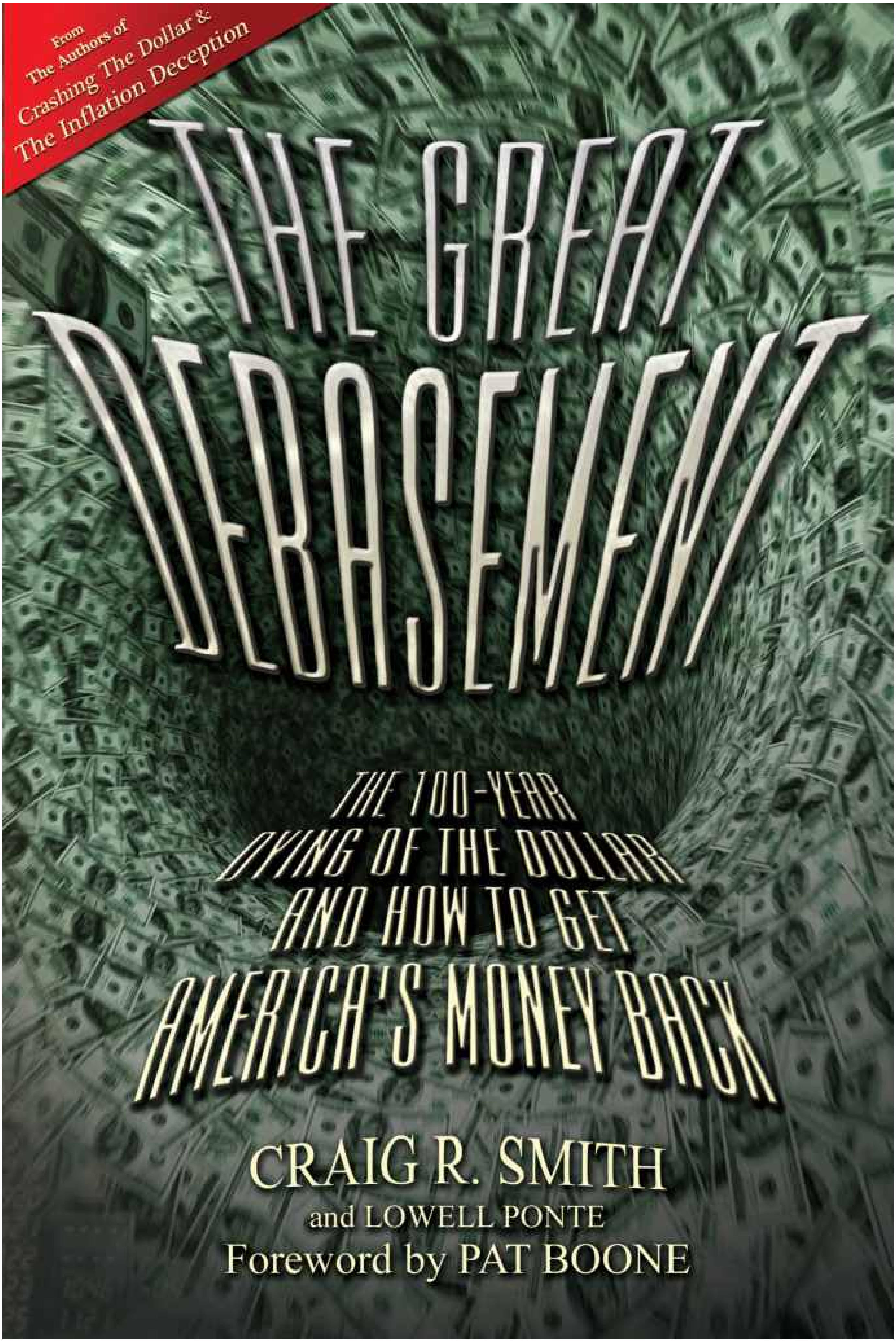
From
The Authors of
Crashing The Dollar &
The Inflation Deception
THE GREAT
DEBASEMENT
THE 100-YEAR
DYING OF THE DOLLAR
AND HOW TO GET
AMERICA'S MONEY BACK
CRAIG R. SMITH
and LOWELL PONTE
Foreword by PAT BOONE

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Introduction
by Craig R. Smith

"Knaves assure, and fools believe, that calling paper 'money' and making it tender is the way to be rich and happy; thus the national mind is kept in continual disturbance by the intrigues of wicked men for fraudulent purposes, for speculative designs."

– Richard Henry Lee
Declaration of Independence signer
First U.S. Senator from Virginia, 1789

After 100 years of deliberate debasement, the U.S. Dollar is dying.

America – whose power, prosperity and freedom have been secured by what once was the world's strongest, most trusted money – cannot long survive as a superpower after the dollar dies.

The dollar gave America the economic and hence military strength to defeat Nazi Germany, the Marxist Soviet Union and others bent on global conquest.

In a future without the U.S. Dollar, who will prevent a new Dark Age from descending on the world?

In this book we explore how American greatness and the dollar together produced the most innovative and prosperous economy on Earth.

Like a cat, the dollar has nine lives – and is now about to lose the last of them.

Even thereafter, we expect something called the dollar to return as a Zombie or as a ghost through the marvels of technology. The dollar, already dematerializing, will become a specter haunting our economy.

We reveal that the Great Depression that began in 1929, and the current Great Recession that emerged in 2008, were mere symptoms of the continuing "Great Debasement" of our money that began in 1913 – and that marks its 100th Anniversary in 2013.

