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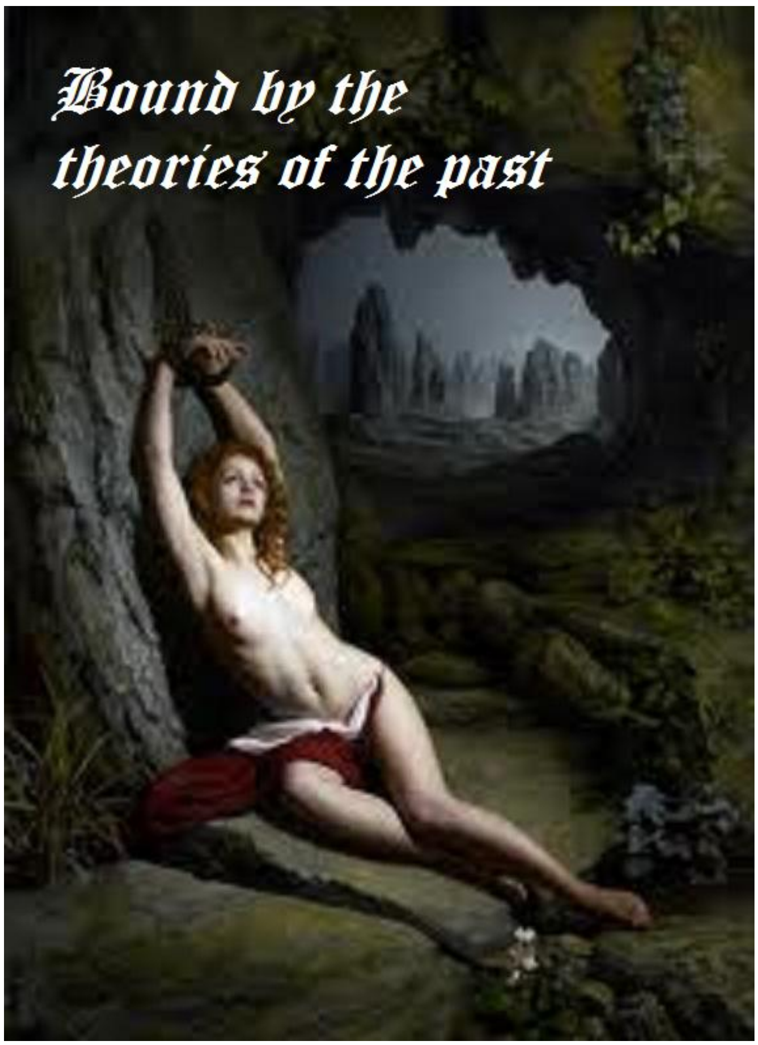
Financial-Captal-Equity-Commodity & Political Trends
History is a Catalogue of Soulutions



Bretton Woods Monetary Conference

By: Martin A. Armstrong
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I **was** recently interviewed and asked how is it possible that my reports have exceeded the 400,000 circulation level more than half that of the New York Times according to the independent forms that audit the web? The journalist interviewing me had spoken to many readers in the industry and concluded I write about things nobody else seems to do. The questions caused me to think about what was taking place. It is true that the markets are being driven alternatively swayed by the laws of supply and demand, and by the clamors of political faction. The future expectations are much less shaped by hope than by fear while the firm edifice of Western civilization, once raised and preserved by the wisdom of ages, is crumbling as the image of a free constitution preserved with decent reverence, has devolved onto the arbitrary executive powers of government. Common sense has just vanished.

After much reflection on this subject, I concluded that the reason for perhaps obtaining one of the largest readerships in the financial world stems from the fact that this subject matter is **NOT** even taught in university. In fact, when the ***Floating Exchange Rate System*** was born in 1971, it was a temporary trade negotiating point. There was no grand scale economic summit with a whole bunch of people gathering around and pontificating on the structure of the world monetary system as was the case at **Bretton Woods** in 1944 pictured above. Interviewing traders at top hedge funds the journalist realized that what I was writing about was important and many expressed they hoped I would continue to do so as a public service for the education was vital. This is a sad epitaph on formal education.


David Ricardo (1772-1823)

Of all the people I have been compared to, the one whom I would agree I share a similar background is that of David Ricardo (1772-1823) for he was a trader who drew upon his experience to construct what he saw as the ***Comparative Advantage of Nations***. I too am drawing upon what I have observed as a trader and my work around the world among nations. It is ironic that at the time of Ricardo, ***economics*** was not yet a subject taught in any school making its first appearance in 1902 at Cambridge University. Here I am nearly 200 years later confronted by the similar problem that there is **NO** course yet taught by any university that deals with the modern economy under a ***Floating Exchange Rate System*** and how that has eradicated the entire array of standard economic theories.

On top of this, we truly have a paradox in how society ignores history, and the political forces in command simply approach every crisis on an ***ad hoc*** basis as if they were some medieval doctor who starts ripping out body parts until the pain stops. ***Oops!*** Well he is at peace now for he is with God! Nobody even asks: ***Has this ever been tried before? Did it work?***

We are bound by old economic theories constructed during a ***Fixed Exchange Rate System*** that no longer exists within a world where capital did not migrate around the globe as fast as it does today. These old theories of the past are so antiquated; we are like ***Andromeda*** bound in chains to a rock by old theories awaiting the next crisis when the ***Kraken*** appears.

In Ricardo's time, economics was really just an offshoot of *Moral Philosophy*, which we have not really gotten away from illuminating why Karl Marx (1818-1883) was embraced more as a moral justification setting up this eternal battle what people thought was between rich and poor yet the rich were supplanted by government. Much of these ideas that impede economics emerge from this moral foundation that has thoroughly deprived economics of any meaningful scientific status. This morality concept has set economics on the wrong path drifting away from a real science spiraling down the dark corridors of too many minds that leads to prejudice, hatred, war, and death because of this materialistic obsession. The reason economics has been anything **BUT** a real science emerges from this *Moral Philosophy* root where instead of **OBSERVING HOW** the economy actually functions, we have set out upon a course to alter its behavior transforming it into this nebulous object based upon a concept of "***fairness***" which is like the definition of "***rich***" that is anyone who has more money than oneself.

