

## Money and Economic Collapse

Today's societies are economically based on a monetary system that exchanges pieces of printed paper for the goods (and services) that maintain life, as well as all goods and services that don't fall into the "necessities of life" category. This concept of exchanging a paper (or metal) marker for goods/services goes back thousands of years.

When, long ago, a country issued coinage as a commerce interchange, it was backed originally by the value of that hunk of metal it was made of. Gold and silver were commonly used. There were drawbacks to using a base commodity as a marker for exchange- like the commodities being re-melted and used in goods, thereby reducing the amount of exchangeable marks in an economy, or if taken to another country, melted and recast in that country's mark. This made it a less than ideal mark for commerce interchange. Then, to alleviate these problems (and others like excessive weight, cutting of edges, and more), a bright scribe came up with the concept of having the government (usually a monarchy or theocracy back then) make their mark on a material of super low value, but backed by the coffers (stored wealth) of the issuing government. In this way, it could be stamped on base metals, stones, eventually even paper. It was easier and lighter to trade and had the added value of being worthless to competing countries as a commodity. Because it was backed by stored wealth, this method worked excellently to insure that the money had a real value, but without the drawbacks of actually trading the raw material (gold, silver, etc.).

This worked well for a long time. If a country issued more marks than it had the actual hard resources to back it up with, then if someone tried to exchange the marks and couldn't get the equivalent value in gold or silver, the word went out like wild fire and everyone would try and cash in their marks, causing a collapse of that government's monetary economy. Scrupulous governments made sure they had the hard assets to back up their currency carefully stored away for immediate exchange upon request by the populace. Unscrupulous ones printed more money than they had to back it up with, hiding it from their populace until the piper claimed his due, usually with disastrous consequences for the offending government. The value of the country's mark was determined strictly by a person's belief in that government and its ability to pay you back for your marks. Since it was supposed to be backed by gold and silver kept by that government for that purpose, you were fine so long as you could trust your government to be there and not spend or lose the stored currency backing.

Eventually, in the 20<sup>th</sup> century, countries with growing economies (like the United States), felt they had enough clout, stability, and income revenue stream from their population and taxes to do away with backing their currencies with something of tangible value. The gold and silver standard was gone. Instead, the value of the country's currency was determined by how much was in circulation, how much GNP the country had, and the belief that the government in power would continue to be solvent, and, of course, everyone's willingness to continue using it as a means of value exchange (for goods, necessities, and services).

This actually worked out quite well for a long time. Unfortunately, a byproduct of man's massive consumerism was the establishment by the wealthiest of societies' merchant princes, of a trading market for corporations, goods, resources, food, and almost all the things that people consume.

The rich found that by investing their money in the value of these goods, that when these goods sold for more money, they could make the profit on these goods, without ever seeing or touching them. This in itself wasn't bad, so long as the value of the stock was based on something (assets and profits of the company, growth, etc.). Having a stock trading market in and of itself, isn't enough to harm the currency, although it did wreak havoc on it until a proper balance was achieved. As long as the stocks were based on a tangible value (the assets and profits of a company, the supply and demand of a resource or commodity, etc.), the stock market only introduced an extra layer of paper value that increased in value over time as the companies and goods continued to deliver.

Then, the unthinkable happened. The masses of people started buying into the market, not based on values, but based on belief of how quickly that stock would rise. The "experts" assured the public that the free market would regulate itself. The reality was quite different. Instead, bogus values of stocks rose ever higher because they were no longer based on anything but speculation, and the willingness of the masses to buy into that speculation. Like money itself, it really no longer had a hard tangible value attached to the stock. It was like the Shetland pony debacle of the early 1900's but played out on a huge scale. Instead of the value of the stock in that company or resource being based on profits or the actual goods, it was allowed to go to whatever outrageous value that people were willing to pay for it. Voila, the Enrons of the world could make more money on the value of their stock than they ever could off the product they were producing. Dot-coms proliferated and the nebulous value of the stock market went crazy, leaving everyone in it feeling intoxicated by the quick, easy money.

