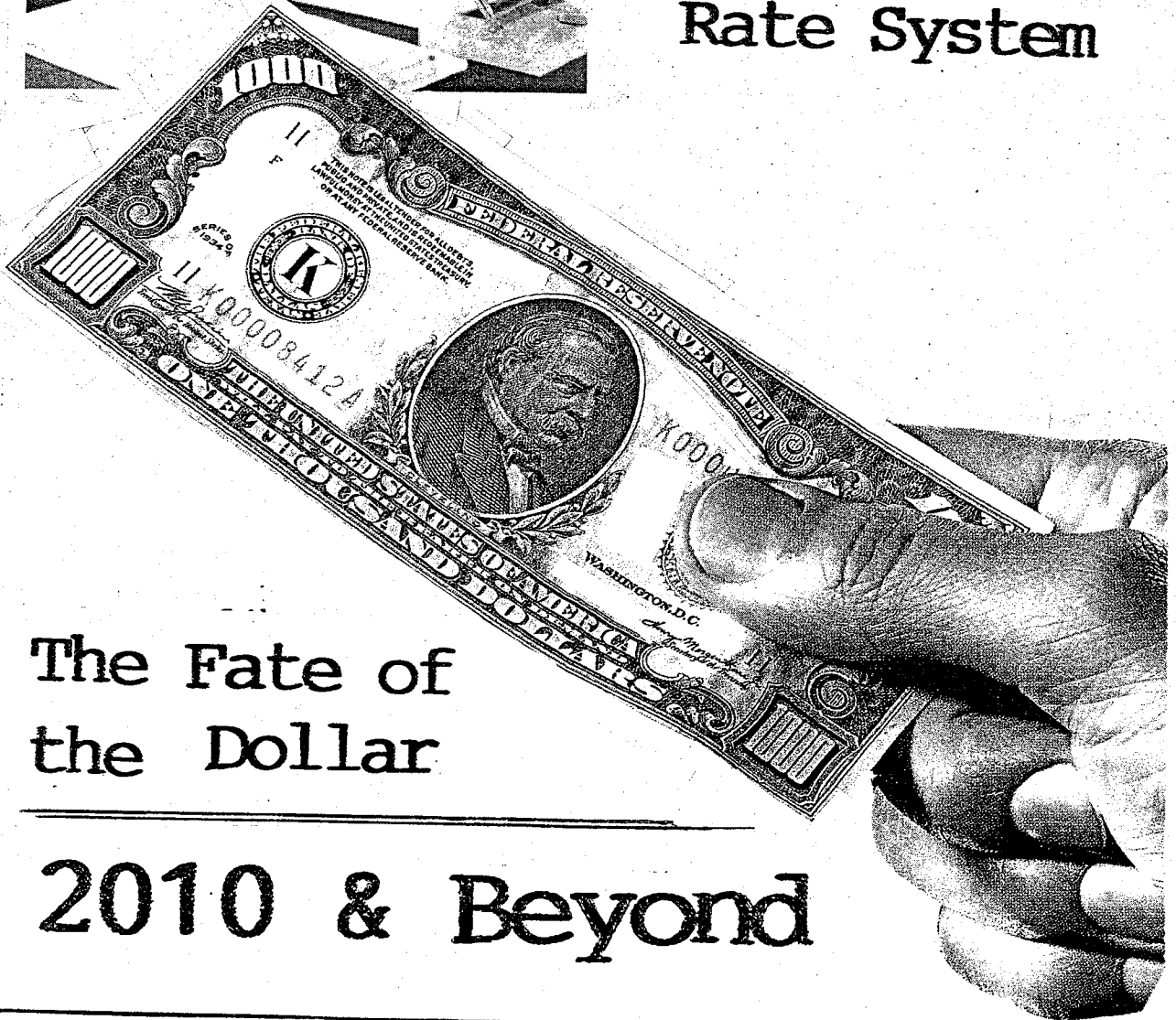


Armstrong Economics™



Creating the
Floating
Exchange
Rate System



The Fate of
the Dollar

2010 & Beyond

Martin A. Armstrong
former Chairman of Princeton Economics International, Ltd.

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ACKNOWLEDGEMENTS

I would sincerely like to thank everyone for their support. It has meant a great deal to me and my family.

I believe we are at a crossroads where we are in serious danger of creating an economic disaster beyond belief. The corruption is running so wild, it prevents us from correcting our system to save our own future. It is far more than mere volatility in financial markets. Our children and our grandchildren will **NEVER** know the world we once enjoyed. With economic decline, comes the finger-pointing, tension, and then war. When the Supreme Court ruled that black were just property and had no rights even if free in the **Dread Scott** decision, they then also created the Civil War for they illustrated that law, which was to be the essence of civilization providing the alternative to force, did not exist. We have reached that point once again for there is no **Rule of Law** and that is destroying the essence of our civilization once more. Courts will simply rule only in favor of the government in critical issues for judges are merely political appointments.