During these 100 years, our politicians have deceptively expropriated so much of its value that a 2012 dollar has only two pennies of the purchasing power of a 1913 dollar.

This Great Debasement of America's money is by far the largest confiscation of wealth in world history – and you, your children and your grandchildren are the ones on the losing end of this century-long policy.

The U.S. Dollar was transformed from being as good as gold to being a mere piece of debased paper with no intrinsic value issued by a country whose debts now exceed its entire national income.

We explain how the Federal Reserve System, created in 1913 by Progressive politicians to give America an "elastic" money, has taken on such enormous and far-ranging powers that it has literally become "the Fourth Branch of government."

Today's dollar is just one of many currencies whose sinking worth comes from a government command, or "fiat," printed on it: "This Note is Legal Tender for All Debts, Public and Private."

The U.S. Dollar remains the world's Reserve Currency, the exchange medium on which global trade depends, yet it has become only a shadow of its once-respected former self.

We will look at Europe's Euro and China's Yuan, two other fiat currencies that may be rivals for the dollar's status as the world's Reserve Currency.

We explore how the Euro began as a Frankenstein currency and has become a Zombie. We explain how China invented ghost money, and how the U.S. Dollar is now turning into a dematerialized currency in the global economy.

The dollar has become a faith-based currency in which fewer and fewer people around the world believe.

The dollar's credibility depends on the "full faith and credit of the United States," which past generations in all nations respected.
Today's America, however, is being transformed into a European-style welfare state – a slacker nation whose spendaholic politicians keep bor-

rowing approximately 40 cents of every dollar the Federal Government now spends.

Our nation keeps falling deeper into debt by between $47,000 and $58,000 every second (depending on which ever-changing official numbers we believe), every tick of our economy's doomsday clock.

The most optimistic economists say that, at least in theory, we could pay off our current debts with steady real economic growth of as little as 4 percent per year for the next decade and more.

What such optimists leave unmentioned is that real everyday price inflation is now running at 7 percent or more per year, devouring America's paltry "stall speed" economic growth of 1.3 percent (Second Quarter 2012, adjusted as of September 27, 2012) and pulling us down into red ink in a government-unacknowledged recession of minus 5 percent annual growth.

To achieve 4 percent growth on top of such deliberately-created inflation, the politicians would need to stop increasing what government spends – don't hold your breath waiting for that to happen – *and* the economy would need to grow by at least 11 percent without recession or slowdown for the next 10 to 20 years.

The truth is that America never escaped the Great Recession that began in 2007-2008, or the Great Depression that began in 1929.

In this book we take a hard look at the cliff edge where the dollar teeters today, seeing it both from the ivory towers of economic experts and from the hard real world experience of one struggling American family.

We met this family, Ryan and Peggy Jones and their children, in our book *The Inflation Deception: Six Ways Government Tricks Us...And Seven Ways to Stop It!*

We rejoin Ryan and Peggy in this book. And we meet their nephew Patrick Jones, a worldly-wise university economist, who explains in everyday terms the often-strange views of those who control America's money supply and economic policies.

"The Greatest Debasement has not just been the devaluing of our money...," says Patrick. "What the Progressives have really debased is America itself."

We explain in detail why, and how, they have done this. And we look back at the lessons of two other historic Great Debasements, in the England of King Henry VIII and the one that undermined the Ottoman Empire.

We explore how the U.S. Dollar ascended to greatness and then, in a fateful moment in our history when many Republicans and Democrats called themselves "Progressives," our government killed the dollar that had proven successful and set a new course to replace it with an impostor currency that is a prime cause of today's many economic problems.

We examine the 1912 election that in the following year launched America's "Great Debasement" through the income tax and the Federal Reserve System and its "elastic" paper currency.

We explain why Progressives created both the Federal Reserve and the income tax in 1913, and how they have worked together synergistically to transform America into a very different country from what our Founders intended.

We consider the ominous parallels between the presidential election of 1912 and disastrous year 1913 that followed, with the election of 2012 and the fiscal cliff set to devastate America's economy and dollar in 2013.

As the American economy weakens, the dollar becomes evermore vulnerable to losing its balance and falling to its doom because of either natural or political events.

We consider several of the Tipping Points of these forces – political, natural, and international – that could trigger the dollar's demise, ending the economic and political world as we have known it.

We consider what kind of Brave New World might emerge after the dollar – and the America our once-powerful dollar made possible – have both vanished from the Earth.

We look at today's cliff-edge economy through the eyes of the Jones family to understand how the Great Debasement is changing the destiny of families like yours forever.

Fasten your seat belts, dear reader. You are about to be shown things that you never knew were manipulating your and your family's future. After reading this book, you will never again see money as you do right now.

As in most historic moments of crisis and change, the end of today's U.S. Dollar will be a disaster for those who are unprepared...and an important opportunity for some who have prepared and whose eyes are open.

Many who today take the right steps to hedge against the death of the dollar, and the vast changes this will cause, could not only survive but also thrive and prosper in the transformed world now fast approaching.

Think of this book as your survival guide for the Great Debasement and, very soon, the Post-Dollar world.

Craig R. Smith

Chapter Four
The Great Debasement

"Whenever destroyers appear among men, they start by destroying money, for money is men's protection and the base of a moral existence. Destroyers seize gold and leave to its owners a counterfeit pile of paper. This kills all objective standards and delivers men into the arbitrary power of an arbitrary setter of values."

– Ayn Rand, *Atlas Shrugged*

"The Great Recession shook America to its foundations in 2008 and 2009. And to tell the truth, it's never ended," said Professor Pat. "We're still deep in this recession."

