

# Armstrong Economics™

Sometimes the  
Lunatic Fringe



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Do Get It Right

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ACKNOWLEDGEMENTS

I would like to thank all the former employees, associates, sources, and contacts for their continued support and efforts to contribute to the writings I have been able to continue through their great efforts. I would also like to thank those who have looked after not just myself, but my family, and shown them support and kindness.

Everything at Princeton Economics that was our mission to gather information and bring together the most widely covered global economic perspective, has been a effort that is now bringing us to that fateful crossroads in history. There are those who are trapped by the past and cannot see the dynamic evolution that causes history to repeat, but like lightning, never quite precisely the same way twice. In 1914, Britain reached its peak as the center of the global economy. It passed that torch to the United States who by 1929 became the leading world economy and was also a CREDITOR nation just as China is today. There will be no 1930s style depression, for the cards are nowhere near the same. Yet China will become the leading world economy by 2016, and then suffer its 1929. The West is doomed and it will collapse from its own debt. We borrow with no intent of ever paying off the debt, and somehow both Congress and the majority ignore this fact just as they had ignored the problems in mortgages that violated common sense.

No matter what country you live in, it is the duty that falls upon the shoulders of every reader to do what you can to get reality to manifest. Feel free to send this report to every government, friend, and member of the press around the world. If we do not get the debate started, we stand no chance of saving the future for ourselves and our posterity. We can reach that next never in political-economic evolution only through the hard work of everyone. For this reason, this is provided as a free service.

There is a NEW DATABASE that will be used for special updates provided exclusively to those who register. I want to thank you all once more for your support and for your contribution to try to help society survive the coming storm.

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This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a Public Service at this time without cost because of the critical facts that we now faced economically. The contents and designs of the systems are in fact copyrighted. At a future date, a new edition of the 1986 *The Greatest Bull Market In History* will be released and a new book will soon be published on the model itself - *The Geometry of Time*. It is vital that we do not forget this is a world economy and the arrogance that any nation can dictate to the world is just insanity. Every nation effects all others no different than if one nation were to pour all its toxic waste into the ocean. Everything is interlinked and solutions are never isolated events.

# Thank You FOR Your Support

I would like to thank so many people for their continued support. What we face in the years ahead is not going to be easy. There will be NO Great Depression as there was in the 1930s. In fact, where America was bankrupt in 1896 and Britain was the center of the world economy reaching its zenith by 1914, its fall from grace eliminating the title "Great" passed the torch to America and by 1929, the USA had become the largest economy in the world measured both by productive capacity as well as by the standard of its gold reserves. What took place in 34.4 years (4 x 8.6), is once again unfolding from 1989 as the torch is now passed from America to China.

We are on the verge of such a profound economic fall from grace, that we are flying too close to the flames and we may crash and burn through the turmoil of civil unrest. I cannot stress enough that we must understand the nature of the problem before we can comprehend the solution for the future. I would like to think we can make a difference. But to do so, it will take take many in ALL nations to DEMAND that political change is addressed BEFORE the next crisis.

Since politicians act in their own self-interest, we are most likely doomed. To get them to do something BEFORE the crisis, is not realistic. Nevertheless, all we can do, is kick up our heels and DEMAND change, even though they will ignore the people. We are in such a economic crisis, it is likely that even Obama may be a one term president. The status quo, is not what it use to be.

There are people in various governments around the globe who can see the crisis coming. I remain in contact with them and pray that they will be able to gather the support within government before it is beyoñd all hope. Each of us is charged with a duty to try our best to save our own future and that of our children. I have been working very hard to explain the full scope of the problem and the solutions we must embrace to be released in a book format.

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With each event, the solutions that emerge are merely a restoration of errors that are seen as setting in motion the previous crisis. There is so much that has to be restructured, to address it all and how it truly works requires a book. It is almost done.

