AN ECONOMIC RESEARCH PAPER

By
Bernard & Telle
1974

For
The Foundation of Man
471 - 96743
"THE SHELTER SYSTEM"

A Better System

DEDICATED

to the

Dreams of Aldous Huxley

and not to the

Nightmares of Adolph Hitler

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THE INTRODUCTION - How To Mobilize Against Inflation?

Some time ago we read an article in Time that made us STOP TO CONSIDER that a depression was a possibility. This article dated July 29th, 1974, started with this sentence, "Inflation may be becoming to the 1970's what depression was to the 1930s— not only an economic agony but a crisis that threatens the stability of society." (p. 43) At this time let us remember that the word "crisis" in Chinese is composed of two characters. The first, the symbol of danger, the second, opportunity.

We were quick to see that a depression was a very good possibility, and set out to research it, knowing that not everybody lost money and peace of mind in 1929 - some made money - some attained peace of mind and some even made a lot of money. We were curious. We wanted to know. We wanted to prosper. We wanted a better life.

This paper is on us and our money or lack of money, and what to do. How to come to grips with our inflated times.

This paper is not on how or why our problem began, but rather it is on the good solution that is possible.

This is our paper to date, Wednesday, September 11th, 1974.

(NOTE: We would like to include the second sentence from the same Time article which reads, "Like the Great Depression four decades ago, today's Great Inflation has struck a blow at Americans' usual optimism about the future and replaced it with a deep worry-about whether families will be able to afford travel, comfortable housing, quality education for their children, even the foods they like best.")
#1 - What is the Problem?

The problem is inflation, and in order to understand it we must first define inflation, then investigate the signs of the times, understand the economic system and finally enter the solution.

First: What is inflation? Harry Browne defines inflation as, "An increase in money substitutes above the stored stock of real money; the counterfeiting of money receipts." (p. 372, You Can Profit from a Monetary Crisis, and How You Can Profit from the Coming Devaluation). Just too much money and not enough value. Hint: The early bird gets the worm.

So, inflation is nothing more than the phenomenon that happens when paper money looses its value due to over-printing. This is inflation.

It must be understood that this phenomenon of inflation is also negative and self-defeating in nature. It rots man of his future, making it impossible for him to save or plan for his future. This is inflation, and man cannot live, least of all prosper, in this negative nature.

There is a good solution.
#2 - What Are the Signs of Inflation?

We came to know we had a problem because we never had enough money. We were never able to save any money. We are not stupid people - we just did not know about money. We did did know we had a problem. Everywhere we looked, we saw the signs of inflation.

The signs are both near and far. Here at home and abroad too. All over the free world we see signs of the same problem, inflation. The signs are as close as your bill-fold. You may have money, some people even have lots of it, but nobody can buy much with whatever he has.

So let us take a quick look at the most glaring signs of our times.

a) Our first sign was the public opinion polls. We wanted to know what the public, the people were thinking.

In Time of August 26th, 1974, we saw the "Time Soundings", which have as their purpose to report on the mood, temper and outlook of Americans; to plum and analyze the problems that trouble the U.S. today. The following are some of their soundings:

Social: 32% resentful vs 73% not resentful, up 5% in three months.

Political: 49% non-conservative, 28% conservative, and 23% leaning conservative.

Economical: The impact of the economic ills show us that 33% are managing O.K., 39% are hurting but coping, and 28% are in serious economic distress. Up 5% in three months.

We were most alarmed about the high percentage of resentful, 32% is dangerous. "The views that distinguish the resentful group include: a belief that there is no justice for the poor (47% v. 18%), that people in power are not as trustworthy as they used to be (82% v. 57%), that Government is taking people's freedom away (62% v. 32%), that too much attention is being paid to minority groups (46% v. 41%) and that the state of morality is bad and getting worse (73% v. 32%)." (p.28, Time, August 26th, 1974.

