

Bill Gary's

PRICE PERCEPTIONS

Technical
Update

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Issue #1355A • February 16, 2008

Paying the Piper...

"Inflation is the one form of taxation which even the weakest government can enforce, when it can enforce nothing else."

- League of Nations

Americans are beginning to recognize the sub-prime crisis is the single greatest financial disaster in American history. Nearly all global business magazines and economic commentators have featured the sub-prime crisis and its contagion to other forms of credit. However, Americans have not become overly alarmed. They know the cost of the bailout will be transferred to the next few generations. The sub-prime crisis will be solved just like other economic problems of the past 25 years... *The Federal Reserve will simply print enough money to cover the shortfalls.*

We discovered the secret to perpetual prosperity over the past 15 years... *Borrow from Peter to pay Paul.* Consumers borrow on one credit card to make payments on another. Homeowners borrowed against housing equity to buy new cars. And, the US borrowed multi-billions from Asia to pay for the war and ever increasing domestic spending.

Some economists believe the mountain of debt will come crashing down and another Great Depression will envelop the world. Others argue "bailing out" bad debtors is nothing more than money printing that will lead to an inflationary price spiral similar to the Seventies.

The debate on our economic future will continue as we walk the tightrope between growing inflationary and deflationary forces. Inflation and deflation are two sides of the same coin... The global economy will experience both sides in months and years ahead.

However, economic history has taught us one thing... *The Piper Must Always Be Paid!* Areas of the global economy enjoying overinvestment (real estate, manufacturing and electronics) in recent years will struggle with deflation. Areas of underinvestment (food inventories and production) will benefit as nations struggle to feed the masses at reasonable costs. Americans have enjoyed cheap food for decades and spent incomes on larger homes, bigger cars, and luxuries from Asia. *Now the food Piper will be paid while other sectors of the economy struggle.*

A handwritten signature in black ink, appearing to read 'Bill Gary'.