So now you have this huge mass of paper with monetary value (if you cash it out), but hardly based on reality or real values. A giant house of cards. Then, take oil, the necessary resource to fuel modern societies, and put it on that same trading market. Let this necessary commodity, that runs our economies, price or value be dictated by these same "experts" predicting the value of it in the future, and you have a recipe for disaster. In other words, the cost of oil coming out of the ground (plus the refining, transportation, taxes, supply or demand) doesn't determine the price you pay at the pump, but it is the value of the future contracts being bought and sold which raise the price. The cost to get a barrel of crude out of the ground has not gone up, production is way up, more than enough to meet demand. In other words, the price of oil going up at the pump is not based on supply and demand self regulating, but on rich brokerage houses & private equity firms speculating on oil stocks (a la Enron), causing the tangible good associated with that stock to raise for no reason other than stock speculation. The gas price fiasco is just another Enron situation, as to be expected, since stocks on vital commodities aren't regulated.

Unfortunately, the economic well being of our country is intrinsically linked to the price of oil. Quadrupling the price on a gallon of gas helps only the oil companies and the oil stock owners- to the tune of billions of dollars. It stymies the economy by creating massive stagflation. All goods cost more to procure, but people have less money in their pocket to spend, stagnating economic growth.

Now comes the real ugly part. Land and property prices are also arbitrary and not tied to any real standard. So during huge economic growth, house prices rise incrementally, but so do incomes to hopefully keep pace. But when stagflation hits, economic growth shrinks or

disappears, causing a downward spiral. House and property values go down. People can't make their payments anymore on the overly inflated cost that they purchased their house at, nor sell it for enough to even cover the money they have into it or the mortgage, and the bank repossesses the property. This puts a huge burden on the banks, who can't get back the money they laid out because the value isn't there anymore even though it is the same house or property. Often, large lending banks can't take this hit and begin to fail.

The masses of people, seeing their currency buying less, struggling to fill their vehicles with gas and their cupboards with food, and make ends meet, losing faith in the stock market as its (and their) perceived monetary worth goes down by 25% or more, watching businesses close, banks failing, and their government spending more money than it brings in from a shrinking home economy- begins to lose faith. Not completely ... there was the depression, recessions, and stagflation before ... so they have hope. We made it through those, didn't we?

But be skeptical! Before, the actual money was backed by gold and silver (during the depression). Before, the stock market was a method to raise capital for companies to grow and was based on their performance. Before, vital commodities were controlled and regulated by the government. Before, the government cared how massive its debts were and if it could pay them back. Before, there were ways to tinker with the different factors that create the economy. (All that has been removed and even the last bastion of tinkering, the prime interest rate, is tweaked lower than it should ever go.) In other words, things are bleaker than the common man has any way of realizing and truly are spiraling out of control. Even the rich and merchant princes are worried and quailing because it is now out of most of their control, also.

When other countries watch the US with massive escalating debts, a shrinking stock market, shrinking real estate values, shrinking GNP, failing banks and companies, they lose faith in the American dollar. And what is the value of the dollar? Just the faith you put in the issuing country. Of course the dollar is weak against other currencies right now. Many have lost a lot of faith in America, and so the dollar has lost value because of everything mentioned above.

Have we hit bottom? Not even close. With no checks and balances left, the value of our money is tied to an unrealistic stock market gone crazy, and a government gone berserk. Things are bad, but they have nowhere to go but down, until they bottom out at the tangible worth of the items, resources, and a government of the people. That real value is less than one twentieth of the current overly inflated value that is our monetary economy. As a country, we are rich in food, water, and many mineral resources, but our money and economy is a sham. Pray to God that Americans and other countries don't lose all faith in the value of the dollar. Since there is no real backing of the value of currency anymore, the only thing that makes it have value is a shrinking and degrading economy. Very frightening. One major calamity (or even a gust of wind) and the house of cards will tumble. Let the masses stay ignorant, for all of our sakes!

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