We also found numerous other polls, including the Louis Harris Poll. In an article in the Tribune-Herald, Hilo, Hawaii, it was recently reported that 46% of the polled population did not think the government capable of preventing another depression. 46% is very near ½.
b). The large number of articles, books and newspapers that refer to 1929 and the Dust Bowl days. Even ABC TV had a special entitled "Inflation". *TV Guide*, in writing about the special defined inflation by using the following story: "This is inflation: the great pianist Arthur Schnabel gave a Beethoven recital in Berlin in 1923, and they paid him off with a suitcase stuffed full of thousand-mark bills. "I had to ask a man to help me carry my fee home," Schnabel recalled later. "On my way home, I passed a delicatessen and to relieve my helper, I spent half my fee on a couple of sausages. The next day I saw in the paper that I could not even get one sausage for the other half of my fee." (p. 10. *TV Guide*, Augus. 10, 1974) The article continued to quote historian Alan Bullock: "The collapse of the currency not only meant the end of trade, bankrupt businesses, food shortages in the big cities and unemployment. It had the effect, which is the unique quality of economic catastrophe, of reaching down and touching every single member of the community in a way that no political event can. The savings of the middle classes and the working classes were wiped out at a single blow with a ruthlessness that no revolution could ever equal." (p.12).

c). Interest rates are high.
d). The cost of living is going up while the value of life is going down. We see how close we are to runaway inflation through the cost of living. Prices are not going up every day, just every week.

e). The New York Stock Exchange is half of what it was. You only have what you have left. We see evidence for us to hope that the market will go up shortly - but we do not see any evidence for us to wait for any change in its downward trend. As Mr. J.A. Lempenui said in How to Take a Fortune Out of Wall Street, "Yes, now and then you will miss making a killing or that fast buck. But over a period of years you will have far less losses in your investment account, and even though your capital may grow slowly the important thing is it will have a chance to grow more surely - much more so. More important than money greater peace of mind will be yours." (p. 45).

Today: It is not the time to invest your money - now is the time to conserve your capital, convert to gold. "Buying gold simply avoids loss." (Gold vs Silver, C&H Gold and Silver Distributors, Inc., a Sibbet-Hadley Publication, August 26th, 1974).

As we saw in the Bache and Co. Gold Report, "Accordingly, it appears reasonable that investors with large capital positions should consider steps to hedge against the possibility that the failure of cooperative remedial action could lead to severe economic disruptions and loss of a significant part of their capital." (August, 1974). Why only those with large capital investments? What about you and me? What about us? The less I have the more it means to me. My money is important. Your money is important whether it is a million or $10 or $1.

(p. 23, Time, September 9th, 1974.)
The less paper money you have the more important it is for you to have gold - you must conserve what capital you have. And it is important that man prospers. Every man must prosper. Hint: the early bird gets the worm.

Let us quote again from the same report: "The classic hedge against large-scale economic disruptions is ownership of gold" and Merrill-Lynch state in their "Gold Report" of August 21, 1974, "We continue to believe that gold is in a long-term bull (going up) market...we expect the gold price to appreciate in real dollars."

f). The housing industry is down.

g). Unemployment is going up too.

h). Bankruptcies: "...there has been a steep climb in big million-dollar failures, "particularly in the general merchandise category," reports Dr. Rowena Wyant, manager of D & B's Business Economics Dept. "This rise began in 1973 and has accelerated this year." The average dollar liability per failure is topping the quarter-million dollar milestone for the first time since Dun and Bradstreet began keeping records in 1920. The total liabilities of firms that fail in 1974 almost certainly will approach an historic high of 2.5 billion, already are running 52 per cent higher than in 1973." (p. D6, Honolulu Advertiser, August 18th 1974).

i). The London Stock Market: here we turn to Newsweek, September 2nd, 1974, "Last week's plunge alone wiped out nearly a billion pounds in shares value (paper money) in a single day of trading... In the meantime, smart money operators were running through the shambles of the stock market, hedging their port-folios by purchasing gold bullion and South African Kruger rands (gold coins)." (p.30).

j). The international monetary crisis is here.

k). The price of gold is the best it will ever be.


m). "The Market: 1789-1964": Graph (see p.8). (p. 14-15 Panics and Crashes....)
The 20th Century Business Cycle and Crisis Points (Calculated Path)

1. Kondratieff
2. Juglar
3. Kitchin
4. Composite of 1, 2, & 3

Source: T.I. Zimmermann
Geschichte der theoretischen Volkswirtschafts-lehre
—Dr. P.E. Erdman—unpublished paper
The Market: 1789-1964

The solid black line shows a continuous record of stock prices. The series is not entirely homogeneous, but does represent "The Market" in a broad and general sense. Various stock price records are spliced together at the years marked * on the chart.