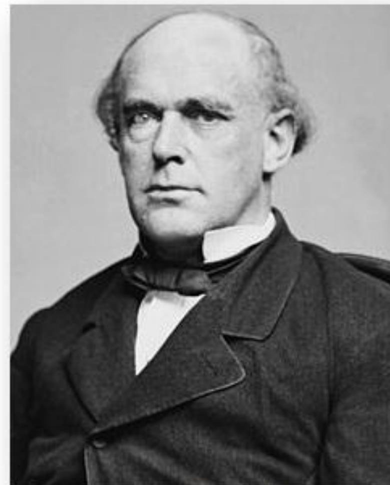
The ***Kraken*** is the legendary sea monster who can be appeased by a sacrifice. Today, we no longer offer up virgins but classes of society that are just as naive. New ideas are rejected out of hand largely because people are instinctively still trying to fit them into a slot within ***Moral Philosophy***. This concept of "***fairness***" was divorced from reason and it was no longer **how much** someone paid, but it shifted its focus to how much was someone left with **AFTER** taxes. By 1945, the top income tax bracket was 94%. Fascism grabbed hold in the United States and it was not **HOW MUCH** one paid that was fair, but the rich had to pay a **HIGHER PERCENTAGE** and that was seen as ***fair***. Hence, it was how much was someone ***left with*** rather than ***what*** they paid that became the focus – a greatly overlooked attribute. *This was further complicated by the failure to understand that **MONEY** was neither **TANIGBLE** nor **FIXED**. Thanks to Marx, it was always about the **MONEY!*** It was the Panic of 1792 that caused Ben Franklin to coin the phrase the only thing certain is death and taxes. I agree with the former, but the latter has seen the best of times.

Treasury Department.

Letter dated January 3, 1862, from Treasury Secretary Salmon P. Chase to President Abraham Lincoln recommending George S. Boutwell for the newly-created post of Commissioner of Internal Revenue.

Source: The Abraham Lincoln Papers at the Library of Congress, American Memory Collections.

While the earliest imposition of an income tax took place in China during 10AD and led to the overthrow of the emperor 13 years later, the origin of the income tax in the USA upon individuals is wrongly cited as the passage of the ***16th Amendment*** enacted by Congress on July 2, 1909, and ratified February 3, 1913. The imposition of the income tax in the USA goes back even further. During the Civil War the Republican Congress passed the ***Revenue Act of 1861*** which included a tax on personal incomes to help pay war expenses. The tax was repealed 10 years later. Previously, the USA had few taxes between 1791 and 1802. The United States government was supported by internal taxes on distilled spirits, carriages, refined sugar, tobacco and snuff, property sold at auction, corporate bonds, and slaves. The high cost of the ***War of 1812*** brought about the nation's first ***Sales Taxes*** on gold, silverware, jewelry, and watches. In 1817, Congress did away with all internal taxes relying on tariffs upon imported goods to provide sufficient funds for running the government. It was the Civil War where this idea of an income tax was born.



Salmon P. Chase (1808–1873)
U.S. Senator from Ohio, 23rd Governor of Ohio,
U.S. Treasury Secretary under President Abraham Lincoln, &
6th Chief Justice of the United States Supreme Court (1864-1873)

Congress amended the internal revenue act of 1864, subsequently creating at the time a national licensing requiring certain businesses, including those of selling lottery tickets and retail dealing in liquors, to obtain a license from the United States federally to operate. There was much disagreement for in New York and New Jersey, selling lottery tickets was a crime just as in Massachusetts retailing liquors at the time was an offence against public morals and was subject to indictment, fine, and imprisonment to sell a beer back then just as drugs are illegal today. This clash between federal policy then seeking revenue contrary to some states that regarded that activity to be a crime resulted in true absurdity. Congress cannot, constitutionally, punish for a refusal to pay for a license to commit crime, or constitutionally levy a tax for the privilege of committing it. However, Congress amended the act replacing the word "***license***" with imposing a "***special tax***" and thus it was held that it was not unconstitutional to impose a "special tax" on illegal conduct, yet the failing to pay the tax was an indictable offense, which absurdly resulted in someone having to inform the government they were violating the state law yet were paying a tax to the government on such activity. Mr. Chief Justice Chase delivered the decision in ***License Tax Cases***, 72 U.S. 462 (1866). He wrote:

> ***"It is true that the power of Congress to tax is a very extensive power. It is given in the Constitution, with only one exception and only two qualifications. Congress cannot tax exports, and it must impose direct taxes by the rule of apportionment, and indirect taxes by the rule of uniformity. Thus limited, and thus only, it reaches every subject, and may be exercised at discretion."***

In 1894 Congress enacted a **flat** rate Federal income tax, which was ruled unconstitutional the following year by the U.S. Supreme Court because it was a **DIRECT TAX** expressly forbidden by the Constitution. In August 1894, the ***Wilson-Gorman Act***, was passed following the ***Panic of 1893*** which was a tax and tariff measure. It levied a 2% tax on incomes of $4,000 or more, which was only 2% of American taxpayers at the time. The tax was applied to "***gains, profits, and income derived from any kind of property, rents, interest, dividends, or salaries from any profession, trade, employment, or vocation,***" plus **inheritances** and **gifts**. The tax was also applied to net profits of corporations, companies, and associations. This prompted the shareholders of corporations to immediately sue to halt their corporations from paying the tax. The various cases were consolidated into ***Pollock v. Farmers' Loan and***

Trust Co., **157 U.S. 429 (1895)** and accepted by the Supreme Court in January 1895. The plaintiffs argued that the income tax would induce class warfare that would lead to "***communism, anarchy, and then, the ever following despotism.***" Chief Justice Fuller wrote the opinion that demonstrates the dangers of a Republican government where elected representatives fail in their duty to defend the people and out of their own self-interest amend the Constitution.

