The New Practical "Laws" of Global Economics

Why Taxes are the only tool remaining!

by Martin A. Armstrong
former Chairman of Princeton Economics Int'l, Ltd.

Copyright Nov. 26th, 2008

One of the highlights of my early career was Milton Friedman attending one of my lectures. At first I was surprised that such a great mind would take the time to come listen to what I had to say. I was not an academic. I was a global analyst and fixer-upper. But then I remembered that back in 1953, Milton had argued for a floating exchange rate system rather than a fixed exchange rate system designed at Bretton Woods during 1944. Milton had seen the free market forces adding the checks and balance to keep governments in line. As our conversation progressed, I realized I was doing what Milton had proposed and I was in the front lines. Indeed, in 1997, I testified before the House Ways & Means Committee on global taxation at the request of then Chairman Bill Archer. When you testify before Congress, they group you into panels with like persons. I was placed on a panel with other economists who were pure academics. Bill apologized for the grouping because there was just no one quite in my field. I was not theory, but practice.

I never met John Maynard Keynes. Nevertheless, as the hands-on-guy who just did not fit into that ivory tower model, I had to deal with real-world effects of the floating exchange rate system that was born in 1971 through a mere trade dispute unlike Bretton Woods. I became a globe-trotter rushing around from one crisis to another. I would meet with central bankers and even lectured before them in meetings such as in Paris or in Toronto, and was asked to fly to Beijing in 1997 to meet with the Central Bank of China during the Asian Currency Crisis. So what I had to offer was a front row seat that few ever achieved. Milton helped me appreciate the unique position I ended up in - the Bird's Eye view of the world.

There was a fierce battle between the theories of Keynes and Friedman. In effect, Keynes had advocated that government could steer the economy through the economic turmoil by manipulating interest rates and taxes whereas Friedman argued government could never steer the car and at best the key resided in the quantity of money. This battle raged between the 1950s through the 1970s. Milton was joined by Karl Brunner and Allan Meltzer, who became known as the "monetarists" that were at first treated with disdain. But the core of the monetarists theory was deeply rooted in the theories of John Locke (1632-1704), David Hume (1711-1776), John Stuart Mill (1806-1873), and David Ricardo (1772-1823). Eventually, during the Carter Administration of the late 1970s, Congress ordered the Federal Reserve to take the monetarist arguments seriously.

Most theories in economics are not practical because they are based upon assumptions that are not real. The same problem has wiped out the Investment Bankers because (1) they create models by young students who do not understand market dynamics, and (2) they assume there is always a market and fail to map those pesty periods when the model would fail such as the Great Depression. This is akin to making the assumption that we will live forever. It is the old difference between the optimist and the pessimist who both are blown off the top of the Empire State Building. The Pessimist says immediately - "Oh my God I am going to die!" The optimist can be heard while passing the 4th floor - "Well so far so good!"

LAW #1 - Capital Moves To Avoid Danger Globally

This law would seem to be self-evident. We have all heard of the "flight to quality" where in a domestic economic decline, capital flees stocks and private assets moving to the best quality that may be Government short-term paper.

However, capital reacts the same way globally and those reasons are not always apparent domestically.

(1) capital will flee a war or threat of war. During World War I and II, the capital flowed to the United States. By the end of World War II, the United States had 76% of the world gold reserves. During the Suez Canal crisis, the dollar rose on capital fleeing Europe as they once again perceived a risk, although it was very brief. Yet during the Cuba Missile Crisis, capital fled the opposite to Europe. The same was true for capital began to flee in advance of various middle east wars.

(2) capital takes flight when it fears unstable economic conditions that can be caused by inflation, taxation, nationalization, geopolitical, or negative perceptions in politics and the economy altering confidence.

EXAMPLE:

The Great Depression was made far worse by politicians who did not understand global capital flows to quality. In Herbert Hoover's Memoirs, he has all of the documentation that revealed World War II began with the financial markets in the 1930s that led to nations attacking their bond markets that led to the wholesale collapse of European debt. Even Britain went into a moratorium on its debt suspending all payments. These defaults sent capital fleeing to the United States causing the dollar to rise and interest rates to fall irrespective of Fed policy. Politicans only viewed the rise in the dollar and responded with protectionism - Smoot-Hawley in June 1930 destroying international trade and sending the economy back into a feudal state of economic dark ages. Had there been the understanding of the "flight to quality" that can emerge for a host of international reasons that swamp the domestic conditions, perhaps there may have been some hope.