"The Great Depression that began in 1929 lasted for more than 10 years, we're taught," he continued, "but I suspect that it never really ended either. As the last great nation standing, with our banks and factories undamaged, we came out of World War II with vast amounts of power and credit – and we used both to create what looked like prosperity. Yet even from the 1940s and '50s until today, we've been living on a credit card and in an illusion."

Ryan and Peggy looked puzzled. "It sure felt like prosperity to us," said

Ryan.

"Everything Else is Credit"

"So does living it up on a credit card, until the bill arrives," Patrick said. "For America the 1940s and '50s were the height of American power. We had become an empire with global reach, and the bills for this would not arrive until the 1960s and '70s.

"It's what the tycoon J.P. Morgan told Congress in 1912. 'Gold is money,' said Morgan. 'Everything else is credit.'"

In 1933 President Franklin D. Roosevelt made it illegal for most Americans to use gold as money. FDR killed the gold-backed dollar, except for specific U.S. Government and Federal Reserve dealings with certain foreign central banks.

In other words, in America we have not been using genuine money since 1933. We have merely been using paper fiat currency, which in the pure sense is not actually money at all.

"Everything we Americans have thought of as money and prosperity, from 1933 until today, has really been credit," Professor Pat continued. "That's all that paper fiat money, with no intrinsic value of its own, ultimately is – a promissory note, a kind of credit coupon whose value declines as government prints more."

Running Up the Tab

Here's how Ayn Rand explained this in her novel Atlas Shrugged:

"Gold was an objective value, an equivalent of wealth produced.
Paper is a mortgage on wealth that does not exist,
backed by a gun aimed at those who are expected to produce it.
Paper is a check drawn by legal looters
upon an account which is not theirs:
upon the virtue of the victims.
Watch for the day when it bounces,
marked, 'Account overdrawn.'"

This prosperity built on credit and debt began to crumble after President Richard Nixon in August 1971 ended the last tenuous anchor tying gold to what were popularly called Eurodollars. These were dollars held as reserves by several European central banks that those banks were allowed to redeem for gold at $35 to the ounce.

When Mr. Nixon cut the U.S. Dollar adrift, its value rapidly fell by about one-third. Within a decade the dollar had lost half its 1971 value.

The result was soaring inflation, sky-high mortgage rates, and oil embargoes by suppliers angry at being paid in debased dollars.

Overdrawn

As financial analyst Egon von Greyerz of the Swiss firm Matterhorn Asset Management describes it, the U.S. Consumer Price Index (CPI) had been relatively stable from America's founding until the early 1900s. From Nixon's de-gilding of the dollar in 1971 until 2010, however, the CPI jumped by more than 500 percent.

"The reason for this," von Greyerz says, "is uncontrolled credit creation and money printing."

"Total U.S. debt went from $9 Trillion in 1971 to $59 Trillion [in 2010]. U.S. nominal GDP (Gross Domestic Product) went from $1.1 Trillion to $14.5 Trillion between 1971 and 2010," says von Greyerz. Since 2010, total U.S. debt has swelled to perhaps $67 Trillion, a number hard to pin down amidst deceptive government bookkeeping.

"So it has taken an increase in borrowings of $50 Trillion to produce an increase in annual GDP of $13 Trillion over a 40-year period," says von Greyerz.

A Paradise of Borrowed Money

"Without this massive increase in debt, the U.S. would probably have had negative growth for the last 29 years," von Greyerz concluded.

Such unrelenting negative economic growth is the definition of being in a prolonged recession or depression.

ers and buyers to accept his debased, devalued coins.

Governments, including ours, use this same cynical coercion today with a population that knows precious little about how economies and governments really work. Today's government high schools scarcely teach students home economics – how to balance a checkbook – and certainly do not teach how the politicians and Federal Reserve in our Progressive national government unbalance our money system.

Speaking of debasement, consider the history of the British Pound Sterling. Its name comes from the Anglo-Saxon King Offa of Mercia, who during the years of the late 700s created a unit of money that literally weighed one whole pound of silver. This was the namesake of the British Pound.

With silver nowadays worth around $35 per ounce, today's British Pound is worth a bit less than it was in King Offa's day. Now a fiat paper currency like the U.S. Dollar, the Pound as of October 4, 2012, was worth around $1.61.

The British Pound once ruled the world. In 1992 it could not withstand eccentric financier George Soros, who "broke the Bank of England" and reportedly pocketed $1 Billion by speculating short on the Pound.

Debasement's Secret Keys

England's Great Debasement of the 1500s was a trifle compared to today's new Great Debasement.

Two Tudor kings effectively stole a mere two-thirds of the silver value of the money they required England's subjects to use.

By comparison, during the century since Progressives imposed the income tax and Federal Reserve control over our money, the U.S. Dollar has been so debased that it today has only two pennies of the purchasing power of the 1913 dollar.

This means that 98 percent of the U.S. Dollar's previous value has been taken by the government and the Federal Reserve.

We have all been victims of this greatest expropriation of wealth by sleight of hand trickery in human history. And what do we have to show for it?

Those who save their money, live on fixed incomes, or lend money relying on the government to preserve the dollar's value are the ones hurt most by this systematic, deliberate act of debasement.

Those behind the Great Debasement have taken more than our money. They have undermined our independence by confiscating so much of the fruits of our lives' labors that millions of us can no longer afford to control our own choices or retirement.

They have, as we have written before, broken our legs and then offered us a crutch of dependence on government.

The Stimulus Trap

"So look at the trap Keynesian government planners have put the U.S. in," said Patrick.