Chief Justice Melville Weston Fuller (1833–1910)

"The mother country had taught the colonists, in the contests waged to establish that taxes could not be imposed by the sovereign except as they were granted by the representatives of the realm, that self-taxation constituted the main security against oppression. As Burke declared, in his speech on Conciliation with America, the defenders of the excellence of the English constitution 'took infinite pains to inculcate, as a fundamental principle, that, in all monarchies, the people must, in effect, themselves, mediately or immediately, possess the power of granting their own money, or no shadow of liberty could subsist.' The principle was that the consent of those who were expected to pay it was essential to the validity of any tax."

Pollock v. Farmers' Loan and Trust Co., **157 U.S. 429, 556 (1895)**

Historically, kings could **NOT** tax the people *without their consent*! The only time taxation was allowed was to defend the nation in time of war. Congress amended the Constitution to overrule that long historical foundation that existed since the Dark Ages and rejected the wisdom of the Founding Fathers supporting instead the ***Moral Philosophy*** of Karl Marx because it supported handing to government the idea of being able to manage the economy.

The 1862 Civil War Income Tax was a forerunner of our modern income tax in that it was based on the principles of graduated, or progressive, taxation and of withholding income at the source. During the Civil War, a person earning from $600 to $10,000 per year paid tax at the rate of 3%. Those with incomes of more than $10,000 paid taxes at a higher rate. Additional sales and excise taxes were added, and an "***inheritance***" tax also made its debut. In 1866, internal revenue collections reached their highest point in the nation's 90-year history—more than $310 million. In nominal terms, this was not reached again until 1911. Yet it was the Act of 1862 that established the office of ***Commissioner of Internal Revenue***. The Commissioner was given the power to assess, levy, and collect taxes, and the right to enforce the tax laws through ***seizure of property and income and through prosecution***. The powers and authority remain very much the same today.

§9 of the U.S. Constitution, which provides: "No capitation, or other direct, Tax shall be laid, unless in Proportion to the Census or Enumeration herein before directed to be taken."

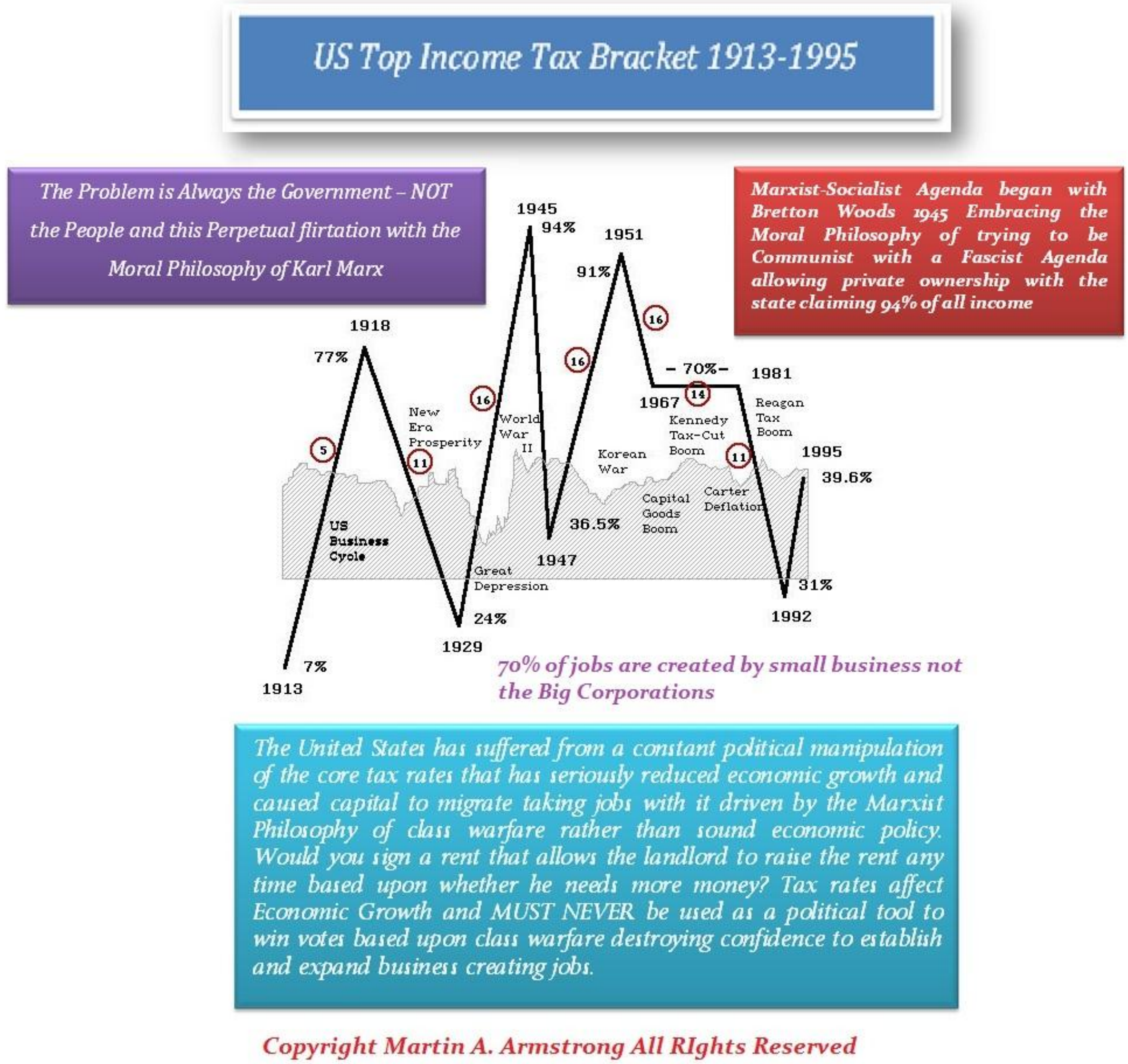
In 1868, once more Congress turned toward taxation efforts this time on tobacco and distilled spirits while eliminating the income tax in 1872. It had a short-lived revival in 1894 and 1895 following the ***Panic of 1893*** as government was desperate and it approached bankruptcy in 1896 due to their own mismanagement. It was against this backdrop that Marxism was able to take hold in the United States and become part of the institution of government before the Russian Revolution and those who supported Marx saw the bloodletting.

