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[Previous](#) | [Next](#)

We've all heard the pronouncements of the demise of the US dollar. We've been buying our gold, while patiently waiting for the "powers that be" to stop manipulating the gold prices in a downwards direction. We know that it is just a matter of time before the rest of the industrialized world gets tired of us and stops using the US dollar as their reserve currency. The inflation dragon is breathing hot fire down upon us. Buckle your seat belts....the time is nigh...

This is not an attempt to make light of the possible inflation scenario stated above. I used to hold somewhat the same position – until I started digging into how things actually work.

One thing that always bothered me with the inflation hypothesis is that it just didn't make logical sense in so many ways. If our nation is on the verge of a hyper-inflation scenario then why is our Federal government spending money like it's going out of style? I know that a majority of our government officials are greedy and power hungry – but why would they risk anarchy in the streets? Wouldn't it be a better plan to incrementally lead the masses into complete Marxism rather than completely destabilize the nation's economy?

This is when it dawned on me that money (in whatever form) does not make an economy. The underlying labor is the framework. I then realized that there are two types of labor.

The first is biblical labor where a person completes some work and gets paid an agreed upon wage. This wage can be used as capital in commerce, and the underlying labor can never be controlled by tyrants since it's already been completed. There's nothing left to control. The person that earns the wages is only serving one Master – God. This person can freely and joyfully give God the fruits of their labor, since the wage actually represents their labor, and is not encumbered by the future labor of others.

The second type of labor is servitude. Servitude always involves serving multiple masters. Some of it is explicitly voluntary, such as taking out a home mortgage loan. There is also servitude that is implicitly voluntary, such as paying taxes to the various levels of government in which we live – assuming that those taxes are being used in adherence to Constitutional principles. Then we have servitude that is outright slavery. This is paying forced taxes to the various governments for things that are "extra-Constitutional". Some examples of this would be Social Security, Medicare, Medicaid, and Federal Unemployment – to name but a few.

Most of us think that the Federal government takes our Social Security taxes and puts them into a safe account for us to use when we retire. Nothing could be further from the truth. A good chunk of our annual payments go to pay the Social Security benefits for others. Anything left over for the year is stolen by the Federal government and used for other pet projects that enrich their power. They replace the stolen money with an IOU. This is where the slavery gets even worse. Who's responsible for paying that IOU when it comes due? Right! The taxpayers. But didn't the money that was stolen come from the taxpayers in the first place? Yes...the taxpayers get to pay even more taxes to replace the taxes that they already paid that the government stole. Taxpayers are paying double taxes on part of their payments that go to government "trust" funds.

The first type of labor ("completed") doesn't exist in our current economy. We only have the second type based on servitude.

All money in our economy represents claims on future labor. We've all heard the commercials on radio about "getting out of debt", and how Christians can become debt free. No they can't. Not in the current economy – since debt is the only thing that exists. They can get out of explicitly voluntary servitude – which is great and

a goal to definitely seek. But they're still left with implicitly voluntary servitude and slavery servitude. It gets worse. Those people getting out of explicitly voluntary servitude tend to have more money that they save each month – and they tend to deposit that money into banks or credit unions. Those deposits are then used as a base to lure other people into explicitly voluntary servitude. It has the tendency of placing a stumbling block in front of our fellow citizens. The banks would not have the ability to offer the new debt if the deposits were not there.

You're probably wondering what all of this has to do with the US dollar and the price of gold. I had to lay the groundwork before we could proceed.

The US dollar is simply debt. The holder of the dollar is the master over some future claims on labor. The person owing the dollar will be in servitude for some future claims on their labor.

Money = debt and debt = money. The only difference being who is the master and who is the servant.

Our nation is seeing credit (a.k.a. debt) collapse, especially among households and businesses. This credit collapse also means that money is collapsing – since the two are equal.

When the overall supply of money in an economy goes down with respect to goods and services then the value of the money goes up, since it becomes harder to get. This is known as deflation.

We see confusion in our nation right now since we have monetary deflation mixed with some price inflation.

What happens when a business has gotten used to easy credit, and then the credit lines get reduced or pulled all of a sudden? They find themselves needing to cut their fixed costs very quickly in order to avoid bankruptcy. How does a business do this? Usually they begin with cutting working hours for employees.

Then they move on to cutting benefits. The next stage is cutting employees. Then they cut everything they've already cut to the bone. Then they increase their prices on their goods.

Why would a company increase the price of their goods as a last step to remain solvent? It's a last-ditch effort to increase their revenues. They have nothing left to cut. They still have to pay their remaining fixed costs – and they need revenue of at least that amount or they go bankrupt. Their liabilities quickly exceed their assets.

Price inflation will eventually come down, once the companies attempting it are no longer in business.

The United States is not the only country with an economy that is debt-based and beholden to the international bankers. The rest of the industrialized world is in the same boat. Many foreign citizens hold investments that are denominated in their local currency. Those investments are claims on the future labor of that nation's taxpayers.

Here's the part that I believe most people are missing. What happens when economic deflation and/or depression hits every continent? Investors will instinctively flee to the US dollar. Most of them won't even know why they're doing it.

What happens if you're in Ireland or Greece and have investments in Euros. Deflation hits your nation and things get really rough. Your investments are based on the future labor of your nation's taxpayers. Are you going to trust that your nation is more capable of eventually completing that labor than would be the case in the United States? No! We American citizens love to talk about how messed up our country is – but it's still far better economically than every other country on the planet. The opportunity for future claims on labor to actually be fulfilled is far greater here than anyplace else.

The US dollar is not going to collapse as we sink further into deflation. Instead, it's going to rise against the currencies of other nations. It will do so because investors from all over the world will be clamoring for it – and deflation will create a case where there are fewer to go around.

What about gold? How will it do as we continue on in deflation? Gold is a commodity. Commodities fluctuate based on supply and demand, along with many other factors like production costs and social/political stability.

Gold and oil will go down in price as the US dollar increases in value. This will occur because the world-wide debt destruction will cause world-wide money destruction. Less money = lower prices on commodities.

Conclusion

My analysis shows that the US Dollar Index will rally into the mid 90's, and quite possibly break 100. I also expect to see gold trading in the sub \$800/oz. range and silver in the sub \$10/oz area. I believe oil will drop to around \$30/barrel for West Texas Intermediate (WTI).

The above thoughts are just mine alone. They do not represent advice to buy or sell any investment. They are simply stated as opinion.

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 [Back to top](#)

 [Previous](#) | [Next](#)