

The Case for Inflation

Inflation is *always* a monetary phenomenon. Since the printing press, it has in all times and in all places been the inevitable consequence of creating large amounts of money, not backed by any commodity, such as gold.

Now we are in a period of **deflation**, with falling prices. Government will do what it feels it has to do to fight deflation, because deflation is synonymous with depression, like in the 1930s. But the only way they know how to solve a problem like this is to throw money at it. The amounts are in the trillions; nothing is like it in all of history.

If all of this newly created money does *not* cause inflation, it will be the first time in the history of fiat money that inflation has not resulted. Based on the lessons of history, that's the way to bet.

One of the natural consequences of a dominant world-wide currency, like the dollar, being created in vast quantities, is that the dollar will fall versus other currencies. The irony is that right now the dollar is rising against other world currencies. That only means the dollar is the healthiest patient in the hospital. Why? Other currencies are the early victims of the inflationary plague.

You Americans who earn and spend only dollars will soon see the natural consequences of inflation, which are rising dollar prices.

When will we begin to see the consequence of monetary inflation; broad-based price inflation?

I was on CNBC recently, and they asked me to tell them when this was going to happen. I told them I didn't have my crystal ball, and the best way to become a fallen prophet was to set a date for something like that and get it wrong. I'm too old and smart to do that. I did give my best guess, which is some place between six months to a year, when trillions of dollars we are creating are no longer sitting silently on the balance sheets of banks but start circulating. That's when the real inflation starts.

What Will It Look Like?

What will the inflationary world look like?

Gasoline and other oil-derivative prices will start rising. Oil will go back above \$145 eventually. Sometime within the next year you will see oil at \$75 to \$80 per barrel, which will put gasoline prices back under \$5. Food will get more expensive.

That's my best guess; it is not an exact science. You are relying on my experience and instincts to be right more often than I'm wrong.

The Death Throes of the Dollar

One consequence of rising monetary inflation is that the dollar will begin its death throes. History tells us that the world is littered with dead paper currencies. They *all* have a life span of about 75 years. This one is living on borrowed time.

Glenn Beck, one of my favorite talk-show hosts, has said in his gold commercials that he is **not buying gold as an investment, but as insurance. Insurance against what? You are insuring yourself against the ultimate total collapse of the dollar because of inflation!**

Money is supposed to be a means of exchange and a store of value. The dollar is still a means of exchange, but years ago it ceased to be a store of value. If you want to store the value of your assets, don't store them in anything that is dollar denominated other than gold and silver, which immediately places into question **the stock market**.

Again going to the lessons of history, something in the human psyche instinctively moves us towards precious metals. That is exactly what's happening now. Despite the apparent non-price-responsive metals, eventually they will take off big time, based on demand.

The fundamentals are being built now as the public demands for gold and silver is soaring. One reason I like silver is that people can afford to buy some. When the gold gets near \$1,000, an ounce becomes too expensive for the average guy. So I will place my bet on silver where the average guy can act.

Worldwide a tremendous amount of bullion and coin buying is going on, even creating silver shortages. **The monetary authorities (bankers) have done all they can to keep gold under control. \$1,000 an ounce gold seems to be a trigger point for them. They will do all they can to suppress it, because rising gold is an insult to the dollar.**

I will write later on how this manipulation occurs and why gold and silver have not yet gone as high as you think they should. The fundamentals seem to demand higher prices, given the rising worldwide demand.

Ten or 20 years from now, you will brag about having bought the metals at these prices.

Remember, you are buying it as insurance against the total eventual collapse of the store-of-value function of the paper dollar.

This is much more apocalyptic sounding than, "You should buy gold and silver because you will make a lot of money." That happens to be true; but it's not the real reason to own it.

On CNBC Squawk Box I was asked, "When will you tell the world that the stock market is cheap enough to buy."

I was caught a little off guard, but basically I said, "You assume that day will come. I think that is a difficult bet." I'm betting against it!

The Terminally Ill Dollar!

The **stock market** is in its death throes, and the dollar will soon be in its death throes, when the Chinese, the Indians, and the Japanese stop buying U.S. paper. Now it seems to be recovering. But that is a temporary phenomenon and eventually the dollar will implode, leaving the world knee-deep in a failed currency, as it has always done throughout history.

Does history always have to repeat itself? No, of course not. But that is the way to bet. All the factors are in place, including a President and a Congress that have no compunction against creating unlimited amounts of dollars and spending them through the banking system. This is sheer madness and makes Obama perhaps the most dangerous president the United States has ever had.

His ignorance of economic principles is monumental, equaled only by his arrogance in pursuing this destructive course.

I'm sorry if you don't like my politics and because I haven't joined the ranks of those who have been infected by Obama-mania. I just hope I will live long enough to see the day when we will return to some level of sanity. **But that sanity will not include the recovery of the dollar as a store of value.**

Some day we will need a new currency backed by a fixed commodity. I don't know what form it will take, but the market will speak and create a new piece of paper that has some tangible anchoring.

In the meantime, the world as we knew it is dying and the dollar is beginning its death throes, regardless of the current daily price of the dollar versus other currencies. When we get sick, the rest of the world gets pneumonia. We will probably attempt to make the euro the reigning world currency (perhaps even the yen), but that is only a temporary stop-gap.

In the meantime, precious metals are an insurance policy that preserves the value of your assets. You can offset the failure of your paper dollars by putting about a third of your assets into precious metals, preferably silver.

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