"According to British economist John Maynard Keynes, the government or central bank can inject money to stimulate a weak economy."

"And this stimulus could work like magic, Keynes believed, because of what he called a 'multiplier effect.' He and his followers have believed that channeling such money to the poor, who had an urgent need to spend it, increased the velocity of money in the economy. It moved faster from one person to the next, creating a feeling that more money existed, that the economy was improving."

"Because of this imagined loaves-and-fishes effect, Keynes calculated, $1 of stimulus money could generate as much economic growth and hiring as would giving $1.50 to those who were not poor and did not need to spend it immediately."

"I'm confused," said Ryan. "Do the government's economists really believe that they are wizards who can turn $1 into $1.50?"

"Of course they do, Uncle," laughed Patrick. "After all, they conjured that stimulus money out of thin air in the first place....yet you accept it as real. It IS magic."

Chapter Five
The Age of
"Modern Money"

"Anyone can create money.
The problem lies in getting it accepted."

– Hyman P. Minsky
Economist

How do you take away a nation's dollars that are as good as gold, and then force its citizens to accept instead paper fiat dollars worth no more than self-serving politician promises?

"New York Fed President Beardsley Ruml's 1945 revelation gives away much of the grand game the money masters and Progressives have been playing for the past 100 years," said Professor Pat.

"The plot thickens," said Ryan.

"Or sickens," said Peggy.

"I told you that the Federal Government had at least three reasons for taxing us, yet that raising revenue was not one of them," said Patrick. Ryan and Peggy nodded.

"Now pay careful attention as I move these three cups, and see if you can tell me which one the pea is under, as I show you how one of the tricks, the illusions of the Great Debasement of modern money, is and has been done."

Imposing Debasement

The opening words of the 1913 law that established the Federal Reserve System specified that one of the Fed's chief purposes was to "furnish an elastic currency," a supply of money that could expand or contract, could stretch or shrink, as the economy – or as those people most closely allied to the ruling politicians – wished.

Most American politicians have hated the gold standard because it makes money solid and "inelastic." A gold-backed dollar's value cannot easily be manipulated for politics or for speculators or special interest group profit.

Gold gave the ordinary people far too much power over the government and the economy, and Progressive politicians in both major parties were determined to grab that power for themselves.

The Federal Reserve's declared purpose was to protect the value of the U.S. Dollar. Under the existing gold standard, however, the dollar had the intrinsic value of gold built into it.

Economists describe such money as having "no counter-party risk," no need for anything beyond itself to create or secure its value. Fiat money, by contrast, depends on government authority to make people accept it.

The gold-backed dollar could protect itself because if people sensed that the government was printing too many, they could immediately demand and receive gold for their dollars. No money-manipulating Federal Reserve System was needed so long as the gold-standard dollar was as good as gold.

The apparent real mission of the Fed was to phase out America's gold-backed dollar as rapidly as the public and the marketplace would allow, and to replace it with a new, modern "elastic" fiat currency backed only by "the full faith and credit of the United States."

"This new money can be multiplied or made scarce whenever those run-

1970s – is that in the real world there is little or no discernible multiplier effect, at least nowhere near the size that Keynes and his cult have claimed over the years, as we discussed in *The Inflation Deception*.

The Cult of Keynes

Keynes apparently was somewhat mistaken about stimulus and its multiplier effect, according to research published in 2010 by economists Ethan Ilzetzki of the London School of Economics and Enrique G. Mendoza and Carlos A. Vegh of the University of Maryland. They studied how it worked in 44 different countries and found that the Keynesian fiscal multiplier can be effective in emerging countries with low debts, fixed exchange rates and closed economies.

However, in advanced nations like the United States with high debt, floating exchange rates and open economies, Keynesian measures are often much less effective, as we noted in Chapter 4.

In today's ongoing Great Recession, Keynesian stimulus *has* worked – but not as expected. Exactly as we predicted in *The Inflation Deception*, it turned into an "anti-stimulus."

Yi Wen, economist and Assistant Vice President of the Federal Reserve Bank of St. Louis, analyzed what effects nearly $2 Trillion of stimulus money injected into the economy by the Federal Reserve has had. What he found surprised him.

Wen's conclusion: this immense stimulus spending frightened business people, who concluded that it would soon generate a tidal wave of destructive inflation in the economy. As a result, the stimulus led them to cut back on hiring and expansion in their companies.

This stimulus did worse than fail – it backfired, producing more harm than benefit and leaving our nation with astronomical debts.

The Stimulus that Failed

The Fed now argues that things would have been far worse had it and the government not injected more than a combined $5 Trillion of stimulus money into the economy, a rationalization akin to President Obama's claim to have "created or saved" millions of jobs. This unprovable gambit allows the powers that be to take credit for every job that somehow survives their policies.

The reality, of course, is that after spending over $5 Trillion to stimulate the economy, economic growth in the Second Quarter of 2012 was an anemic, stall-speed 1.3 percent. Subtract from that real world inflation that is running above seven percent, eating up growth calculated using an understated deflator number, and all this stimulus has given America negative 5 percent growth – a continuing Recession.

If this is all that Keynesian stimulus can do at a cost of more than $5 Trillion, then it is far too expensive a tool for practical use.

In 2009 Mr. Obama's new chief economic advisor Christina Romer predicted the Keynesian "multiplier" for debt-financed stimulus – that every dollar the government borrowed and spent would generate $1.57 in new economic activity.

0.29

In September 2012 the Independent Institute analyzed the Obama stimulus effect from his inauguration on January 20, 2009, through June 30, 2012, the end of the most recent quarter for which good data about the nation's GDP was then available.

