Redstone Advisors

Economic and Market Review

Third Quarter 2012

"In these patina encrusted pieces of money one reads the frantic uncertainty of the age -- the emperor an embezzler, the government a liar, and frightened men clutching at bits of copper as the sole reality in a crumbling world."

Elgin Groseclose, 'Money and Man'

"There are those who still think they are holding the pass against a revolution that may be coming up the road. But they are gazing in the wrong direction. The revolution is behind them. It went by in the Night of Depression, singing songs to freedom."

Garet Garrett, 'The Revolution Was', 1938

"To QE•finity and beyond!" Such was the pronouncement by not Buzz, but Ben and the Federal Reserve on September 13th, when by fiat, they decreed that *"we shall indeed have prosperity."* And how will this prosperity be secured? By increasing production, not of useful things, but of money, to the tune of $40 billion per month, to be used in the purchase of government debt, **without limit**, until such time as the Central ~~Politburo~~, er, Planning Committee determines *"the outlook for the labor market has improved."* We are immediately put in mind of the infamous bluster associated with the 1928 campaign platform of Herbert Hoover when he promised no less than *"a chicken in every pot and a car in every garage."* Without contradiction the biggest chimera ever foisted on the minds of men by the **"eternal state"** is the sophistry of stability and security. In the sphere of human actions, there is no such thing as stability or security, and no political endeavors are powerful enough to bring them about. It was Augustine who, in his classical masterpiece 'City of God', admonished the citizens of the recently fallen **'Eternal City'** of Rome against the insidious and morally corrosive effects of a *"prosperity unrestrained by the interruption of any uneasiness or disaster."* In defense of his assertion, Augustine referred his Roman readers to another warning given 600 years earlier by a man adjudged by the Senate to be Rome's best man, Scipio Corculum who held that only a wholesome fear, borne of uncertainty, would be a fit guardian for Roman virtue and its rightful companion liberty. For Scipio, security was the ***"enemy of weak minds."***

Viewed against such somber warnings from history, we must confess that there is a great temptation to characterize this most recent *"unprecedented"* action by the **"weak mind"** camp to yet again pursue a *"prosperity unrestrained by the interruption of any uneasiness or disaster,"* as tantamount to **"crossing the Rubicon."** But that would be disingenuous. No, to be clear our Rubicon has indeed been crossed but that crossing occurred long ago, even if the precise moment cannot be so marked. It was Garet Garrett in his excellent essay 'The Revolution Was', published in 1938 who observed; *"There was no day, no hour, no celebration of the event -- and yet definitely, the ultimate power of initiative did pass from the hands of private enterprise to government."* We have long held that the ultimate point of no return for the economic welfare of a nation is neither financial nor economic in nature, it is moral. As such the identification of a specific tipping point for a nation committed to an immoral policy of perpetual inflation through the production of money lies somewhere on the **declining curve of political possibility**, that ever diminishing degree of political courage that a nation or its government is able to muster as the severity of the inevitable outcome of its own unsound action increases. That we have again chosen the path of least resistance demonstrates that we are travelling on the decline curve and our crossing lies behind us. Still, a substantial interval of time passed between Caesar's crossing in 49 B.C. and setting the Roman Republic on its' own path of decline and ultimate ruin, and the fall of Rome in 410 A.D. As regards any question of how long, we can only humbly reply that while omniscience is denied all men, discernment is not. *“Learn this parable from the fig tree: When its branch has already become tender and puts forth leaves, you know that summer is near. So you also, when you see all these things, know that it is near, even at the doors!"* Matthew 24: 32-33

When proximally, did our "crossing" occur? To answer, allow us to briefly digress for as Shakespeare well knew, ***"what's past is prologue."*** Ours is an economy of money. Money, it may be admitted, has a useful and essential role in the economic life of mankind. By it has been made possible the division of labor, without which could exist neither civilization nor an increased standard of living. Because money acts as a store of value, it has made possible both leisure and retirement. By denominating taxes on a money basis rather than upon services or commodities as was common during the feudal period, money has made possible well-ordered and enduring government. International trade and the cooperation of nations, activities, which on their current scale, requires a myriad of complex monetary and banking transactions, is possible only in a world anchored to money. In short, money has enabled the vast and complicated structure that is today, our modern global economic society. However, as we have forcefully insisted time and again, money can also destroy it. *"Money"*, according to Antoninus Augustus, *"had more to do with the distemper of the Roman Empire than the Huns or the Vandals."*

The great heresy of money throughout history has been the myopic focus on one of its attributes rather than with its substance. We refer of course to the **purchasing power of money**, the stabilization of which has been offered up as the basis for the alleged authority to manipulate the production of money by every despotic government in history. Truly money commands all things for with it you can buy practically anything, anywhere, anytime. And in a modern market economy, the common denominator of all exchange must of necessity be the purchasing power of money. However, *"necessity"*, as Milton reminds us, *"is ever the tyrant's plea."* Our Constitution, it will be recalled, invested Congress with the power *"to coin money and regulate the value thereof."* While to the casual observer, the seemingly insignificant elimination of the conjunction ***"and"***, followed by the consequent separation of the words ***"to coin"*** from the words ***"to regulate"*** may seem but a trivial matter, yet not unlike original sin, in this one act of importunity may be found the seed of rebellion, the germination of which when full grown, has brought us to this time of crisis. It is in this act of separation, that we find our "crossing."