CURRENT FIGURES ARE DOW-JONES INDUSTRIALS

A trend line is drawn on at the center of the data. It is a trend computed on the logarithms of the data. This means that as the figures involved become larger, the numerical values of the trend increases also become larger.

At the present time the trend increases based on the center trend line on the chart are running about 8 points a year in terms of the Dow-Jones Industrial Averages.

The channel lines above and below the trend are drawn in to include about 90% of the years covered by the record. Of the total 176 years only 29 were outside the channels. Ten of these 29 years have been the last 10 years, 1955 through 1964.

G. S.
It is our understanding that no one can drive a car wisely if he does not know how it works. It is the same with money. I, you, us cannot use money wisely, for the good, if we do not know how it works. To understand how it works we first must explain the economic system, of which money is a part, but definitely not at the center of our system.

In thinking of a system, let us visualize a set of scales like we see Justice holding, with two sides moving up and down about the center. One side goes up, the other down, and vice versa. The center, about which all moves, does not move. It is the standard. This set of scales (balances), this system is complete. It can be moved anywhere, high or low, near or far, anywhere on the good earth it will work. And if the value of the standard is changed - it would change the system. The whole system. Equally. Change the system to a better money and you will have a better system. The whole system would be better. Gold is a better money than paper. (More in #6).

This center of the system is like that center in Eastern thought - where peace and tranquility really exist.

So what of this system? What are the parts and how does it work? On one side of the scales, are all our goods and services. This includes land, food, and everything else we make. On the other side is all our money (dollar, German mark, Swiss franc, etc.) and all credit.

But what gives our money value? What is at the center about which the two parts move? What is the center? What is the standard of our economic system? The answer is Gold. Gold is our standard. It is called just that; the Gold Standard. Our system works on the Gold Standard.

The system must have a standard of value if it is indeed to have value. The better the standard, the better the system.
#4 - What is Money?

"Money is such a routine part of everyday living that it's creation and acceptance are ordinarily taken for granted." This is the first sentence in a work-book titled *Modern Money Mechanics* specializing in 'deposits, currency and bank reserves' by the Federal Reserve Bank of Chicago. It continues: "Neither paper currency nor deposits have value as a commodity. Intrinsically a dollar bill is just a piece of paper. Deposits are merely book entries." More book entries? No intrinsic value. There is more to money than paper. It must have a value. (More on that in #5).

So what is money? Money is our media of exchange. As Harry Browne defines it: "Money is a commodity that is accepted in exchange by an individual who intends to trade it for something else." (p. 373, You Can Profit From A Monetary Crisis). Gold is that commodity. Paper is just its substitute, with a 3.39% gold backing. But what does this mean? And what can it mean? To get a better idea, let us look at another money. The Swiss franc.

The Swiss franc is currently backed up with 24.03% gold. A much better money. Now let us consider that ultimately all monies are allowed to float so that a common mean is reached. To do this the U.S. dollar would have to drop 58%, but the Swiss franc would have to rise 140%, a difference of 198% - if you just had your money in Swiss francs, just another money, you would prosper 198%.

So I ask you, if this is possible because the franc has just 20.64% more gold, what are the possibilities if you have pure gold? To know value is great. To know how to use money wisely is good.
#5 - What is Value?

In a very good book, *The Road Ahead* by Swami Kriyananda, value is defined this way: "The greater the expenditure of energy required to obtain a desired object, the greater it's value to us." (p. 14). This is why good is so valuable—it takes so much energy to be, do, good. That too is why gold is so valuable. In the January 1974 issue of *The National Geographic* is a golden story entitled "Gold: The Eternal Treasure". It explains how difficult it is to mine gold, how gold was the first metal mined by man, and how it has always been gold.