Because the Supreme Court declared Marxism effectively unconstitutional in 1895, Congress set about carving out itself a new source of funding by altering the Constitution to circumvent the Supreme Court. In 1913, the ***16th Amendment*** to the Constitution made the Marxism's income tax a permanent fixture in the U.S. tax system. This ***16th Amendment*** gave Congress the legal authority to tax income and then to imprison anyone who resisted. That decree opened the door to the escalating expansion of government put in place tyranny that not even former monarchs could get away with. The lack of term limits created a perpetual ruling class among the politicians that established government as the primary antagonist against the people. By fiscal year 1918, annual internal revenue collections for the first time passed the billion-dollar mark, rising to $5.4 billion by 1920. With the advent of World War II, employment increased, as did tax collections—to $7.3 billion. The withholding tax on wages was introduced in 1943 as the nation became much more Marxist yet allowing private ownership while effectively adopting a totalitarian fascist system raising the top income tax rate to 94% in 1945. Now the number of taxpayers increased to 60 million and tax collections to $43 billion by 1945 as the "***rich***" were becoming slaves and they borrowed from the worker without paying him the dignity of any interest.

In 1981 in conjunction with the peak in the **Public Wave** on the **Economic Confidence Model**, Congress enacted the largest tax cut in U.S. history, approximately $750 billion over six years. The tax reduction, however, was partially offset by two tax acts, in 1982 and 1984 that attempted to raise approximately $265 billion. On October 22, 1986, President Reagan signed into law the ***Tax Reform Act of 1986***, one of the most far-reaching reforms of the United States tax system since the adoption of the income tax. The top tax rate on individual income was lowered from 50% to 28%, the lowest it had been since 1916. Tax preferences were eliminated to make up most of the revenue. In an attempt to remain revenue neutral, the act called for a $120 billion increase in business and a decrease in individual taxation over 5 years.

The Revenue Reconciliation Act of 1990 was signed into law on November 5th that year following previous acts 1987, 1988, and 1989. It was the 1987 Act that set in motion the S&L Crisis for it removed the tax incentives for real estate creating a one way market of sellers because of TAXES! The 1990 revision provided a number of substantive provisions, yet this was small in comparison with the 1986 act. The emphasis of the 1990 act was increased taxes on the wealthy.

President Clinton on August 10th, 1993, signed the ***Revenue Reconciliation Act of 1993*** into law. The act's purpose was claimed to reduce by approximately $496 billion the federal deficit that would otherwise accumulate in fiscal years 1994 through 1998. In 1997, Clinton signed another tax act which cut taxes by $152 billion, and included a cut in capital-gains tax for individuals, a $500 per child tax credit, and tax incentives for education.

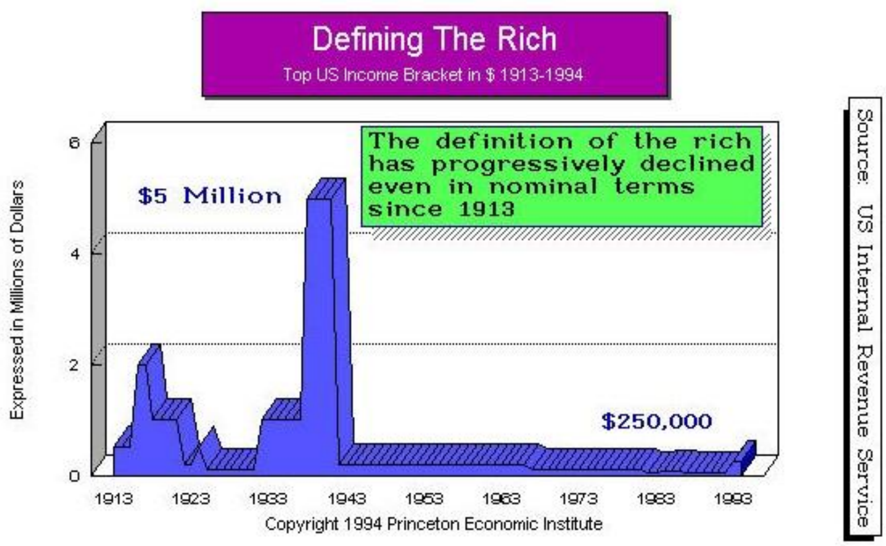


President George W. Bush signed a series of tax cuts into law with the largest being the ***Economic Growth and Tax Relief Reconciliation Act of 2001***. This was estimated to save taxpayers $1.3 trillion over ten years that arguably made it the third largest tax cut since World War II. The Bush tax cut created a new lowest rate, 10% for the first several thousand dollars earned. It also established a slow schedule of incremental tax cuts that would eventually double the child tax credit from $500 to $1,000. Additionally, this tax reform adjusted brackets so that middle-income couples owed the same tax as comparable singles, and reduced the top four tax rates (28% to 25%; 31% to 28%; 36% to 33%; and 39.6% to 35%).

The ***Jobs and Growth Tax Relief and Reconciliation Act of 2003*** accelerated the tax rate cuts that had been enacted in 2001, and temporarily reduced the tax rate on capital gains and dividends to 15%. In 2004, the United States was forced to eliminate a corporate tax provision that had been ruled illegal by the ***World Trade Organization***. Along with that tax hike, Congress passed a cornucopia of tax breaks, which for individuals included an option to deduct the payment of whichever state taxes were higher, sales or income taxes.