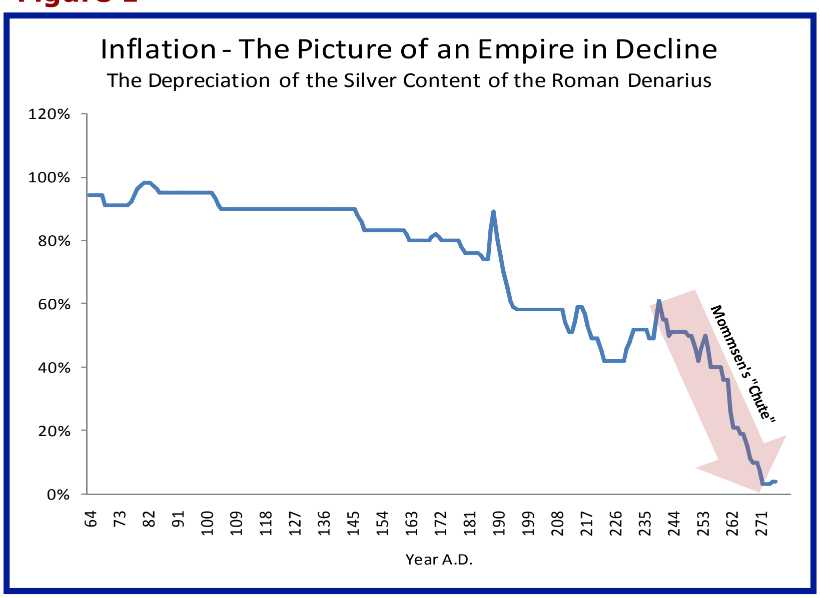
However, as already alluded to in the quote by Garrett, the precise date cannot be so fixed. Over the years, we have on numerous occasions recounted the history of the decline of our monetary standard in painstaking detail and so will not do so again here. Instead we would suggest that we fix our gaze around just three dates that to paraphrase President Roosevelt, ***"will live in infamy"*** as with each event, executive power over the economic life of the nation was exponentially increased. The first is 1913, a truly momentous year in that not one, but two foundational pieces of legislation were enacted. The passage by Congress of the Federal Reserve Act and the passage of the Revenue Act of 1913 authorizing Congress to *"lay and collect taxes on incomes, from whatever source derived"* [For conspiracy buffs, it is interesting to note that Senator Nelson W. Aldrich, Republican "whip" in the Senate", authored or sponsored both pieces of legislation] With the creation of the Federal Reserve a monopoly on money was established, the oversight and regulation of which was transferred from the Constitutionally-guaranteed oversight of Congress, to a for-profit banking cartel. And with the establishment of an incontrovertible right to tax all income, the government obtained unlimited access to the nation's wealth and with it, an unfettered power to pursue socialism through the coerced redistribution of that wealth. In short, the means ***"to regulate"*** and expand money, apart from its Constitutional mooring to gold, was now in place. The second date is the period of approximately one year between President Roosevelt's inauguration in March of 1933 and January 31, 1934. During this period of time, no less than eight executive orders or acts of Congress aimed at the seizure and confiscation of gold and the banking system, coupled with the devaluation of the dollar, resulted in the redefinition of money from Constitutionally-guaranteed **"coin"** or gold, to paper, and with it control over money, banking and credit quietly passed from the private sector to Washington. This was by far, the most critical operation in the "crossing" and with its success, came the effective seizure of economic power. Reflecting on the extraordinary monetary accomplishments of the New Deal in a November 1933 radio address, President Roosevelt proudly announced: ***"We are thus continuing to move toward a managed currency."*** The third and final date, which, to many may seem but a postscript, was August of 1971, the day that President Nixon declared the US in default and closed the gold window and with it, **the day that honest money fully and finally died**. Cue up Don McLean.

