A Sneak Peek at the Future …

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I'm buried monitoring the markets … scrutinizing them virtually 24/7 … checking every piece of news I can get my hands on.

I also have three Dollar Index charts on my trading screen: A monthly chart, a daily chart, and a 60-minute chart to check the short-term moves.
That's because there's a lot going on in the currency markets. They need to be monitored closely. Miss a development — no matter how small it may seem — and it can cost you big time!

That's especially true now because a very important G-20 meeting convened TODAY in London. And it has the potential to rock the currency markets.
So in this column of *Money & Markets*, I'm going to give you an important, complimentary look at the recently published March edition of my *Real Wealth Report*, which took an in-depth look at the G-20 meeting and the history of currency devaluations.

I think it's critically important that everyone have the info I published in my March issue.

Naturally, I cannot give you the specific recommendations I make in that issue to profit from what I believe are the next moves by the G-20. Those are reserved for my paying subscribers. Nevertheless, the content of that issue is crucial to your future. So let's get started …

April 2, 2009:
The Beginning of a New World Monetary System
In recent issues, I've warned you about the massive forced currency devaluations and asset reflation scheme in the works at the highest levels of governments and central banks worldwide.

And judging by recent comments from international leaders, the plan seems to be picking up momentum.

Undoubtedly, the spotlight at today's G-20 meeting will be on what leading finance ministers and central bankers plan to do about the global financial sewage. What you won't hear much about, though, will be the secret meetings hidden from the media to forge a radical overhaul of the world's monetary system.

The real goal of the G-20 meetings: Creation of a new financial order based upon drastically new units of paper or fiat money to help wipe the world's debt ledgers clean.

Attendees at the G-20 meeting will strive to wipe the world's debt ledgers clean.

How? By systematically and progressively devaluing existing currencies, especially the U.S. dollar, and re-inflating ALL asset prices.

If the plan shapes up as I think it will, my current target for gold of $2,270 could turn out to be ultra-conservative. Depending on how the new currencies are structured, we could ultimately be looking at $5,000 gold … or even higher!

Over the next few weeks, I recommend you keep your ears tuned to the media for phrases like "new financial architecture" … "new monetary system" … the "rules of the game" … "Bretton Woods II" … and other financial speak. They are essentially the cover words that will ultimately spell a dramatic change in the value of money.

And while the planning stages will occur behind closed doors, already the public cries for a seismic shake-up of the world currency structure are becoming louder and louder …

➔ French President Sarkozy recently declared, "We must rethink the financial system from scratch, as at Bretton Woods" … and that it's time to "*change the rules of the game."*

➔ British Prime Minister Brown touts *"a new global financial order,"* describing this as a *"decisive moment"* for the world economy to adopt a *"new Bretton Woods."*

➔ European Central Bank council member Ewald Nowotny calls into question the *"centrality of the U.S. dollar"* and further states that the U.S., Europe, and Asia are developing a *"tri-polar global currency system to replace the current dollar-centric reserve structure with more centers of gravity."*

➔ At the recent World Economic Forum, Russia's Prime Minister Putin explains that "Excessive dependence on a single reserve currency is dangerous for the global economy."

➔ *The People's Daily*, the official newspaper of the Chinese Communist Party and the unofficial mouthpiece of the Beijing government, warns of the threat of a "financial tsunami" and urges action. "*The world urgently needs to create a diversified currency and financial system and fair and just financial order that is not dependent on the United States."*

➔ On March 19, the United Nations Commission on Reforms of International Finance and Economic Structures, chaired by the 2001 Economics Nobel Prize-winning economist, Joseph Stiglitz, recommended that the dollar be replaced as the world's reserve currency.

➔ On March 23, the People's Bank of China (PBOC), China's central bank, proposed replacing the U.S. dollar as the international reserve currency with a new global system controlled by the International Monetary Fund.

Changing the value of a currency is nothing new. Government officials have talked the talk before. Treasury Secretary Donald Regan floated the idea in response to the Latin American debt crisis in 1982. The next year, when the French franc nosedived with three successive devaluations, it was President Francois Mitterrand's turn to call for "a new Bretton Woods."

Then, spurred by the emerging-market financial troubles of 1997-98, British Prime Minister Tony Blair opined, "We should not be afraid to think radically and fundamentally … We need to commit ourselves today to build a new Bretton Woods for the next millennium."

In the past, whenever an international financial crisis crops up, authorities in high places have often referred to a new Bretton Woods "solution" (i.e., changing the value of paper money).

This time, though, given the Great Depression II, it looks like the current generation of leaders is ready to walk the walk. Indeed, they may have no other choice.

Historical Background:
The First Seeds of Major Global Currency Tampering —
The 1933 London Monetary and Economic Conference

The concept of changing the world's monetary system to wipe bad debts clean and to start anew with a fresh ledger or balance sheet, if you will, is not new.

It dates back to Roman times when emperors successively devalued the Roman denarius to wipe out debts and spark asset inflation.

