's estate, he did not cancel all private debt.

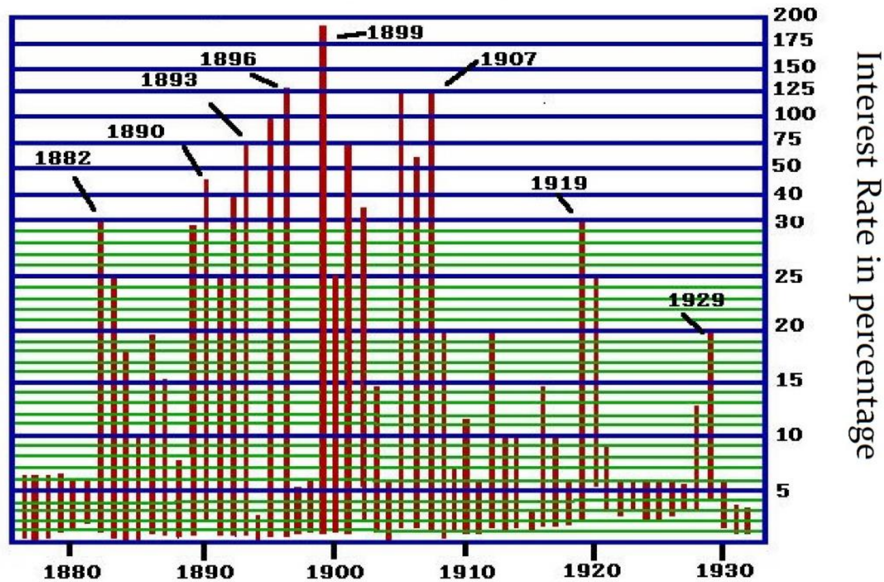
> ***"He disappointed popular agitators by cancelling no debts, but in the end decreed that every debtor should have his property assessed according to pre-war valuation and, after deducting the interest already paid directly, or by way of a banker's guarantee, should satisfy his creditors with whatever sum that might represent. Since prices has risen steeply, this left debtors with perhaps a fourth part of their property."***
>
> **Id./42,2**
>
> **Suetonius' Latin text:**
>
> ***"De pecuniis mutuis disiecta novarum tabularum expectatione, quae crebro movebatur, decrevit tandem, ut debitores creditoribus satis facerent per aestimationem possessionum, quanti quasque ante civile bellum comparassent, deducto summae aeris alieni, si quid usurae nomine numeratum aut perscriptum fuisset; qua condicione quarta pars fere crediti deperibat."***

Caesar understood that the **value of money is in itself a commodity**. It rises and falls against all things tangible effectively no different than the price of a common stock of a corporation. Typically those who call for a return to the gold standard fail to get this point that everything fluctuates and thus the medium of exchange (money) CANNOT be a store of value. This is what Karl Marx was trying to create – the elimination of the business cycle.

This is one of the most misunderstood aspects of our economy. People assume they can fix the value of money such as a gold standard. There has never been a fixed exchange rate or a peg that has survived. In modern times, we have seen Bretton Woods collapse, the ERM result in **Black Wednesday** when the pound collapsed, and the collapse of the Swiss franc/euro peg. All attempts to fix or peg currencies to some standard value that never changes has ended in disaster.

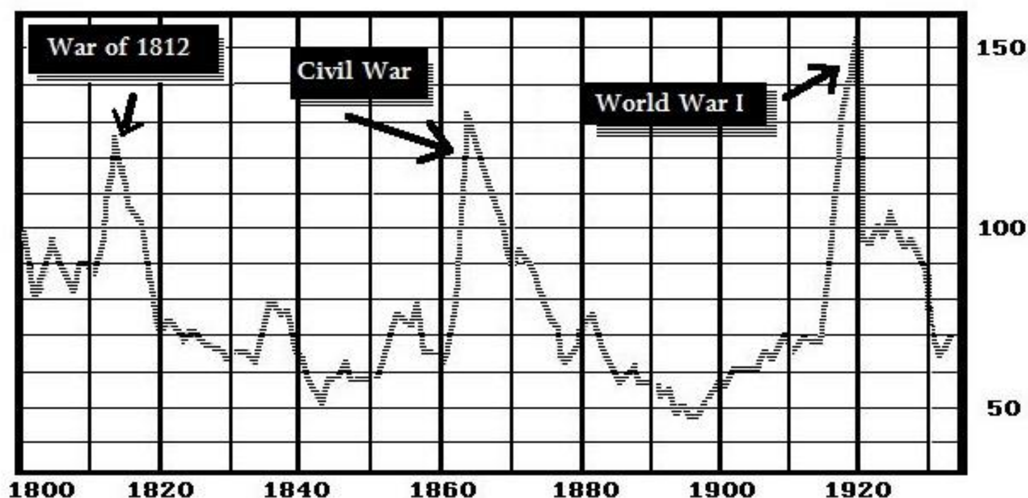
Such attempts have always collapsed because of the very nature of our economy and the existence of a Business Cycle. People think they can fix the value of money, yet continue to get a raise and watch the value of their home rise. They cannot grasp that when any asset rises in value or your wages rise for the same work that means the value of the medium of exchange (currency) must decline in purchasing power.

