

Never Has an Economic Collapse Been More Imminent

Never in the history of the Republic!

Never in the history of the Republic has a former Chairman of the Federal Reserve Bank stated: “...*Yet, under the placid surface, there are disturbing trends: huge imbalances, disequilibria, risks - - call them what you will. Altogether the circumstances seem to me as dangerous and intractable as any I can remember, and I can remember quite a lot. What really concerns me is that there seems to be so little willingness or capacity to do much about it...*”⁽¹⁾

Never in the history of the Republic have we completely abandoned a commodity-backed U.S. dollar until 1971 when President Nixon “nixed” the Bretton Woods agreement. Monetary policies since 1971 have been relentlessly debasing our currency and creating larger and larger illusory values of wealth (bubbles) along with modest fractional corrections along the way.

Never in the history of the Republic has the broadly recognized most successful investor ⁽²⁾ of all time bet such a significant percentage of his investment wealth AGAINST the dollar. From Forbes.com: “...Warren Buffett.... ...Sitting on \$43 billion in cash, hoped to make some big acquisitions last year, “but I struck out.” Instead, invested in foreign currencies: \$21 billion bet against the dollar and in favor of various other currencies...”⁽²⁾

Never in the history of the Republic have we been as “flat footed” and complacent in preparing for a diminishing supply of energy resources. The current crude oil supply constraint debacle has been building for some time. There has always been a finite limit of crude available, yet a persistently growing global appetite, especially from China and India. “Strong Dollar” policies in the late 90’s effectively delayed the day of reckoning for the fuel price shock we are experiencing today. Had we been on a gold backed currency and allowed market forces to transmit supply and demand messages all along, the pricing of oil would have

risen sooner and more gradually. We are now saturated with millions of gas guzzling vehicles and our factories are primarily equipped to produce thousands more. Also, we are still expanding the geographically spread-out large-house suburban lifestyle, as though there will be an ever-flowing supply of inexpensive energy resources.

Never in the history of the Republic have we given foreign countries more reason to engender a hostile anti-American posture due to our political ambition to control the world supply of oil. The U.S. "Empire" has clearly embarked on a strategy attempting to control oil supplies along with the associated political regimes. The notion of allowing a free market to determine appropriately matched buyers and sellers is secondary.

Ironically, an unstable oil producing country may be doing us a favor long term. According to "Peak Oil" analysts, we are near passing the 50% consumption point of all available oil on earth. Regardless of the exact timing for this phenomenon, the price will quickly become prohibitive in the next few years, which will finally force behavioral changes in most every facet of our lives notwithstanding a historic technological breakthrough. It would be better to experience this transition in a gradual albeit expeditious manner rather than experience a shock and probable wars over something we must learn to live without in time anyway. What's the difference, if we run out of oil in 2050 vs. 2055? Why risk such hostility and likely worldwide conflict over something that won't prevalently exist in a few years? Would not a race to a technological innovation be more inspiring and constructive than a race to gain exclusive sourcing, transportation, refinement, and political control of oil sources?

Never in the history of the Republic have we consumed beyond our means to such a catastrophic level. We are now experiencing current account trade deficits over 6% of our GDP. At that rate foreign trading partners could effectively control our entire business asset base in less than 11 years. For

an advanced industrialized country to exchange “paper” for real goods and services at this level is an abomination of common sense.

Never in the history of the Republic have we experienced a larger stock market bubble than in the 1995-2000 period. That period of illusion encouraged every individual, company, and government entity at all levels to systemically incorporate expanded spending, consumption, and benefits into their future plans as though it would never end! That illusion of wealth placed tremendous pressure on governments at every level to mitigate the inevitable semi-bust that followed. The result...? Our Central Bank embarked upon the most expansive monetary policy in history and our federal government passed the largest tax cuts in history, which managed to keep the stock bubble from rightfully correcting to its “free-market” level, AND to boot... we’ve created the largest Real Estate, and bond bubbles in our history. The result is an unprecedented historic aggregate illusion of wealth, which I calculate to be \$27 trillion or a 40% aggregate overvaluation ⁽³⁾.

Never in the history of the Republic did we create such a powerful gradient of financial force to create non-market justified business ventures during the noted 1995-2000 period. These ventures attracted massive talent pool shifts into companies that can only survive under expansionary artificially suppressed low-interest conditions. Unfortunately, when “real” interest rates return to “market” levels, people associated with those ventures will be jobless looking for work.

When will we “discover” this illusion?

As an expanded critical mass of creditors holding the inflated assets begin to leave the work force and “cash out” expecting to enjoy their planned future stream of goods and service consumption, the true output of the U.S. “economic engine” will become visible. The noted “critical mass” is Boomers all over the world. Therefore, expect

significant asset devaluation or currency debasement (hyper-inflation) beginning in the 2008-2010 time period OR SOONER....

P.S. It's not the \$300 Billion war, the \$200 billion hurricane disasters, the \$160 billion oil shock, or greed or capitalism...! It's the \$20+ TRILLION aggregate bubble created by our poisonous, addictive expansionary monetary policy... !

However, I'm VERY OPTIMISTIC...!

I'm optimistic the logic from "Austrian Enginomics" and similar analyses will help guide us back to a gold-based currency after the economic collapse, which will enable a healthy, long-lasting recovery, and help to ensure the preservation of our Republic...!

By Russell Randall; 10-4-2005

- 1) Paul Volker, chairman of the Federal Reserve from 1979 to 1987, on Sunday, April 10, 2005 at an economic summit sponsored by the Stanford Institute for Economic Policy Research.**
- 2) Forbes.com; "#2 Warren Edward Buffet" article referencing 2004**
- 3) See graphs in the following article:
<http://austrianenginomics.com/ItsTheEconomyStupidRevB.pdf>**

[Return to Top](#)