

\$1.7T Spending Package

REPUBLICANS AND DEMOCRATS AGREE TO SPEND OUR MONEY.



WHAT DO THEY KNOW? TEACH EM ABOUT CAPITALISM?

Help Wanted

WRITERS, WEB DEVELOPERS, CRYPTO ENGINEER



THE UNDERGROUND

The Gold Standard

The Coinage Act of 1792 established the United States Mint and created the United States Dollar as our standard currency. The act authorized the production of Gold Coins know as Eagles, Half Eagles and Quarter Eagles.



Harry Dexter White

Chief Negotiator for US at Bretton Woods and Spy

Silver coins authorized were the Dollar, Half Dollar, Quarter Dollar, Dismes, and Half Dismes (yes, the s is silent). The Cent and Half Cent were made of Copper. These metal coins replaced the Continental Dollar and foreign currencies in circulation at the time.

Treasury Notes were created during the war of 1812, the Panic of 1837, the Panic of 1857, and the Mexican-American War to allow the Government to pay its debts. United States Notes, known as Greenbacks, were created during the Civil War and were not redeemable for specie from February 1862 until January 1879.

Treasury Notes were debt instruments, essentially pieces of paper that said the US government owed the holder some money. Since the Greenbacks were not backed by specie they were the first Fiat Currency for the United States since the Revolutionary War. They were designated as Legal Tender, meaning the notes had to be accepted for all debts, public and private. In practice the people would not accept Greenbacks on par with gold or silver coins. The City of San Francisco successfully rejected the payment of taxes with Greenbacks and would only accept specie. \$100 Greenback dollars depreciated from \$100 in

1862 to as low as \$35 in July 1864.¹ The value of the Greenback would change based on the actions of Congress and the probability of the Union winning the War. The Greenback was restored to parity with coins with the Specie Payment Resumption Act of 1875 which took effect on 1 Jan 1879.

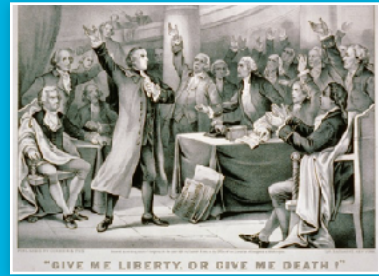
Paper money continued to circulate in the form of Bank Notes and United States Notes on parity with specie coins until 1933. On 5 April 1933, Franklin Roosevelt issued Executive Order 6102 forbidding the hoarding of gold and ordered the people to turn over all gold coin and bullion to the Federal Reserve Bank. After confiscating all American held gold for face value of \$20/coin Roosevelt set the new price for gold at \$35/coin effectively robbing every American of 43% of their equity in one day.

Government held gold increased dramatically with the FDR confiscation and continued to grow due to the new 75% increase in US gold set price. US holdings of gold reached their high water mark at the beginning of WWII. Following the war, the Bretton Woods agreement allowed countries around the world to settle debts in US dollars and the United States would guarantee the convertibility of US dollars into gold at \$35/oz. Harry Dexter White and John Maynard Keynes (UK) negotiated the Bretton Woods agreement and created the International Monetary Fund and the World Bank.

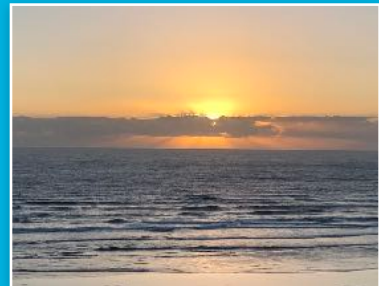
¹ *The Value of the Greenbacks During the Civil War*, Mitchel p 152