Capital will concentrate in one sector within an economy domestically as well as internationally. This causes that sector to rise in terms of value expressed in the currency due solely to investment trends. This is what we call the Tulip Bubble, South Sea Bubble, DotCom Bubble, Japanese Bubble, or countless other events throughout history.



Caesar was confronted by a collapse in real estate values like any other historical bubble. We can see from this chart on call money rates that no bubble and crisis has produced the same exact level of interest rates twice. There are many factors that conspire together to make such events.

Caesar had to truly understand the problem and come up with a solution that would not destroy the economy as the majority of the ***Popularis*** had been advocating – the forgiveness of all debts. That would result in a Marxist style transfer of all wealth from one class to another. By spreading the capital evenly among everyone, Caesar realized this would in fact wipe out the economy as a whole. The uneven distribution of wealth is a natural phenomenon caused by the mere fact that there are entrepreneurs and innovation that produces new industry from ideas and others who prefer less risk.



We can see from the above chart on the US Wholesale Commodity Price Index between 1800 and 1924 that the three great waves of inflation that made up the Business Cycle were to a large extent caused by war, which disrupts the supply of food and materials. It is not hard to image what inflation Caesar faced given the Civil War. The problem was that a loan when a house was say $100,000 at the peak of inflation falls to $50,000 and the lender still demands $100,000, the actual purchasing value of the medium of exchange has risen against the assets which the decline. Would it be fair to paid $100,000 to a lender when in fact he could now buy two houses for the same among of money?

Indeed, during the Great Depression there was the Dust Bowl. That was equally as disruptive to supply as war. During this period of the Great Depression, land values collapsed to about 30 cents an acre at public auction. Farm land became basically worthless and agriculture, which had once supplied 40% of all employment in 1900, led to massive unemployment reaching 25% in the aftermath.

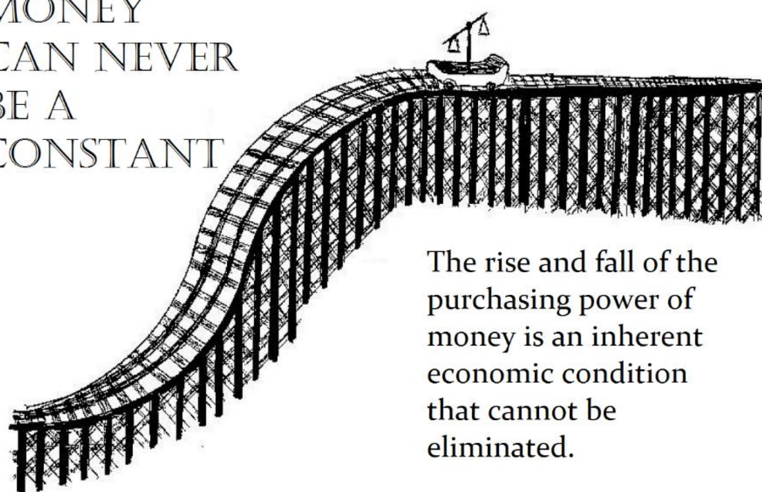
In the United States, a dramatic expansion in farming took place. The number of farms tripled from 2.0 million in 1860 to 6.0 million in 1905. The number of people living on farms grew from about 10 million in 1860 to 22 million in 1880 to 31 million in 1905. The value of farms soared from $8.0 billion in 1860 to $30 billion in 1906. The first years of the 20th century were prosperous for all American farmers. The years 1910–1914 became a statistical benchmark, called "parity" that organized farm groups wanted the government to use for fixing the level of prices and profits. Whenever government tries to fix the value of any commodity or industry, it is always at the expense of the consumer.