And so it was that by focusing on a single attribute of money, that of purchasing power, the ***revolution within form*** postulated by Aristotle and described by Garret was complete. "To coin" was disjoined from "to regulate" and in consequence thereof, the plain meaning of the US Constitution was surreptitiously changed from our founding fathers' original design as a stalwart that restricted the expanse of government power and the encroachment of personal liberty to one that endorsed and legitimized such power. In the end, it occurred just as Aristotle had suggested over 2,000 years ago, whereby *"one thing takes the place of another, so that the ancient laws will remain, while the power will be in the hands of those who have brought about revolution in the state."* Perhaps this is what T.S. Elliott had in mind when he wrote in his poem 'The Hollow Men': ***"This is the way the world ends. Not with a bang but a whimper."***

What has been the result of this silent revolution? Heretofore nothing less than the same fate that has befallen every government that has come before. To quote Garrett, *"when executive government is resolved to control the economy it will come to have a vested interest in the power of inflation."* Money, as every counterfeiter ultimately learns to their own hurt, to be genuine, must possess more than purchasing power, it must have **integrity**, it must have a moral force, a **consistency** which is the essence of its' character and which was originally guaranteed by our Constitution. Rome, self proclaimed masters of the known world, failed utterly in dealing with the problem of the consistency of the money standard. In fact to the fond admirer of Roman civilization, probity and justice, it will come as a shock to find how impotent the government was to resist the temptation to profit by the nefarious practice of inflation through currency debasement. Rulers like those in Rome discovered that *"by reducing the size or quality of the coinage by insensible degrees, they could increase the quantity and thereby the apparent purchasing power of their emissions."* (Elgin Groseclose) And with their discovery, began the curse that is called **inflation** that is afflicting us yet today.

The effects of this curse in Rome can be clearly seen in **Figure 1** which traces the practice of currency debasement from its infancy to the period of crisis near the end of the third century. Writing about this period, Groseclose observes; *"The imperial coinage, instituted by Augustus upon the foundations laid by Julius Caesar, was undisturbed for seventy-five or eighty years; but with the accession of Nero (A.D. 54) we note the first official step in its deterioration. Succeeding emperors increased the quantity of alloy in the*

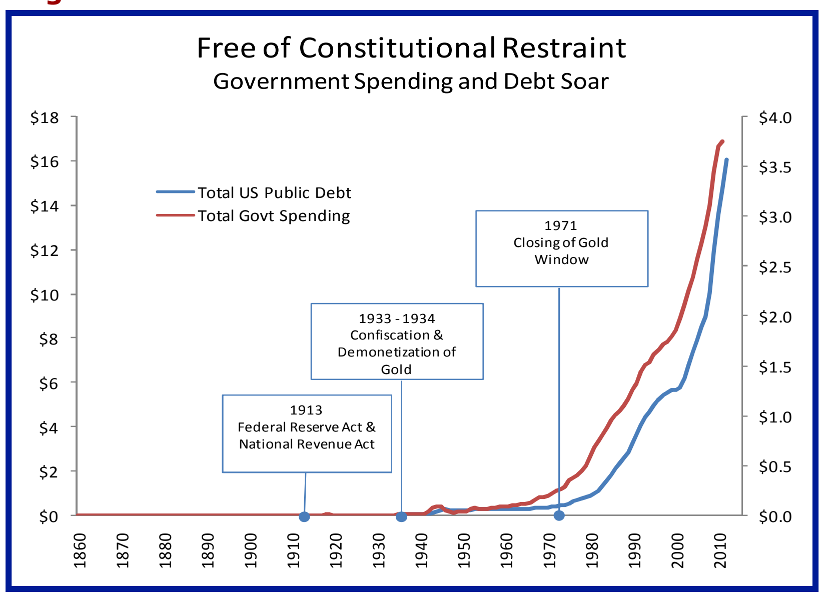
Figure 1



coinage so that by the middle of the third century, the depreciation became so rapid that it is characterized by German historian Theodor Mommsen as a ***"chute"***. Following the debasement of the money and the onset of the crisis, a number of the later emperors frantically struggled with the money problem, with Aurelian experimenting with a **"managed currency"** in A.D. 274. This futile attempt to legislate value was followed by perhaps the most ambitious effort to regulate human conduct ever attempted by the state, Diocletian's infamous price fixing decree of A.D. 301. The prices of all articles of trade and of every service offered were set out in painstaking detail. Alas it cast economy into far too rigid a mold, with the result in the Western Empire, one of complete collapse and disintegration. Importantly, from the crisis of the third century, the Western Roman Empire never recovered. According to historian and political economist Alexander del Mar, *"Money became extinct. Nor was it the only institution to perish; all institutions had perished. There was no government except the sword, there was no law; there were no certain weights and measures, exchanges were made in kind."* And so as history teaches us, money rules the destinies of men more surely than any Caesar, and with its destruction, the Western Roman Empire from the third century onward, was merely prologue for the coming the Dark Ages.