No matter what country you live in, we must be mindful of what is going on. We must look not merely domestically, but to the global horizon to understand the dangers we now face. Government is imploding, for the Marxist systems that they adopted, has created a debt crisis that is truly unprecedented. They borrow every year with **NEVER** any intention to repay anything, consuming capital and creating the very thing they pretend to be fighting against. They claim to be the champion of the poor and the little guy, while they borrow so much, the interest payments to keep the shell game going is the greatest transfer of wealth to the very people they claim to be against. They are stripping our children of their future, and nothing will stop them until the music stops, and there are not enough chairs for everyone to take a seat.

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GOVERNMENT TO GET POLITICAL CHANGE MOVING**

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This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a **Public Service** at this time without cost because of the critical facts that we now faced economically. The contents and designs of the systems are in fact copyrighted. At a future date, a new edition of the 1986 **The Greatest Bull Market In History** will be released and a new book will soon be published on the model itself - **The Geometry of Time**. It is vital that we do not forget this is a world economy and the arrogance that any nation can dictate to the world is just insanity. Every nation effects all others no different than if one nation were to pour all its toxic waste into the ocean. Everything is interlinked and solutions are never isolated events.

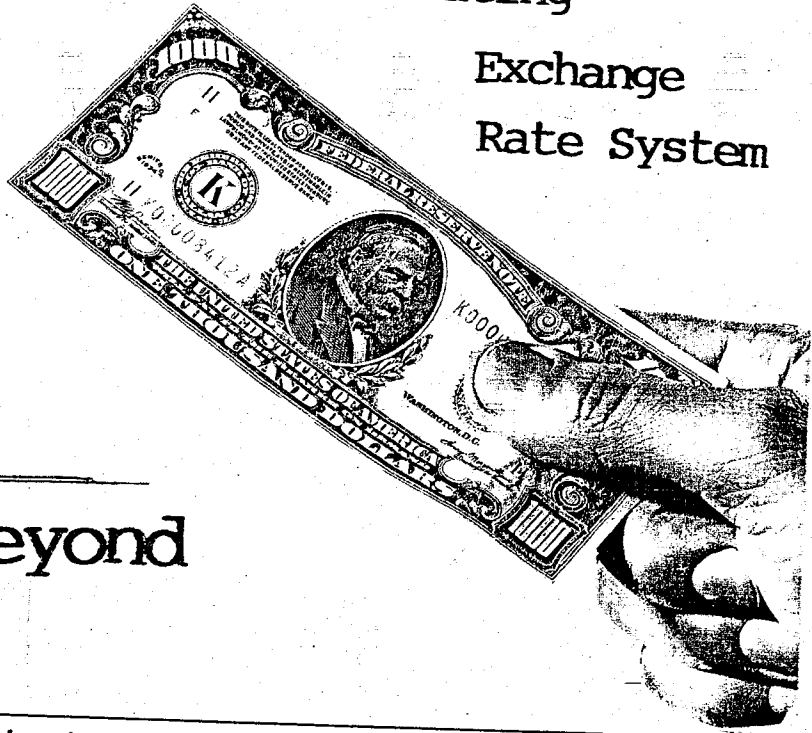


The Fate of the Dollar

2010 & Beyond

Creating the Floating

Exchange
Rate System



By: Martin A. Armstrong

Former Chairman of Princeton Economics International, Ltd.
and the Foundation For The Study of Cycles

CREATING THE FLOATING EXCHANGE RATE SYSTEM was not something that was ever actually debated and designed in advance. There was simply rising core disputes over trade and the fact that both the French and the Swiss were constantly redeeming dollars for gold. The United States was dead broke. It had squandered all its wealth because the nation was run by a system that created an incentive to spend money in order to gain reelection. It was Adam Smith's invisible hand that worked silently behind the scenes to undermine everything that had been accomplished since the birth of the nation. Many hate my guts because I believe in the real "Free Markets" and by that I mean that no matter what, the reality will always catch up. They had created a system in 1944 at Bretton Woods that obviously lacked common sense. How can you fix gold at \$35 per ounce, yet at the same time, allow unlimited spending creating an endless supply of dollars? Didn't anyone realize that such an imbalance was UNSUSTAINABLE? That is what I mean by the "Free Markets" insofar as it matters not be it private or public, capital is like water, it will find the crack and just leak through the pot. It cannot be stopped. Laws are only a form of tyranny, for you cannot legislate against common sense or human nature.

The birth of the Floating Exchange Rate System simply just happened. It was not designed, nor was it intended to be a permanent system. It was a response to a trade dispute that became sidetracked by the rise of OPEC during the 1970s. Demands that oil will now be controlled and the price raised, had a sweeping impact upon the whole economy worldwide. Manufacture that had been built upon cheap energy costs were turned on their head. While inflation was attributed to OPEC, in reality, this became an excuse to raise prices generally.

Yet the Floating Exchange Rate altered everything. They did not realize what they had done, but in effect, the entire world would never be the same. Each and every economic statistic was changed, yet nobody seems to understand that this is so. We have countries arguing over trade that is flatly incorrect and people calling for another Great Depression yet fail to understand that for history to repeat the same way, that means the dollar must rise in value, not decline, and its supply must contract not expand.