Rome had undergone a similar expansion following the end of the Punic Wars. Rome was the rising star overshadowing Greece and taking on the mantle of the Financial Capital of the World. Land values soared and thus borrowing was extensive. With the advent of the Civil War, the value of cash rose as it always does in an economic decline and tangible asset values collapse. Thus, the moneylenders no longer accept the land in return and demand more assets to cover the loan.

Caesar dealt with this major extraordinary situation in a truly astonishing manner, realizing that assets and money are in a union of opposing forces acting as two free radicals, yet bound together forming an Economic–dimer that in fact resides at the core of the very economy. This is the ying/yang or the Dia–oikonomos (hidden opposing force creating the essence of economy).

Caesar understood that as the value of property rose, the measurement is money which in itself rises and fall in purchasing power. When property declines, it is measured in money. This is not a constant relationship for money itself is not like a ruler etic in metal or wood. Money is more akin to a rubber band even when it may be gold or silver. This is the very essence of our primary confusion because of the presumption that money is somehow a constant value. The way we measure the economy is we presume falsely that money is a constant. The truth of this misconception becomes simply that money is like everything else – subject to the whims of supply and demand. There is no constant in that respect and money as we have fixed it within our mind is printed on a rubber-band and is really very elastic.

Our greatest problem is trying to see that not merely do we live in a three-dimensional world with objects possessing height, width, and depth, but there is also movement that can only be measured by the one constant that exists – Time. We tend to think and manage everything in a linear fashion. We ignore the very fundamental observation that there is a business cycle.



I have illustrated here a scale with assets on one side and money on the other situated in a roller coaster. We may think we are making or losing money, but are we if money itself cannot be a constant? What are we truly measuring? The mere spread between assets and money that fluctuates all the time? So how do we address a system that is constantly in a state of flux? Step one is to realize

there is a cycle and step two is to live within. Both Karl Marx and John Maynard Keynes adopted the position that they could eliminate the business cycle.

We simply must understand that there is a business cycle and at times the medium of exchange declines in purchasing power we call "inflation" because assets then rise in values express in terms of money. The when assets decline the purchasing power of the medium of exchange (money) rises and assets fall, which we call "deflation" in economic terms.

The debt cancellations of the **Bronze Age** can be distinguished as **PRIVATE**. They were not **PUBLIC** debts of the government borrowed from the people that they just never paid back. This was a debt forgiveness within the private sector. The notion that we can simply wipe out all the debt by default is a simplistic solution as the people expected of Caesar.

Today, any such debt forgiveness would be catastrophic because we have adopted Marxist socialism. Pension funds have been restricted by law to be "conservative" and buy government debt rather than private. Even the Social Security System in the USA is fully invested in government bonds. A wholesale government debt default today will have major social problems when people have assumed they would get everything from government.

The Sovereign Debt defaults of 1931 impacted banks and wiped out people who owned government debt. However, there was no entire social network relying upon government debt. Any idea that we simply default is a profound statement that will lead to major class warfare and revolution.