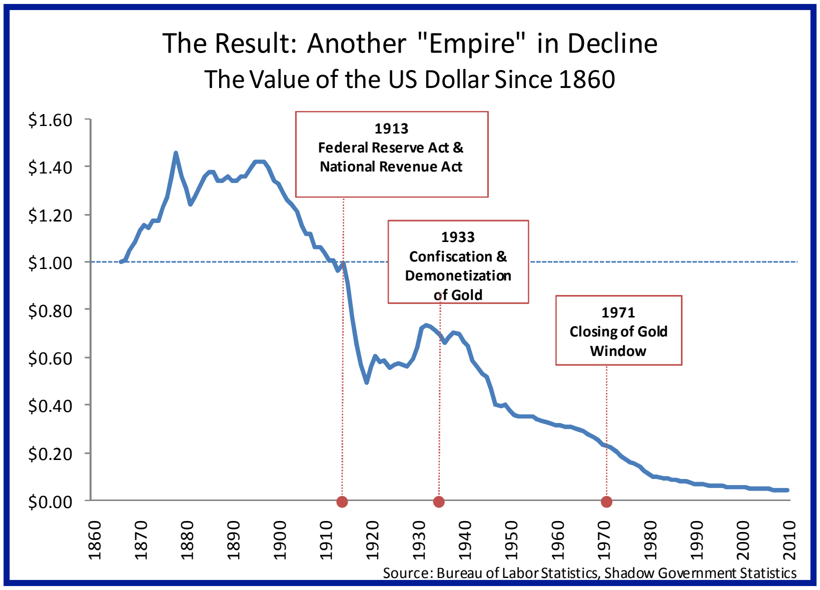
For a Roman emperor, the means of underwriting the expansion of the empire through the process of inflation was straight forward and relatively simple. For the modern welfare state, the process of inflation, while principally the same as the ancient practice of coin clipping, requires a few more steps. Recalling our **three dates of infamy**, by investing the Federal Reserve with an unconstitutional monopoly on the production of money, and Congress with the power to ~~redistribute,~~ tax incomes (1913), coupled with the illegal confiscation and subsequent demonetization of gold (1933), and the subsequent closing of the gold window (1971), the US government was effectively freed of all **Constitutional restraint** to pursue any level of credit inflation required to support the unbridled growth of the **new welfare state** launched under the guise of a **"New Deal"**. This is amply illustrated by **Figure 2** which traces the history of the growth of **US public debt** and **total government spending** since 1860. With the final abandonment of honest money in 1971 and the ensuing transition to a new world order of floating fiat currencies unmoored to any restraint save the "good intentions" of a benevolent government, the US entered into the "broad gate" of fiscal profligacy and executive government. Absent restraint, both **US public debt** and its corollary, **government spending**, soared as inflation quickly became the preferred policy of the state. The result of this long-running **policy of inflation**, as reflected in **Figure 3,** has been anything but Mr. Bernanke's oft quoted *moderate and transitory* sop. Rather, bearing a striking resemblance to the experience of Rome as seen in **Figure 1**, and indeed to all nations who have *crossed over* to **inflationism**, it has instead resulted in a massive debasement of the purchasing power of the dollar. Writing in his book 'The Creature from Jekyll Island', G. Edward Griffin states; *"If the American people had to pay through taxes, what they have already paid through the loss of purchasing power, there would have been a revolution long ago."* Memo to Mr. Griffin from our opening quote by Garet Garrett: *"The revolution is behind us. It went by in the Night of Depression, singing songs to freedom."*

Figure 2



Having briefly considered the fate of Rome before us, what of the outlook for the US? The short answer, as we have been developing for many years, is, **the same . . . but different**. While history declares that without exception, every empire or nation that has pursued an administrative government, aided and abetted by a policy of perpetual inflation via the debasement of its currency, has ended up in the dustbin of history, nevertheless it is equally true that there has never been a constellation of circumstances quite like those we face today. In Daniel's prophetic description of future world empires, he utilized the imagery of different beasts to describe the coming empires of Babylon, Persia and Greece. His description of the final form of world government is apropos here; *"The fourth beast will be a fourth kingdom on the earth,* ***which will be different from all the other kingdoms***."

