



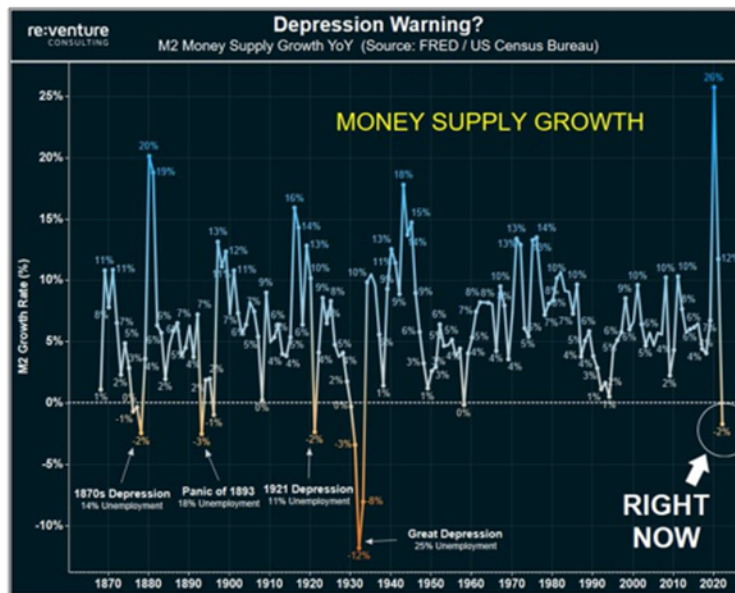
# Harry's Take

October 17, 2023

## Don't Take the Recent Money Supply Fall Lightly

I'm surprised this is not in the financial news more, although it has been noted: the money supply has actually contracted (down -2% in 2022). That has not happened since 1930 into 1932 in the Great Depression, when it contracted a whopping -12%. That happened in a progression over three years, falling -3% in 1930, -12% by 1931, and still down -8% in 1932. It got close to negative in 1958 at 0% and again in 1994 at 1%, but never went fully negative until 2022, at -2%. I obviously expect a lot more ahead, likely -10%+.

### M2 Contracts for First Time Since the Start of the Great Depression, 1930-1932



Source: <https://www.fool.com/investing/2023/10/08/great-depression-money-supply-trouble-for-stocks/>

But also note that the money supply has exploded since COVID in 2020 and is up 26%, the highest ever! Money supply explosion: that's what I keep calling the COVID overreaction by the Fed. Prior to 1930, M2 contractions were more frequent. There was a period called the "Long Depression" from 1873 into 1896 that was actually the bottoming of the 500-year Mega Innovation and Inflation Cycle, which I will discuss more in the November issue of the *HS Dent Forecast* just ahead.

You can see in the chart the -2% and -1% contractions that netted to -3% between 1875 and 1878. We ended that long, off-and-on depression period with a -3% contraction in 1893 and a -1% contraction in 1896. Then the economy contracted by -2% in 1921, a mini-depression compared with what we got from 1930 to 1932. Commodities also crashed on their 30-year cycle into 1921-1922.

This is a big deal and another major confirmation that we are not about to enter just a recession but more of a short depression! Since 2008, central banks have been fighting off the natural depressionary period that should have resulted from the natural slowdown following the massive Baby Boom Spending Wave from 1983 through 2007. Central banks decided to play God and cancel that major downturn and necessary economic shakeout.

We should see how that works out in the next few years. I'm thinking that God probably didn't like that too much!

Harry

Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).