



Wake up America – now is the time to face reality!

Denial of reality is what I observe today when I listen to many economists and financial pundits. Most people seem totally unaware that our freedoms are slowly vanishing with our global economic collapse. Our current situation reminds me of a frog in warm water...unaware that the temperature is being turned up gradually. As the temperature grows will the frog change its behavior or will it perish from the increase in temperature? How hot must it get before the American people wake up to the monetary collapse which is now taking root and growing exponentially.

What I observe today is a collapsing economic system which can not be saved by the actions currently being taken by our key policymakers. What are my reasons?

1. The current downturn in our economy has revealed some obvious flaws in our system. First of all, our 'money' is seriously flawed. We now have a currency unit (\$1.00) which is purely imaginary (merely a mental symbol) with no actual physical existence in time and space. Put this mental symbol (\$1.00) under any electron microscope and see if you can find it? I don't think you will find it. Why? Probably because the symbol (\$1.00) does not exist in time and space. Money symbols are not out there to find! Where then does this symbol come from? Historically, money has usually been some physical item which exists in time and space (gold, silver, copper, zinc, deerskins, beads, nails, paper, etc.). However, today's money symbols do not fit this description. They are derived from our conscious imagination and then distributed in cyber space via our computer technology (at the speed of light).

Money symbols (\$1.00) are derived from our consciousness (mind). And since we have a fiat money system (globally), this non-existent symbol (\$) is derived mostly from the consciousness (mind) of two powerful individuals. Who are these powerful policymakers? Basically, the two most powerful policymakers on this planet when it comes to 'money' issues are the Chairman of the USA FED (currently Ben Bernanke) and the Secretary of the USA Treasury (currently Tim Geithner). These two individuals have been given the authority to create our money symbols and then plug the numbers (\$1.00 and multiples thereof) into the master money computers at the New York Fed and the Washington D.C. Treasury. The money symbols (\$1.00 and multiples thereof) are

then distributed electronically at the speed of light. Most of our money symbols today manifest themselves as electronic numbers within our computers. The remainder of our 'money' is manifested as symbols imprinted on paper certificates (notes). Computers and paper exist; however, our money symbols (\$1.00) do NOT EXIST. Their source is the policymaker's consciousness.

2. When our money was first devised (1785 to 1792) the symbol (\$) and the number (1.00) were recognized as imaginary. So to objectify our money symbol (\$) and name (dollar) it was defined in terms of a physical commodity (silver and gold). Our currency unit (\$1.00) was also made exchangeable into the money commodity based on this specific definition (\$1.00 = 371.25 grains of silver). Our Congress of 1792 recognized this definition...and the convertibility feature gave the people confidence and trust in our money. The blend between an imaginary symbol (\$1.00) and a real physical thing (silver) resulted in a reality which was perceived as sound and meaningful by the people.

Basically, the American people and investors (domestic and foreign) have remained confident in our money system because it was perceived to be objective and stable over time. Our dollar was perceived to be 'as good as gold'. And with silver and gold as backing for our money symbol (\$), our money could fulfill the three functions of any sound money (medium of exchange, store of value, and standard of value). Today, we have no discipline to our system. Without the discipline of convertibility, our money must be perceived as subjective. Money creation/destruction must be perceived as arbitrary.

3. In 1971, the international agreement signed at Bretton Woods, N.H. in 1944 was broken. This agreement devised primarily by John Maynard Keynes (Great Britain) and Harry Dexter White (USA) established the rules for a relatively sound monetary system. This agreement also established the dollar as the reserve currency for the planet and also allowed foreign holders of dollars to exchange their dollar reserves for gold (if they chose) based on the ratio of \$35 for each ounce of gold. These rules were agreed upon (by all 44 countries attending) and this resulted in a monetary system which created relative trust and confidence for all the players. The dollar was King and Gold was the source of discipline for the agreement. Both confidence and discipline are absolutely necessary for any monetary system to work over time and over various business cycles.