During this period the Federal Government borrowed and spent $5.23 Trillion dollars. From December 31, 2008, until June 30, 2012, America's Gross Domestic Product increased by $1.52 Trillion.

What this means, the Independent Institute economists calculate, is that the real Obama multiplier effect fell far short of 1.57 percent. It also fell far short of 1.00, which at least would have been a break-even point, that each dollar spent generated one dollar in economic activity.

The Obama Keynesian multiplier, these experts found, was actually 0.29, only 29 cents of economic growth for every stimulus dollar spent, a "loss" of 71 cents on every federal stimulus dollar.

"Put another way," the Independent Institute reported, "for every $3.43 the liquidity to lubricate a dry economy – but today's economy is not dry – it's frozen.

Corporations and banks reportedly have been holding back as much as $3 Trillion on their books, reluctant to hire or invest because of uncertainties about how President Obama's tax, regulatory and other policies will affect their future costs of doing business.

In addition to such uncertainty, some corporate leaders may unconsciously be living out what philosopher Ayn Rand depicted in her novel *Atlas Shrugged* – a strike by society's "productive" people, a work stoppage to protest ever-higher taxes and oppressive mandates that force them to pull the wagon millions of others feel entitled to ride in for free.

We may be seeing Atlas, who in Greek mythology held up the world on his shoulders, shrugging right now in the ongoing slowdown by investors and employers against Progressives who are openly hostile towards business and capitalism.

When this $3 Trillion regains velocity in the economy, and when hundreds of billions of stimulus money now held unspent by recipient entities is put back into play, the economy will be awash in money.

Explosive inflation will likely then send prices soaring, perhaps leading to Post-World War I, Weimar-like hyperinflation in which prices double every month.

By following a Quantitative Easing policy deliberately intended to ignite inflation, as we warned in *The Inflation Deception*, Mr. Bernanke and the Federal Reserve are literally playing with fire in a room full of frozen gasoline.

Keynes on Inflation

Keynes was flawed on some economic matters, such as his approach to stimulus. He also called gold a "barbarous relic," apparently because a gold standard thwarted his approach to economic manipulation by governments and central banks.

Keynes did have a very clear view of some key economic issues, one of which was inflation.

"Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency," wrote Keynes in his 1919 book *The Economic Consequences of the Peace*.

"By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens...."

"As the inflation proceeds and the real value of the currency fluctuates wildly from month to month," he continued, "all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery."

"Lenin was certainly right," Keynes concluded. "There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

Any resemblance between what Keynes describes and the Great Debasement of American money and values carried out by Progressives is, of course, purely coincidental.

How much has the Great Debasement cost America, at least in money? Using data compiled by the Bureau of Economic Analysis (BEA), *Forbes* columnist Louis Woodhill estimated in June 2012 that, in lost growth and value, the fiat dollar that Progressives imposed on America between the years 1974 and 2010 cost America more than $80 Trillion.

These 36 years, it goes without saying, are only a fraction of the 100 years of the Great Debasement.

If the annual loss over these entire 100 years averaged the same as during the 36 years of Woodhill's calculation, then the Great Debasement in dollars has cost the United States at least $222 Trillion.

Speaking of coincidence, the "fiscal gap" between U.S. projected long-term debt and projected revenues – the debt that could bring America's economy and dollar crashing down in ruins – has been calculated by Bos-

Chapter Six
The End of the Republic

Tipping Point # 1
Anti-Capitalist Politicians
Take Control of the Government

"When the people find that they
can vote themselves money,
that will herald the end of the republic."

– Benjamin Franklin

"We are becoming a 50-50 nation –
half of us paying the taxes,
the other half receiving the benefits."

– Niall Ferguson
Harvard Economic Historian

The strength and credibility of the U.S. Dollar, which in 1971 ceased to be anchored to gold, now depend on the health of America's economy as well as on the confidence and faith people have in America's fiat paper faith-based currency. On the day this faith collapses, the dollar is toast.

The strength and well-being of America's economy are no longer based on free enterprise, but on government.

Federal Government spending is now roughly 25 percent of our economy's entire Gross Domestic Product. Federal, state and local government spending combined comprise roughly 35 percent of GDP, more than a third of the whole economy. Government regulatory, tax and spending policies shape and control banking and other private sector behavior throughout the economy.

Our government, meanwhile, is driven by politics that are increasingly partisan, ideological and strident.

Many politicians now seem willing to say or do anything to win or cling to power, because our huge, intrusive government has become a grand prize and treasure trove for whomever captures and controls it.

The health and survival of the U.S. Dollar therefore now depend on politics that are increasingly polarized.

We no longer live in a nation with separation of marketplace and state.

Yet mixing politics and the market is, even at best, like trying to mix oil and water. What is good economics and business judgment is usually bad modern politics, which consists mostly in giving away money taken from taxpayers.

Successful politicians nowadays are often those who play this game of polarization and redistribution of wealth most forcefully.

Yet in economist Adam Smith's warning at the beginning of Chapter Three, political manipulation of resources in the marketplace "would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it," who believes that his centralized coercive authority is wiser than the decentralized, voluntary "invisible hand" of the free marketplace.

The politicians who now intrude government into every aspect of business are outraged that business people now feel compelled to invest in opposing their re-election.

When government left business alone, business people had no reason to

Welcome Back to "Normal"

So what is "normal" weather in North America?

The Great Blizzard of 1888 shut down America's Northeast. It piled snow more than 30 feet deep in Manhattan and forced many residents to enter and exit their homes via third-floor windows.

