



New Money or None

Our Situation:

Our economic system has evolved into a global economic system where all economies on this planet are inter-related and inter-connected. And our money has evolved from barter money...to metal money...to paper money...and now into electronic symbols distributed via an interlinked computer network. Policymakers in the Central Banks on this planet create ‘money symbols’ from their consciousness (their inner spirit being) and then plug in numbers into a master computer for eventual distribution to banking institutions, consumers, and investors throughout our planet. And this is accomplished at the speed of light throughout our planet once a policy decision is made and the number symbols are plugged into the master computers. This is our current situation as of today. Our ‘money’ starts out in the consciousness of our policymakers inner being (as mental symbols) and then makes its way into our computer network (as electronic digits) and then finally to the end users (consumers and investors) in the marketplace.

Our Problems:

Given our situation today, our problems are many. We started our ‘money’ system back in 1785 when our Congress chose the \$ (dollar) as our monetary symbol and name. In 1791-92, our first Secretary of the Treasury (Alexander Hamilton) and our first Secretary of State (Thomas Jefferson) were instrumental in defining our new national currency and getting this definition approved by Congress. The \$1 was defined in terms of a real physical commodity (silver) so that our currency would have some objective meaning. The definition was \$1 = 371.25 grains of pure silver. With this definition...which was derived from historical experience in the colonial marketplace...we had a currency which could fulfill the necessary three functions of ‘money’. These functions were: medium of exchange...store of value...and standard of value (measure of value or unit of account). We now had a currency which had some objective meaning and which had the basic confidence of consumers and investors in the marketplace. The concept of having a ‘money’

anchored to a real physical commodity provided our nation with a logical system which then allowed all participants to measure 'value' of all other goods produced in our economy. Without this logic...which our founding Fathers chose...our economy could not have grown and our nation could not have prospered into a wealthy nation which it became (1776-1971). However, in 1971, the meaning and basic logic of our 'money' system broke down. Foreigners (especially France) became aware that our currency was losing its purchasing power as a result of monetary inflation during the Johnson and Nixon administrations (creation of too many money symbols relative to our production of economic goods) and they chose to exchange their excess dollars for a real physical commodity (gold) based on the agreement signed at the Bretton Woods conference in 1944. This collective agreement (1944-46) was the foundation for the entire global monetary system. John Maynard Keynes was the primary economist who devised the details of this system. When this agreement was breached by John Connolly (then our Secretary of Treasury) and Richard Nixon (then our President)...the result was a breakdown in the entire global monetary system. Both Connolly and Nixon understood that our gold supply was disappearing and that foreigners had claims for more than three times our supply. To avoid a total collapse of the Bretton Woods agreement, this decision to 'close the gold window' seemed absolutely necessary. What emerged from this breakdown was a 'fiat' (symbols on paper) system with no backing by any real physical commodity (such as gold or silver). The history of prior 'fiat' monetary systems demonstrates that these non systems can not last more than a limited time period (typically not more than 35 years). The reason for this situation is because 'fiat' systems are primarily subjective systems where select policymakers (Central banks) create money symbols (usually put on paper). This logic of subjectively creating money symbols by 'fiat' (over time) distorts the measurement of 'value' for all other goods and services within the economy. After all, how can 'value' be measured (objectively) using an imaginary symbol and name (\$dollar) created subjectively with no physical definition? The concept of 'value' measurement derives from the logic of a barter economy where the people choose a real 'thing' as a money standard. Distortions of 'value' is subtle and gradual but it happens relentlessly over time and is manifested via monetary inflation, stagflation, and deflation. Economic wealth becomes distorted and measurement of this wealth becomes questionable and lacks meaning. Today, some 37 years after the breakdown of the Bretton Woods agreement, our monetary system has reached its final phase. Typically, the final phase of a 'fiat' system ends with hyper-inflation (then destruction of the currency unit) or via hyper-deflation (a substantial collapse of consumer and corporate debt). Eventually, even the debt of a sovereign nation reaches levels which are unsustainable. Inflation subtly creates 'value' distortions on the up side and deflation creates 'value' distortions on the down side. All types of distortions within the economy causes consumers and investors to lose confidence in the logic of the non system (the imaginary symbols used to 'value' goods and services). Eventually, the system must be changed with a new collective agreement with new logic. We are now at that point in our monetary history. The beginnings of a discussion about a new monetary system will start on November 15, 2008, in

Washington D.C. What will evolve in the coming months and years? That is the 64,000 dollar question?

Two Possible Solutions

Given our situation and the problems which have emerged from our current non system, we have two possible solutions to consider:

1. We could go back to the logic of our founding Fathers and define a new global currency in terms of a physical commodity (say gold or silver)... assuming the vast majority of people on this planet would view this commodity as creditable, logical, practical...and assuming that this commodity would produce consumer and investor confidence on a global basis. This is one alternative to discuss on November 15 in Washington D.C. The three functions of money: medium of exchange, store of value, and standard of value might work if most agreed on one physical commodity. But, do we have any assurance that a new physical commodity would create the necessary confidence that is essential for this system to work? Would going back to a prior failed system (although a system which worked for much of our history) work in today's global environment given today's technological society? Would a gold/silver system create consumer and investor confidence (globally) and could this type of logic be workable and practical in today's world? Personally, I doubt that we can go back to a system which was designed for the marketplace of 1785 – 1971. And it is becoming obvious to many observers today that our current 'fiat' electronic system which is based on the subjective policy decisions of individuals within our Central banks does not fulfill the three functions for a monetary system. We have a medium of exchange today...but not a store of value or standard of value. This debt based system today is destined for total collapse in the very near future IMO. So what is another alternative that we all might consider?

2. The only other alternative that could be viable on a planet wide basis would be a non money system (no money). First of all, we need to recognize that 'money' is not an absolute. Money and 'money symbols' do not exist in time and space. All these symbols (\$) are derived from our consciousness (inner spirit being) and are only relevant in helping us increase the economic pie on this planet temporarily. Money is merely a philosophical 'tool' or concept within our collective consciousness. This 'tool' is used so that producers and consumers have some logic and motivation for working and producing for our global society. All the natural resources on this planet are really God given (my opinion). We start our economic journey with people, places, things, and events. We then create an economic system from our consciousness via agreements. We now need a new agreement globally...which will create confidence and motivation among the peoples on this planet so that we all can experience a better standard of living in the coming years. Any new agreement must be global in nature and it must engender consumer confidence, trust, and motivation so that our economic system can solve the human issues which confront all peoples on this planet. New 'money' or 'none' appears to be the only two solutions we have to choose among.

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Our current debt situation (November 2008):

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| Residential Mortgage debt: | 14 trillion (now collapsing) |
| Commercial Mortgage debt: | 3 trillion (soon starting to collapse) |
| Consumer and Corporate debt: | 20 trillion (starting to collapse) |
| Derivative debt: | 180 trillion (now starting to collapse) |
| USA National debt: | 11 trillion (and increasing every day) |
| Current National deficit: | 500 billion in 2008 and likely 1.5 trillion in 2009 |
| Current National revenues: | Starting to decline as tax revenues decrease |
| Current National spending: | Continuing to increase via borrowing and monetization |
| Gross National Product: | 14 trillion (starting to decline as consumers retrench) |
| Unemployment: | 6% and increasing every month |
| Deflation to date: | 5 trillion in loss of real estate wealth 5 trillion in loss of stock market wealth 30 trillion globally |

Questions:

- Can policymakers re-inflate our economy a final time?
- What benefits would a re-inflation produce?
- What likely consequences would a re-inflation produce?
- What is the wisest strategy for policymakers given our current situation?