ROBERT D. MCHUGH, JR., Ph.D.
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No Way Out: A Fifty Percent Dollar Devaluation

by Robert McHugh, Ph.D.
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Artificial Economics, the brainchild of the Master Planners, has focused on building an economy where debt — not income — pays for goods and services. The emphasis upon debt instead of income via hyper-inflating the money supply in stealth fashion, has destroyed the dreams of millions of Americans. Artificial Economics is a silent economic disease. ***A coming significant devaluation of the dollar is a likely and necessary consequence.***

The use of hyper-inflated money supply to postpone a recession over recent years has served to create ***an imbalance between income and assets***. Debt covered the gap for a while, but now debt is extreme, with a limited useful life. With high paying jobs being exported, and a limit to what is essentially slave labor from illegal immigrants, future productivity gains which translate into income are almost entirely technology dependent. ***If technology fails us, then the debt-to-income imbalance, then the asset-to-income imbalance must be reckoned with***. Undoubtedly, that reckoning will either be a nasty recession/ depression — where asset values drop below debt levels, leaving us with an imbalance between both assets and debt, and income and debt — or a significant and sudden devaluation of the dollar.

What is accomplished by a significant and sudden dollar devaluation? It is a way to pay off debt with suddenly-more-available dollars; cheaper dollars. We have been witnessing a slow meticulous devaluation of the dollar over the past two decades, with an acceleration over the past decade. This has come from an increase in the money supply via the credit creation route — debt. But that has served to replace income, and postpone a recession, at the great cost of hyperinflation of real estate, related taxes, and just about everything you buy. The result is debt. ***Once the debt creation train stops, then there will be no way to pay for things; no way to pay off that debt. There will soon be a point of no return, with an inevitable sudden and significant dollar devaluation as the only solution***. It would require the Treasury printing an amount of money equal to the current entire money supply, more than 11 trillion dollars, and literally handing it out to each household so that the broadest spectrum of people have the ability to payoff their debt. Debt does not rise in value as the dollar devalues. It is a contracted amount in former-dollar-value, notional terms. Thus, if we suddenly hand several hundred thousand dollars to each and every household, a dollar will become worth 50 cents in real terms, but in debt terms, it will still be worth a dollar, and folks will have more of them.

Dollar devaluation would require mandated cost-of-living wage increases, but also would require issuance of a brand new currency. Call it the liberty instead of the dollar. If you tied the liberty to gold, the U.S. currency could keep its world reserve status and survive the dollar devaluation tsunami. It would require a liberty to be worth the equivalent of two dollars, where there was only one dollar in circulation before the fifty percent devaluation event. A gold-backed liberty would stabilize inflation, and bring monetary stabilization back, but in a new economic order where debt is substantially reduced, both private and government. Government debt would be reduced as folks are required to pay taxes on the dollar-devaluing household-handout. Of course, this means ***Gold would have a bright future***. I don't see any other way out. Thank Artificial Economics for this — the economics practiced for the past decade in this nation that wasn't mentioned in your child's college economics textbook.

The Fed is sending out hints that it isn't planning to drop interest rates any time soon. Chicago Fed chief Michael Moskow stated this week that inflation risks were his major worry. He oughtta know, the Fed is causing inflation, which is why it hid M-3. Fed Vice Chair Donald Kohn said, "There is no guarantee that core inflation will continue to ease." Chairman Bernanke felt the need this week to address the Fed's role in crises, citing the benefits of the Fed's regulatory supervisory role. They know the problem, are likely in denial, but inevitably, the "buck stops here" decision must be made — devalue the dollar in half. We believe that decision, if it hasn't been made already, will be.

M-3 remains hidden by the Fed, so that ***We the People*** can't know what the Federal Reserve is up to. Where's the transparency Ben? ***Check out this monster in the chart above*** — It tells you all you need to know about what the Fed has been doing with M-3.

First of all, let's examine the pattern. It is a ***Head and Shoulders top***. These patterns are highly reliable. It is not yet a "confirmed" pattern, meaning until prices drop below the neckline decisively, say below 80.00 to 77.00 or so, the probability of the minimum target of 40.00ish being hit is not as great. However, ***should we see the Dollar drop down to 77.00ish, we are in a high risk situation of a devaluation of the dollar all the way down to 40.00***. Not all at once, but over the course of several years. ***Perhaps all at once, should the government elect to flat-out issue an edict that a dollar is now worth 50 cents. Would they? Maybe. Why? Again, it is a way to repudiate half of all the debt in the United States.*** Why would they want to do that? Perhaps if a recession became a depression, or the risk thereof. Perhaps if housing was to absolutely dive into the tank. It would be a way to relieve mortgage holders of a huge chunk of their obligations in lieu of mass foreclosures.

The pattern is ominous as far as its size, its timeframe, and as far as its downside implications. ***This pattern is textbook***. No flaws. In fact it carries a rare added textbook feature of a weaker right shoulder than left. That is not good. This is right in line with the Fed's decision to hide M-3, enabling them to hyper-inflate the economy with too much money for secret purposes (The Working Group's minutes are secret, their market buying intervention activities are secret, the quantity of M-3 being created is secret). Any auditor worth his salt will tell you that secrecy breeds mischief, often with dire consequences. The founding fathers established accountability in our constitution, and the Federal Reserve and the Working Group (a.k.a. Plunge Protection Team) are managing M-3 in violation of that spirit.

"But the Lord was pleased
To crush Him, putting Him to grief;
If He would render Himself as a guilt offering,
He will see His offspring,
He will prolong His days,
And the good pleasure of the Lord will prosper in His hand.
As a result of the anguish of His soul,
He will see it and be satisfied;
By His knowledge the Righteous One,
My Servant, will justify the many,
As He will bear their iniquities."

Isaiah 53: 10,11

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Robert McHugh Ph.D. is President and CEO of Main Line Investors, Inc., a registered investment advisor in the Commonwealth of Pennsylvania, and can be reached at www.technicalindicatorindex.com. The statements, opinions, buy and sell signals, and analyses presented in this newsletter are provided as a general information and education service only. Opinions, estimates, buy and sell signals, and probabilities expressed herein constitute the judgment of the author as of the date indicated and are subject to change without notice. Nothing contained in this newsletter is intended to be, nor shall it be construed as, investment advice, nor is it to be relied upon in making any investment or other decision. Prior to making any investment decision, you are advised to consult with your broker, investment advisor or other appropriate tax or financial professional to determine the suitability of any investment. Neither Main Line Investors, Inc. nor Robert D. McHugh, Jr., Ph.D. Editor shall be responsible or have any liability for investment decisions based upon, or the results obtained from, the information provided.