

## The Financial Storm Nobody Is Expecting

By Dr. Steve Sjuggerud

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It is so easy for a country to print money...

Said another way, it is so easy for a government to create inflation.

Because it's so easy, nobody believes that DEFLATION – the opposite of inflation – is possible.

But it is...

Earlier this week, Republican politicians proposed a bill that would limit the powers of the Federal Reserve (more on that [here](#)).

Don't get me wrong, I'm all for limiting the powers of government... But if the Fed's powers are limited, its ability to print money would be limited... If this happens, persistent deflation could be an outcome – and that could trigger a financial storm that nobody is expecting.

"The most likely path of the Federal Reserve policy in the years ahead is the continuation of massive money printing to fend off inflation," Jim Rickards writes in his excellent book *The Death of Money*. However, "the Fed may reach the political limits of printing."

This is a scary thought for the Fed.

"Deflation is the Federal Reserve's worst nightmare for many reasons," Rickards explains. The new bill proposed by the Republicans is an example of the Fed reaching the political limits of money printing.

For one, "Deflation INCREASES the value of government debt, making it harder to repay. If deflation is not reversed, there will be an outright default on the national debt, rather than the less traumatic outcome of default-by-inflation."

Even worse, deflation "feeds on itself and is nearly impossible for the Fed to reverse."

If deflation actually takes hold, how can we get out of it?

Rickards explains it: "The only way to break deflation is for the United States to declare, by executive order, that gold's price is, say, \$7,000 per ounce, possibly higher."

"Deflation can be broken when the dollar is devalued against gold, as occurred in 1933 when the United States revalued gold from \$20.67 per ounce to \$35.00 per ounce... If the United States faces severe deflation again, the antidote of dollar devaluation against gold will be the same, because there is no other solution when printing money fails."

To be clear, Rickards isn't actually predicting deflation...

He says we're in an epic battle between inflation and deflation... where the government desperately wants to create inflation.

My money is on the government succeeding in creating inflation. But Rickards' book opened my eyes to how deflation could actually take hold.

The actions this week by House Republicans show me that Rickards is right – that there is a legitimate risk that the Fed "may reach the political limits of money printing."

I have been in this industry for decades. It's not often that someone opens my eyes as much as Rickards' book did.

I highly recommend you pick up Jim's book, *The Death of Money*... I'm sure it will open your eyes, too...

Good investing,

Steve

P.S. We were so impressed with Rickards' work, we bought a few thousand copies to give to our readers for free. We simply ask you to pay for shipping and handling (which is less than \$5). Thousands of S&A subscribers have already taken us up on our offer. To make sure you still receive your copy before we run out, click [here](#) for the details.