# Sometimes the Lunatic Fringe

Do Get  
It Right



by: Martin A. Armstrong

Former Chairman of Princeton Economics International, Ltd.  
and the Foundation For The Study of Cycles

**S**OMETIMES THE LUNATIC FRINGE DO GET IT RIGHT! Any trader worth his weight KNOWS that whenever the bullish/ bearish Consensus gets close to 90%+ you are at that zone of a perfect opposite trade. The majority ALWAYS and without exception get is dead WRONG because that is how extreme moves up or down take place. One of the primary reasons I have not been at all interested in being an academic who pontificates from an ivory tower about how things work without ever going out and trying to test that pontification, is I would be fighting constantly and I am just not interested in proving any point. Once you understand how things move, it is not that hard to step out of the way and even make money going with the trend that the majority will always AND WITHOUT EXCEPTION, get dead WRONG! For you see, a market crashes NOT because there is some brilliant trader who overpowers the market to force his will upon the world. That makes nice plots for movies. The real explanation is the majority are long at the top. Something takes place that scares them, and everyone starts to try to get out. The first bunch are taking profits. The next take profits since the price starts to decline. The next bunch sell for margin. The fourth crowd starts to sell because they have to do so, and the Fifth crowd sells because everyone else is. When everyone is long, scare the hell out of them and they all turn sellers almost simultaneously. That is the stuff that the Crash of 1987 was made of.

No matter what the field, the groundbreaking ideas that change the world are in fact ALWAYS those that come from the FRINGE because the people who think Out of the Box are NEVER accepted within the mainstream. This is just how things are no matter what

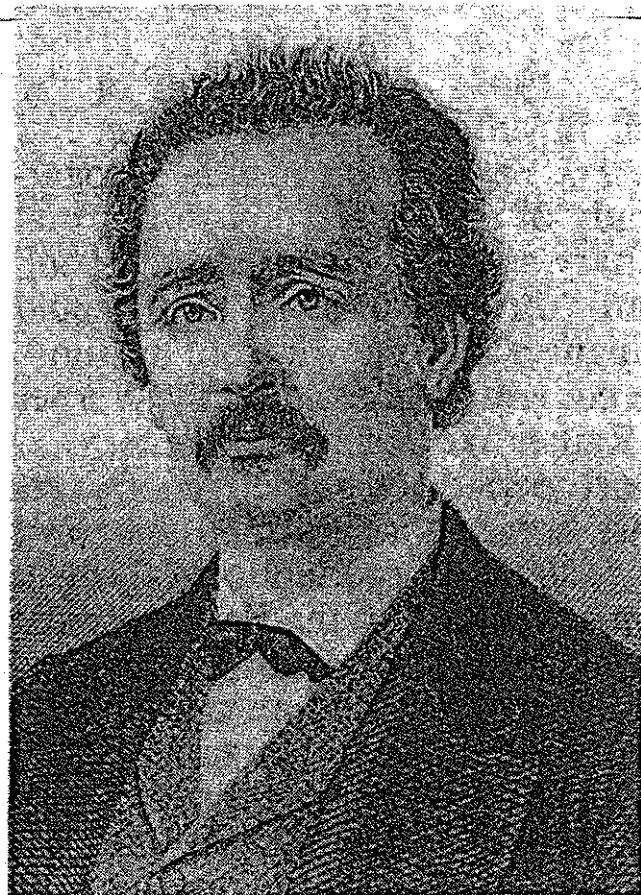
field we look at be it economics, archaeology, or virtually every field of science. There are rare occasions where an idea will progress in a new direction never thought of before. But upon close investigation, it is within the framework of prevailing acceptability.

The majority ALWAYS dismisses those on the fringe with new ideas because they are threatened by them to say the least. Those who come up with ground-braking ideas and solutions, are NEVER part of the well entrenched establishment. The reason for this is that creative minds do not CONFORM and will always look at the reasoning and seek proof. The establishment operates in the opposite mode. They proclaim this is how things are, and suppress challenges in order to maintain their world of theory.

William Manchester wrote in the Last Lion that was an excellent biography of Winston Churchill, a very enlightening concept of this difference between genius and book smart. This illustrates above all else, why thinking out of the box produces the solution that escapes the establishment.