But value is not limited to gold. Any object that you have has value in the amount of the energy, time, work, or hassle that you put out to get that object. So we are, ultimately, who give anything value. Including gold.
#6 - What is Gold?

Gold is:
   a). a better standard than paper.
   b). where you find it.
   c). the first metal mined by man.
   d). historically used to venerate gods.
   e). the eternal treasure.
   f). the classic hedge against inflation.
   g). the center of our economic system.
   h). the universal money.
   i). the most noble metal.
   j). a barbarous relic.
   k). a refuge in time of trouble.
   l). a commodity.
   m). an emotional state.
   n). a monetary metal.
   o). an ornamental metal.
   p). an industrial metal.
   q). a better money than paper.
   r). Gold is the Natural Money.

Gold is the real money? What do you mean? I have a ten and a couple of ones. Don't I have money? Yes, but you do not have real money. You have only paper - a substitute for the real money. Money is the media of exchange.

Money must have five properties. They are; durability, divisibility, convenience, consistency and be of accepted value. Paper has none of these. Gold, on the other hand, has them all.

Gold has an accepted value and this accepted value has come about through millions of individual exchanges. Man has learned that he can trust gold - since the beginning. Each individual sees the commodity, evaluates it, and agrees to accept it - believing this will further his ability to obtain eventually what he wants.

So we see that gold is the universal money because it has universal value. This is an intrinsic value. Gold has intrinsic value because "...it is the base against which all values are measured..." (Gold and Silver).

Gold is universally accepted but it lacks a universal measure for the amount of goods and services it can buy. This lack constitutes the international economic problem. General Motors, the largest multi-national in the world, cannot afford to sell a car in one country for gold and in another for paper. It would go bankrupt. It is the same with us.
So here we begin to see the magnitude of not just our personal money problem, but the world money problem. We must have a universal money. And it must be of universal value. So where do we begin? With us. You and me. We begin by doing research. Once you know then you can act. But first, you must know.

What is gold? Gold is gold-money.
#7 - Why Buy Gold?

How do we work within an inflated system? A system with its value so inflated that it has little or no value? How?

What are people who know doing? We are gathering family and friends together. Moving to the center. Becoming conscious. Taking control of our actions, and acting.

But, why buy gold? First, as we saw in §5 "What is Money?" that a very good profit is possible in dealing with Swiss francs. Again, what are the possibilities of gold? They are nothing short of Great.

Secondly, we also saw in Bache & Co.'s Gold Report: "...it appears reasonable..." and Merrill Lynch said, "... a long-term bull market." And "...that sales on the free market now again equal 100% of production." Now? When the report was written, it was August 21, 1974. What time is it now? What is the price of gold now?

Remember: gold has an accepted value. It has an intrinsic value. Regardless of what happens if you have gold you will have something of value. You will have value. You cannot lose anything. This is not true with paper. As we saw in the Federal Reserve Bank (that big bank in the sky) workbook, "paper has no value". Only that which you give it. Or that you can get out of it. For it is only what we can get with money that we are after - and that is a better life.

Not a higher cost of living but a better standard of living.

The advantages of gold vs paper are many and numerous, but we have seen them earlier.

The advantages of gold vs silver are worth noting. First and foremost, gold, not silver, is the center of the system. Gold characteristically rises in value first, then silver follows. Silver is now basically and industrial and ornamental metal. It may be brought back as tokens and these are valuable too. But with gold we have the best money.

Why buy gold? Because of what it is. It is gold.
WORLD GOLD SUPPLY

(Billions of dollars)

Source: First National City Bank
When is The Time To Buy Gold?

Timing is important and difficult to predict. To buy or to sell is judged on time. The correct time. We look at the timing like this.

This country, us, is like an ill person. Not strong enough to go through an economic operation right now. The country must have leadership, first. This should be completed soon with Mr. Nelson Rockefeller becoming our Vice-President. Then we have the political campaigns of October, the November elections, Thanksgiving, pre-Christmas madness, Christmas, and then the New Year. Then January 2, 1975. The first day in four decades that gold will be legal for United States citizens, us, to own. Here lies the seed to our solution of our, us, and the world's economic problem.

