

All Aboard! Ride These Money Making Trends to Prosperity By John Kamin

There are certain economic trends and economic truths you can use. It's often greatly risky and not rewarding to "fight the trends". Especially if those trends are **predictable**.

Therefore, it is up to economists to **spell out precisely** which long-term trends are predictable, so that you can "go with the flow". Get the **power** of the trends on your side, rather than trying to swim upstream against a strong long-term current.

After many decades of research and economic observations that encompass data and economic history going back **centuries**, certain **patterns** stand out. (The Father of the Science of Economics is Dr. Adam Smith, who wrote The Wealth Of Nations in 1776.)

Social scientists studying economics can **discern** these patterns. Unfortunately, much of economic science is so wrapped in hard-to-understand terminology that it **requires translation**. Even the prestigious NBER (National Bureau of Economic Research) the official marker of recessions and booms, has some difficulty bringing the lingo down to understandable layman's terms. Then, even after it is "translated", sometimes the clear patterns and trends are **not** made **apparent to the general public**. Why not?

The compilers and economic scientists may be more interested in the **beauty** of the trends themselves rather than in showing the general public how to **make money** from following trends! Have you seen this happen?

Even Dr. Alan Greenspan and his predecessor, Paul Volcker, though much admired, when interviewed repeatedly, **don't** tell you how to make money. I believe they may even view making money as "outside their sphere".

POLITICS TO INTRUDE?

One more thing. Though Alan Greenspan may be one of the more popular, much listened to non-political advocates of economics studies, money and banking worldwide, legislators clearly call repeatedly for "clarification" of what Greenspan says. Sometimes, as you know by now, because of **their** individual politics, they're more interested in the **political** leanings than the given economic facts. Understandable?

GREENSPAN-SPEAK!

FORECAST: Dr. Greenspan will not be with us forever; in a few years he will be 80+. You must think **beyond** careful Greenspan-speak (careful choice of words, such as "irrational exuberance"). We wish him longevity.

While Greenspan apparently favored gold legalization on gold backing for U.S. dollars back in the old days when he was a private citizen (1960s and 1970s), you would be hard-pressed to find any favorable-to-gold commentary in present words.

The much-admired Greenspan heard Howard Dean call for his resignation. But I like the idea of having an economic scientist and actual economist, not a political figure, educating so many people on economic effects, current economic trends, long-term economic changes ahead, as well as helping the politicians to avoid **disastrous** legislation so many times, economic suicide. When Greenspan speaks, people listen (whether they want to or not).

DISCERNIBLE, PREDICTABLE ECONOMIC LONG-TERM TRENDS.

Looking back across the 20th Century, and many centuries prior, the first economic trend that is discernible and predictable is **inflation is ongoing**. Deflation, though much discussed, is **rare**, temporary, and usually **unlikely**.

2nd discernible trend: when fiat paper money enters the picture (fiat means law, **forced legal**

tender acceptance under penalty) unbacked by gold/silver, **higher** inflation is more likely. Source: Fiat Money Inflation in France by Dr. Andrew Dixon White, presented to the U.S. Congress in 1886, among others.

Therefore, out to **2054 A.D.**, you can expect a great deal **more inflation**, without gold-backed money. Fiat money in the world today, is a **certainty** and its long-term consequences are predictable.

3rd trend = **Increased Velocity**. The Forecaster, perhaps more than any other economic publication, has focused on the long-term effects of increasing the amount of Currency In Circulation. We state bluntly that, since greenbacks printed (CIC) total is **high velocity** money, quickly **respent** repeatedly, that CIC can add inflationary pressures in inflation-prone economies. One has only to look at the aftereffects of too much printing press money in nations such as Russia, Argentina, Brazil, Iraq, Iran, Mexico and more than 100 others to see the **consequences** of huge increases in unbacked fiat currency. Even when countries such as Ecuador or Argentina try to temporarily tie their currency to the U.S. dollar (also a fiat currency) it only **works for a little while**.

PREDICTION: By 2054, fiat money in the USA alone will have increased from the present \$700 billion to many **trillions** of dollars. I cannot predict the exact CIC total 50 years out, only that it is likely to **grow rapidly** over the next half-century.

FORECAST: Private plastic money (credit cards) \$2 trillion adds to inflation, debt creation.

4th discernible trend: higher quantities of private money **unbacked** by gold and silver usually result in much higher inflation. So, even though current low single digit inflation (2002-2003) may be termed "tolerable", it is **likely to grow, perhaps to double digits** and more per year, **as** it did **1979-1982**, as time goes on.

During the 1990s both Russia and Mexico, for example, dropped 3 zeroes from their currency. 1000 old currency units became one new peso or ruble. The same happened in other countries. Even currency-knowledgeable nations polluted their money. E.G. Germany with Ostmark redemption 1990.

E.G. A gold British sovereign contains nearly ¼ oz gold, is worth today over \$100. But a paper British £ (sovereign) which was worth \$5 in the 1960s, is today worth \$1.83. Who bore the brunt of the oft-devalued British £ (sovereign)? It was British **citizens + lenders** to Britain and their citizens, slow but certain currency devaluation, still ongoing.

BELIEVE IT OR NOT!