"Samuel Butler defined genius as 'a supreme capacity for getting its possessors into trouble of all kinds,' and it is ironic that geniuses are likeliest to be misunderstood in classrooms ... Teachers smile on children with high IQs and frown upon those with creative minds. Intelligent but uncreative students accept conformity, never rebel, and complete their assignments with dispatch and to perfection. The creative child, on the other hand, is manipulative, and intuitive. He is likely to harass the teacher. He is regarded as wild, naughty, silly, undependable, lacking in seriousness or even promise. His behavior is distracting; he doesn't seem to be trying; he gives unique answers to banal questions, ... Torrance ... found that 70 percent of pupils rated in creativity were rejected by teachers" in classes for the gifted.

Manchester noted that many men who made a difference were in this class of non-conformity. Among them, was Albert Einstein, whose teachers thought he was a dreamer and a poor student. He finally obtained a doctorate at the Polytechnic Academy in Zurich in 1905. He was very much the fringe until finally in 1919 when it was admitted that a prediction of his general theory of relativity was verified. Two years later, he was then awarded the Nobel Prize for Physics. All new ideas are resisted by the establishment because they do not conform.



Heinrich Schliemann (1822-1890)

Heinrich Schliemann (1822-1890), perhaps is the inspiration behind the Indiana Jones movie series. He was the excavator of Troy, Mycenae, and Tiryns. Schliemann breathed life into Homer and when the scholars had settled that there were four great empires in the ancient world, Greece, Rome, Egypt, and the Babylon-Assyria epic, Schliemann not only disproved the academics who downgraded the work of Homer as stories for children, not history, but he discovered two new civilizations while extending the length of Greek history enormously. He nearly discovered a third civilization he believed existed in prehistoric Crete that is now known as the Minoan civilization. It would be Sir Arthur Evans who proved Schliemann correct 10 years after his death.

Schliemann had made a fortune in business during the Crimean War. He was said to have a photographic mind. Accounts tell of his ability to read and write between 8 and 13 languages. He was a man of dreams who had become infatuated with Homer at the age of just 7. He was determined to disprove the academics and retired at age 36 with that goal.

How precisely these established ideas form is truly a mystery. No matter what the field, it is always the same story. Those who come from the outside, come with creative minds that rebel against conformity. Read the story of Socrates as told by Plato in his Republic. A friend asks the Oracle at Delphi who is the smartest of all men, and she says Socrates. When he discovers this proclamation from the Oracle, he set out to prove she is wrong. Socrates meets with the wisest men in each field. He has the creative mind that will subject everything to reason. He quickly finds that the best in each field lack the vision to reason. Socrates discovered the long and suppressive establishment.

Even when we look at the field of simple geology, the year was 1785 when two books had appeared one by G.H. Toulmin "The Eternity of the World" in which he saw "convulsions and revolutions violent beyond our experience or conception" that had shaped the earth. The opposing view was published by James Hutton in his "Theory of the Earth" where he argued that there were "little causes, long continued, which are considered as bringing about the greatest changes of the earth." Thus, the clash between Catastrophe and Uniformity was born. The school of thought of sudden shocks of violent reactions was downplayed against the school of Uniformity because this is what the academics wanted to believe, a steady and slow series of linear progressions that in fact create the changes.

The establishment does not want to deal with wild swings. You hear the same nonsense about advice in buying stocks. No one can predict the future, so always average in and in the long-term, you will make money. Those who followed such advice in the 1930s lost everything. Yes, some muni-bonds eventually paid off, in 1963. What the hell is 33 years to wait to get back what you paid. It may not have been the same purchasing power, but it was still the number of dollars.

The ONLY worth while ideas always and EXCLUSIVELY come from the radical fringe. It was Keynes who was the fringe who dared to say the holding the gold standard in times of a crisis made no sense and forced the nation into deflation. Not one central bank agreed with Keynes. The world had to fall apart before someone would listen. The well entrenched establishment controls the debate and the press who will not even report the ideas of the fringe, perpetuate the majority view.

The press is also part of the problem. To be acceptable, they too write only to support the establishment. This causes the very concept of the "fringe" to form for there always lies the answers. As long as the press will not even discuss the ideas, they prevent the debate from taking place and thus they perpetuate the status-quo. This is why things go crash in the night for just like the bullish/bearish consensus, the press talks up the majority securing that there will be the huge crash for they will not discuss what they call themselves the "fringe" shutting down the debate and thus evolutionary progress.