First Principles



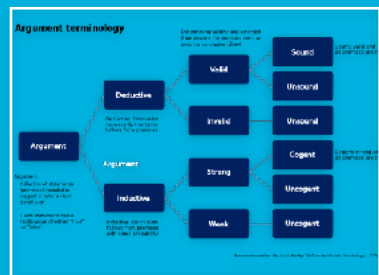
Courage



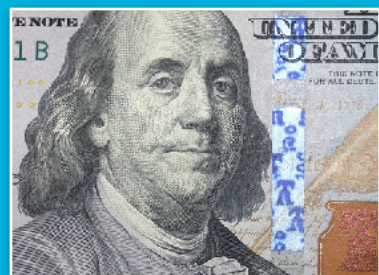
Faith in God



Knowledge

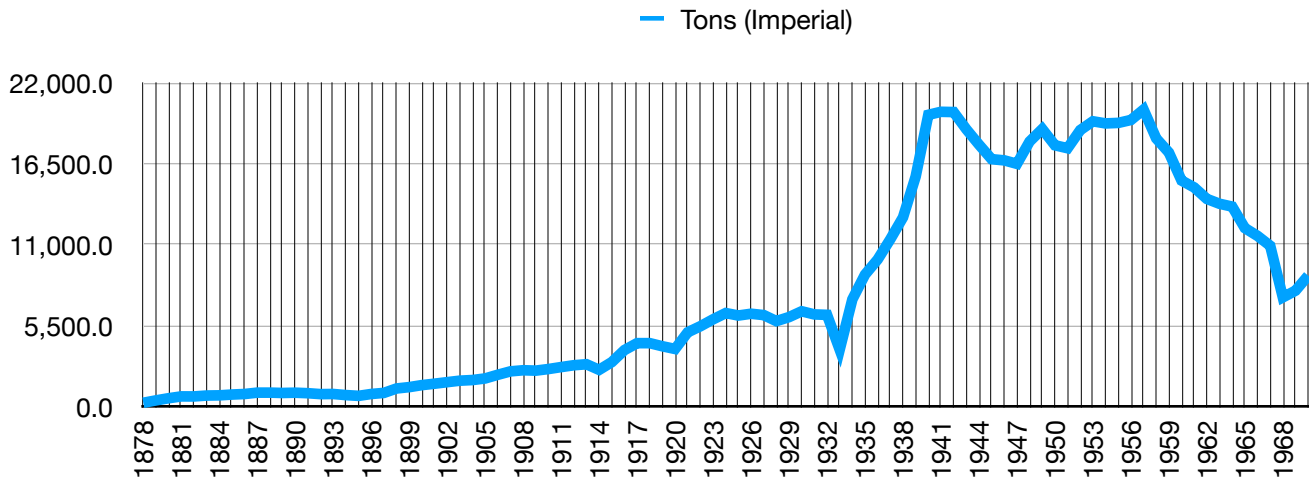


Critical Thought



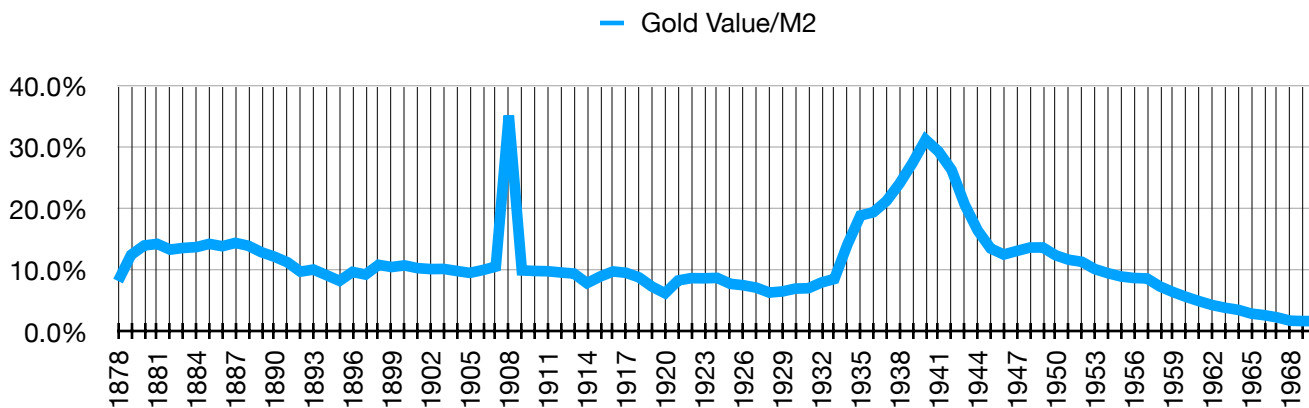
Create Wealth

The Bretton Woods agreement fixing the price of Gold at \$35.00 guaranteed the United States would eventually lose its gold. For gold to stay at \$35, money supply needs to increase at the same rate as economic consumption. Money



supply in the US has generally increased at 6% while our population has increased at about 1.2%. Each of us is consuming more so 6% money supply increase is not unreasonable but higher than consumption.