The 1880s brought years of "Blue Snows" in the northern Great Plains. In springtime, farmers reported finding carcasses of cattle high up in trees after the poor animals froze to death trying to escape through snowdrifts up to 100 feet deep.

In 1815-16 the Northeast shivered through "the Year without Summer," during which snow remained year-round in the shadows of rocks and trees.

The Northern Hemisphere had been chilled by a shroud of stratospheric smoke from two major volcanic eruptions that dimmed sunlight and caused year-round chill around the world.

During America's Revolutionary War, British soldiers dragged heavy cast-iron cannons across the thick ice between Staten Island and Brooklyn. Seaports from Boston to Baltimore then often froze shut during wintertime.

The "Great American Desert"

During the mid-1800s a steady stream of pioneers in covered wagons traveled west on the Oregon Trail.

What today we think of as cropland was called by them the "Great American Desert."

From Nebraska westward, they saw not 10-foot-tall cornstalks but occasional cactus in a fragile, almost-treeless prairie of Buffalo Grass sod where drying winds blew relentlessly, and rainfall averaged less than 20 inches per year.

The soil in these landscapes was rich and deep, deposited by the glaciers and melt-off floods of hundreds of thousands of years of successive ice ages, according to scientists. At the last ice age's peak nearly 20,000 years

An Empire Built on Weather

America's wealth and power have largely been an empire built on weather, past and present.

That weather may now be changing, returning to normal, and our deposits of water and topsoil may be more temporary than we understood.

Our key crops may depend on natural deposits of water and soil gathered for us by past ice ages.

The good growing weather of the 20th Century may have been a temporary once-every-1,000-years cyclic episode of balminess and adequate rainfall in a Midwest that 85 percent of each Millennium is a drought-prone quasi-desert unsuited, without irrigation, to growing crops such as corn or wheat.

If so, then we can probably continue to produce such crops. The cost of doing so will rise, however, as we must spend much more on importing irrigation water and using more fertilizers and pesticides to offset worsening weather.

America's crop heartland might soon have to import water from hundreds of miles away, as Southern California does, which is an expensive proposition that would greatly increase food prices. Some coastal Southern California cities are preparing to desalinate sea water, also a costly way to get usable water.

The 10 percent surge in world food prices associated with bad weather here, in India and in Russia during the summer of 2012, will increase as the drought's longer-term effects ripple through the economy in late 2012 and throughout 2013, jolting prices for high-fructose corn syrup, ethanol, and many other products.

How severe was the drought we experienced during the summer of 2012? It was the worst in more than 50 years, and it might not be over.

The Dust Bowl, as we noted, was actually four different droughts that piled up cumulatively in a single 10-year period. The 2012 drought in America was more severe than any one of the Dust Bowl droughts.

The Long Soup Line

Under the economic collapse of the Obama Administration, the number of Americans on Food Stamps (renamed SNAP, the Supplemental Nutrition Assistance Program) has grown by 50 percent to 46.37 million.

This growth of a welfare dependency program has come partly through aggressive government advertising, including the funding of Spanish-language soap operas, telenovelas.

Food stamp use has also grown because Obamanomics has driven the nation into what for millions of low income families seems like a Great Depression.

Most Americans do not see this because Depression-era soup lines have been replaced by a welfare check or food card in the mail.

If today's more-than-46 million food stamp recipients were gathered into a Progressive Soup Line, with each person taking up only one foot, this line could stretch from New York City south to Atlanta, then west to Los Angeles, then north to Seattle and east again to New York City, encircling most of the nation.

Enough food stamp recipients would then be left over to create a second line that stretched from Los Angeles east to Chicago and then from Chicago south to Houston. If each person took up two feet, the Obama Depression soup line would stretch 17,564 miles, more than 70 percent of the distance around our planet.

Such an immense soup line would be evidence of Mr. Obama's Invisible Depression, which is why you will never seen it illustrated this way on the mainstream media.

Eco-Mirage

Approximately 40 percent of America's corn harvest now goes to make ethanol, an alcohol that the Federal Government since 2005 has mandated be blended with gasoline to reduce greenhouse gas emissions.
"The drought lays bare the folly of trying to expand an industry where the economic fundamentals don't make much sense," wrote the editors of

Chapter Eight
The Dollar Engulfed

Tipping Point # 3
The Military-Money Synergy Collapses

"The single biggest threat
to our national security
is our debt."

– Admiral Mike Mullen
Former Chairman
Joint Chiefs of Staff

American success in the global economy has stood tall on two mighty legs – one military, the other economic. These legs have worked together synergistically, with each strengthening and reinforcing the other.

America's military might has given us the credibility and security to prosper in global trade and to keep sea lanes and other supply lines open.

America's economic strength has given us both wealth and the industrial and technological capability to create and fund the most powerful military on Earth.

If either leg weakens, however, we may be unable to remain standing tall for very long in today's unstable world.

The Great Debasement has certainly weakened America's economy and dollar, but it has done worse than make us poorer.

It has increased our risk of war, including nuclear war, in the immediate future.

The Great Debasement is costing us more than money. It could cost Americans, as well as our children and grandchildren, their lives through terrorism and war.

Debt Threat

America's trillion-dollar budget deficit "poses a national security threat in two ways," warned Secretary of State Hillary Clinton in a September 2010 speech. "[I]t undermines our capacity to act in our own interest, and it does constrain us where constraint may be undesirable."

America's soaring debt "sends a message of weakness internationally," said Secretary Clinton.