Figure 3



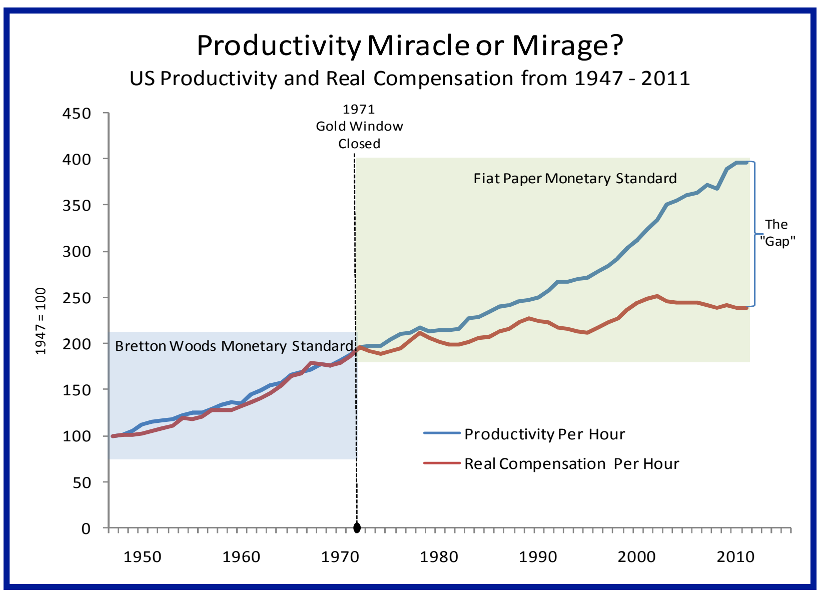
In our opinion, there is an important difference which we believe sets this current crisis apart from all historical episodes of experimentation with currency devaluation. During no previous period of history has the entire world been adrift upon a monetary sea of floating fiat currencies in which each sovereign nation is intent upon pursuing a 'beggar thy neighbor' policy of manipulating the purchasing power of their respective fiat currencies against one another. Here it is the **universality of the paper delusion**, not the delusion itself, that sets the current crisis apart and accounts for the difference. This, within the limits of our own understanding, is entirely unique and singular, and as such, should both inform and mitigate the useful limits of extrapolating all historical analogies. Specifically this difference, in our opinion, invalidates all sensationalistic calls for an immediate hyperinflation and subsequent monetary collapse, a la, **"The Great Reset"**, an outcome that flows from a linear extrapolation of past experiments with paper currencies without accounting for the universal nature of the current crisis. Now do not misunderstand, while we do believe that the dollars' days as the sole global reserve currency are numbered, and that, owing to the principle of sowing and reaping, the day of reckoning for what we have termed the **Monetary Sin of the West** cannot be forever postponed, given the unique global nature of the conflagration, we simply do not pretend to know what form that reckoning will take nor precisely when it will occur.

As regards the fate of the dollar we are somewhat more resolute. It was Henry H. Fowler, former US Secretary of the Treasury between 1965 and 1968 who observed that *"providing reserves and exchanges for the whole world is too much for one country to bear."* We find ourselves in agreement with Mr. Fowler, and economists Robert Triffin and Jacques Rueff, who in the late 1950s, warned of an impending break-down of the monetary system then in place known as Bretton Woods, a system under which the US dollar would be pegged to gold through fixed convertibility and the exchange value of the currencies of all other developed nations would be fixed to the dollar. In time a break down did in fact occur, triggering the closing of the gold window in 1971 and a multi-year period of global economic crisis and stagflation. While today it is a matter of an **"inconvenient truth"** to recall, it was nevertheless, this act of default committed by the US, which severed the global monetary system from its mooring to gold, setting it adrift on *"a monetary sea of floating fiat currencies."* Eventually the monetary system evolved into today's **de facto dollar standard**, whereby other sovereign nations were not only free but were, by **force majeure**, compelled to ***"manage"*** their own respective currencies against the dollar for economic advantage. This system, anchored solely by the mutual self-interests of the respective combatants, cannot last. Instead we believe that the ultimate solution, after several intermediary steps involving regional reserve currencies, will be a single global reserve currency coupled by increasing global fiscal union.

Having said that, we are yet more certain about the continuing development of several secular trends which continue to dominate the near-and-mid-term prospects for the US economy and financial markets. In particular we believe that the trends toward the **polarization of wealth** and the **stagnation of growth in real income**, represents the most debilitating and intractable headwinds acting on the prospective growth and welfare of the US economy. Neither of these trends, which are in fact causally related, are new, as we have been developing them for many years now. Over that time we have maintained that contrary to the illusion conjured by the unprecedented production of money since the onset of the crisis, the economy, far from cyclically improving, remains **structurally impaired**. We have steadfastly maintained that to date, while we will concede to the existence of a **"statistical recovery"**, there has been no **"organic recovery"**. In the words of Daryl Montgomery, organizer of the New York 'Investing Meetup', *"government spending didn't just stimulate the recovery, government spending was the recovery."* That is because perpetual inflation through credit expansion has led to overconsumption and malinvestment on a massive scale replete with a severe and systemic distortion of the underlying factors of production, the financialization of the economy and an increased concentration of wealth and a consequent decline in the growth of real income. All of these impairments, which are the direct result of the discoordinating effect which a credit expansion exerts on the productive structure of the economy and the relative relationships of all economic actors, remain. But to our way of thinking, none are as important as the problems surrounding the accumulation of wealth and the generation of income, the DNA of all economic activity.

