

Lunch Meeting

Tuesday 6 December 2011

Presentation and Two Course Lunch: 12:00-14:00

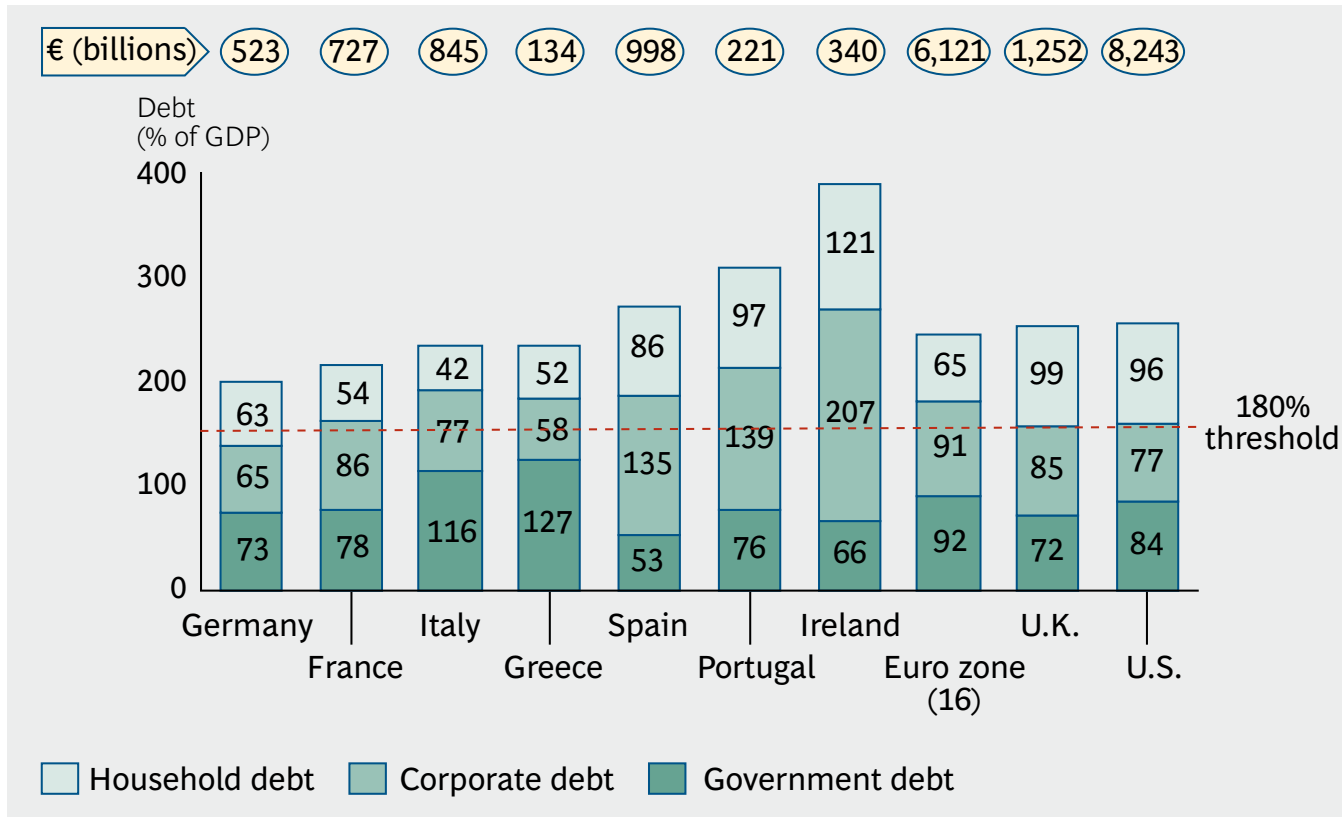
Aperitif at 12:00; presentation and lunch from 12:30

Debt + Deflation = Devastating

The budget should be balanced, the treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands should be curtailed lest Rome become bankrupt.

Cicero - 55 B.C.