Order #87659412

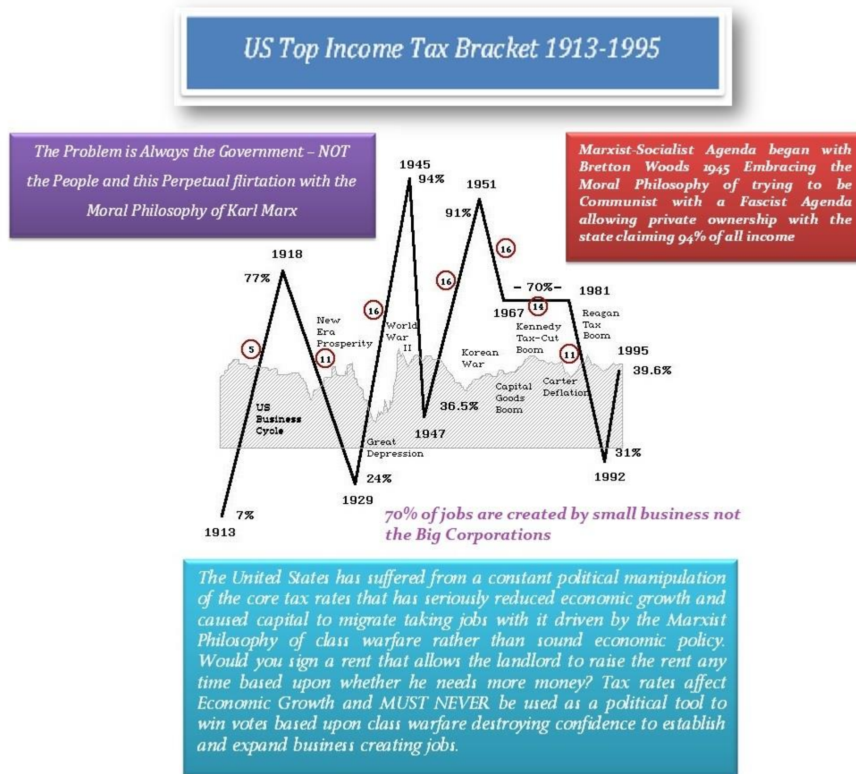
The Inevitable One-World Currency

There is no doubt we will see a new **One-World-Currency**. This is the next step in the evolution process of Okinomikos (Economics) as Xenophon (431-352BC circa) first coined the word as the title to his book that today probably would have been given the illustrious title – ***How to manage your estate including your wife and slaves – for Dummies!*** (Meaning = how to regulate the household).

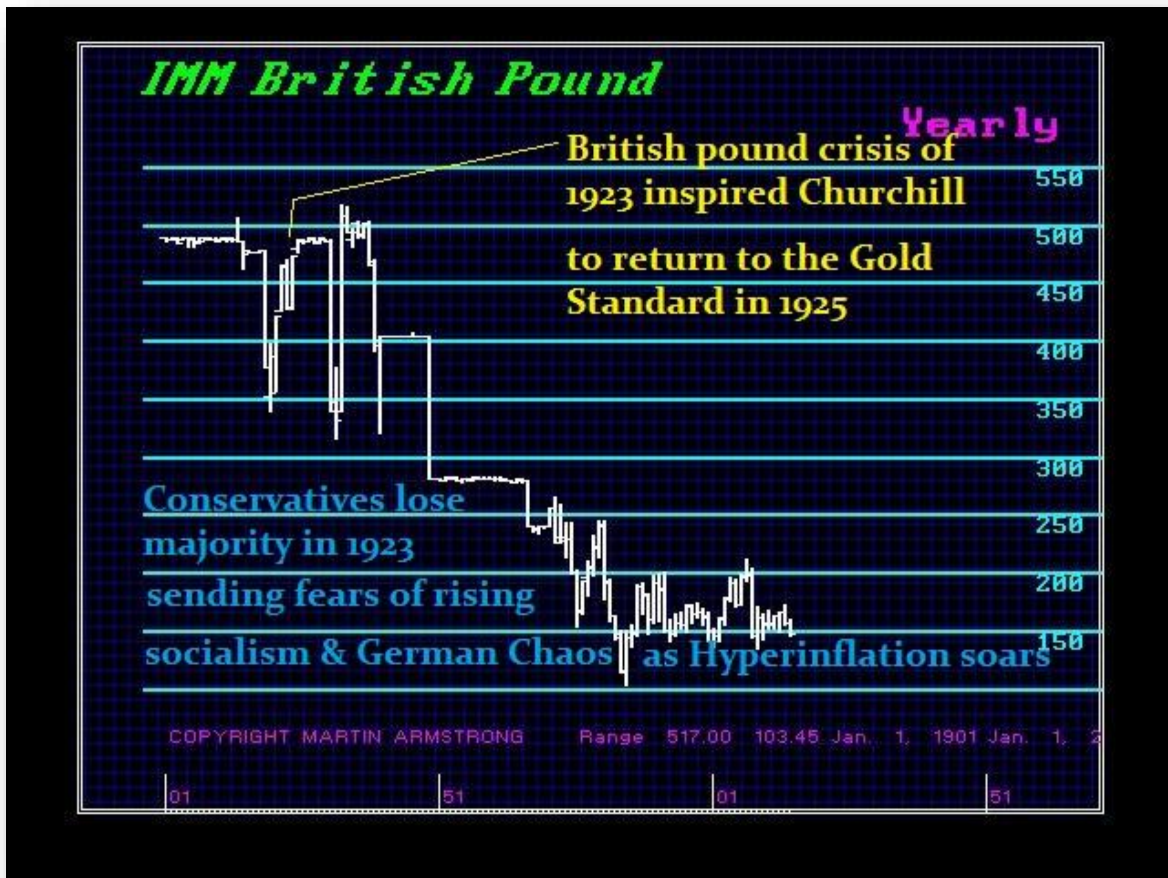
In 1798, the first fight broke out on the floor of the American Congress. The battle ground was Federalism v State rights. The 1798 brawl took place when Roger Griswold, who was a Federalist Congressman from Connecticut, got into a heated debate with Matthew Lyon, a Vermont Democratic-Republican. Griswold called Lyon a scoundrel, which was very derogatory back then. Lyon then spit in Griswold's face and a brawl quickly erupted. A few weeks later, Griswold attacked Lyon on the Senate floor with a cane and then Lyon went after him with a pair of fire tongs. As a result, Lyon was the first Congressman to be charged with an ethics violation due to the spitting episode. The Ethics Committee recommended he be censured, but the matter was ultimately dropped.