In considering timing, there are several factors to consider. Before the Crash of 1929, we were inflated, seven paper dollars to one gold dollar. Today the ratio is 35 to 1, and climbing. (we have 350 billion paper dollars and only 10 billion dollars in gold).

Now is a unique time. With a great economic problem. The problem is inflation. Not just economic, but social and political too. It is our belief that good money chases poor money out of the system. That January 2nd, 1975 will be the beginning of the consequences, and the birth of tomorrow.

In our economic system, whoever uses money is affected. No one is immune. But to save money, to save capital, in an inflated time is good, really good. But to prosper in spite of the time denotes wisdom.

Man must prosper. To prosper he must have a good economic system. He must have a good money. Good people must have a good money.

This is an inflated time. You and I, us, were not prospering. We ask why. We are told. We know. We buy gold. And so begins a new bank, a new system. A better money, a better system. Hint: the early bird gets the worm.

If - we are to have a good economic system, we must have a good standard of value. You and me, us, everyone, everywhere. To have gold is the first step to a world economic peace. This world. One world, Under God. OM/TAO
#9 - What is the Future?

To value our future, to see progress in it, we must first define progress. Progress is that which is better than what it replaces. We see much progress in the future. A much better economic system. A much better money. Gold is better than paper. Gold is only uncertain for those who do not know. And do not trust. For he who hesitates is lost. Confusion lies ahead.

The results of January 2nd, 1975 will be all the same. Massive economic unrest, collapse. Return to the Gold Standard. Issuance of a new dollar, and then a better economic system.

What is our future? What do we know? We know that man is basically good. That un-consciously he will do good, naturally. We know that consciously man is great. We know that gold is the center of our economic system. We know that God is the center of our system, and when we are at the center, we are one. With the system. With God.

I also know that when I came to this island yesterday, I inevitably and inescapably inflated the problems of today. I ate more food, produced more garbage, and exhaled more into the air. I inflated the system. Now. Today. I am just beginning to know that. I am part of the problem and I am part of the solution. We just are.
THE CONCLUSION.— Know Value (buy gold).

The golden seed to solve our inflation is in our hands. When we buy gold, we will begin to grow.

The solution to inflation is to know value. The solution to our economic problem is to return to the source. Buy gold.

Remember inflation is the phenomenon of lesser value. That it is the state where there is no hope in the future. Where you cannot plan or save because everything will be worth less tomorrow. This is not good. This is self-defeating to man.

But to stop chasing the fleeting tomorrow, to come to grips with today's problem of inflation is a very difficult step. One, man must make carefully, and for the correct reason. To drop everything. To turn everything into gold, based on the fear of the consequences that January 2nd will bring is Wrong and Very Misguided. To know these facts, truth, and understand it. To know the phases to be necessary and regretful. To know to base your action on hope for the future. To trust in the future. To know that after our economic problem is solved that there will be value. That value is gold, and that there will be a chance to rebuild with a better system.

Kelsey Harmon (age 7) defines inflation as, "Too much money; not enough gold."

(Do you understand what you have read? Do you understand that gold is illegal? It will be legal on January 2nd, 1975, or earlier, at the discretion of President Ford. That opportunity awaits, and that silence is golden too.)
FALL FOUND GUILTY IN OIL BRIE CASE; JURY ASKS MERCY

Ex-Secretary, Stunned by the Verdict, Keeps Calm, but Wife and Daughters Sob.

FRAUD FINDS IN COURT

Defendant, Fined on $1,000 Bail, is Released from Prison and Taken to a Hotel.

A NEW TRIAL IS BOUGHT

Defendants, Aided by Motion to Reverse the Judgment of the Court, Are Freed.

REPUBLICANS TO WAR ON REBELS IN SENATE

Selection of Rahn as Treasurer of Senatorial Committee Sees First Campaign Move.

HUSTON ENGAGED BANKER

Assignment Made at Demarre House by Which Speaker's Critic Progressed Group.

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