With our money supply increasing at 6%, the supply of gold needs to increase at the same rate for the price to remain constant. During the 1800s and early 1900s when America was discovering and mining gold and silver the gold supply kept up. As expected the money supply grew and mining production did not, forcing America to sell its gold.



We blame Richard Nixon for taking us off the gold standard, but by 1971 the Gold held by the US Government² had dropped to 1.8% of the money supply.

² <https://www.nber.org/research/data/nber-macrohistory-xiv-money-and-banking>

Presidents Kennedy and Johnson did nothing to address the problem so Nixon had no choice.

There was a second confiscation in 1964 when all silver coins were replaced with copper/nickel. The silver slowly disappeared from our pockets and we only grumbled. Harry White, the Bretton Woods deal and the inaction of Presidents Kennedy and Johnson colluded to sell our gold at a discount, weaken our nation and take us off the gold standard. What could they have done differently? Raise the US set price of gold to something in line with the market and change the denominations of our coins.

Why does it matter? Our grandparents were paid in specie or its equivalent. When they put money in the bank, or under their mattress, in January it earned interest and had a higher real value in December. The system served as a savings plan for rich and poor alike. With our current system we all lose 4% of our pay and savings to the inflation tax. For poor people the inflation tax is large but the system also eliminates their investment opportunity. If you want to be wealthy you must have investments. You must run your financial life like a business.

How do we create a monetary system that works for all of us? The money supply must be controlled allowing it to increase only slightly faster than economic consumption. If money supply grows too fast the value of money will decline causing inflation. If money supply declines the value of the money will skyrocket and prices will decline. Declining prices forces people to hoard dollars which will slow an economy. Why make stuff that declines in value as soon as it is made? We cannot trust the government to manage the money printing.

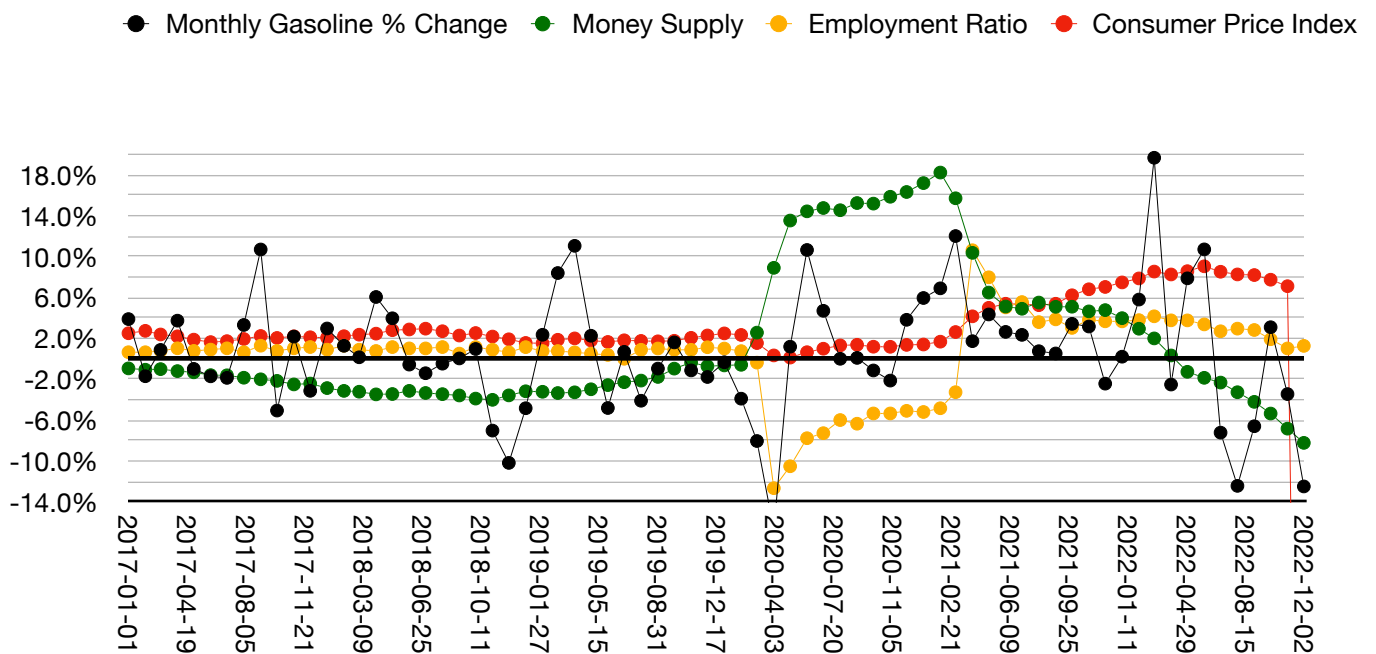
An additional control on the value of money would be to back it with an asset that has an increasing value like specie, oil or land. We the people must own the asset backing our money like we did when we held gold and silver money in our pockets. If the government has some ownership of the asset backing our money they will use that ownership to confiscate our wealth and increase the power of the administrators.