Consequently this idea of **a One-World-Government** is really impossible under the form of government we have today. It would a dictator by force of arms. We do not even see politicians agree in the same country no less the world. The One-World Currency that is coming is a **Reserve Currency** to replace the dollar. No single country should serve as the **Reserve Currency** for whatever domestic

policy objectives it takes that will be immediately exported to the rest of the world. The only solution going forward will be to create a neutral **Reserve Currency** that is administered by a group of major nations where there is no debt.

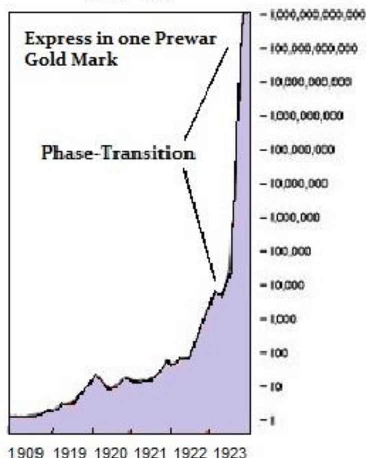


The American political system is far too unstable to provide a sound structure for a **Reserve Currency**. Domestic policy must be separate from international policy. Yet the Marxism that has infected politics results in the instability of the economy which is then magnified externally. The tax rate is just as volatile as the stock market rising and falling with every change in political power. This produces a clash with economic policies where spending for domestic political gain is exported to the rest of the world exporting inflation or deflation.



Britain after World War I was influence by the **CONTAGION** of Communism that was spreading throughout Europe inspired by the Russian Revolution in 1917. Britain tried to regain her glory and set the pound back at its pre–war levels overvaluing the pound, which was a leading cause in the demise of the British Empire and ensured that the pound would lose its **Reserve Currency** status. Other nations who were a member of the British Commonwealth had to separate from the British pound which was exporting deflation to them.

German Weimar Government



Date:	German Marks needed to buy one ounce of gold
Jan 1919	170.00
Sept 1919	499.00
Jan 1920	1,340.00
Sept 1920	1,201.00
Jan 1921	1,349.00
Sept 1921	2,175.00
Jan 1922	3,976.00
Sept 1922	30,381.00
Jan 1923	372,477.00
Sept 1923	269,439,000.00
Oct 2, 1923	6,631,749,000.00
Oct 9, 1923	24,868,950,000.00
Oct 16, 1923	84,969,072,000.00
Oct 23, 1923	1,160,552,882,000.00
Oct 30, 1923	1,347,070,000,000.00
Nov 5, 1923	8,700,000,000,000.00
Nov 30, 1923	87,000,000,000,000.00

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Britain has routinely been influenced by **CONTAGIONS** from Europe that are not directly caused by trends in Britain itself. We need only to open the history book to see that Germany's hyperinflation seriously impacted Britain, and in fact, was the leading logic behind Winston Churchill's (1874–1965) returning to the gold standard when he was Chancellor of the Exchequer November 6th, 1924 – June 4th, 1929, which subjected Britain to austerity in 1925 meaning deflation.

Sir Winston Leonard Spencer-Churchill (November 30, 1874 – January 24, 1965)

Germany's hyperinflation in 1923 sent shockwaves throughout Europe, as there was a strong rise in

socialism. Churchill saw the panic in capital fleeing Germany, which resulted in the hyperinflation as people feared Germany would follow Russia.