The tax bills signed in 2005 and then again in 2006 extended through 2010 the favorable rates on capital gains and dividends that had been enacted in 2003. However, it did raise the exemption levels for the ***Alternative Minimum Tax***, and enacted new tax incentives designed to persuade individuals to save more for retirement.

Now we are once again in an economic downturn as was the case after the ***Panic of 1893*** and once more we hear how the rich do not pay their fair share when in reality it is always about government spending more than they should blaming the people as always. No matter how much the people paid in taxes, it's never going to be enough. The tax code in the United States is anything but stable. Politicians only see things through their own self-interest and fail to understand the economic impact of what they are actually doing. They will not act to **PREVENT** an economic crisis, but only respond with more criminal prosecutions seeking retribution to ease the pain of the people. This is getting old. The income tax has been the single greatest threat to long-term stability and has destroyed society as a whole driving capital and jobs out of the country. They blame the greed of the corporations and capital portraying their migration is to maximize profits. They fail to address that the real driver is the consumer. They dare not conduct a poll asking if two products are of equal quality, would the consumer be willing to pay 25% more simply because one product is manufactured domestically while the cheaper version is imported. Increasing union wages is not a victory against the employer, for the prices are passed on to the consumer and if they curtail their buying, then manufacture leaves.



This is a dynamic situation that is not just one-dimensional. Adding payroll taxes increases the cost of labor in the United States compared to other nations. Government loves to point the finger at the "***rich***" but who are they? Everyone assumes it must be the guy who earns more than them. The visions are of the superrich when indeed it is $250,000 of **HOUSEHOLD** income or more.

The desperate drive for taxation income is tearing the economic system apart. The Iowa Supreme Court has upheld a decision (***KFC Corp. v. Iowa Department of Revenue***, Iowa Supreme Court, No. 09-1032, December 30, 2010) that an out-of-state intangible holding company that licensed trademarks to restaurant franchisees was subject to Iowa corporate income tax on revenue earned from the use of its trademarks within Iowa. By licensing franchises within Iowa, the Court found that the taxpayer received the benefit of an orderly society within the state and, as a result, was subject to income tax that otherwise satisfied the requirements of the ***Commerce Clause***. This is now threatening to subject every company to taxation in every state when it itself is not even present there. Amazon was forced to abandon California for similar reasons of state greed. As always, the economic decline turns government against the people helping to destroy the very fabric of society.

INSTABILITY

The greatest problem presented by taxation is the (1) constant instability of raising and lowering taxes. It is not even the empirical level of taxes as it is in the constant yo-yo of this back and forth, and (2) this concept of "***fairness***" is not judged by the amount someone pays, but by the disproportionate percentage someone pays. This Marxist approach is unconstitutional as originally designed. The government can stack the courts with pro-government judges who will always rule in its favor of more government power, but that does not make what they decree to be "***fair***" or just. If it is unconstitutional to discriminate because of race, creed, or affiliation, then it is equally unconstitutional to discriminate based upon what someone earns. Until the courts are made honest and **NO** former government employee may sit on any bench whatsoever be they a former prosecutor or politician and that such terms shall **NOT** be for life but for 2 year intervals appointed by majority vote of the practicing lawyers in the district within which that person shall preside, there will be no justice, fairness, and ***Rule of Law***. Ben Franklin argued for adopting the Scottish System were lawyers nominate judges, **NEVER** government.

Marxism **MUST** come to an end. The tax code should be prohibited from (1) being a direct tax in any way eliminating property and income taxes in favor of indirect sales and excise taxes, and (2) the constitution should be restored to its original design – **no taxation without the consent of the PEOPLE!** NOT politicians! This will eliminate so much governmental waste and then we **MUST** eliminate the over-regulation. For example, there were more than 10 departments that regulated the banking products yet the **Crash of 2007** still took place. We need a single regulatory body not many. Eliminate the **CFTC** folding that into the **SEC**, and prohibit banks from being brokers. There should be one bank regulatory body and one securities body. That is it. End the layers upon layers of cost when they do not do their job anyway and have **NEVER** prevented a single crash in history!

We need **STABILITY** so that business can **KNOWINGLY** plan for the future. Obama's **JOBS ACT** sounds nice, but how long would this last even if passed before it is changed again to raise more money. You would not sign a lease to rent a house where the landlord retains the right to demand more whenever he is short on cash because he did not manage his own finances. Government has to **STOP** altering the rules every time the political-wind changes direction. So much of what we think we know is just wrong. Politicians are fighting over the debt, pontificate theories they do not understand placing our future in the crosshairs of an economic hit man while turning the nation into a police state as the book 1984 warned all on the pretense we are in danger from twelve guys and a camel. Perhaps we should prevent rape by making all women dress like men or walk around in tents? You do not alter the entire way of life because of a possible act assuming everyone is now a terrorist. This is ALWAYS the danger of government for it sees ONLY its own self-interest and that ALWAYS entails grabbing more power eliminating ***Liberty and Justice for ALL***.

President Obama - September 8th, 2011
The new Jobs Act

TAXES A BARBAROUS RELIC OF THE ANCIENT PAST

Obama's speech Thursday night threw down the gauntlet and was at last some fighting words akin to the style of Harry Truman. Unfortunately, the traditional political roles played out as Republicans refused to clap or stand for some things that should have been basic to all Americans, is forewarning that nothing is likely to pass. As always, this is just going to be all about them and not the country no less the world. Western politics has become our Achilles Heel and politicians will bring down the roof upon civilization for they know nothing of what they do, are void of economic common sense, and are all about just posturing for the next election. In Europe, they will destroy one-third of the global economy. In the United States, they will do their best to wipe out the next third, and what is left will get pissed off that after suffering so long under Communism, their chance to shine in the sun will be cut short because the West is in the final throes of the collapse of Marxism. It is time to bring back **COMMON SENSE** to restore the guardians of ancient renown and disciplined valor before we lose all sense of civilization trapped in a prison of antiquated concepts of **MONEY** and economic mechanisms. It is time to bury Marx.