Add to this the sound-bite mentality of reducing complex ideas to one-liners that ensure confusing the hell out of everyone. Take the subject of HYPERINFLATION. Ask what is it, and you get the reply of uncontrolled printing of "fiat" currency. Ask what is the proof? The reply is Germany. The press will often say that Germany is very sensitive for they experienced HYPERINFLATION during the early 1920s.

The problem with both answers, as always, they are short-hand versions that are far off the mark. Everyone is always told about the HYPERINFLATION in Germany. What is not told, this was by far NOT unique to Germany at that time.

AUSTRIAN HYPERINFLATION hit an annual rate of 10,000 percent between 1919 and 1922. The government expenditures were covered only by about 50% insofar as its tax revenues. The balance of the budget was funded by selling TBills which were supported by the central bank who printed notes to buy the TBills. The money supply thus grew from \$4.7 million to \$1.3 billion. The fear of inflation, or the depreciation in the purchasing power of the currency, led to an increase in velocity. In other words, people spent the currency as soon as they could to get rid of it. Savings collapsed, as confidence in the currency collapsed. Between January 1919 and August 1922, the Austrian crown fell from 17.09 to the US dollar to 77,300 to the dollar.

All of Europe abandoned the gold standard during World War I. No currency escaped the inflationary pressure of war. The French franc fell and finally stabilized in 1926 at about one-fifth of its prewar value. The greatest fallacy of all time is that somehow there is a link between money supply growth and inflation. WRONG!

The establishment wants to reduce the idea of hyperinflation to some formula that is just impractical; so that the real risk is never spoken about. This is aided by the press that supports the establishment goal of keeping any dissent relegated to the lunatic fringe.

The German HYPERINFLATION on the raw numbers shows that there is no connection between money supply growth and the rate of inflation. The following table illustrates the actual amount of marks in circulation.

6/1914 .....	6,323 mil
12/1918 .....	33,106 mil

Prices in Germany had only doubled. The cost of the war was covered not by taxation, but by monetizing debt. Post-war, the same policies prevailed.

12/1921 .....	122,963 mil
6/1922 .....	180,716 mil
12/1922 .....	1,295,228 mil
6/1923 .....	17,393,000 mil

By December 1921, the money supply had risen since 1914 from 6 million to 122 million. However, prices had risen only 13 times. Confidence collapse in 1922 and when the money supply was 180 million, prices jumped to now 70 times their 1914 level. By December 1922, prices rose 1475 times the 1914 level and by June 1923, they were now 19,985 times their 1914 level.

The story of the German HYPERINFLATION with images of grocery shoppers having to roll their cash in wheelbarrows filled with sacks of money and customers having to then negotiate the price of a meal before it was served, fill the imagination with all sorts of financial horror. Nonetheless, the image does not fit reality.

The HYPERINFLATION was by no means a simple equation of linear progression where the rate of inflation matched the increase in money supply. It was the famed American Economist Irving Fisher (1867-1947) who in his observations of this postwar explosion of HYPERINFLATION, first formulated the equation of exchange. Fisher's equation was:

$$MV + MV^* = PT$$

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In Fisher's formula, M stood for the stock of currency in a given year, V stood for the velocity of the number of times the currency changed hands during a year, M' then measured the quantity of checkable deposits, and V' the velocity of checkable deposits. P stood for the price involved in a typical transaction, and T represented the number of transactions.

Today, this formula has been reduced to simply  $MV = PY$ . Now the M = currency in circulation plus checkable deposits, along with other liquid deposits. V = the income velocity of money that is defined as being equal to the money value of income and output divided by the money stock. P stands for the price level and Y stands for the real output. In reality, PY stands for GDP UNADJUSTED for inflation called "nominal GDP" whereas Y now stands for GDP adjusted for inflation, called real GDP. P is a factor standing for the price level and is calculated by simply dividing nominal GDP by real GDP. Velocity is calculated by dividing nominal GDP by the money stock.

Velocity equals nominal GDP divided by the Money Stock. This means  $MV = \text{nominal GDP}$ . The price index (P) equals nominal GDP now divided by real GDP (adjusted), which is the same as saying  $\text{nominal GDP} = PY$ .