Stanley Baldwin
(1867-1947)
Prime Minister (1923-1937)

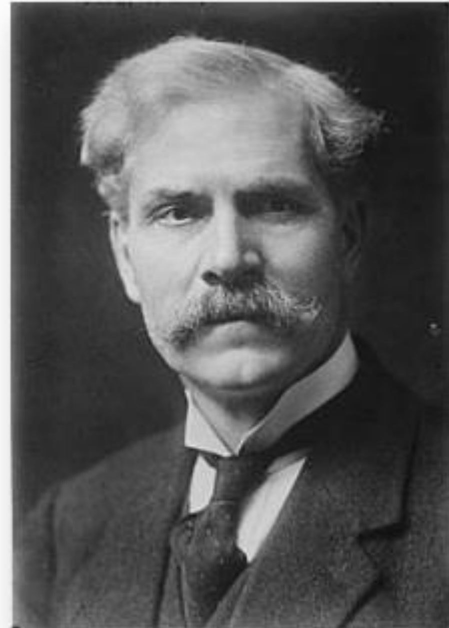
Stanley Baldwin (1867–1947) became Prime Minister under the Conservatives on May 23rd, 1923. He made the fatal mistake of calling for a general election on the tariff issue. The growing trend of socialism in Britain following the rise of Marxism with the Russian Revolution in 1917, and then the German Communist Revolution in 1918, sent fear running through capitols in Europe.

Baldwin misread this rising socialist trend and largely dismissed it as a populist movement as many do today with Trump, Brexit, Catalonia, etc... He called for a general election, assuming he would end the issue of rising socialism just as Prime Minister Theresa May did with Brexit.

The British pound began to collapse, falling from $4.70 initially down to $4.54 by August. The combination of events such as Germany's hyperinflation, the pound being off the gold standard since WWI, and the Labour Party's rising socialist agenda, combined into the perfect storm sending the pound crashing down to about $4.27 by year–end, nearly a 10% decline. The collapse of the British pound during 1923 precisely follows the collapse of the German currency between September 1923 and December that year on a timing perspective.

The general election was held on December 6th. The conservatives won, but they lost their majority. This was devastating for the pound, as people feared that Britain could go the way of Germany if the Labour Party took control. Capital simply fled and it hopped on every available ship to the United States.

Ramsey MacDonald (1866–1937) formed a minority Labour Government at that time from the rising trend in Marxism. He later became the first Labour Party Prime Minister in 1929 and was behind the British default in 1931. He was one of the founders of the Labour Party constructed on Marxist theory following in the footsteps of Russia.



Ramsey MacDonald
(1866–1937)
First Labour Prime Minister
(1929-1935)

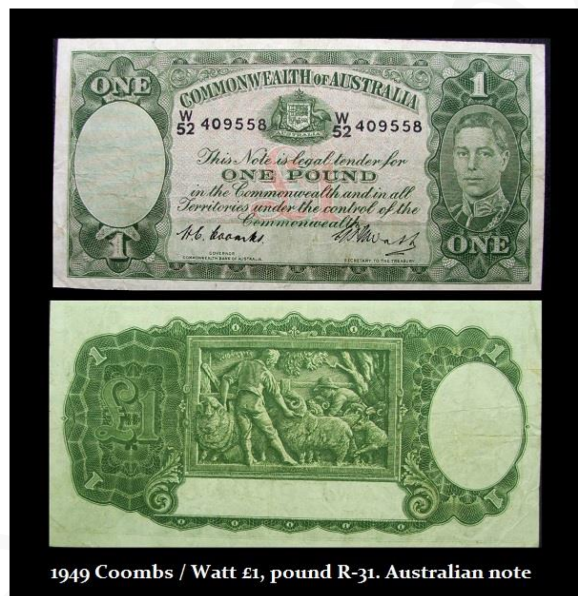
The Labour Party finally lost power only 51.6 years later when Thatcher began dismantling state-owned enterprises. Even Tony Blair did not return to the extreme left politics of the old Labour Party.

Things were looking better after the hyperinflation in Germany subsided as 1924 appeared on the horizon. The pound began to recover, but it was not until another general election was called on October 29th, 1924, that the Conservatives defeated the Labour Party and won back their majority.

The pound crashed on **ANTICIPATION** of Labour rising and the possibility of Britain going in the direction of Germany and Russia sending capital fleeing to the USA. While Britain did not follow Russia and Germany, the mere possibility was enough to send capital fleeing. Churchill's attempt to reaffirm

confidence in the British pound only created deflation. Hence – ***buy the rumor and sell the news***.

We can easily see that one problem that exists with creating a Reserve Currency is that domestic policy objective are held hostage to international policy and confidence. It need not even be an actual risk. If the free markets "think" that such a crisis might unfold, capital will fleeing on the next boat, train, or today, electronic transfer.



1949 Coombs / Watt £1, pound R-31. Australian note

The Australian pound, introduced in 1910 and officially distinct in value from the British pound sterling since devaluation in 1931, was replaced by the Australian dollar on February 14th, 1966. The rate of conversion for the new decimal currency was two dollars per Australian pound, or ten Australian shillings per dollar. This was reflecting just how the Commonwealth was abandoning the British pound due to its overvaluation that was exporting deflation.