We must be willing to say no to the government when the administrative class demands we turn over our money or the assets backing it.

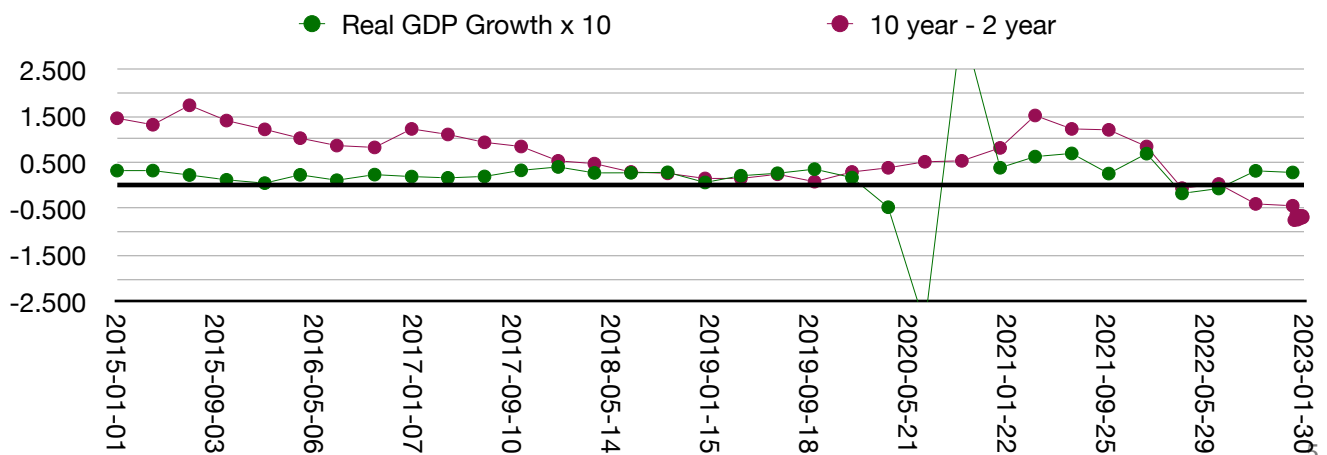
Next month we will outline our proposal that creates a better money supply solution.

Economic Dashboard

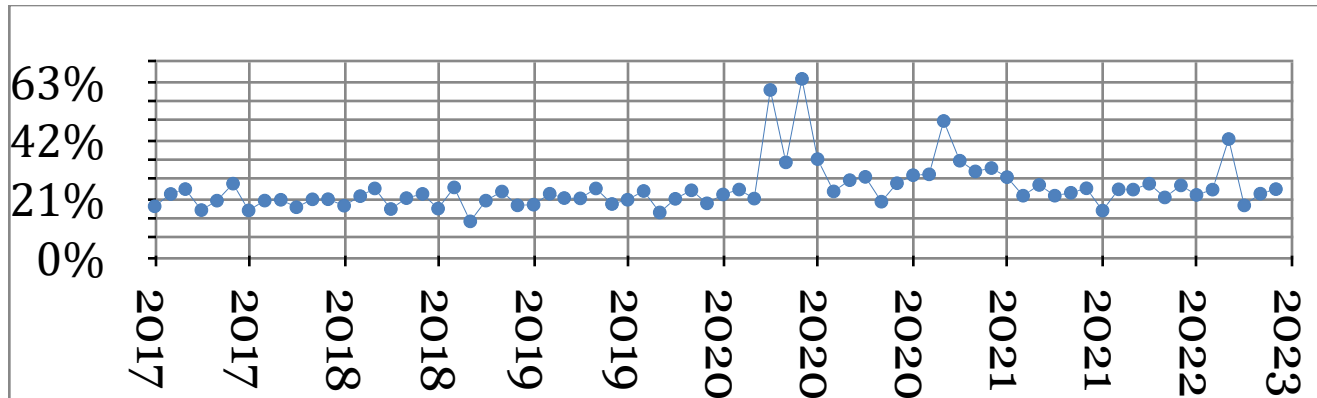
Fuel prices are down, the money supply continues to fall, the Employment Ratios not collapsing, and the short term Consumer price increase is reasonable. As long as we don't have a supply chain issue and fuel prices stay