World Over-Indebtedness



The De-Leveraging Equation

COST OF CAPITAL = SALES REVENUE

$$(r) - (\pi) = (\pi) \times (\text{GDP})$$

Interest Rate - Inflation = (Inflation) x (real GDP)

$$\text{IF } (r) - (\pi) > (\pi) \times (\text{GDP})$$

THEN No Debt Deleveraging

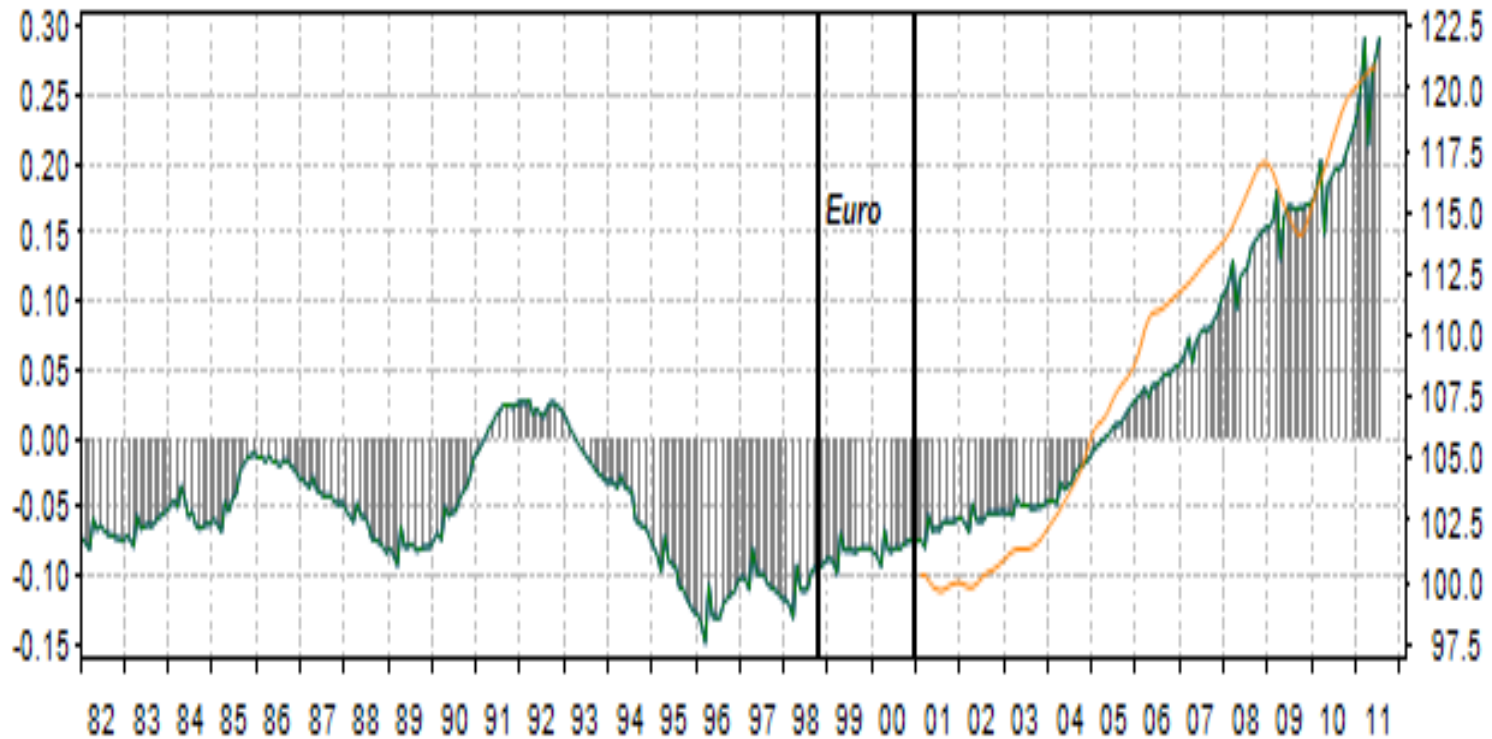
$$\text{IF } (r) - (\pi) < (\pi) \times (\text{GDP})$$

THEN Debt Deleveraging

CHINA
DEFLATION

U.S. QE1, QE2
INFLATION

E.U. Trade-Adjustment Problem



Before the Euro
Automatic Adjustment

After the Euro
Necessary Adjustment