Yes it is nice to hear that small business will be targeted for once. They are the backbone of the economy, not the **BIG** names. Small business cannot get loans and they employ 70% of the workforce in the private sector. Even if they put up their first born, banks turn their back on them routinely and would rather buy structured mortgage products thinking this is some guaranteed money maker. Well, Bank of America just announced they will lay off 40,000 workers after Obama's speech highlighting the need to focus on small business **NOT** the big corporations. It may not be too big to fail, but too big to succeed.

It is time we think outside the **BOX** and look at the theories that run everything. We need **STABILITY** above all else. You can't keep changing the rules of the game and expect business to have confidence to start hiring people. Proposals sound good, but how long will anything really last? **TAXATION** is an antiquated practice that was necessary in ancient times **SOLELY** because the ***medium of exchange*** was precious metals for the most part. However, **MONEY** is no longer this factious notion of a tangible object and is really merely a **VIRTUAL INTANGIBLE** impression of **CONFIDENCE** that reflects a nebulous conception of **INTERNATIONAL VALUE,** arbitraged on a global scale among nations. It is this **INTANGIBLE** force that is driving **CAPITAL FLOWS** and **WEALTH** from one currency to another on the deck of a ship in a tempest-tossed eternal sea of the global economy. Within this construct, **TAXES** are truly themselves a barbarous relic from the ancient past **NO LONGER EVEN NECESSARY** since **MONEY** is not and **NEVER** has been actually **TANGIBLE**. This will no doubt confuse many but there is a **VAST** difference between the concept of **MONEY** as reflected by the **CONFIDENCE** of the people, and the distinct object that may be serving as one medium of exchange be it gold or cattle. It is **NOT** the decree of the state that gives gold or cattle value in a transaction for that is a separate and distinct element in the concept of **MONEY**. Under the current paper money system, gold advocates call it a fiat system implying there is no tangible value to **MONEY**. But **MONEY** has also possessed that element where government debases physical money to create more by its sheer will or decree. This is why there have always been foreign exchange brokers from ancient times since to exchange **MONEY** of different lands was based upon the **INTRINSIC** value, separate and divorced from the political stated value (fiat) that historically has never matched the **INTRINSIC** value. MONEY in its official state is simply indistinguishable from a share in a corporation. It rises and falls in value based solely as a matter of **CONFIDENCE** divorced from any claimed **INTRINSIC** value. This is **WHY** taxes are actually a barbaric relic from the ancient past. We still create **MONEY** through issuing bonds that are added to the **RESERVES** that support the global monetary system in any event.


Juno

We have forgotten even the origin of the words **MONEY** and **CURRENCY**. As the legend goes, the Celtic Gauls attempted to invade the city of Rome quietly, but had frightened the sacred flock of geese that made a lot of noise at the Temple of Juno. This alerted the Romans to the surprise attack giving us the word "***monere***" meaning in Latin to warn. The Temple of Juno then became popularly known as the ***Temple of Juno Moneta***. Since this is where the coins were minted, we now arrive at the word "**MONEY**" that springs from the origin of this place. Our terms such as "***capital flow***" now arrives from the Latin word "***currere***" meaning "to run" or "to flow" and this is where the money "***flowed***" from giving us the word "**CURRENCY**" meaning the flow of **MONEY**. This is why Juno Moneta is pictured on Roman coins as holding the balance scales in one hand and a cornucopia in the other symbolizing endless bounty or wealth. This is the birth of the terms **MONEY** and **CURRENCY**.

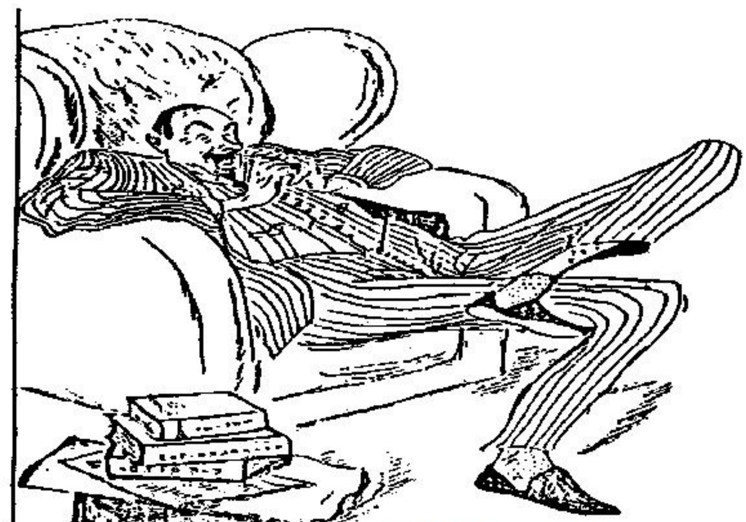
Currency actually means **money flow** and this is vital to understand for it is the essence of **LIBERTY**. The Marxists hate the rich and would surrender **ALL** their rights, privileges, and immunities to prevent someone from having more than they do. This human flaw of jealousy in matters of passion has led many to violence even killing supposedly the one they love. In matters of wealth, that same dark emotion has led to the death and destruction of tens of millions thanks to Marx over the last two centuries. Yet in order to enjoy **LIBERTY** and **FREEDOM** personally, we cannot deny others without separating ourselves from that same **FREEDOM**. Marxists attribute evil to the mere possession of wealth drawing an arbitrary line somewhere in the sand. The rabid Marxists even argue that the rich destroy jobs and ignore the consumer role of wanting the best price. Prejudice, hatred, and bias rob the words "***liberty and justice for all***" of any real meaning for they have been reduced to mere propaganda as long as there is the slightest touch of Marxism in the political rhetoric. I for one, despise life if separated from freedom. This is the core foundation of what was meant by Patrick Henry who said: "***Give me liberty or give me death***." Politicians replaced the Borghese of Marxist's day and exploit all of society by dividing the classes to fuel hatred while the masses pay no attention to the hallow promises of caring for society that are never funded and constantly reduced to cheat people out of their future.