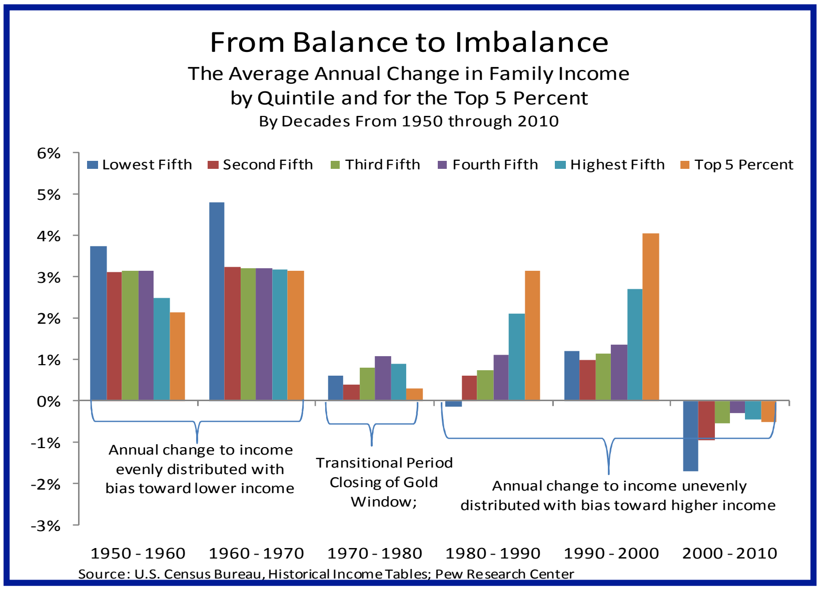
Referring to **Figure 4**, we can see that far from being small and cyclical, the phenomenon that we have referred to as a **"famine of income"** is both a large and growing **secular trend**. **Figure 4** highlights the growing divide or "gap" between US productivity per hour and real compensation per hour since 1950. In theory, labor productivity growth becomes the basis for wage growth as wages *grow out of* production. For this reason economists closely watch changes in productivity growth because it is believed to be the limiting factor in determining how fast wages and living standards can rise. The only way that wages can rise on a sustained basis, absent inflation, is for productivity to rise. Recall that back in 2002, former Fed Chairman Alan Greenspan became the leading cheerleader for productivity, heralding the arrival of a ***"new era of permanent productivity growth"*** that became known as the **'productivity miracle'**. However, as we can see, Greenspan's **miracle** has turned out to be a **mirage** for wage earners. After rising in near lock-step with measured productivity for the period between the end of WWII and the early 1970s, productivity and real compensation per hour have since parted company. What could account for this permanent

Figure 4



and growing gap between real wages and productivity? In our opinion, only the distorting impact of inflation. It is no coincidence that the two series part company following the closing of the gold window and the death of honest money in the early 1970s. The discoordinating influence of inflation on income becomes even more apparent in **Figure 5** which illustrates the allocation of the annualized growth in median household income per decade since 1950. What becomes glaringly apparent is the marked change from a **balanced distribution** of the annual increase to median family income by decade to an **imbalanced distribution** favoring high income groups, after the closing of the gold window. In these two illustrations, lies the intractable problem of "supply" and "demand". How can real wage and income growth, a proxy for economic demand, be reconciled to production, a proxy for supply? Clearly not by more of the same, the production of money in order to alter its' purchasing power. As we have maintained for years, the **solution is the problem**. We find it more than ironic that by faithfully following the Keynesian prescription of perpetually increasing purchasing power through the production of money (inflation) in order to fight the mythical monster of **underconsumption** (lack of demand), the stabilizers have, after over forty years of faithful adherence, brought about a **real demand problem**. But it is not the one predicted by Keynes, but rather the one that Austrian theory predicted would be ***caused*** by Keynes. A state of **perpetual imbalance** that is pulling the US economy into the morass of a long. slow decline into mediocrity. For as Austrian economist Ludwig von Mises reminds us: "*And then, very late indeed, even simple people will discover that Keynes did not teach us how to perform the miracle of turning a stone into bread, but the not all miraculous procedure of eating the seed corn.*"