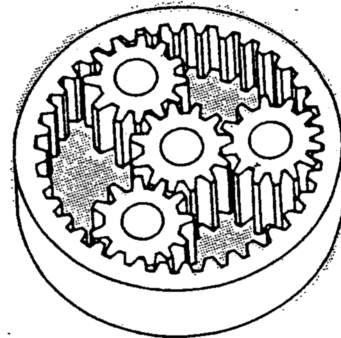
The 1987 Crash was caused by the formation of the G-5 in 1985 and the persistent talk about lowering the value of the dollar by 40% to reduce the trade deficit. The Japanese, who had bought up to 33% or so of the national debt and loads of real estate like Rockefeller Plaza in New York, were being told indirectly that whatever investments they made were going to be devalued by 40%. The 1987 crash took place with everyone befuddled because there was no change in the domestic fundamental conditions of the economy or corporate earnings. The flight of capital by the Japanese caused by the G-5, led to the capital concentration in Japan with foreign investors looking at a rising yen & assets creating the 1989 high.

The New Practical "Laws" of Global Economics

There are other "Laws" that now exist also within our new Global Economy. However, let us stick to these first two Laws for they alone alter every theory in economics to date. The "practical" side of these two realizations is that the entire field of economics changes much like what Galileo did to dogma. If the planets revolve around the sun rather than the sun around the planet, then where is up and where is down? Translate this into heaven and hell, and you can see why he was imprisoned for life.

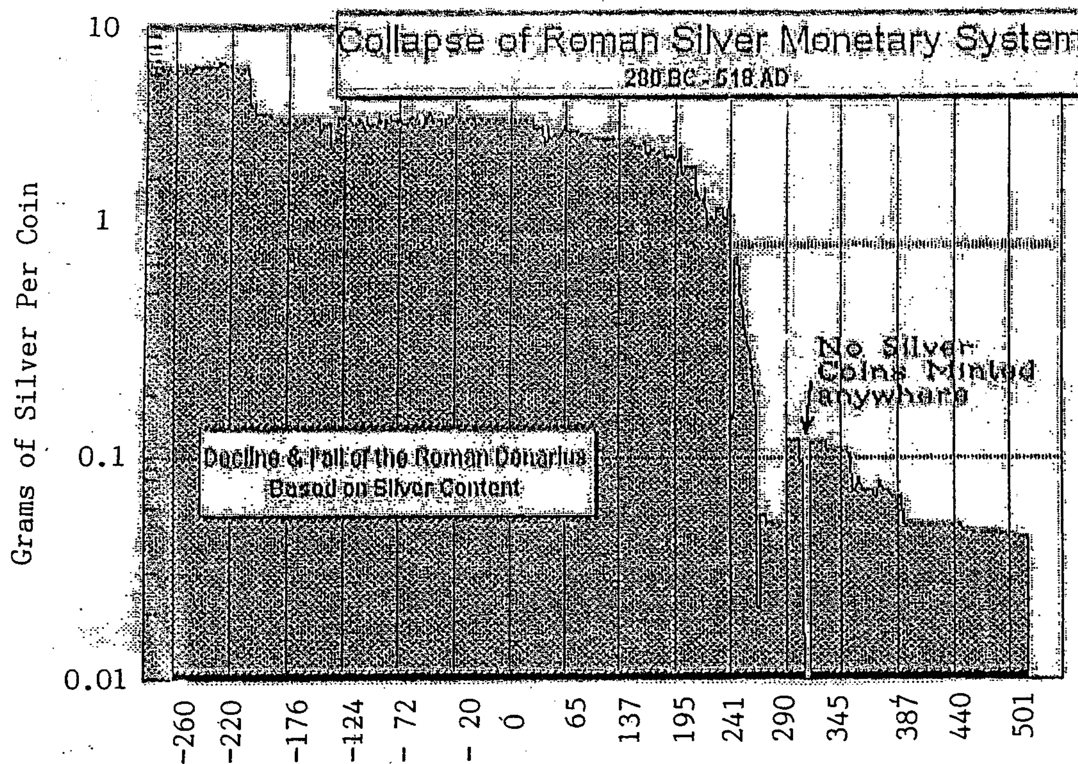
Suddenly, how we manage our economy is no longer autonomous. The theory of chaos you might recall was explained that the flap of the wings of a butterfly in Asia could set in motion changes to the winds in the Americas. Although extreme, the principle remains the same - kind of like a sci-fi movie - "We are not alone!" Indeed, the actions of one will have an impact upon all others. We cannot escape the consequences of our own actions. It is just impossible.