In a gold standard, everything is then measured in terms of gold. In a **Floating Rate** there is NOTHING that is constant. It becomes relative to the last time value was calculated. For example, look at ple, when British Airways introduced the Concord in the early 1980s and the pound was \$2.40, the price of a ticket was 2000 POUNDS = \$4,800 ROUND TRIP NY/LONDON. The British pound fell to \$1.03 by 1985. Now that same ticket was about \$2,000. The plane was full because a First Class ticket on TWA at the time was about \$3,500. The Concord was now a success and the British raised the price to 5,000 pounds, pricing it above standard First Class on a conventional flight. But the pound rallied back to nearly \$2 making the price of that ticket about \$10,000. The rise and fall of currency was altering business, and to a large extent, contributing to what I would come to call "**currency inflation**" meaning the currency swings was becoming the driving trend behind price movement.

How do we measure value when everything remains in a state of flux? If you earn any money, the socialists want to subject you to a progressive income tax. What they don't tell you, is that inflation is carrying you into a higher and higher tax rate. In World War I, a welder earned \$20 in gold per month. That was good money, enough to support your family. If wages were frozen and prices free to rise, \$20 won't even buy a subscription to a newspaper. The term "**millionaire**" was really a wealthy person back then. Today, the average man will earn more than that in his lifetime. What was once "**Millionaire's Row**" in London, is now "**Billionaire's Row**."

On the front cover, I have illustrated a \$1,000 bill printed in the 1934 series. Once upon a time, that was serious money. The top line of a car was less than \$1,000. To issue a note that would have the same purchasing power today, it would have to be roughly a \$72,000 bill.

Why has the government stopped printing large denominated notes? They fear that cash can then be hoarded and large denominated notes would allow people to store vast amounts of money. For tax purposes, the United States will not print large size notes. Europe will print large notes, but they routinely cancel the currency and replace it. This has forced those who hoard cash to come in and exchange it for the new version. By the way, did you pay your taxes on this?

Quixotic Gold Standard

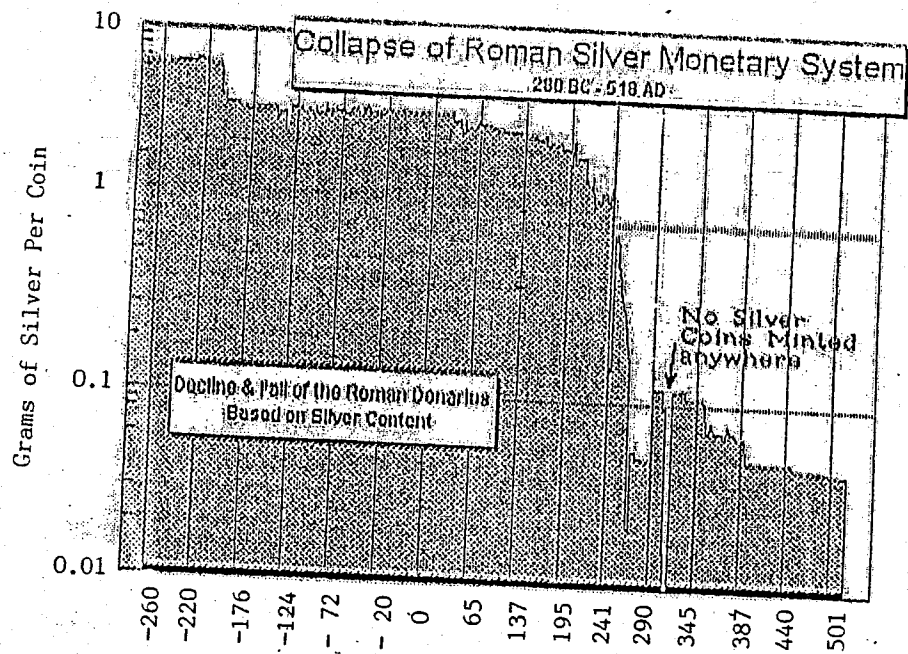
There remains a very foolishly impractical nostalgic vision of the **Gold Standard** that is like remembering an old relationship. With time, we remember the good times we had with that particular person. Our mind glosses over the bad and we forget why we broke up in the first place. Remembering the **Gold Standard** is no different, for it seems to invoke a lofty unrealistic view of the past that inspires great romantic ideas and such extravagantly chivalrous action. Within this imaginary world, we conjure in the caldron we create in our mind mixing up facts and leaving out what we do not want to listen to, and pronounce that had we been on a **Gold Standard** we would not have these economic collapses that are near-death experiences.

While these visions of history are grand and we can stir that caldron until we have the perfect intoxicating brew, when we wake up from this drunken steeper, we must still face the hard light of day. I have studied the rise and fall of civilizations from the beginning. I believe **GOLD** is the neutral store of wealth that pierces the veil of political instability. But it will **NEVER** by any means provide a fool-proof monetary system that will protect us against the evil dark lords. **Ain't gona happen!**

I have reconstructed what no one else seems to have ever been so possessed to do. I rebuilt the monetary system of the world creating a databse that was unmatched. This allowed me to look objectively at the whole issue of debasement, and found that just as we have monetary problems today, so did the ancients.