Obama's assertion that the payroll tax will be cut in half is a nice dream. It is this very tax upon labor that has made America uncompetitive raising the price nearly double on a world stage. That tax revenue goes to fund the salaries of government workers and has contributed nothing to any future pension fund to actually fulfill the promises made to justify such a tax.

Many details about his jobs bill are still sparse. Certainly, Republicans might object to the way Obama framed some of the choices — "***tax loopholes for oil companies***" or "***tax credits for small businesses***." Or "***tax breaks for millionaires and billionaires***" or "***teachers back to work.***" His claim that regulatory reform will save "***billions of dollars in the next few years***" is highly questionable since there is no serious effort to reduce the size of government. The claim that "***Over the next two years, this plan will save or create 3.5 million jobs,***" is just wishful thinking. A lot of the workers that will be laid-off in the months ahead are coming from state and local government. They are generally not well trained, have rather dismal work habits, and will have a real culture shock moving from government to the private sector. As far as the teachers are concerned, depending upon the state, there are real problems in that sector for they are the primary reason property taxes have risen exponentially and there is stiff resistance on the horizon from homeowners whose mortgage payments have been transformed into rent for there is no real appreciation in housing value for the long-term. With one-third of home mortgages being greater than the resale value of the house, mortgage payments are effectively now just rent.

Looking at the audience of politicians there in Congress, so many familiar faces looked old and tired and rather on the verge of spontaneously just falling apart. I dare say that 2016 looks like a generational shift on a grand scale. Many of the old-line politicians are too old and are close to calling it quits if the people do not throw them out. All I can say to them is get a life. Let it go! Most of you have screwed up the future so bad by promising the moon and never funding anything while borrowing perpetually under the theory of the ***Divine Rights of Kings*** there is no miraculous way governmental economics will ever work. That idea is flawed. This is coming to its conclusion. For what once was, is simply no more. You fooled a lot of people for a very long time, but you just can't keep fooling them all of the time. It is time to leave and hand the reign of power over to the generation that you expect will have to pay for your mistakes. The wheel of fortune has completed its revolution. The laws of supply and demand also apply to government borrowings.

THE DEATH OF DEMAND MANAGEMENT



John Maynard Keynes

People today call ***Keynesians*** those who somehow advocate stimulating "***demand***" and thus reversing an economic downturn through borrowing and amassing debt. I hate to think what people will attribute to me 100 years from now since Keynes did not advocate what today is attributed to **Keynesian Economics.** It is true that Keynes advocated that government should engage in deficit spending when faced with a depression that caused a collapse in private demand. However, he did **NOT** advocate creating perpetual deficits and borrowing forever. During recessions he advocated lowering taxes. Of course, nobody attributes that to Keynes and now they want to raise taxes again on the "rich" which is HOUSEHOLD income of $250,000 not even individual income. It is true that the underlying economic structure is driven by a supply-demand model. That model was **FIRST** articulated by a market trader back in 1719 who has been plagiarized by just about everyone including Adam Smith. Because this trader killed a man in a duel and was forced to flee England, followed by the collapse of the **Mississippi Bubble** in 1720 setting off a contagion manifesting in the **South Sea Bubble**, his ideas have been used without attribution.

John Law (1671-1729) is truly the man worthy of the title the Father of Modern Finance. He had fled England and became a trader in the first exchange post-Dark Age in Amsterdam. Law was truly the first person to see **VIRTUAL MONEY**, but he perhaps did not fully articulate this phenomenon in a true global sense. What Law saw was the workings of **Wisselbank** that emerged in Amsterdam and how it had created **VIRTUAL MONEY** not perhaps by design, but by the evolution of process.

John Law (1671 –1729)

John Law witnessed firsthand the development of **Wisselbank,** which was in fact founded in Amsterdam during 1609 and how the inefficiencies of a precious metals coinage led to the preferred **VIRTUAL MONEY CREATION (*birth of paper money*)**. Because coinage could be counterfeited, clipped (shaving down a coin around its edges) and debased by the various governments, trying to settle payment in coin was actually quiet burdensome and highly costly. Those who presume there always was some sort of a gold standard from ancient times are seriously confusing events and history. Government began by trying to assume the role of a foreign exchange broker who certified the metal content of a coin. This role was not highly successful because it quickly developed that coins could be counterfeited as well as clipped. Pictured here is a gold stater of Philip II (382 – 336 BC) of Macedonia (father Alexander the Great) alongside an imitation made in Gaul among the Celtic barbarian tribes. Also pictured is an ***electrum*** stater of Lydia (*natural alloy of gold & silver*) showing nine countermarks of foreign exchange brokers. This clearly demonstrates that despite government declaring this is a stater of a predefined weight, there was still no "***gold standard***" per se and coins required certification that one was being paid the appropriate weight on gold. It was **NOT** the coin that was the payment, but the raw metal content. This was the case in 600BC and strangely enough it was still the case in the 17th century. Consequently, **Wisselbank** had allowed people to open accounts paying the bank for storage and thus the receipts it issued began to circulate as **BANK MONEY** and were worth **MORE** than coins because it saved a tremendous amount of money in costs to certify the payment each and every time. In this manner, bank receipts (***paper money***) became worth more than coins and John Law began to comprehend that **MONEY** itself was just a **VIRTUAL INTANGIBLE** medium of exchange indistinguishable from any other commodity, which is why it declines in purchasing power during booms and rises in purchasing power during declines as right now.