In my globe-trotting running between nations and getting to see first hand what was taking place, my eyes opened like never before. This is what Milton perhaps saw in me before I myself realized the full scope of what I had fallen into. They did not teach global capital flows in school. They did not even teach hedging and floating exchange rates. This was a field that just emerged more akin to being an apprentice. But what I observed globally was the grand Invisible Hand of Adam Smith (1723-1790), yet on an international level. The image in my mind was each nation formed a gear in one giant machine we call the economy of nations. Turn one, and there will be an effect in all others. We are all connected.



How do we create a practical theory? Karl Marx (1818-1883) saw the collapse in capitalism as a class struggle between labor and employer assuming the later would exploit labor to the point they could no longer consume. He ignored Smith and paid no mind to money supply and the boom bust economic cycle. He destroyed (1) personal liberty placing it in the hands of government for the greater-good, and (2) ignored the self-interest of the state to also expand its personal power. It was Ivan IV (1533-84) "the Terrible" who seized land of his enemies and gave it to his supporters yet realized if the workers left, the land became worthless. He enacted a law that the workers (serfs) could not leave laying the seeds for the Russian revolution in 1917. Clearly, other rulers saw the problem, but did nothing to correct it. Alexander I (1777-1825) came to power in 1801 and spoke about reform, but then Napoleon invaded putting an end to that possibility. So Marx was wrong. It was not limited to employers, but could also be the state that in fact exploited the people. Handing all the assets to the state and destroying the liberty of individuals, was not the answer. To fix what is wrong, requires a clear working knowledge of what we are trying to fix. Bad theories and assumptions have led to the deaths of millions. We need "practical" economics - not theories.

The invention of money brought with it the natural consequence of the inevitable counterfeiting. However, counterfeiting has never resulted in widespread inflation even when used for the military purpose of undermining the currency of one's opponent used by England against the American colonies during the Revolution as well as during WW II. The single greatest threat to the money supply has always come from the issuing government itself.



The above chart illustrates the metal content of the Roman Monetary System. It was the steady debasement of the silver content of the Roman Denarius that finally led to an all out collapse during the Third Century AD. For centuries, governments have sought to expand their money supply by debasing the currency. In other words, reducing the content of precious metals to enable the same amount of gold and silver to create more coinage. The economic advisor to Queen Elizabeth I correctly observed the response to such practices among the population. It was one of the earliest Economic Laws established - Bad money drives good money out of circulation - Sir Thomas Gresham (1519-1579 AD). The economic hardships that Elizabeth faced during her reign between 1533 and 1603 including the defeat of the Spanish Armada, put great economic pressure that was seen in the debasement of coinage. Indeed, Gresham's Law proved to be correct during the 1960s when silver was taken out of modern coinage being replaced with nickel and copper. The silver coins quickly disappeared and were worth a premium to the "bad" money that entered the world economies.

The notion about watching the money has been around for a long time - far longer than Keynesian theory. The famous economist of the Great Depression era Irving Fisher (1867-1947) derived a formula in 1911 inspired by John Stuart Mill's analysis creating the "quantity theory" of money being $MV = PQ$. The "V" is the velocity of "M" money supply where the "PQ" represents GDP ("P" being the price level, and "Q" being the quantity of goods & services produced). This equation can be reduced to explain the Monetarist theory in its most simplistic form, that a manipulation of "M" (money supply) will create a direct effect in "P" (prices) that we instinctively view as "inflation" defined as (too much money chasing too few goods). Historically, it was always the supply of money and its quality that had the impact upon the economy of mankind.