In fact, the **Great Monetary Collapse** of the Third Century was so profound, this was the primary reason for the rise of Christianity for when people prayed to their gods and nothing happened, they were ready to try something new. But this collapse of the monetary system was so profound, the government would no longer accept its own coinage and imposed **Taxes In Kind**, meaning, they would take physical property in payment such as grain or livestock.

That debasement began with a slight reduction in the silver content of the Roman



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denarius - the dollar of ancient times. The culprit **Nero (37-68AD)**. The complete collapse came during the reign of **Gallienus (253-268AD)**. The decline from start to finish was just 224 years (26 waves of 8.6 years).



Byzantine Gold Solidus

After the fall of Rome in 476AD, the real power shifted to Constantinople. The Eastern half of the Roman Empire survived, while the West fell into city states and feudalism. The people migrated for safety and this became known in latin as "**suburbium**" meaning that people fled from the cities and adopted a more local life. Property ownership disappeared but for the landlords who could protect their workers. So people sold themselves and their families in return for shelter and protection.

The Byzantine gold solidus became the new world currency. It has been found in digs as far north as Scotland and as far east as China. It facilitated trade because it was a recognized quality standard, and military power. Byzantium even waged war against some countries who tried to mimic their currency. It was prestige.

Nevertheless, what supported the power of Byzantium was a constant supply of **NEW GOLD**. Their famous mines had even been used by the Egyptians and were located in the ancient region known as **Numidia**, located in North Africa east of Mauretania found today in Algeria where the chief city was **Hippo**.

The collapse of Byzantium began with the rise of the arabs, for as they swept North Africa, Byzantium lost its source of gold. **Once** that fresh supply to keep the money supply growing was cut, it was like cutting off the water supply to a city. By 1453, the once great city of Constantinople, fell with its last emperor fighting in hand to hand combat on the city walls.

Now we can adopt an unrealistic view of history and cling to the nostalgia that somehow Byzantium was the ideal city for it had a gold standard. But we would be drinking our own bath water. Byzantium prospered **NOT** because of the gold standard, but because of the steady increase in its supply. Once that supply was cut, debasement appears during the late 11th Century. The gold coins of this later period are of such poor quality, their color is a very pale yellow. They were mixed with silver to the point that **Solidus** no longer was minted and old coinage was quickly melted down to create larger quantities of a debased issue. The people, hoarded the old coinage as they did in the 1960s hoarding silver coins after 1964. They will always hoard no matter what.

Sir Thomas Gresham (1519-1579) was a major economic advisor to Queen Elizabeth in England. He established what has become known in economic theory as "Gresham's Law" that bad money drives out good money. What he observed was that when a state starts down that road of debasing its money (reducing the content of precious metal) then the public will instantly begin to hoard the older higher metal content.

We can be nostalgic and impracticable all we want. But the Gold Standard will not save us and it will create a depression today if we tried to adopt it. WHY? Because we cannot enjoy the cushion that Byzantium had. What I mean by that is simple. Their economy was no different than ours today insofar as the state spent what it wanted. The mines were flowing gold and thus the money supply was constantly growing as new supplies of gold came into the system. This was as inflationary as we saw in the days of the California gold rush. Today, even the deep mines of South Africa have now peaked and gold production is steadily just declining.

Gresham's Law is still doing quite well almost 500 years later. Reach in your pocket and start looking at the date of the once

copper penny. You will find that the odds are very slim that you will discover a penny pre-1982. Why? That is when the government took the penny and removed all of the copper because the penny began to be worth more than a penny. They are now zinc with a copper plating to give you the false image that nothing has changed.



THE FIRST PENNY PURE COPPER 13.48 grams

Today, the copper in one penny from 1793 could make close to 1,000 pennies today. It is the oldest trick in the book - DEBASEMENT. You can actually sell pre-1982 pennies for more than a penny. Indeed, **Bad money drives out good money from circulation.** During the 3rd Century, the Romans removed the silver from the coinage and replaced it with a bronze and then invented a form of silver plating to make you think they were silver.

I have studied the entire monetary system of mankind from its beginnings. I have studied why **Gold** above all else, evolved into that very status of being wealth. I have studied the core actions of government and tried to find systems that worked while others failed. All of that study revealed nothing where a single system ever produced the fictional ideals that so many espouse and attribute to the **Gold Standard**.

I am no mouthpiece for government. I do not accept the system of destroying our very future for the sake of instant profits be it by private self-interests or political self-interest. So I have no self-interest in either trend, I believe in **LIBERTY** that I define as the freedom from either oppression.

There is no magic cure for our evils for there can **NEVER** be any fixed rate system for who will change it when necessary? **Julius Caesar** had to come up with a calendar putting the system on automatic pilot because allowing the priest to insert days led to corruption.

