

Few understand the realities of 'money'

- Visualize 150 boats floating in the ocean
- Visualize each boat as floating without an anchor
- Visualize each boat with a Captain
- Visualize each boat loaded with fishermen and goods
- Visualize a computer at the control of each boat



Our Situation

There are currently 191 countries (sovereign nation-states) on our planet. Approximately 150 of these countries have their own currency (money)...and create their own money symbols via a central bank master computer. To visualize our global money system assume that there are 150 boats floating in the Atlantic ocean...each with no anchor. Our current global money system is officially called a 'floating currency system' so this example is a relevant comparison. Now assume that these boats have been floating in the ocean for the past 37 years (since 8/15/1971 when Nixon closed the gold window). Each boat represents one of the 150 currencies of a nation-state. The biggest boat is the \$USD. Some of the other large boats are the YEN, EURO, POUND, FRANC, YUAN, PESO, and RUBLE. Smaller boats include the Krona, Baht, Real, Dinar, Lek, and Zolty, etc. Each boat has a name and symbol created from the consciousness of policymakers (captain's of the boat). And all these names and symbols are really imaginary numbers (derived from the consciousness of each captain)...and which are then plugged into a computer and distributed subjectively by key central bankers (captain's) from each nation-state (boat). Visualize a central banker (say Captain Bernanke) who plugs in numbers in a master computer subjectively and arbitrarily to increase and/or decrease the supply of electronic money symbols in their respective country (boat). Visualize as these currencies float relative to each other in a sea of competing currencies (boats)...none with any anchor (to serve as a fixed standard of value). All these imaginary currencies (boats) have been floating relative to each other for the past 37 years in an ocean with unpredictable winds and waves (buying and selling of goods and services between the countries).

continuation

Visualize the 150 central bankers (captain's) on each boat as they plug in money numbers and symbols in their master computer with no overall coordination or collective logic as to the need and demand for these money symbols by the fishermen in the boats. Then visualize these electronic numbers (currencies) as they trade between the 150 countries (boats). Notice that some appear to be in greater demand than others. Visualize as the 'value' of things in each country (boat) increase and decrease over time as fishermen bid for various goods and services within each country (boat). Visualize as a bubble (excess demand) develops for a particular good as a result of the supply of numbers available for bidding. We call this situation 'inflation' (price increases). Then visualize as the supply of numbers (say \$1.00's) decreases among the fishermen in a particular boat. Notice as 'deflation' develops in this country (boat). The number (price) of a good declines in 'value' over time as the fishermen decline to bid for this good. Now visualize all 150 boats in the ocean as they float and wander uncontrollably over time (say 37 years) with no objective anchor (gold) to serve as a reference point for 'value', trust, and confidence of the collection of currencies. Each boat 'floats' relative to a second boat and relative to all the boats...as the captain's of each boat create their imaginary money symbols and plug these symbols in their respective computers...and then distribute these electronic symbols arbitrarily to fishermen who they view as needing these symbols. Can you imagine that things must get distorted and chaotic over time (the 37 year time horizon)? Can you imagine how money symbols appear and vanish from existence? This is one example which illustrates how our current non system operates. It's a 'house of cards' played out with a casino mentality by most participants. At the core is our imaginary money symbols...created arbitrarily by the Captain of each boat.

How did this Happen?

Our current non system has evolved from the breakdown of a prior system (the Bretton Woods Agreement). The prior system originated back in 1944-46 with an official agreement between the key global players (44 countries) who chose the dollar as the reference currency for our planet. But because the dollar is merely an imaginary symbol and number (\$1.00) the players chose gold as the anchor for the system. Gold was chosen as the objective standard of value that made the system viable for all the players (\$1.00 could be exchanged for 1/35 ounce of gold...a real physical commodity). This agreement (even though based on a subjective choice by the players) gave the system the perception of objectivity, trust, and confidence. And perception is reality in the field of monetary economics. Also, gold is a physical commodity mined from the earth of our planet...and independent of the consciousness (the money symbols) of all policymakers. Gold served as a 'thing' or 'good' or 'commodity' which could not be created arbitrarily or subjectively. Gold had to be mined from the earth and could not be multiplied exponentially by policymakers (the central banker's on this planet). Gold was not an imaginary 'non thing' like the money symbols and numbers (\$1.00) which policymakers derive from their inner mind (consciousness) and then plug into a master computer. Can you visualize why an anchor to any subjective symbol system is necessary? Can you visualize why some agreed upon standard outside of any particular policymaker's consciousness is necessary for a symbol system to work? Can you visualize why gold served as this anchor and why it gave the system trust and confidence? Can you understand why our founding Fathers (Alexander Hamilton and Thomas Jefferson) chose a physical commodity to anchor our money system?

Summary

The purpose of this article and the visualizations herein are to help you understand the 'game of money creation and destruction over time'. All starts out with key policymakers and their consciousness. Then money symbols and numbers are chosen to represent a currency. To give the money symbols and numbers credibility...a physical commodity (which people view as objective and meaningful) is chosen as the standard of value. This standard originated in the barter society (prior to any official money system) and emerged as the commodity which gave the system trust and confidence. The money commodity which emerged was the physical element we call 'gold'. But any money system is less than stable over long periods of time. After all, money is merely a tool to assist with economic growth over time. Gradually, the concept of 'value' changes and people accept paper certificates and then money symbols as proxies for the original standard chosen by the people. These proxies work for a limited time period (usually around 35-40 years for a fiat currency system). Then the system breaks down and 'values' become distorted and chaotic. The people then gradually become aware of this breakdown. The people then demand a new system as they suffer from these distortions and the chaos within the marketplace. It is the people who use the money symbols who must become aware of the problems with the current non system. Nothing will change until the people become AWARE and CONSCIOUS of our problem. Are we now at this point in our history? We may discover that we are in 2009 or 2010.

Donald B Swenson
Philosopher/Economist/Appraiser/Teacher/Student
Marana, Arizona 85658
Phase4tennis@gmail.com