Keynes disagreed with the Monetarist's view that money supply was the key. Keynes actually began with a focus upon money supply and evolved into the policy theory of interest rates and tax manipulation, whereby Milton began with the Keynesian model and reverted back to study money supply concluding that Keynes would create massive new spending that would only lead to inflation. Was he correct?

Keynes bought into the money supply model after viewing the hyper inflation of the German Weimar Republic between 1921 and 1924. Keynes viewed in his **Tract on Monetary Reform** that it was the increase in the quantity of money that caused the population to spend money faster that in turn led to escalating price adanvances. However, Keynes flipped positions after the Great Depression in his General Theory he believed it was a collapse in demand rather than money supply, that led him to his tools of interest rates and taxes. Keynes saw no reason why the velocity of money would remain stable. Keynes was not sure that a mere increase in money supply would translate into more spending of excess cash. He recognized that an increase in money supply may not produce an increase in velocity for people could stuff it in their mattresses, and thus the decline in velocity would negate the increase in money supply. Keynes also argued that others may hoard cash to also speculate in stocks or bonds. Keynes thus saw that interest rates could effect the speculative demand and in his mind had a more direct effect than money supply concluding that a increase in money supply might be offset by a increase in hoarding. Keynes thus took the anti-Monetarist position in a letter advising President Franklin D. Roosevelt:

> "Some people seem to infer ... that output and income can be raised by increasing the quantity of money. But this is like trying to get fat by buying a larger belt. In the United States today your belt is plenty big enough for your belly."

<u>The Collected Writings of John Maynard Keynes</u> (Vol XXI, p294)
London: Macmillan/St. Martin's Press for the Royal Economic Society 1973

Roosevelt took the money approach by (1) confiscating all gold, and (2) he then devalued the dollar offically increasing the supply of money relative to gold by revising the system from $20 for an ounce of gold to $35. This did not have the widespread effect that he perhaps secretly believed. Roosevelt also made it illegal for Americans to own gold. That was not overruled until 1975. It was presumed that if the public could still hoard gold, they would do so, and defeat the best efforts to inflate. There was something lurking in the bushes that was also the silver lining in the dark clouds of the Great Depression. It was nature and her 7 year drought of Biblical proportions as in the story of Joeseph. The Great Depression forced a new age of progress by necessity - the new age of skilled labor fulfilling the culmination of the Industrial Revolution.

Keynes thus viewed the world entirely differently. Keynes saw that the economic forces of production were motivated through interest rates and investment rather than consumption. Keynes was perhaps too deeply involved in his personal world of investment to see the other side of the street. Keynes believed that to get GDP to rise, interest rates had to be lowered that would stimulate borrowing from banks to buy the goods and services. Thus, he saw the Great Depression as a collapse in this demand.

Keynesian economics has been proven to be false just looking at the decline in Japan. The interest rates that fell to nearly zero did nothing to restart demand and because of the Floating Exchange Rate System, there was an escape value - the ability to borrow yen for next to nothing and invest it overseas earning 600% more and that would have no effect upon stimulating domestic demand. By the 1950s, Milton had moved away from Keynesian ideas he harbored in the 1940s viewing that ignoring the money supply was a serious error.

We are not concerned with the absurd arguments that the average person does not weigh the budget deficit when he is buying eggs. These sorts of criticisms malign the intuitive nature of the people as a whole. For example, when Paul Volker raised interest rates to unheard of levels to fight inflation in the early 1980s, my mother and her sister ran out and bought CDs for 10 years at banks with interest rates of about 15 percent. She did not ask me any advice. She instinctively knew this was a deal of a lifetime. For the next decade, they made a fortune. Did they weigh inflation relative to the interest rate? Perhaps. But they clearly did not see inflation as rising faster than the rate of interest or they would have hesitated as was the case during the German Hyperinflation. Did they have a model? No! Did they make some instinctive decision based upon personal observation without empirical data? Absolutely. Sorry, trying to impute knowledge that must be somehow quantitative on a professional level to the general public, makes no sense. Sometimes we forget, that if enough little old ladies run out and shift their demand deposits to long-term fixed rates, they do cause a contraction in M1 as we calculate our world.