Ms. Clinton said it was "personally painful" to see such a deficit after her husband, President Bill Clinton, had ended his second term in office with projected budget surpluses.

She did not mention that President Clinton took hundreds of billions of dollars from America's defense budget to bankroll more social spending, just as President Obama has. This has made America and its forces more vulnerable to terrorist and other enemy attacks.

"American economic weakness undercuts U.S. leadership abroad. Other countries sense our weakness and wonder about our purported decline," warned Brookings Institution foreign policy scholars Kenneth Lieberthal and Michael O'Hanlon, two authors of the book *Bending History: Barack Obama's Foreign Policy*.

Perception of Weakness

"If this perception becomes more widespread, and the case that we are in decline becomes more persuasive," they wrote in July 2012, "countries will begin to take actions that reflect their skepticism about America's future."

"Allies and friends will doubt our commitment and may pursue nuclear weapons for their own security, for example; adversaries will sense opportunity and be less restrained in throwing around their weight in their own neighborhoods," they say.

"The crucial Persian Gulf and Western Pacific regions will likely become less stable. Major war will become more likely."

"[F]or Obama or his successor," Lieberthal and O'Hanlon conclude, "there is now a much more urgent big-picture issue: restoring U.S. economic strength. Nothing else is really possible if that fundamental prerequisite to effective foreign policy is not reestablished."

War Game

Patrick sat quietly, looking older as candlelight painted flickering shadows on his face.

"War games are not played for fun," he said at last, "but to appreciate why experts feel urgent fear and foreboding about America's weakening economy, let's lay out a fictional scenario or two about what the huge transfer of wealth from America and the West to other lands might produce."

"Lieberthal and O'Hanlon fear war in the Persian Gulf from America's economic weakening, so let's play a War Game," said Patrick.

"This body of water has watched great empires rise and fall – Babylon, the Tower of Babel, Baghdad, Alexander the Great – over many thousands of years. It is still watching."

"Imagine a hot June day on the Persian Gulf in 2013 A.D.," said Patrick. "The 100-degree temperature conjures a mirage-like shimmer of heat waves above the Gulf waters."

Chapter Ten
Ghost Money:
After the Dollar's Nine Lives

"Paper is poverty....
It is only the ghost of money
and not money itself."

– Thomas Jefferson

"There will be a time...
when physical money is just going
to cease to exist."

– Robert Reich
Economist and
former Secretary of Labor

A specter is haunting the world – the specter of electric money.

Thomas Jefferson saw paper fiat money as only the ghost of real money, which to him and America's other Founders was supposed to be specific weights of silver and gold.

We are already entering an age when the dollar will end the last of its nine physical lives, and die in both its metal and paper physical incarnations.

The dematerialized dollar's ghost will then haunt our economy. It will linger as an apparition, conjured by invisible electrons dancing through computer circuits at almost the speed of light.

Such disembodied, phantom money is already causing a huge revolution in our economy, our society, and our most basic ideas about life and liberty.

This revolution will be far bigger than the switch from the intrinsically-valuable precious metal money of our ancestors to today's faith-based fiat paper currency whose value is forever falling.

The Cashless Future

In today's America, only 7 percent of transactions are still done using the old-fashioned tangible, physical money. Most of these cash purchases are small, such as hamburgers, candy bars, or the liquid candy of soft drinks.

In high-tech Sweden, where the government encourages steps toward a "cashless society," only 3 percent of transactions still use coin or paper currency.

To ride the bus in Sweden's big cities requires a token or electronic payment. No cash is accepted.

Some Swedish banks reportedly keep no cash on hand at all, and accept none from depositors. They might take a check, yet most deposits and bill-paying are now done via electronic funds transfer.

Millions of America's Social Security beneficiaries have chosen to enjoy the convenience of monthly payments sent digitally directly into their bank accounts. The same, say experts, will soon be done with almost everyone's paychecks and tax payments.

Clean Capital

The cashless age of such ghost money will be cleaner and healthier, advocates promise.

Fox and has been little discussed since he left office.

The United States and Canada, with their similar advanced economies and dollars already at near parity, could probably agree to use a common currency. Using the same currency when countries are economically as different as the U.S. and Mexico would likely be more problematic, as Euro Community issues between Germany and Greece have shown.

Worth noting: As of 2011, Mexico had the 14th largest annual Gross Domestic Product in the world – larger than the GDP of South Korea, the Netherlands, Switzerland, or even Saudi Arabia. Mexico's GDP is larger than any other Latin American country's, except Brazil's. Mexico's GDP is approximately two-thirds the size of the #10 GDP country, Canada, whose population of 34.5 million is only 30 percent of Mexico's.

Buffer Zones

If the dollar collapses as the global Reserve Currency, much of the global economic system could also begin falling apart.

In the dollar's wake, the world could become a mix of heavily-armed city-states and nations. China and Russia signed an agreement in November 2010 to trade with one another using their own national currencies, not dollars.

Russia, however, has continued a policy from several decades ago. It provides lucrative mining concessions to Japanese enterprises in regions along the Russo-Chinese border. Why?

In the political chess of geopolitics, Russia knows that China hungrily eyes the vast riches of oil, rare earths, gold, timber and other natural resources Moscow controls in Siberia.

In response, Russia welcomes Japanese companies to become a buffer zone, to position thousands of Japanese workers where they would be injured or killed if China invades Russia. These Japanese are, in effect, volunteer human shields – tripwires whose deaths would put great internal political pressure on Japan's government to side with Russia once such a war began. Japan seems unconcerned; the likelihood of such a Chinese invasion seems vanishingly small.