Ok, now that this is out of the way, what does this have to do with HYPERINFLATION scenarios? In a perfect linear world, one would expect to see that the relationship between M (money stock) and V (velocity) to be linked. NOT TRUE! The nominal GDP will rise with no change on M but a rise in V. This is the key to HYPERINFLATION.

Between 1914 and 1921, M increased 20 fold, yet prices only increased 13 times. This suggested that velocity declined and that meant that people were hoarding cash for a rainy day. It was 1922 when confidence now collapsed and that flipped velocity on its head. The money stock only increased to 180 million by June 1922 or 30 times that of the 1914 level. However, prices now rose by 70 times. What changed? VELOCITY!

Missing in the images of people running around with wheelbarrows full of cash, is the fact that instead of hoarding for a rainy day, people spent the cash and hoarded tangible items rather than cash increasing VELOCITY!

HYPERINFLATION is NOT caused by a rise in the money stock, but in a collapse in the public confidence. As long as people believe that the money stock will still buy something tomorrow, they will hoard and save for a rainy day. It is when that confidence simply collapses, that the pundits can mistake that for the the early stages of economic recovery as people begin to spend, rather than save. But if they lose confidence in saving, be it government and banks, they will turn to then hoarding tangible assets and that is the primary threshold between normal inflation and HYPERINFLATION! It is by no means fiat money! Since 1750, there have been many such periods when the currency is not backed by gold. The US Civil War was such a period.

HYPERINFLATION post-World War I appeared in Germany, Austria, Hungary, and Poland. The Hungarian HYPERINFLATION was not as dramatic as that of Germany since prices rose by a factor of 263 times between January 1922 and April 1924. Yet here too, the actual growth in money stock was only 85 times. It is the PUBLIC CONFIDENCE that counts, NOT the money supply! This is why I named our model the ECONOMIC CONFIDENCE MODEL for that is ALWAYS the most important part of the equation.

What has been rarely talked about, is the SECOND HYPERINFLATION in Hungary that hit post World War II between July 1945 and then August 1946. This was even more spectacular than the German experience. The German HYPERINFLATION ended by replacing 1 trillion old marks with one new mark in 1923. On August 1st, 1946, Hungary replaced the PENGOS with the new FLORINT at the exchange rate of 1 FLORINT per 400 octillion PENGOS! Germany saw its HYPERINFLATION take about 2 years from a timing perspective, whereas the Hungarian HYPERINFLATION took just 1 year. The first round of HYPERINFLATION took place with the government expenditure funded by taxes of 20 to 50 percent, whereas the second round was funded by only about 15%. This, however, has no direct impact upon the rate of inflation. It is always the VELOCITY that is key for that demonstrates the degree of public confidence in holding the money stock. When there is ample confidence and fear of the future, hoarding takes place creating the DEFLATION and VELOCITY collapses. If the swing moves to the opposite extreme, then people dump their cash for anything tangible to serve as a store of wealth and VELOCITY increases creating HYPERINFLATION.

There are some simple truths that are far too often overlooked.

- (1) Spending is NOT limited to the amount of money in circulation
- (2) Changes in VELOCITY can offset changes in the money supply

It is simply NOT true that inflation is a direct link to the growth in money supply. The most critical factor is PUBLIC CONFIDENCE.

The Polish HYPERINFLATION saw prices rise by January 1921 251 times that of 1914. By February 1924, the price index rose a staggering 988,223% in just 3 years. This was like taking a gallon of gasoline from \$1 to \$10,000. The actual bank notes had risen by 60,090,040%. When the new currency was then created in 1924, the official exchange rate was 1.8 million paper marks = 1 gold zloty, about quarter ounce of gold.

Inflation post-war is always tremendous. Why government still wants war is brain-dead. It may sound nice to pound the chest. But war is simply a barbaric act that use to be profitable when you took all the people and sold them into slavery as the Romans did to Carthage. Today, the Vietnam war, and the Gulf War are very, very costly, and will in the end reduce the standard of living. The hardline conservatives will call anything said anti-war is "liberal" but they do not fairly represent to the people what it will cost them all in their standard of living besides the loss of their children in battle. War simply costs money. It destroyed Europe and made America the number one world economy, and now America blew it and is handing the torch to China. From an economic standpoint, war is like getting into a divorce with your wife and both hire lawyers and at the end of the day, a sizable chunk of the wealth is now transferred to the lawyers.