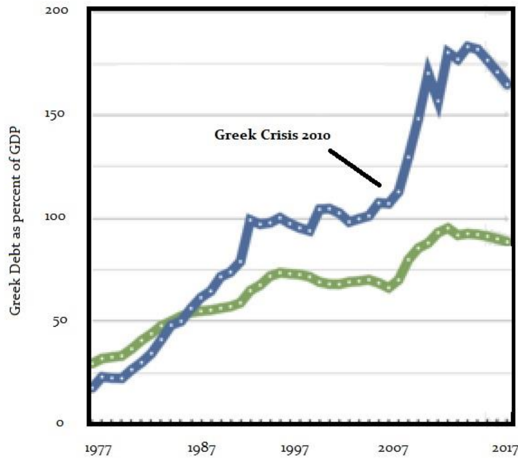
Canada did not begin to issue its own currency until 1935. Previously, the paper currency were issued by the private banks, but they were denominated in dollars because trade with the United States was the predominant commerce.

1959 South African Reserve Bank
Five Pounds Banknote

The pound (symbol £) was the currency of the Union of South Africa from the creation of the country as a British Dominion in 1910. From 1921, the South African Reserve Bank took over the issuance of paper money. South African pound was replaced by the rand in 1961, the same year that South Africa became a republic. One by one, the British Commonwealth broke apart with each country issuing its own currency.

India also gained its Independence from Britain on August 15th, 1947. Jawaharlal Nehru addressed the nation with a new Declaration of Independence and became the first prime minister of India.

Reserve Bank of India 1937 10 Rupees under British Rule



When we look at the Greece Crisis of April 16th, 2010 when they asked for help from the IMF, because of the single currency of the Euro, t6he domestic problems in Greece then set off a **CONTAGION** that impacted all of Europe. This stands as evidence that if we are to create a true **Reserve Currency**, each member nation **MUST** retain its own currency or any crisis in one will impact the value of the Reserve Currency as a whole.

Any attempt to create a **Reserve Currency** must be absolutely free of political **CONTAGIONS** or there is no possible way to create a **One-World-Currency**. Capital will always test the limits and flee from one sector to another. The creation of the Federal Reserve in 1913 was to solve the problem of the regional capital flows. When the San Francisco Earthquake hit in 1906, it created a shortage of cash in New York. This contributed to the Panic of 1907.

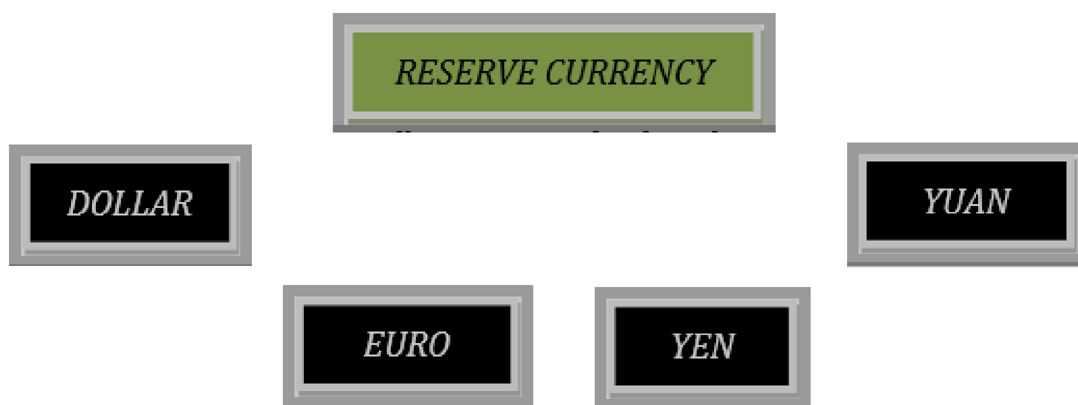
Therefore, the Federal Reserves was created with Federal Reserve Districts, with the twelve Federal Reserve Banks. Each maintained a separate interest rate to attract capital when there was a shortage in that district while others would lower rates when there was an excess of capital. This a single currency did not prevent economic disruptions. Obviously, a currency along does not solve all the problems with respect to capital flows. If one nation suddenly lowers taxes as

Trump is trying to create in the USA, we see the stock market rise sharply and capital flows pour in from around the world. Everything is relative.