Russia is a militarily-powerful nation, yet also until recently an empire that is now bordered by many of its former colonies. It is a treasure trove whose government is increasingly close to the Christian Russian Orthodox Church.

Mindful of Russia's wealth and declining Great Russian population are China to its southeast, a swath of Muslim former Soviet states along its southern border, and Germany to its west.

Russia has chosen to play an odd game, helping Iran acquire nuclear reactors and advanced atomic technology. The weapons they today are helping this Muslim theocratic state acquire could someday soon be used against them by Islamist terrorists.

In a chaotic world, Russia could quickly become a fortress under siege.

OPEC and OFEC

In a disintegrating world economy without a reliable Reserve Currency, some blocs may return to some kind of barter. OPEC, the Organization of Petroleum Exporting Countries, could simply issue its own currency, the OPECy, worth one barrel of light sweet Saudi Arabian crude oil. Harder-to-refine oils such as Mexico's tar-heavy crude or America's paraffin-rich North Slope Alaskan oil would have a slightly lower OPECy exchange value.

As a new economic Dark Age descends, the United States could likewise turn its resources into a new barter currency.

The U.S. could launch OFEC, the Organization of Food Exporting Countries. OFEC would strive not to exploit famines or starvation, yet like OPEC it could use its resource as a weapon to press for political alliances and increased food income for its members.

OFEC would not include some of the world's biggest growers of wheat, rice, corn (maize) or millet – China and India – because they need these crops to feed their own huge and growing populations.

The U.S. – the world's biggest grower of corn and sorghum and third biggest of wheat – traditionally grows four times more food than it consumes.

Epilogue
The Ottoman Mirror

"There is no means of avoiding the final collapse
of a boom brought about by credit expansion.
The alternative is only whether the crisis should come
sooner as a result of a voluntary abandonment
of further credit expansion, or later as a
final total catastrophe of the currency involved."

– Ludwig von Mises
Austrian Economist

2013 marks the 100th Anniversary of America's Great Debasement. It began with the creation of the Federal Reserve System and the income tax. In one century, this debasement of the money has shrunk the U.S. Dollar to only two pennies of its 1913 purchasing power.

America's spending now exceeds its income and is, nearly all economists agree, unsustainable. Our debt is so immense that it is unpayable. What does the future hold next for America?

For what could be a glimpse of our future, take a deep look, if you dare, into the Ottoman mirror.

Between 1808 and 1844 the mighty Ottoman Empire had its own "Great Debasement," as Turkish economic historian Sevket Pamuk calls it.

The Ottoman ruler Sultan Mahmud II by 1822 had in stages reduced the amount of silver in the empire's mainstay coinage by 60 percent. Between 1828 and 1831, he reduced the silver that remained in already-debased coins by another 79 percent.

In 23 years, the silver content of the Ottoman Kurus coin was reduced from 5.9 grams to only 0.53 grams.

In 1808, 19 of these Ottoman coins could buy one British Pound. By 1844, a British Pound cost 110 Kurus. Against the leading European currencies, the Kurus, according to Pamuk, lost roughly 83 percent of its value.

Food prices quadrupled, wrote Pamuk, a Professor of Economics at Bogazici University in Istanbul and author of *A Monetary History of the Ottoman Empire*.

Who Benefits from Debasement?

Exactly as with America's current Great Debasement, many suffered and some benefited. The poor, those on fixed incomes, and lenders who wanted to be repaid in money with the same purchasing power they lent, were hurt by the deliberate devaluation of the money and the inflation this unleashed.

Great Debasements' biggest beneficiaries are speculators, those who owned long-term fixed debts they could repay with devalued money, and, above all, the government itself.

Pamuk finds that the government increased its revenue by an average of 10 percent a year by using its Great Debasement as a substitute for increasing taxes....even though much of that revenue was soon lost again to the higher prices its inflation caused.

Like the Progressives behind America's Great Debasement, the Ottoman Sultan debased the money quite deliberately, knowing that this would cause a major redistribution of wealth in society that in the short run

By 1807, wrote Ferguson, "the Ottoman army appeared to be run primarily for the enrichment and convenience of its officers."

Lord Kinross describes one of the most ardent young reformers of this period "weakening in moral conviction and declining in spirit.... He fell into debt and became prone to corruption. The Sultan himself, wearying of reform, became increasingly irresolute in public affairs...."

Undoing Debasement

Look deeply into the Ottoman mirror. Does this seem familiar? The Great Debasement not only of money but of the core values that keep a society healthy and strong? Paralyzing military morasses from Vietnam to Afghanistan? Crony capitalism and political corruption at the highest levels? Bureaucrats and politicians who hamstring the honest with regulations and ridiculous rules of engagement, and who channel rewards to the dishonest through cronyism and wealth redistribution? And above all, an eagerness to "take the cash and let the credit go," to spend recklessly and run up debt in the expectation that inflation or Uncle Sugar will cover the tab?

Bastiat was right. As America turns into a European welfare state, our government has become the great fiction by which everyone tries to live at the expense of everyone else.

We need to tell the Progressives who believe in no God (except the state) that if there is no God, then there also is no Santa Claus.

Have you ever met a Progressive who did not believe that the government is Santa Claus with a bottomless bag of free goodies?

In August 2012 a new Santa revealed himself.

"The ultimate purpose of economics, of course, is to understand and promote the enhancement of well-being," said Federal Reserve Chairman Ben Bernanke.

Bernanke gushed enthusiastically about the Himalayan kingdom of Bhutan, "which abandoned tracking gross national product in 1972 in favor of its Gross National Happiness index."