low inflation should return to normal. If the FED stops raising rates the stock market should recover slowly. If the FED keeps raising rates look for a collapse of employment and a recession.

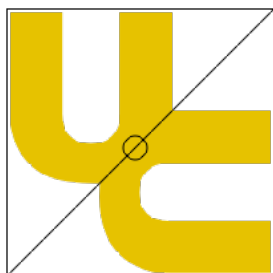


The yield curve will remain negative until the FED lowers rates. We expect that to happen at the end of the year if fuel prices don't spike too bad this summer.

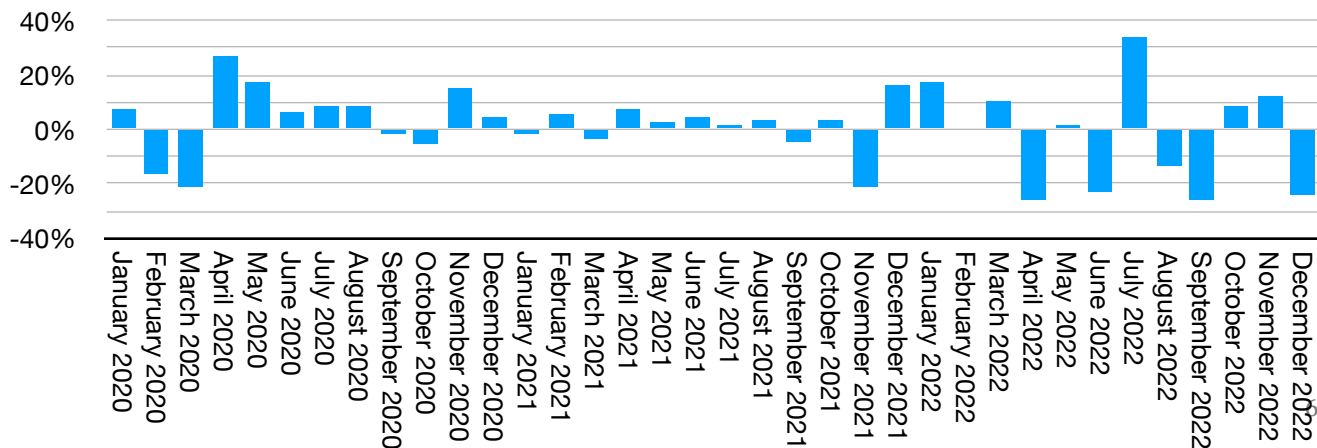


As the Democrats were leaving the House they passed a \$1.7T spending package. Many Republicans in the Senate led by Mitch McConnell voted for the spending. With both parties voting for high spending there is little hope of America reemerging as a capitalist Nation. We don't expect the Senate and House to agree on a budget for 2023 so we will likely see continuing resolutions throughout the year at the new higher baseline. Don't get depressed, just go Underground.

Historic Returns



December 2022 closes out the year with a dip down 23.7%. TQQQ found a new low at \$16.10 on 28 Dec 2022. We continue to wait for the FED to quit raising rates. The FED will likely continue raising rates 1/2 point per month for the next few months.



Imparts

Underground Capitalist is very interested in your questions on our process, suggestions for Upcoming Thoughts, Additional Statistics and Reoccurring Sections we should include. Please contact us at ...

admin@undergroundcapitalist.com