Milton was correct. Keynesian models promote inflation with no objective. They are indirect and may assume that an increase in government spending will be inflationary, but this is just not always true, if there are external factors that are offsetting the spending such as a capital withdrawal from outside the domestic economy. The assumption that even within a closed economy that an increase in spending will create economic growth of a tangible nature is also false - just look at the German Hyperinflation. We saw the period of the 1878 start of inflation deliberately created and targeted to increase the money supply by overvaluing silver relative to gold, failed to produce the expected result for gold was being drained by foreign investors replacing it with silver until the entire experiment led to J.P Morgan having to bailout the nation lending the US Treasury gold. The deliberate creation of money that was cheaper than the world standard, led not to economic growth, but economic decline in a similar fashion to the German Hyperinflation of the 1920s, but to a much less extent.

Law #3 (Gresham's Law) BAD Money Drives Out Good

While Gresham's Law was based upon a Gold Standard and that by debasing the precious metal content causes the hoarding of higher content coinage, in a floating exchange rate system, it still works by driving real wealth out of a nation fleeing to another currency by creating excess currency.

Law #4 Only Permanent Reductions in Taxes Produce Economic Stimulation

The average person may not understand fancy statistics, but they will also not be induced by false statistics. The average person reacts according to their own personal view of the economy, which is why one-off tax reductions will not have an economic impact but will be hoarded for the rainy day unless the average person "sees" and "expects" economic changes.

Interest Rates - Taxes - Money Supply
So is that the Best We have Got?

As much as I respect Milton Friedman, I must be honest. There are no plain assumptions that we can tolerate. We cannot assume that velocity will remain a constant because people will hoard and fear spending in times of economic decline. Likewise, let us not kid ourselves that raising and lowering interest rates will have any meaningful effect upon the economy or the behavior of its participants.

The Last Tool Standing

Obviously, we cannot just create vast amounts of cash and just spend it wildly without creating a wave of inflation that would cause real capital and wealth to flee to other lands. We cannot artificially raise or lower interest rates against the natural trend without either causing a competing force that attracts capital or fuels the asset inflation. Nor can we drop interest rates or raise them arbitrary to world levels without causing capital to flee for higher yields or foreign capital to arrive taking interest earnings home draining domestic resources. Interest rates & money supply are subject to global trends.

This is why we have the New Practical "Laws" of Global Economics. We are not alone and whatever we do with money supply or interest rates can attrack or repell both domestic and foreign capital. We cannot continue under false assumptions. We must face reality. Why did Milton come listen to me? Because where we may have disagreed on the presumption that the velocity of money was stable, we agreed on one point that stands behind these "Laws" of economics. Milton saw that a floating exchange rate system back in 1953 would act as a check and balance upon the governments of the world. Many criticized Milton and thought he was nuts. But he was correct. He saw in theory in 1953 what I have witnessed in practice. This is were theory and observation have met. Whatever we do, we will effect the world just as the world will effect what we do. This is perhaps implicit in the "contagion" that people see as the debt crisis spread around the globe like the latest strain of flu.

The money supply and interest rates are truly created not by the man sitting behind the curtain in Oz. They are created by the interaction of the people and how they respond to both private and public events that impact their long-term and short-term financial expectations. This is the essence of the "flight to quality" dictated by the Invisible Hand of Adam Smith, who wrote "it is not from the benevolence of the butcher ... that we expect our diner, but from [his] regard to [his] own interest." Wealth of Nations, Vol I, p26-27 (Oxford: Clarendon ed. 1976).

As already explained, both money supply and interest rates cannot be confined to purely domestic impact. We cannot count on the "benevolence" of foreign investors or states to simply buy our debt to stimulate our economy contrary to their own self-interests. We have to respect international capital flows or we will send our own economy back into the stone age. We cannot stimulate domestic issues exclusively by using purely interest rates or money supply theory by government spending.