Inflation may be defined as "a drop in purchasing power of the currency unit". The U.S. \$1 has in the last few months been devalued even against devaluing foreign currencies! Can you believe it? It's true. Longer-term trends, when analyzed, can appear even more fraught with risk. I suppose that's why most economists don't like to go far out on a limb as to the value of the paper U.S. \$1/British £/Russian ruble/Euro/Japanese ¥ in 2024, 2034, 2044, 2054.

5th discernible long-term trend: with ongoing inflation, fiat money, what will happen to **home prices**, long term, by **2054?**

Seems clear enough. Check current experience of those still living. Around 1940, you could buy a nice near-new 2-flat brick duplex in suburban Chicagoland for \$1500 to \$2500. By 1950, a single family home, 2-3 BR 1 BA, cost \$5000. By the early 1960s, similar homes were \$12,000-\$13,000. By the early 1970s, similar suburban homes were \$25,000 (we'd advised clients to buy one for themselves, and 1 to 5 more to rent out, metro job centers).

By 1979-1980, under President Carter, home prices were increasing at 2% PER MONTH! Then there was a temporary bust, under Reagan. But by the late 1980s, early 1990s, suburban L.A. 3 BR 2 BA houses 1200 to 1500 sq. ft. (a standard unit for working people) would be \$180,000.

Flash forward to 2004, and you see similar standard suburban L.A. house now median priced at \$400,000 average suburban neighborhoods, older home; new homes cost more. Go 30 miles further to Palmdale or so (a 2 hour commute each way to downtown L.A.) you might get a home

\$50,000 cheaper, but prices continue to rise there, too.

WHAT'S AHEAD 2054: HOMES, CAR PRICES.

QUESTION: What do you think the standard 3-4 BR 2 BA home will run in 2054, say, 1400 sq. ft. average, decent suburbs within commuting distance of major job centers? One million? Way too low. \$5 million by 2054? Maybe. Maybe we're way **too conservative**.

QUESTION: What will ongoing inflation over the next 50 years do to the price of a new Ford, Chevy or Dodge, full-size, fully-equipped, 6-passenger? Will car's list price be \$100,000? \$150,000? \$250,000?

In 1936 Chevy cost \$595. In 1949-50, new 4-door Ford was \$1900. By 1960, it was \$3,000, fully-equipped, delivered. You could, however, buy a new VW Bug for \$1900.

A 1970 new 4-door full-size Ford was near \$4000 list, a new Caddy El Dorado \$6000.

Under Reagan 1981, a new fully-equipped Pontiac Bonneville or Ford Crown Victoria was \$13,000. Today, expect \$30,000. No inflation? HA! Humbug!

Studying the last 50 years, full-size fully-equipped car prices (with better accessories and engines) might easily run 10 times as much, **1000% of current list prices**.

PRICING POWER (TO INCREASE)?

If it hadn't been for heavy competition from carmakers abroad in Japan, South Korea, Germany, chances are a full-size well-equipped 6- passenger sedan from Detroit would list for \$40,000+ today. World competition held down domestic prices of new cars, but no one says "Thank you" to world trade, GATT, NAFTA.

These are clearly discernible facts over the last 6 decades. Look 5 decades ahead and you can see what the meaning would be for prices of homes and new cars in metro areas. 3 BR apartments that rented for \$125 in early 1970 now bring \$1250 to \$1450 per month, **same neighborhoods**, and even some **same buildings**. You may feel it's cheaper to rent than buy. But long term, **owners** did much better in jumping on the capital gains cash/flow band-wagon! You may think today's 2%-3% yearly inflation is "tolerable". But I view **low 2% yearly inflation as highly unlikely over next 50 years**.

How far back do you want to go to examine the possibility of **deflation**? First, can you find any long-term deflation, without going back to the 1930s? And if deflation did appear for a short year or 3, wouldn't you be forced, when evaluating long-term trends, to consider deflation as a somewhat short-lived **buying opportunity to acquire tangible cash-flow assets**, such as rental homes, apartment buildings, and small commercial buildings?

During 1970s, **Forecaster** was pushing hard to get professional and business people to buy their own office buildings for their practices, businesses, etc. There was no point in continuing to pay commercial rent. Instead many pros acquired cheap office buildings and stores. They'd rent out the few extra units for cash flow, while owner housed CPA, DDS, MD practice!

MORE long-term TRENDS: USA govt. fixed the price of gold, "fixed forever" in the words of President Johnson, at \$35 oz. Fixing gave way to gold's increase over 1000% in the last few decades. The fixed 91¢ oz silver price went up, too, but not as much, even when U.S. Mint stopped putting silver in circulating 10¢, 25¢, and 50¢. Silver hit \$50 oz briefly 1st Quarter 1980! Even at today's high prices, we've been recommending BU (Brilliant Uncirculated) rolls of silver Franklin 50¢ under \$100 per, coins looking like the day they left the Mint!

Great gains are sometimes possible. But you must climb aboard the **discernible** trends and put them to **work** for you, **make time work for you rather than against you**.

Whether you prefer to "harness" time with BU gold and silver coins, collectibles, cash-flow properties, outlying commercial acreage, buildings in the path of growth, is **up to you**. It's your money, you make your choices.

E.G. Colleges and universities mostly train people to garner **paychecks**. **Institutions train a workforce**. Paychecks are nice, pay the bills, but rarely make you rich nor ensure a comfortable retirement without facing cutbacks as inflation proceeds! You know this is the **truth**. Ask any 3

intelligent retirees. The long-term **trends** are quite **clear**. Old saying: "None are so blind as those who choose not to see".

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