Money supply **MUST** grow with the population or else there will be deflation. People wrongly believe that their home has been their savings account. What they fail to see is that 30 years of paying property taxes and the rise in inflation has diminished the real tangible value of the "equity" in the home. Then the government wants to tax you when you take that inflated profit, but on a real net basis, you would have been better off just buying gold. Why? It wasn't taxed every year for just owning it along the way. Compare what a car cost when you bought the house 30 or 40 years ago. Now look at what they cost today. After property taxes all these years and the income tax you will have to pay when you sell the house, see if you really made any money at the end of the day.

As population grows, there must be more money to go around. The greatest problem the **Gold Standard** has presented, is the failure to coordinate the expansion of money with the needs of the economy. The major gold finds from California, Canada/Alaska, Australia, and South Africa, created vast economic swings during the 1800s. This in part fueled Marxism for people did not understand what was taking place and needed to blame someone. Marx was there at the right time with his view of hate for anyone who had more than him throughout history.

Marx looked into the eyes of history and only saw money. He wrongly believed that self-interest somehow was limited to private people and failed to see the greed of not individuals, but the state. The self-interest is not limited to the private sector. All governments are just as ruthless and will always, and without exception, oppress their subjects for survival.

**MONEY CAN BE ANYTHING
FOR IT IS MERELY SOMETHING
THAT MAY BE VALUABLE TO ANOTHER**

The goldbugs will always quote **John Exter**, a Citibanker who was also sent to South East Asia by the US Government to help create a monetary system out there. I knew **John**. In the early 1980s, he was reading my work and called. He flew into Princeton and we spent the day together. **John** was a hard money man. He often took the position that the whole floating exchange system was nuts and argued that the dollar had become just and IOU worth nothing. **John** was probably the first person who felt compelled to get me into the academic side of the debate. I was just the global fixer-upper who cared nothing about the system, for I did not see where I had any influence or power to alter that system.

John flew in to show me his life's work. He wanted to show me his view on how money and interest rates worked and why we needed to return to a fixed exchange rate system backed by gold. I was not so passionate in this regard. I was having fun. The floating exchange rate became my specialty. I will save for my memoirs the name. But when a major country found itself in trouble with pegging its currency, a political crisis evolved. The head of state had promised not to devalue the currency. If he did, it would be political suicide. So I advised them there was no choice save bankrupting the country. I thought about the political problem in light of the economic reality. I then had an epiphany. I remembered the words of **Richard Nixon** on August 15th, 1971. He did **NOT** say he was going to "devalue" the dollar. He said he would let it,

FLOAT TO SEEK ITS OWN LEVEL

I wrote a quick speech; just a paragraph actually. I was quoting Richard Nixon to a head of state without saying who inspired

those words. It was read to the nation. It saved the day. There was no "devaluation" that had been a campaign promise. Here, the "**Free Market**" would be allowed to set the price. For you see, one of the reasons I was a global fixer-upper, was I knew how to also blend the advice with practical political solutions.

That is my point here. I could bullshit you and say the **Gold Standard** would have never allowed the inflation we have seen post-1971. But that would be **FAR FROM PRACTICAL!** You see, the reality behind this system is that it has fueled political careers. They have been able to just spend and borrow to cover their very impractical promises. There is **NO** possible way a **Gold Standard** would have prevented what we face today, for they would have debased that to achieve the same political goals no different than the Romans or the Greeks.

HUMAN NATURE WILL NEVER CHANGE

The monetary system can be based on sea shells, lumps of iron, cattle, sheep, or even moon rocks if we want. The object **MUST** be perceived to be of value. Gold began only as jewelry. It was a color that attracted women and men.

A host of different animals find the male builds a nest and adorns it with bright and shiny objects. They will take tinfoil and fill the nest to attract a female. Most males have physical traits all designed to attract the female be it antlers, bushy main as a lion will flash around like a male model, or even a peacock with bright feathers. Male ducks are typically bright and colorful as mallards where as the female is just brown.

Gold became valuable because it was used as jewelry to attract females. They loved it. Its rarity evolved and in some societies it was confiscated and only allowed to be worn by kings. Only as **Gold** started to become more common, did it start to trade as any such commodity having value. It was **NOT** perceived to be **MONEY** as the alpha & omega as the **Gold Standard** advocates say today.

There is **NO** empirical evidence to show that merely because there is a **Gold Standard** there will be neither inflation nor economic near-death experiences. The **Gold Standard** did not protect the Greeks, Romans, nor any other society whatsoever. Civilization still rose and fell.

We **MUST BE PRACTICAL** and approach the subject of money without passion. Identify the real cause of the rise and fall of **ALL** societies. We have to realize that it is simply human nature that no matter who is in charge, they will always cheat to benefit their personal self-interest.