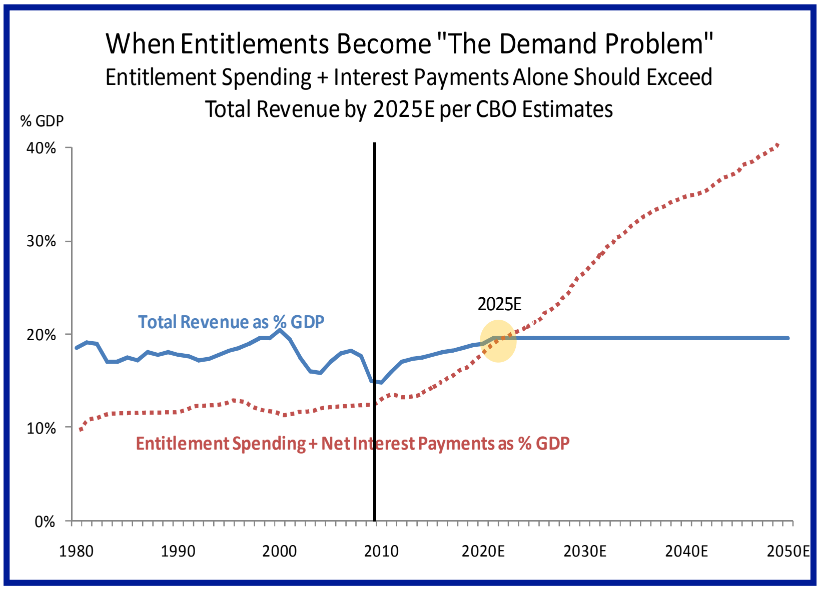
Figure 5



However, we do not wish to suggest that this perpetual imbalance and slow decline, brought about by the excess production of money and exacerbated by the ongoing policy of postponement in order to avoid a debilitating deflation, must of necessity, occur on a gentle downward sloping glide path. While it was Hemingway who famously observed that *"one goes bankrupt two ways, gradually, then suddenly",* both for nations as well as men, it was Jim Rickards, author of 'Currency Wars' who adapted Hemingway's quote to an apt description of critical state dynamics in complex systems. *"The gradual part",* said Rickards, *"is a snowflake disturbing a small patch of snow, while the sudden part is the avalanche. The snowflake is random yet the avalanche is inevitable. Both ideas are easy to grasp. What is difficult to grasp is the critical state of the system in which the random event occurs.”* Unfortunately, one of the many potential random snowflakes that could precipitate a violent deflationary correction is the burgeoning growth in government debt due to unrestrained growth in entitlement spending.

Despite public perceptions to the contrary, the US fiscal deficits are **structural**, not cyclical. By this we mean that they are the result of government consistently spending more than it takes in and as such, the deficit remains regardless of the economy’s position in the economic cycle. The primary culprit of our fiscal imbalance has been the unprecedented growth of **entitlement programs**. Since the Great Depression, the US has consistently added what Mary Meeker, author of 'USA Inc.', calls **“business lines”**, and despite the fact that recessions come and go, the claims stemming from these new business lines have continued to increase. However, apart from Social Security and unemployment insurance which have **dedicated funding sources**, Congress, which has been quick to secure voter enthusiasm with government programs, has been criminally negligent in its responsibility to raise the requisite revenue to fund them. As a result, funding for all other entitlement programs has been woefully inadequate. Consider that over the past 15 years, real entitlement spending has risen by **170 percent** while dedicated funding for those programs has only risen just **70 percent**, resulting in an annual **entitlement deficit** in excess of more than **$1 trillion annually**. And since 1965, total spending on entitlement programs in the US has increased nearly **11-fold** while real GDP and total government expenses have increased only **3-fold**. That is imbalance on a massive scale. Unfortunately, barring significant reform of entitlement programs, current forecasts for revenue and expenses by the Congressional Budget Office or CBO, project that by **2025**, or in **less than 13 years**, the combination of total entitlement spending plus interest on the debt will exceed total federal revenue. (**See Figure 6**) However, just over ten-years ago, the CBO projected that federal revenue would support entitlement spending and interest payments **until 2060** – ***35 years beyond their current projection***. The marked acceleration of this theoretical **"point of no return"** underscores the importance of addressing the issue of entitlement reform while there is yet time. For as a result of the massive expansion of government and the culture of dependency it has engendered, today, according to the Census Bureau, **49 percent** of the US population lives in a household where at least one member receives a government benefit, up from 30 percent in 1980 and just 20 percent in 1965. Ominously, the current environment of **declining income growth**, **low personal savings** and **high structural employment** will make the radical changes required, politically difficult. For as President Reagan once wisely observed; *"The nearest thing to eternal life we will ever see on this earth is a government program."*