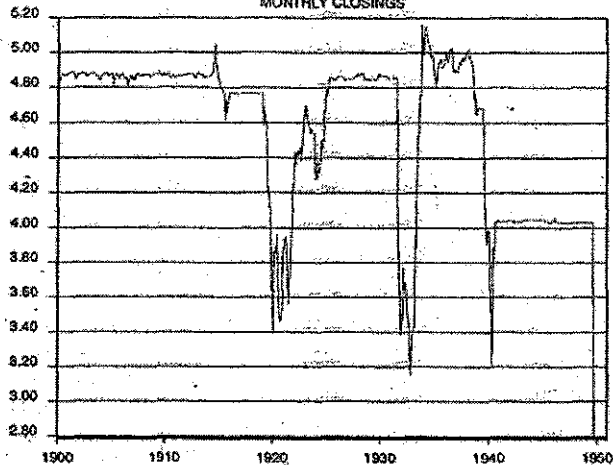
All of Europe was effected by World War I even if they dodged the HYPERINFLATION. In Greece, between 1914 and 1928, the price index rose 868%. Greece had a budget surplus at the start of the war. They moved into a deficit by 1922. When they could not raise taxes and any hope of borrowing from foreign lenders vanished, Greece came up with a startling plan. On March 25th, 1922, the government ordered its citizens to cut their currency in half. They could retain one-half, and the other was to be redeemed for government bonds for 20 years at 6½%.



The Greek solution was again used on January 23rd, 1926. This time, however, the government took only 25% of the circulating currency and swapped it for debt. This was a very interesting solution that eliminated HYPERINFLATION in Greece.

Great Britain helped create the Great Depression because they were trying to then resume as normal to prewar levels as if they were still the Financial Capital of the world that was a huge mistake. For you see, the Commonwealth countries, except Canada, had all linked their currencies to the pound and this also included Portugal and Scandinavia. Therefore, what would happen to the pound would have a profound impact upon the world foreign exchange markets. Britain ignored the fact that it lost that status of being the Financial Capital. It could not bring itself to face the fact that in 1896, the United States was broke borrowing money from Britain to avoid bankruptcy. By 1914, Britain had reached its economic zenith. And by 1929 the United States was now the Financial Capital of the world with the largest gold reserves.

British Pound 1900-1950  
MONTHLY CLOSINGS



We can see from the above chart, the pound pre-World War I was worth 3 pounds, 17 shillings, and 10½ pence per ounce of gold. When Britain was forced to collapse the pound abandoning the gold standard as Austria and then Germany began to default in 1931, the pound fell below \$3.20. The entire problem was that the pound was way overvalued post-World War I reset at \$4.86 that stagnated the economy, and hampered exports while promoting imports. The pound fell to \$3.40 during the immediate postwar period, but Britain was determined to just recapture old glories. This returned the pound to \$4.86 that aided the creation of the Economic Great Depression.

By overvaluing the currency, Britain had the ignominious effect of spreading that throughout the Commonwealth Nations and to other sterling linked currencies such as that of Portugal and Scandinavia. Because the pound was so overvalued, this not merely had reduced economic growth within sterling block nations, but it encouraged investment into the United States. This further diminished the gold reserves of Britain and shifted those to the United States. It has nothing to do with the Fed's suppressed interest rates to try to deflect capital flows. The overvalued UK pound made US assets look like a sale at the famous Harrod's.

The precise opposite took place when the pound fell to about \$1 in 1985. Capital rushed into Britain for it was dirt cheap. The pound then rallied back to nearly \$2. This is the same result that took place in the 1920s when the pound was reset at \$4.86. That set the stage for the Great Depression. Capital had flowed from Europe to the United States and this created a shortage of capital in Europe that culminated in a Financial Crisis in 1931.