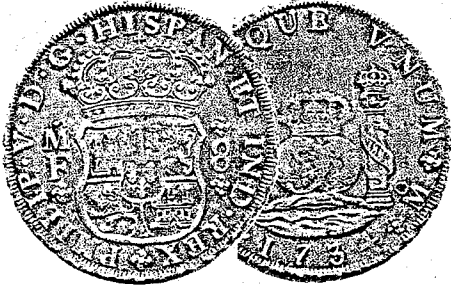
The socialists are dreaming or smoking crack when they claim that the private sector is corrupt, so we should control everybody by tyranny - the force of law. What if they are wrong? What right do they have to force their theory upon anyone else and then deprive them of the liberty to make their own choice in life. We all have but one life and it is not the property of the states!

Why would we create a system that there is not a single incident that illustrates that a gold standard ever prevented anything of which they warn about. We can only realize that what is going on will never be solved by trusting human nature. Power corrupts and just handing power to regulate to the government will not protect a damn thing.

The only hope we have is to reorganize government from top to bottom. We must take the judiciary away from the executive and give it back to the people, for unless this is done, **NO LAW CAN BE ENFORCED AGAINST THE GOVERNMENT WITHOUT JUDICIAL INDEPENDENCE.** It should be administered by the American Bar Association where **ONLY** private lawyers will sit in panels of 3 judges rotating such posts annually. In the **Declaration of Independence** Thomas Jefferson wrote that the King protected his agent with mock trials. In **Magna Carta** the same demand that only competent men should be appointed as judges who were willing to uphold the law, **Chapter 45.** There can **NEVER** be **LIBERTY** as long as the state controls judges.

You may think this extreme, but people cannot file charges against any public official. Laws are only to prosecute citizens, the **Coinage Act of 1792 §19** actually declared that it would be a **DEATH PENALTY FOR ANY OFFICIAL WHO FRAUDULENTLY DEBASED THE PEOPLE'S MONEY.** For you see, they too looked at history and saw the same thing that I did. It was always, and without exception, is not the fault of the private sector, but the public sector who always spent more than they had and that led to debasement. I dare say, there is no public official in Washington today who legally could not be hung!

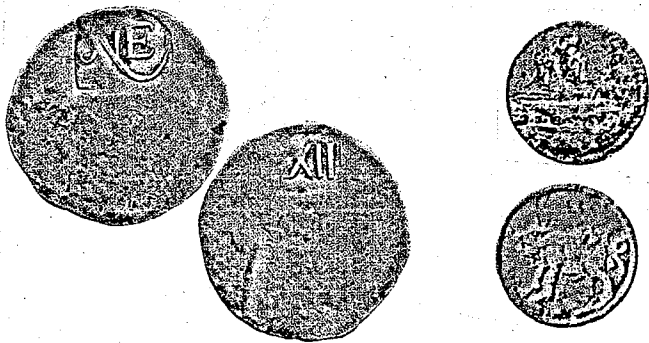
Exordium to the US Dollar



Spanish Pillar (Milled) Dollar

The real coin of the Americas was none other than the Spanish Milled Dollars as they were known. In formal terms, they were 8 reales and the shortage of precious metals in the Americas often led to these coins being cut up like a pie to make small change. They were cut into 8 "bits" and thus the term that is still known today, two bits of 12½ cents each equaled 25 cents.

The Spanish dollars were minted in very large quantities in South America between 1732 and 1772. On September 2nd, 1776, they were proposed to be the new monetary value for the United States by Thomas Jefferson.



NE Shilling

Threepence



Shilling, Large Planchet (1667-1674)



Threepence

Sixpence

Private colonial coinage was minted in a host of different areas. Illustrated here is a threepence of **Sommer Islands**, showing a hog, that today is known as the Bermuda Islands. **John Hull** was commissioned by Massachusetts Bay Colony to mint coinage. He began with the "NE" issues. He then made subsequent issues with a willow tree, oak tree, and then a pine tree. This was the first act of defying the English King for he made it illegal to create coinage that would compete with his own that bore his image. These first coins of independence were minted between 1652 and 1682.

Coinage began to spring up throughout the colonies. We find issues even by **Lord Baltimore** in Maryland. The issues are just too numerous to go into here for the purpose of this writing.



CONTINENTAL CURRENCY

There were individual state issues, but as the States joined together to fight the Revolution, the Continental Congress was then created to fund the war. The bulk of the money was paper currency. They needed credit and effectively the paper currency was more of an IOU. Pictured above, is a **Continental Dollar** that is very rare. They are known to have also been minted in **Pewter and Brass** in addition to **Silver**, which is the rarest. No doubt, the inflation of the time prevented any massive issue of silver coinage. The most common pieces are those struck in **Pewter**, a white metal that at least tries to create the image of silver much in the same way we have nickel coins pretending to be the old silver coinage.

* Warning: there are numerous copies of these coins that were sold as souvenirs.

It was the **Coinage Act of 1792** that officially created the monetary system. It is here where §19 proscribes death to the politicians who debase the currency. There would be no one standing in Washington if this was enforced.