More recently, emerging economies have engaged in chronic currency devaluations to deal with their mountains of debt. But surprisingly to most analysts, the industrialized world has also tried to "change the rules of the game," which is central-bank speak for altering the value of paper money.

And interestingly, the most famous historical precedent — almost an exact analogy to today's emergency G-20 meetings — was a little-known but critically important meeting in 1933, called the London Monetary and Economic Conference.

At the depths of that Great Depression, the world's leading economic ministers met to find a cure for the global depression … just like they're doing today.

But when finance ministers, central bankers and government leaders met in London to work out a plan, President Franklin Roosevelt changed his mind at the last minute and refused to attend. By most historical accounts, he had decided that there was no time to bicker with other nations and that action needed to be taken immediately.

So instead of attending the meeting, Roosevelt declared a bank holiday for four days, closing all banks in the country — largely to stem an outflow of gold, but also so federal examiners could inspect them and declare them fit for duty. Those that failed the inspection remained closed permanently.

More importantly, Roosevelt issued the famous Executive Order 6102 confiscating most all privately-owned gold by Americans, taking America officially off the gold standard, banning gold exports, and devaluing the U.S. dollar by 40 percent against gold to stem the deflationary spiral of the Depression.

Aside from the location of the meeting, there are tantalizing similarities between that 1933 Conference and next month's G-20 meeting …

- Then as now, the global economy was in tatters from an international financial crisis.

- Then as now, the global economy was suffering from massive debts gone bad and deflation.

- Then as now, the main thrust of the 1933 initiative was to clear the deck of debt by changing the value of paper money.

I didn't expect President Obama, Fed Chairman Ben Bernanke, or Treasury Secretary Geithner to put a kibosh on today's G-20 meeting, as Roosevelt did at the London Monetary and Economic Conference.

The reason: Back in 1933, the U.S. was a creditor to the world. So Roosevelt had the leverage to basically take the world by surprise and go it on his own.

In contrast, the U.S. is the world's largest debtor today. If America even thought about trying to go it alone, it would end up very alone indeed … as our creditors around the world would then threaten to stop financing our debt needs, causing the U.S. economy to truly implode.

Bretton Woods, 1944

In 1944, 44 Allied countries met at the Mount Washington Hotel in Bretton Woods, New Hampshire. Their objective was to formulate a plan to stabilize international exchange rates in the aftermath of World War II and help indebted European countries survive. Thus, a new monetary system was born.

The system they came up with, which went into effect when the war was over in 1945, established fixed exchange or "pegged" rates for currencies to the U.S. dollar and in terms of gold.

Member nations were required to establish parity of their currencies to the dollar and to the "gold peg" and maintain exchange rates within plus or minus 1 percent of parity by intervening as necessary (buying or selling) in the foreign exchange markets.

The official price of gold was fixed at $35 an ounce. The agreement also established the International Monetary Fund (IMF) to bridge temporary imbalances of payment and the World Bank to provide loans and grants for economic development.

The problem: Bretton Woods was not immune to manipulation. For instance, while the U.S. maintained a commitment to convert dollars into gold, many other countries didn't.

So the system essentially broke down. In 1971, President Richard Nixon “closed the gold window” of the U.S. Treasury for good by unilaterally terminating the convertibility of dollars into gold.

Although the dollar was cut from the gold standard, the greenback managed to remain the world’s reserve currency, largely because of the massive economic growth the U.S. experienced.

But now, as ground zero for the worst financial crisis since the Great Depression, all that is obviously changing. Hence the calls for a new Bretton Woods, which means, at its core, a new monetary system.

The 1985 Plaza Accord:
Coordinated International Action

As I’ve just explained, deliberate official devaluation of currencies is nothing new. Ancient kings and emperors often skimped on the gold and silver content or simply made coins smaller while saying they were still worth the same to skim extra wealth for their coffers.

Nowadays, it’s much easier. Without the restraint of a gold standard or any other tangible backing, governments can simply crank up the printing press and create more money out of thin air. It’s a fine line to walk, though, because overdoing it leads to a crisis of confidence in the currency (Zimbabwe comes to mind).

Sometimes, however, the system drifts so far out of whack that unilateral action isn’t enough. Then cooperation among nations is required.

Currency manipulation in 1985 drove the dollar down 51 percent against the yen over the next two years.

The Plaza Accord of 1985 serves as a good example of coordinated currency manipulation. The main purpose of the agreement among France, West Germany, Japan, the United States, and the United Kingdom was to devalue the dollar versus the Japanese yen and German mark.

This was done to restart the global economy following the recession of the early ’80s and help reduce the U.S. current account deficit. And it worked: The dollar fell 51 percent against the yen over the next two years.

Today, we are again facing a major, worldwide epidemic. Deteriorating economic conditions in the U.S., Japan, China, Germany, and elsewhere are virtually forcing nations into competitive devaluations to stimulate growth. It’s become a “race to the bottom” to see who can drive their currency the lowest, to help their current account balance.