Further evidence that the "FIAT" cry as being the cause of HYPERINFLATION is just dead wrong, is provided by Spain. Between 1883 and 1913, Spain had abandoned the gold standard and thus its currency was not in any way convertible. This was the purported "fiat" system, but because the deficit spending was very modest, there was no crisis. The prices in Spain rose from 89.5 to 100 during this 30 year period. Spain had ran a trade surplus and its money supply growth was an annual 2%. This demonstrates that it is NOT the backing of a currency that matters, but WHO is indeed controlling it.

In Roman times, the money was minted at the temple of Juno on Capitoline Hill. The idea of priests minting coins was more credible than politicians. The legend goes when the Gauls were attacking Rome in the Republic days, they scared sacred geese at the temple, and this was thus "monere" in latin meant "to warn" and then since this is where the money was minted, it became known as the Temple of Juno Moneta. Since the coins were constantly minted there was a "currere" meaning "to run" or "to flow" and this gave birth to the English word "currency" meaning the flow of money. Hence, the money flow is a very old term and was used to also show the flow of money for the import and export in trade flows. Thus, moneta meaning "to warn" became "money."



is what it is going to take to come up with any sort of solution on how to RESTRUCTURE our global economy. One of the greatest pieces of propaganda has centered around what is HYPERINFLATION, the gold standard, and the whole issue of money supply, inflation, central banks, interest rates, and who can even control money supply. So much has changed, but the economic theories are stuck in the mud because of this ESTABLISHMENT perspective. Anything trying to speak common sense, is relegated to the "fringe" and is not taken seriously by those in government or the press which has been the mouth-piece of only the majority. Thus,

it becomes impossible to even have a debate about how to RESTRUCTURE to save the day because the general media will not give the so called "fringe" the time of day. It is clearly going to take BOLDNESS and COURAGE to get to even have a public discussion. Therefore, it becomes impossible to save the day or prevent the economic collapse for there is no one willing to ever listen to the fringe that operates only upon rationale that is common sense, the one thing that is not common at all.

VELOCITY of money was a concept that was first written about by Sir William Petty (1623-1687). Petty argued that the velocity of money was determined by the frequency of people's pay periods. John Locke (1632-1704) wrote that monetary economics included the ratio of the money supply to a nation's trade. This was a crude observation, but one that was in the right direction.

The critical aspect of VELOCITY is its key to just about everything. When people fear the future, but trust the money, they will hoard. This observation of VELOCITY was in part the real substance behind the famous Gresham's Law. Sir Thomas Gresham (1519-1579) was councilor to Queen Elizabeth I (1533-1603). His proposition was that bad money drives out good. The greatest debasement of silver coinage in England took place under Henry VIII. This was in fact the same as HYPERINFLATION just using the gold/silver standard. Henry VIII reigned between 1509 and 1547. The Great Debasement continued beyond his death into the reign of Edward VI, lasting until 1551.

The silver content of English coinage in March 1542, averaged 75%. By March of 1545, it fell to 50%. By March 1546, the silver content fell to 33.33%. By 1551, the silver content fell to 25%. Instead of the VELOCITY increasing, it was actually falling. Why? People now hoard the old coinage and spent only the new debased currency. What effect this had was to shrink money supply. Under a GOLD STANDARD, instead of HYPERINFLATION, you end up with DEFLATION

in terms of prices based in old currency, for it will buy more than the recent debased money that then is the only thing left in circulation. Under the paper standard, VELOCITY increases for it is the money that becomes worthless so one spends everything as quick as he can. In a debased gold standard, you end up with the economic IMPLOSION for the money supply shrinks & hoarding rises. The precise opposite will take place based upon where is CONFIDENCE! In both cases, they will spend the debased money or the inconvertible paper whenever they lose the PUBLIC CONFIDENCE in the value of that money.

HYPERINFLATION is often associated with war. For example, the Confederate States went through a mild HYPERINFLATION with inflation running at 10% per month! The price index in the Southern States showed about a 92 times increase from prewar levels. The actual rise in money supply was from \$1 to \$15 million. Prices rose about TWICE that of the money supply. This once more illustrates that there is NO linear relationship.