In the instant case, we will need to create a neutral **Reserve Currency** that is free from domestic political conflicts such as the Democrats v Republicans in the USA. It must also be free of **CONTAGIONS** due to issues that may be nearby as took place with Britain during the 1920s. We will need all exchange in goods globally to be between two independent currencies converted through the independent **Reserve Currency**. Therefore, all commodities instead of trading in dollars will be traded in this new **NEUTRAL Reserve Currency**.

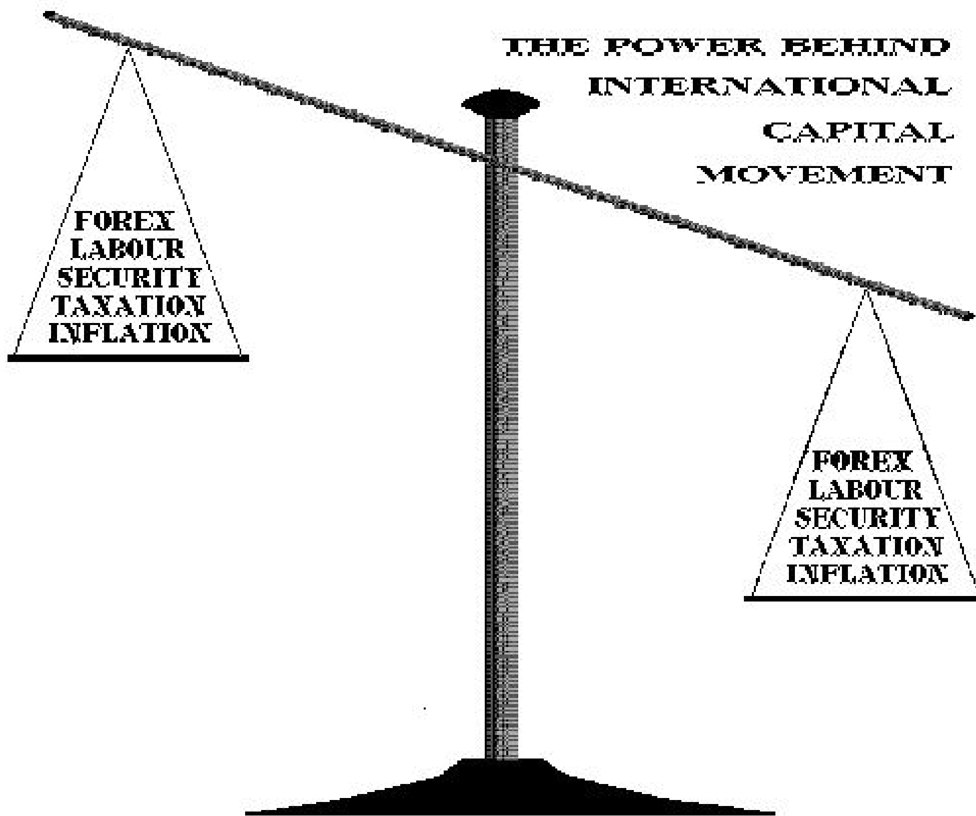
Each nation **MUST** retain its own currency that will allow it to maintain its national culture and sovereignty isolating any local political issues from the whole. There will be no avoiding a **One-World-Currency**. For now, the real problem we have

is that the floating exchange rate system is still not even taught in school and companies lose most of their money on foreign exchange losses. Hence, our solution is simply to create a **Two-Tier Currency system** where each nation retains its own currency which must float against the Reserve Currency that MUST be politically independent.



Consequently, we must understand that capital will migrate globally. We cannot create Berlin Walls to prevent its movement. The EU has sought to punish companies like Apple for setting up in Ireland and Amazon because they moved to the most efficient place with taxes within the EU. The EU now seeks to punish them and force them to pay the highest taxes removing the right to even decide where to set up shop.

The EU is fighting against the wind. This dictatorial step will lead to the same mistakes made by Karl Marx. Capital will move one way or another. Making something illegal does not in any way actually prevent it from taking place. Prostitution is illegal in most areas yet it still exists as do the drug sales. Capital will move underground exposing the cracks and fostering crime in its wake. We must understand that it will move no matter what we do to try to stop it



The sooner we realize that government cannot eliminate the business cycle and can only live with it in harmony, the sooner we will create a new world order that actually benefit human society rather than the political elite. The One-World-Currency is inevitable. We have a choice on how to set it up that will either last and self-adjust with the business cycle, or doom society to more revolutions, violence and civil unrest.