The result is a flood of fiat paper money such as we have never seen before. The potential for disaster in this free-for-all melee is not lost on the G-20 ministers and bankers. That’s why I’m certain they plan a coordinated devaluation of world currencies en masse rather than each country going it alone.

Fast-Forward to the Present:
The G-20's Secret Debt Solution

While world leaders might talk about a "New World Order" in global economics, they give few details of how this might be accomplished.

However, picking through the clues they've dropped and connecting the dots to fill in the missing parts, I've formed what I believe is the most plausible scenario of how the G-20 plan will shape up.

I unveiled this theory in my November 13 column of *Money & Markets* at the time of the first G-20 summit. It startled and shocked many readers as it spread across the Internet, quoted by numerous websites.

I know I've already spelled out the mass devaluation proposition in-depth with you. But let me review the highlights here again. I believe that the G-20 will agree to …

➔ Actively intervene in the forex markets to depress the dollar's value, thereby re-igniting asset inflation and alleviating debt burdens.

➔ Ultimately create three new monetary units (new dollar, new euro, new pan-Asian currency), to eventually replace the dollar as the world's sole reserve currency.

➔ Establish a new fixed-rate currency regime, abolishing the present floating rate foreign exchange structure.

➔ Re-calibrate currency values to a common basis of value, most likely involving gold.

➔ And implement the currency overhaul via the IMF.

As far-fetched as this scenario sounds, it's no wild speculation on my part. I arrived at these conclusions by methodical, inductive reasoning, examining the facts, and following their trail to the logical conclusion.

Think it can't happen?

The historical record I've described shows that such a scenario is not only possible, but entirely credible and predictable given the behavior of governments in similar circumstances in the past.

The longer term forecast that the world will end up with three reserve currencies is based on references by various influential parties to a "tripartite" or "tri-polar" system. That would diversify reserve currency duties among the three major currencies instead of relying on just one, the dollar.

I suspect the names of the new currencies will be changed to divorce them from any stigmas attached to the current ones and to make the devaluation easier to sell. People would certainly not be happy with a new “dollar” that’s worth only one-tenth of their old dollar (ditto for the euro and yen).

And by resurrecting the Bretton Woods fixed-exchange structure, officials eliminate currency speculation, which often throws trade balances into chaos suddenly and unexpectedly. With no up-down spreads, speculators would have no interest in currencies, theoretically ensuring stable exchange rates indefinitely.

Please don’t misunderstand: I do not foresee a return to the gold standard. There’s simply not enough gold available, at any price, for the world to go back to a gold standard.

Plus, it’s too restrictive, and central bankers and politicians abhor being handcuffed by an outside force. So the world is not headed in that direction.

For savvy investors who understand the process of currency devaluations, there’s no need to bet on the return of a gold standard.

Instead, all you need to know is that the process of a deliberate devaluation of the dollar has already largely begun … that the world’s monetary system can and will be changed … and that through the process of changing the value of money, debts can be effectively and largely forgiven … and asset prices, albeit artificially, re-inflated.

How high would the price of gold ultimately go? How would currency devaluation and the concomitant inflating away of debts impact other asset prices, such as real estate and stocks?

My Answers …

The ultimate high for gold depends on how much of the U.S. debt the policymakers decide to “forgive” through reflation.

No one knows for sure what will be decided upon. But a little simple math based on just the debt position of the U.S. gives you an idea …

To monetize only 10 percent of the U.S.’s mountain of bad debts, gold would be priced a shade over $5,300 an ounce.

Ultimately, I expect the G-20 will monetize at least 10 percent of U.S. debt, which would send gold rocketing to more than $5,300 an ounce.

Anyone who doesn't own gold in this environment is foolhardy.

Indeed, I suspect 10 percent is the minimum the G-20 would consider effective. It's entirely possible, albeit not at once, that debt monetization will eventually exceed 20 percent of U.S. debts.

How will this impact other assets prices? Virtually all asset prices — from real estate to stocks — will be inflated higher as debt levels are effectively forgiven in part by currency devaluation.

Yes, that means real estate prices in general will head higher longer term. And it also means that someday we will be staring at a Dow, along with other major stock indexes here and across the globe, that explodes higher in value as earnings and assets get revalued in a devalued currency.

But that's not a good reason to run out and buy real estate or stocks in general. The markets and the economy have many other problems to work out before it becomes reasonably safe to start diversifying and employing your cash to invest for the "Great Re-Inflation."

However, there is no substitute for owning gold at this stage. Anyone who doesn't own the yellow metal in this environment, even if I am dead wrong about the ultimate end game of the G-20's hidden agenda, is foolhardy.

My view: Do not let go of your core gold holdings, under any circumstances.

Best wishes,

Larry

P.S. To get the specifics on my recommended core gold holdings and other positions to help protect your money and to profit in the months and years ahead, do yourself a big favor and *subscribe to Real Wealth Report*.