THE FIRST SILVER DOLLAR OF US 1794

The first coins minted in 1792 were the **Half Cent** in 1792, followed by the **One Cent** in 1793. The first actual dollar did not come until 1794, pictured above. What is clear, is the animosity toward the English was so strong, the American's did not wish to even have the same currency base - the pound. The term "**dollar**" was German in origin "**thaler**" that was the first European silver coin. It was originally designed to be a substitute for the gold **florin** that first appeared in 1484 in Tyrol.

Despite the belief in the **Gold Standard** somehow rules, it was really a bi-metal system whereas silver was the primary means of exchange and these European **thalers** were the most popular means of exchange during the 16th Century. Most European countries began to adopt the same standard by minting coins that were of equal value to the **thaler**. In Netherlands, this new denomination became known as **riksdaalder**, Poland called it the **talar**, the Danish used **rigsdaler**, Italians called them **tallero**, Russians knew them as **jefimok** and the French called them by the name **jocandale**. Most of these names are a derivative of the largest European silver mine at **Joachimsthal** that was located in the Bohemian Erzgebirge.

It was the discovery of silver in South America and the conquest of that region that caused Spain to rise to the new financial power in Europe. Although the Spanish named their coins 8 reals, it became known as the Spanish dollar much as all photocopies are often still call a Xerox. Therefore, with such animosity toward Britain, it became a natural transition to create the American dollar. Its weight was 26.96 grams gross with a composition of .8924 silver with .1076 copper.. The size was 39-40mm in diameter. The total number of coins that were struck that first year were 1,758. The next year in 1795, the total silver dollars that were struck amounted to 160,295.



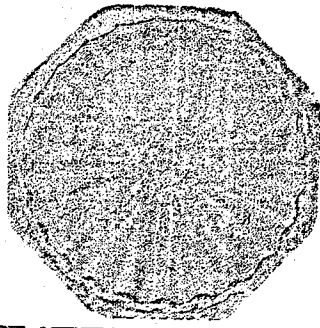
The United States suspended minting of silver dollars between 1804 and 1837. It was 1840 when silver dollars resumed with the new design known as seated liberty pictured just above. However, there was the vast California Gold Rush of 1849. This greatly expanded the gold supply, but not silver



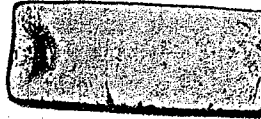
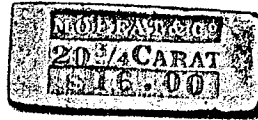
THE FIRST \$20 GOLD COIN 33.436 gm of .900 fine gold .100 copper with the pure gold net weight .9675 ounce

The massive influx of gold from California drove the silver prices to a premium to the point that the silver dollars by the early part of 1853, were worth more in silver than the face value of the coin being \$1. There was generally on average about 70,000 silver dollars minted annually between 1840 and 1850 prior to the Civil War. The most minted was 184,618 in 1842 and just 7,500 in 1850. The rise in silver prices immediately after the 1849 Gold Rush, led to only 1,300 silver dollars minted in 1851 and 1,100 in 1852. The speculative bubble in silver broke in 1853 and the total amount of coins minted later that year jumped to 46,110. It was 1853 that the US bought Gila River Valley from Mexico in what was called the **Gadsden Purchase**.

It was the discovery of the **Comstock Silver Lode** in Nevada during 1859 that again is reflected within the money supply, for now silver dollars started pouring out of the US Mint. In 1859, they minted 635,700 silver dollars, with 732,600 minted in 1860. The outbreak of the Civil War led to the sharp decline in minting silver dollars with 77,500 in 1861, 11,540 in 1862, 27,200 in 1863, 30,700 in 1864, and 46,500 in 1865. The money supply was hardly a consistent flow.



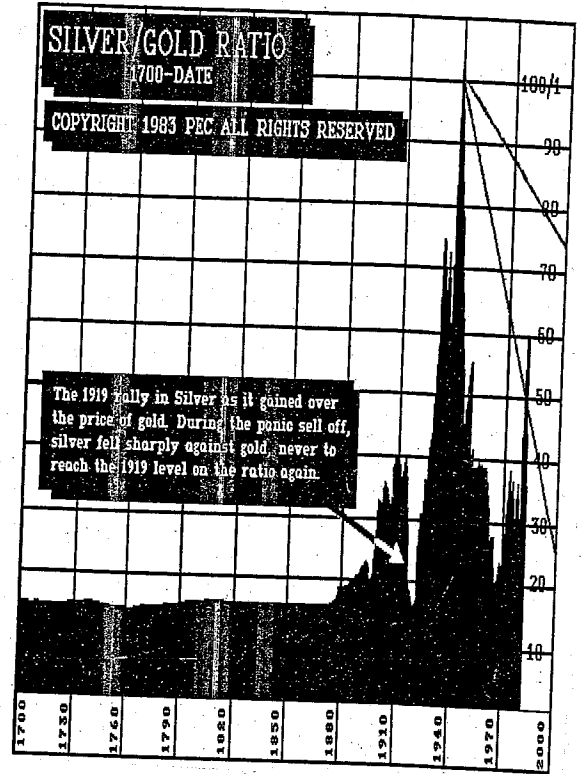
\$50 GOLD COINS WERE MINTED BOTH
PRIVATELY IN CALIFORNIA & BY US ASSAY OFFICE



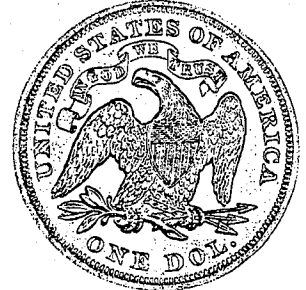
PRIVATE CALIFORNIA GOLD COINS &
INGOTS WERE MINTED
DUE TO THE LACK OF COINAGE
IN CIRCULATION IN CALIFORNIA THEN