The last domestic tool standing is taxes. Here too, we can raise taxes and send capital fleeing taking with it jobs. But we can lower taxes to create jobs domestically as well. Taxation is a barbaric relic of the past to increase the money supply of the state (king) like war. We are no longer on the Gold Standard so there is no need to tax or wage war for profit when money is electronic anyway. We must distinguish that state & local government need taxation because they lack the power to create it. They must learn to be competitive to attract jobs, but the Feds no longer need income taxes. Money can be created in a disciplined manner. Milton even suggested a negative tax rate that was an automatic payment to lower income that enabled a steady increase in money supply. The payroll tax merely borrows from the poorest interest free and then hands back a refund as if it were Christmas. The 1964 tax cut was a permanent cut and that sparked economic growth. One-off tax cuts in troubled times never worked because when confidence is low, people will save rather than spend for the future.

The only viable tool we have is the federal income tax. The only way to spark a economic boom and create jobs, is to eliminate it and make American labor competitive. The jobs would pour back just as Hong Kong grew because it had only

needs. Going back to the Gold Standard is not the answer to long-term economic growth nor would it solve the current economic crisis. In fact, it would create an economic contraction that would end flexibility to even deal with the problem.

This is separate and distinct insofar as gold providing a private source of wealth that remains a store of value. The reason gold emerged as money because it was a valued commodity and recognizable in all lands. They use gold for jewelry in India and China the same way they use it in Russia, Europe, or the Americas. It is a scarce commodity that there would not be enough of if every person in the world wanted just 1 ounce for themselves. Whether or not gold is the "official" monetary unit or the check against fiscal irresponsibility is of no importance. In the spirit of liberty, allowing gold to remain as the private store of wealth is far better. That was the very issue that Roosevelt sought to eliminate - the ability to hoard gold as a hedge against government. This is also why Roosevelt confiscated gold so he could devalue the dollar relative to gold thereby any such profit would default to the government - not the individual hoarding the gold.

All the problems with the Gold Standard emerged from the inability to create money when needed. Milton argued that the deficit spending advocated by Keynes would lead to only inflation rather than economic growth. Ineed, Keynes himself did not advocate perpetual deficit spending year after year. Once the government received his blessing, they just ran with the ball, but the goal-post was past decades ago. Looking at the Federal budget since 1936, the only years in which there was not a deficit were far and few between:

1947, 1948, 1949, 1951, 1956, 1957, 1960, 1969, 1998, 1999, 2000, 2001

During the 72 years between 1936 and 2008, there were only 11 years that produced a budget surplus. This is not a very good record for Keynesian economics. Once the concept of deficit spending was introduced by Keynes, it was seriously abused. But the problem was not so much the deficit, but the fact that at the same time there was the pretense of maintaining a Gold Standard at a fixed quantity of dollars to an ounce of gold while the supply of dollars was being increased and the gold supply was declining. This culminated in the first break with the two-tier Gold Standard whereas gold began to trade on the London exchanges freely, that was followed by the closing of the gold window in 1971 when there were more dollars than gold to redeem them. The reality of perpetual deficit spending under the Gold Standard came home with shocking force.

The Bottom Line

Arbitrary spending even on infrastructure will do nothing but create perceived inflation before it even hits the economy. The work programs of the Great Depression made sense only because there was a natural disaster in the form of the Dust Bowl that lasted 7 years. It is true that unemployment rose to 25%. However, it was only 8.9% in 1930 deep into the start of the Depression. It reached above 20% only when the Dust Bowl destroyed jobs given we were still 40% agrarian in our work force. Unemployment began to decline with the WPA, 1935 20.3%, 1936 16.9%, 1937 14.3%, 1938 19% and 1939 17.2%, but as you can see, we have a selected memory for what really worked and what did not. Unemployment in 1940 stood at 14.6% and at the end of World War II, it was 1.9%. It was not the WPA that changed the economy, it was the war. This has led to some claiming also selectively that war is good for the economy. We began the first peacetime draft in 1940 that was approved on September 14, 1940 but it was Pearl Harbor on December 7th, 1941 that officially started the war for Americans then declared war against Japan on December 8th followed by a declaration against Germany and Italy on December 11th, 1941.

and cannot create money as the federal government can do. Unless we now consider a 21st Century definition & solution, then the 18th Century theories will cover the speculative losses for investment banks, not Wall Street, and create only work programs for stock brokers and programmers to learn how to fix bridges and roads. That seems one way to lower skills opposite of the policy of the WPA in 1935.