On August 15, 1971, however, our then Secretary of Treasury (John Connally) and our then President (Richard Nixon) observed that our gold supply had gradually diminished from around 700 million ounces (1944) to around 272 million ounces (1971). This was more than a 60% decrease with the trend suggesting that all our gold could be claimed by foreign governments if continued. Nixon and Connally also were aware that some foreign countries had lost confidence in our dollar as the reserve currency (mostly France and Great Britain) and that these countries were exchanging their dollars for our existing gold supply at the ratio of \$35 for each ounce of gold. Both Secretary Connally and President Nixon viewed this situation as dangerous for the USA and our credibility. President Nixon must have felt that a continuing decline in our gold supply could be fatal to the stability of our image as the economic super power of the world. He furthermore, must

have been aware that closing the gold window would allow all currencies on this planet to 'float' on a relative basis to each other with no anchor or fixed reference point to physical reality. Some say that Milton Friedman, USA economist, was instrumental in helping President Nixon make the decision to close the gold window to all foreign holders of dollars. Friedman must have perceived our dollar symbol (\$1.00) as a real objective thing (a deception to my way of thinking).

4. Anyway, the result of the breakdown of the Bretton Woods Agreement created a set of monetary symbols (\$, Y, A\$, C\$, E, etc.) and numbers (all imaginary in nature) trading relative to each other via a mathematical index. The fixed nature of money (tied to a physical commodity via a definition and with convertibility) became history. What emerged was a 'floating' currency system where the Central Bankers' on this planet became the administrator's of finance and monetary affairs. All the discipline of a money commodity was thrown out the door. Mathematical models emerged as instruments for creating growth and progress for the nations (and people) on this planet. As long as these administrator's (the Central Banks) could maintain a semblance of order and stability in the creation and destruction of these money symbols the system could work. Imaginary money could work as long as inflation was moderate and consistent over time. The death knell for this system, however, would be any extended period of deflation or any major debt collapse affecting confidence and trust in the overall system. Imaginary money could work as long as the people, investors, and foreigners maintained their confidence and trust in the system and as long as moderate inflation continued. With continual inflation over time the concept of 'value' (the core concept in economics) could be viewed as objective. Prices of goods and services could also be viewed as objective by most of the people.

5. Many observers have known, however, that an imaginary money system (also called a fiat system) had limitations. History has demonstrated that ALL prior fiat systems have collapsed in time (usually within 30 – 40 years). Prior fiat systems generally have collapsed due to hyper-inflation of the currency unit (example Zimbabwe today or Germany after WWI). The Central Bankers' create imaginary symbols to an excess...resulting in prices (values) increasing to unsustainable levels (250 million percent in Zimbabwe). Money then becomes worthless and the people must resort to barter or a new currency unit to survive.

Imaginary money can also self-destruct via a deflation and a debt collapse...as we are now experiencing in the USA and internationally. Money symbols are merely a 'tool' for growing an economy over time. This 'tool' has its limitations. Money authorities, however, will usually attempt to maintain their control over the economic system as long as possible. They will likely manipulate the supply and distribution of their 'money' to initiate a re-inflation of the economy. They sense that a deflation is anathema to maintaining control. However, if nature or God creates a serious downturn or debt collapse these authorities become powerless and ineffective...especially as confidence and trust vanishes over time.

6. So how do we get out of our current global economic collapse and downturn (this mess we are now experiencing)? History demonstrates that there are no easy solutions. Our current global system of imaginary money can not survive for long (as is). And any return to a physical commodity standard (say gold or silver) is also unlikely to be effective at this time in history. The key to any money system is a perception that our money is real (objective) and that there is discipline over money creation so that goods and services can be 'valued' objectively over time. Lenders can not make long term loans if they don't perceive that the money system is stable over long periods of time. Who would want to make a 30 year mortgage loan at a fixed rate if they viewed the monetary authorities as money manipulators? Money must be perceived as having some objective reality...for lenders to lend...and for borrowers to borrow. Perception is reality. What we have today is a growing skepticism and this feeds on itself.

7. What we need today IMO is an understanding of what our problems entail. Only the people can choose the ultimate form and nature of money for an economy. All prior money systems are started from a barter mentality. Barter sets the reference points for 'value'. Will it be gold, silver, shells, paper, or what? Should 'money' be eliminated as a 'tool' to grow our economy? Monetary authorities are powerless to mandate money symbols (say \$1.00) or any money commodity (say gold) as THE MONEY for our planet without explicit acceptance by the workers on this planet. Money is NOT WEALTH. Money is merely a 'tool' to GROW the wealth of an economy over time. Now may be the time for Americans and foreigners to wake up to our real economic issues! Do we need new money? Or is there another alternative? Do the people want World Socialism with a new global hierarchy in control (say a global King or President) or is there another alternative? Do we want individual freedom or is serfdom O.K.? All is relative and up for agreement! What do you choose? I think you know my view!



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