The history of the Gold Standard has been plagued by this timing between when gold has been discovered relative to the economic needs and even relative to silver. This was a massive cycle within itself that has caused the gold silver ratio to swing wildly in time. We can see from the chart presented here, the theory of claiming that silver should be 16:1 relative to gold and thus it is dirt cheap, has been the oldest sales pitch that is comparable to - Hey would you like to buy the Brooklyn Bridge?

There has always been a disparity in the Silver to Gold Ratio because of the discovery of the two metals. Right now, we have even a decline in gold production in South Africa that did not exist in 1980. This is what has often defeated the best effort to create a Gold Standard.



With Motto IN GOD WE TRUST (1866-1873)



The Phrase "IN GOD WE TRUST" that has led to many derivatives such as-"ALL OTHERS PAY CASH"-was added to the coinage after the end of the Civil War in 1866. Silver once more began to pour out of the US Mint. While in 1866 there were only 48,900 coins struck, by 1871 there were almost 1.1 million produced and in 1872 there was now slightly more than 1.1 million. Inflation was really kicking in and we had the Gold Panic of 1869 that forced the Congress to adopt the "Hard Money" view where they passed the Public Credit Act that promised to repay all the government debts from the war in GOLD.

It was 1873 when another massive silver discovery was made, the Great Bonanza Silver Lode in Nevada. The view quickly turned to one of massive inflation creating the Panic of 1873 that led to the closing of the NY Stock Exchange for 10 days.

The Panic of 1873 they called the great "Crime of '73" because with this new massive silver discovery, people wanted to cash in and the Government, fearing that now just massive amounts of silver would be pouring into the economy, demonetized silver. The farmers and the miners blamed the Panic of 1873 on the demonetization of silver. This led to the rise of the Silver Democrats and created a false hope that by flooding the economy with silver, prosperity would then return.

**THE TWO-TIER MONETARY SYSTEM IS
NOW BORN IN 1873**



UNITED STATES SILVER

THE TRADE DOLLARS

While Europe was on a Gold Standard, both China and Mexico were on a SILVER Standard. In order to do trade in Asia, the United States minted a new silver coin they called the Trade Doolar, that was then issued between 1873 and 1885. The weight is actually listed on the coins 480 Grains of 900 Fine silver, which is 27.22 grams or .7874 ounces of pure silver. The coins were minted with a diameter of 38.1mm.

This clearly established a TWO TIER MONETARY SYSTEM, the first in American history. These Trade Dollars were not then recognized for domestic circulation, and traded primarily based upon the actual metal content.

The political outrages created by the farmers and the miners, misled many into assuming that the Panic of 1873 was created entirely by the demonetization of silver. This, of course, was just absurd. But this political turmoil was responsible for now creating a 26 year depression from 1873 with the low in 1899.

The coincidence of demonetizing silver in 1873 correlating with the Panic of 1873, led to the political division that would not stop. Finally, by 1878, the nation was in fact starting to drift toward Marxism due to this distorted view that indeed the rich were insisting upon a Gold Standard.

In 1878, Women's Suffrage Amendment was introduced in Congress on January 10th, by Senator A. A. Sargent. We also have the rise of a new political party in Toledo, Ohio known as the Greenback-Labor Party. However, it was the Bland-Allison Act that resumed the coinage of silver for domestic circulation.



**THE MORGAN SILVER DOLLAR
(1878 - 1921)**

The US Mint started to reissue silver dollars for domestic circulation in 1878 that have become popularly known as the "Morgan Dollars" named after their designer George T. Morgan. Where Trade Dollars were .7874 ounces of pure silver that were being minted for circulation outside the United States, the domestic Morgan Dollars were .77344 ounces of pure silver. This created clearly a TWO TIER MONETARY SYSTEM the same as South Africa use to have, the Financial Rand for international use and the RAND that was not convertible to foreign currency and used purely domestic.

A TWO TIER system allows domestic policy to be separate from international influence. However, there was a serious problem. The silver to gold ratio was thus set at 15.9884 ounces of silver to 1 ounce of gold. This now overvalued silver relative to gold for in Europe it was pegged at 16.5 to 1.

A half-ounce may not sound like much, but it was enough to create a very profitable foreign exchange trade. Take silver to the US and 16 ounces bought 1 ounce of gold. Go back to Europe, and you got 16.5 ounces of silver.