I.) Eliminating Federal Income Tax

(1) Will signal a permanent and immediate change to the public restoring "confidence" in the future and will result in immediate economic relief.

(2) Will shift the tax to make domestic labor cheaper whereby corporations who move offshore would then be subject to tariffs and excise taxes but not on domestic labor depending upon what nation they moved to.

(3) Eliminate the competition with the states & local government that will only be petitioning for bailouts of their own, for as real estate prices decline, the tax base will implode creating a contraction in revenues forcing the states and local government to layoff workers.

(4) Eliminate the high costs of collecting taxes we do not need due to the evolution of what we define as money.

(5) Eliminate the cost and delay in creating a new administration to oversee some sort of program that would take years to actually produce any economic effect, whereas simply returning what was received in income taxes (not social security) is a clean way to jump-start the economy - immediately!

a.) To those who will argue Marx's philosophy that the rich will get more, well they also paid more, and it is the concentration of capital that creates the pool of funds that banks then lend that will eliminate the credit crunch. If someone has $1 billion in cash and he is now enticed to deposit it with a bank because we also will eliminate the $100,000 FDIC limitation that prevents big money from being lent out and merely insure all deposits because we install better regulation to prevent gaps with unprecedented leverage, then we should have no problem securing all deposits, that will suddenly attract capital from around the world as well. This will benefit the average wage earner and stop the Marxism that caused both Russia and China to see the light that we remain blind preferring to live in the dark.

II.) Eliminate the National Debt By Monetization

(1) FDR confiscated gold so he could devalue the dollar. This was limited to the times because we were still on a Gold Standard. By monetizing the debt, we would not create a dramatic change in inflation because in the real world, when we issue bonds, we may not define that as "money" in terms of M1, but in the practical perspective, we look at how much we owe and judge that as money issued regardless of what we call it.

(2) Between 1986 and 2006, the interest expenditures to keep the debt in place accounted for almost 72% of the increase in the debt. We are funding our mortgage with a Visa card.

(2) We must face the facts, that the purpose of society is the cooperative efforts of society to seek lower costs and security, not much different why people were willing to be a serf so that when danger came, they got to run behind the wall of the castle.

(3) A national heath-care program is vital to our survival for the costs are rising so rapidly, corporates are passing those costs on to employees and the quality of life is collapsing.

(4) We must stop the nonsense, pass tort-reform, stop the crazy lawsuits, and the costs will come back in line to where they once were 20 years ago when small companies handed out health-care that covered the whole family of every worker. The lawyers will find another area to exploit, or perhaps they too have to tighten their belt for the good of the nation before we don't have one anymore.

(5) Eliminate trade barriers to cheaper drugs from Canada and force them back in line as well. This is our future we are talking about, we have seen what the investment bankers did to the economy with their outrageous leverage and unregulated shadow markets, let us not wait until hospitals close because people can no longer afford health-care.

(6) We need urgent attention for as unemployment rises, children will now die for the "greed" of this industry is destroying the very thing they claim to be protecting.

S U M M A T I O N

This three-punch solution is critical to our survival. We must respect that there are just sometimes in history that we have a choice to make a real effort to change the trend, or to bullshit our way around the facts only to postpone the reality. No one expects the national debt to ever be paid. We can continue to live in our 18th Century world and pretend that if we print the money it will be some how more inflationary than printing bonds and spending 72% more to keep them going when there is no plan to ever retire them anyway.

It is time to create a control burn before we explode from our own nonsense. It is not to late to save the day. But we have to start to make realistic plans and address the honest issues. The Investment Bankers have blown-up their world as they always do. They have never got it right even once! They create models that ignore the big events because they thought they don't happen that often. Well it happened and now they are begging to cover their losses. Healthcare and the wave of entitlements is going to hit shore like a tsunami. Are we going to just once plan for the future, or is democracy the worst kind of government because there is too much talk and no action?

Just for once, let use update our definition of what is money and we will see that printing dollars or bonds is really the same thing except bonds are the gift that we keep having to pay for generation after generation. End the stupid borrowing. We are not in Oz anymore. Gold is not money. Let us start understanding the modern world we live in today.

Martin A. Armstrong
ArmstrongEconomics@GMail.com