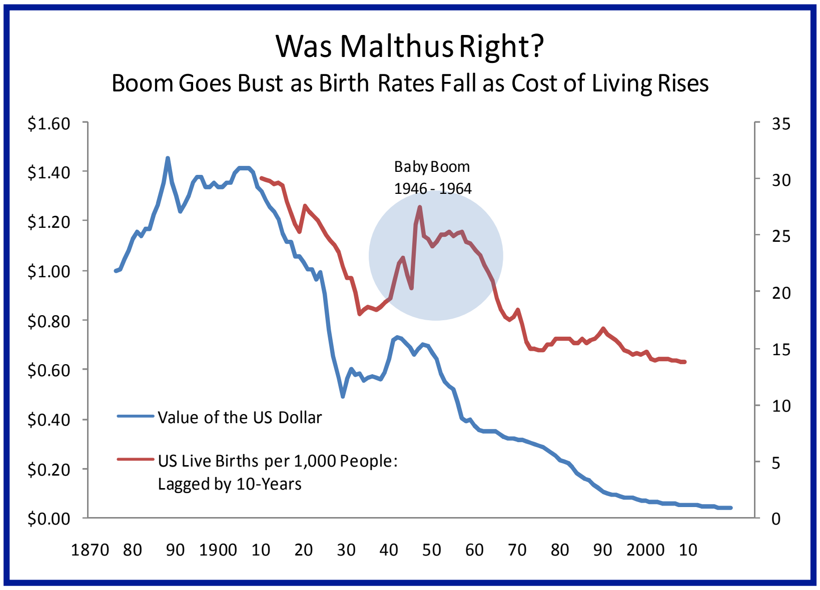
Figure 6



A final word on the entitlement snowflake. What are the realistic long-term prospects for funding the projected demographically-driven growth in entitlement spending from taxes and not debt? For some insight, let us return to where we began, with Rome. Writing on the evils of inflation through the devaluation of the Roman coinage and its' impact on the decline of the empire, nineteenth century Scottish historian George Finlay observed; *"In reviewing the causes which contributed to the* ***decline of the wealth and the diminution of the population*** *of the Roman Empire, it is necessary to take into account the depreciation of the coinage, which frequently robbed large classes of the industrious citizens of a great part of their wealth, reduced the value of property, produced confusion in legal contracts, and anarchy in prices in the public markets."* The point upon which we want to focus is Finlay's observation of a relationship between the decline in wealth due to devaluation of the currency, and a **diminishing population**, a relationship postulated by Thomas Malthus in his 'Essay on Population.' Referring to **Figure 7**, we can see that there is in fact, a historically high degree of correlation between the devaluation of the US dollar and the secular decline in the US live birthrate, lagged ten years. An inexorable rise in boomer-driven entitlement spending juxtaposed against an inevitable decline in **potential taxpayers**, brings to mind the paradox involving an unstoppable force and an immovable object. How'd that work out?

As the numbers seem to suggest, far too many people have drank the Kool-Aid. Nevertheless, the warnings from history are clear. If you believe that money is wealth and the production of more money is equivalent to an increase in wealth, continue munching on those ferns and by all means pay no attention to the meteor streaking overhead. But to those who prefer liberty to “stability” and freedom to “safety”, history offers a clue. At the end of the seventh century BC, a debilitating money crisis arose in Greece, threatening its very survival. In 594 BC, a man the name of Solon was "elected" to the office of archonship. Upon his inauguration, Solon set about to implement a **revolutionary decree** with the popular name of **"Shaking Off of Burdens."** At its core, this decree, not unlike the Biblical Jubilee, abrogated at once, all mortgage, agricultural and personal loans, solving nearly overnight the problem of the poor debtors and small proprietors. To lessen the impact of a shattered credit structure and crumbling financial edifice on the economy, Solon provided a partial moratorium with a one-time debasement of the currency to the extent of 27 percent. While perhaps unjust for its contempt of contract law, history has since vindicated the action by confirming there was no other way to both secure the stability of the government and alleviate the misery of the multitude. While this decree was only enacted once, its effect was long-lived. From the time of its enactment to the time of Greece's conquest by Rome, **Greece maintained fidelity to a policy of honest money** whereby the silver content of the Athenian drachma remained unchanged, and was ultimately adopted by the **Eastern Roman empire**, where it served as the foundation for an **eight hundred year period** of financial stability, a phenomenon that remains unparalleled today.

Figure 7



From his book, 'The American Empire', Garet Garrett wrote: *"When the economy has for a long time been moving by jet propulsion, the higher the faster, on the fuel of perpetual and planned inflation, time comes when you have to choose whether to go on and on and dissolve in the stratosphere, or decelerate. But deceleration will cause a terrific shock. Who will say, "Now!" Who is willing to face the grim and dangerous realities of deflation and depression?" No doubt the people know they can have their Republic back if they want it enough to fight for it and to pay the price. The only point is that no leader has yet appeared with the courage to make them choose."*