The American HYPERINFLATION of the late 1700s during the American Revolution, also illustrates the disparity between the rate of inflation and the actual increase in the money stock. On June 22nd 1775, the Continental Congress issued \$2 million. By the end of the period, Congress issued \$241.5 million. While prices rose at least 20 times that of 1774 levels by 1779, the official conversion rate into US bonds was 100:1. Doing a close study of HYPERINFLATION in all periods, there is no direct relationship to a increase in money supply leads to inflation.

The misunderstanding about even what is HYPERINFLATION, pollutes the entire prospect of coming up with a viable solution to save our future. Because the press regards that any ideas outside of mainstream involves the LUNATIC FRINGE, they prevent any debate and thus seal our fate to the devastation that is awaiting us on the horizon. Like Congress, the press will only address issues when they reach crisis boiling points. It is just too damn late to do anything at that point. This is why the SOLUTIONS will always, and without exception, explode onto the scene from this lunatic fringe that will then become the new mainstream.

While to a limited extent this may be similar to the fundamental dialectical process of Georg Wilhelm Friedrich Hegel, it is not quite on the mark. It is true that Hegel saw a swing between opposites giving rise to a view of history being thesis to antithesis that lead to a higher and richer synthesis. I tend to see history more of a clash of titans between the the quest to culminate the power in the hands of the ruling class against the people who are more of the slave class in the light of Friedrich Nietzsche. Just as Nietzsche saw competing morals that were strikingly different between the ruling class and those who are being ruled, my disagreement with Hegel is that the process does not lead to a uniformity of progress, but only to violent classes between the two forces that result in eruptions we call revolution. The morals of the slave class change to those now of the ruling class when they gain power, but there is a simple truth - power corrupts. What actually happens, is when the slave now becomes king, he adopts the very same tyranny practiced by the king for his self-interest has now changed. HE WHO HAS THE POWER MAKES THE RULES. This is illuminated by the famous quote from President John Quincy Adams. WE HAVE CONQUERED THE ENEMY. WE OCCUPY THEIR HILL, BUT WE HAVE BECOME THE ENEMY.

The French Revolution beheaded the king and in the end, Napoleon crowned himself now emperor. He who leads the revolution, becomes consumed by power, and becomes the very true essence of what he revolted against. The US Constitution states in its Preamble that its entire purpose is to secure the "Blessings of Liberty" to the people. Yet the USA is now the greatest prison society in history and imprisons more people than Russia, China, and Europe COMBINED!

The so called "conservatives" have now reached the same level of intolerance that served as the battle cry for the revolution. If courts ever rule in favor of a citizen, it is "liberal" and thus whatever principles the Constitution once stood for no longer exist. Once upon a time, conservative used to mean strict interpretation. Now it means just rule in favor of the government. When the US kidnapped a man from Milan and tortured him in Egypt claiming he was a terrorist that turned out to be false. Italy has indicted the FBI agents who kidnapped him and USA refuses to extradite them. Then the victim sued in NYC, and the Second Circuit said he could not sue the government, because they have adopted the middle age common law that the king is above the law. Well that is also a time when king claimed Prima Noctum, the right to sleep with every woman on her wedding night before her husband. That too is a common-law right of the king. Does that too vest with the FBI?

The courts have reached back to claim the same power of the former king against which we had a revolution. This is the swing showing that the US government has become the very object against which the people hated and had revolted. They will use tanks and kill citizens no different than China to hold on to their power. We do not elect the judges, nor the FBI or anyone in the Department of Justice. The politicians assume national power as the head of various committees. Try writing to Patrick Lehey, Chairman of the Senate Judiciary Committee, and he will not respond unless you are from Vermont. So, we no more have a government of the people or by the people, for the people have no control over anything.

This is why the bold solutions always will come from the fringe, because mainstream is too busy kissing ass to stay in its connected status. The press has lost its fire and does not act acting like it once did in revolutionary time that was the substance behind the First Amendment. So on this sad epitaph of why there are never rational solutions but violent eruptions that cost lives, we can see the glimpse of the fate of nations. Even gov't pensions will fail as they are in Greece. There is no intent to ever pay off the debt, so bondholders will lose everything as the ALWAYS do. Our future is vanishing in the wind. There is never a practical debate to try to save society. Only suppression by the establishment and labels that are used diminish the dissent - the LUNATIC FRINGE who strangely enough, historically are always right