Highly Worn Stater with 9 countermarks

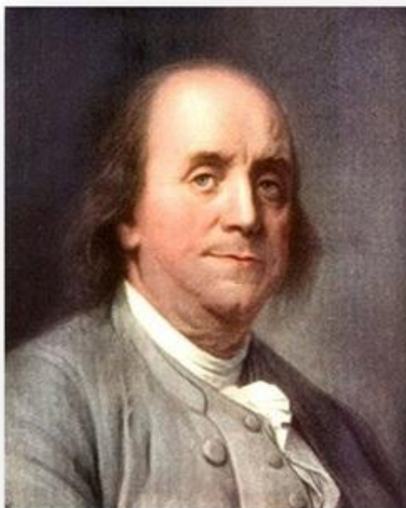
THE THRESHOLD OF A NEW ERA

Because **MONEY** is really **INTANGIBLE** amounting to a public share in the status of the nation rising and falling upon the back of **CONFIDENCE**, we must look upon all the old economic theories and concepts about both the structure and the interworkings of our global economy. We are bound to the rock by antiquated theories chained like ***Andromeda*** awaiting our pending doom. We can no longer affect **DEMAND** nor can we control inflation by the theories of Monetarism. These ideas simply crumble into dust in a new age of borderless capital flows. If you take the Empire State Building and one American sells it to another, this is the foundation of the old world of economic theories for nothing will change economically. However, if the buyer is foreign, he takes his local currency and buys dollars importing that amount into the domestic economy. The seller now deposits that cash in his account. This transaction has just **INCREASED** domestic money supply and this did not involve government spending, printing, or borrowing. This is precisely **WHY** the Swiss just devalued the franc because capital inflows were distorting the domestic money supply increasing it the same as an arbitrary gold discovery as was the case in California during 1849.

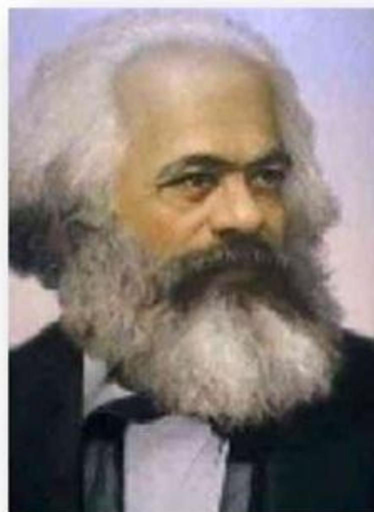
Central banks raise and lower interest rates in **HOPE** or affecting **DEMAND**. This method is never successful because it is **INDIRECT** and is based upon a hope and a prayer. Because Japan lowered interest rates to virtually **ZERO**, they failed to stimulate **DEMAND** and all they managed to create was a massive exportation of yen largely to dollars called the **YEN CARRY TRADE**. They could earn 8% at the time in the USA and the domestic economy in Japan merely stagnated as capital fled seeking profit elsewhere. Japan found the magic formula of how to create a 26 year Great Depression. Guess what! This failed theory that making interest rates really cheap will somehow stimulate borrowing and economic growth is so flawed because again it is based upon a domestic closed economy that does not exist ignoring what happens if money just picks up and leaves.

It is about time we face reality. Every old theory of how the economy functions is **WRONG**. The world has changed dramatically. We do not even understand **MONEY** so how can we manage an economy when we are basically brain-dead? Inflation is the depreciation in the purchasing power of a currency that amounts to a **TAX** that is in reality a reduction in wealth. We not only pay taxes, we then suffer the tax of inflation. In reality, **TAXES** are no longer necessary and eliminating them would reduce the cost of government by nearly 40%. We tax people, alter laws that deprive people of jobs, complicate everything and have precious little to show for it. There are alternatives, but we have to actually be willing to sit down and review the entire structure upon which everything sits. It is time to sever the chains that bind us. A whole new era waits if we will stop and think about the world we live in now. It is coming to an end. We can take that first step for mankind into a new era, or we can fall back into economic chaos.

The choice is ours. **BORROWING** is not less inflationary than printing. It is far worse because the interest multiples the debt and more than 40% is **EXPORTED** failing to "**STIMULATE**" the domestic economy. Oops! Another one of those ancient theories. Since MONEY is VIRTUAL separate and distinct from some tangible object, **TAXATION** is not even necessary. If the borrowing is **STOPPED**, we eliminate **DIRECT TAXATION**, the cost of government would fall to about one-third and if **MONEY** supply is structurally altered, we can restore economic growth, create a fountain of jobs, and restore **STABILITY** to the economy removing the incentive to move offshore. The Communists/Marxists will conjure up the press to attack me so they can keep trying to live off of other people's money and punish those who have more than they do.



Benjamin Franklin (1706-1790)



Karl Marx (1818-1883)

It is time we choose. So in anticipating bad press that will try to disparage me for speaking out as usual, please make that choice between Ben Franklin and the Founding Fathers who forbid **DIRECT TAXATION** and Karl Marx who saw nothing but envy and evil in personal wealth. Stop the bullshit behind the scenes machinations of being bought and paid for to support Marxism in the closet. We cannot continue to borrow with no plan of ever paying anything back. Balancing the budget will **NOT** work because the interest expenditures will continue to export our wealth. It is time for **SERIOUS** solutions. Not the same old nonsense that never ends. We need not be heartless bastards for the PURPOSE of civilization is NOT to create a tax base to exploit, but to enable shared benefits of forming societies. Taking care of the poor and the elderly are responsibilities of being human. That does not justify being totalitarian.

In case you haven't noticed, the music is playing but there are a few chairs shy of the participants. When the music stops, just how do you intend to keep this game going forever? From whom will you borrow now? This whole thing is based upon the idea of the ***Divine Right of Kings*** to decree whatever they desire and thus that is the law. Sorry! The same economic principles that dictate our personal finances dictate the fate of nations. All of those who went before us failed because of the same stupid ideas that government is somehow exempt from common sense. They are all buried in a common grave. ***History is a catalogue of solutions***. Marxists are just afraid to pick up the books and read.