The Need for a New Economy

The love of money is the root of all evil. 1 Timothy 6:10

The world is on the cusp of transitioning to a new financial order. Exactly who is behind this, who is motivating it is not precisely clear. But it is something that the world's central bankers and globalist elites are championing under the banner of The Great Reset with the motto "Build Back Better". It is not certain exactly how this will play out, yet it is in order now to review history and look at significant risks with an eye on the factors that indicate imminence.

Definitions and Foundational Concepts

The six characteristics of money are durability, portability, acceptability, limited supply, divisibility and uniformity. Money acts as a unit of account, a medium of exchange and a store of value. Incidentally, JP Morgan himself said that gold is the only real money.

Currency differs from money in its characteristics and functions. Generally speaking, currency is not durable, can be unlimited in supply and is not a store of value.

How are dollars created? Without getting into too much detail, the Current system relevant to individuals is mostly based on Fractional Reserve Banking. How that works, example: $100 in bank money with a 10% reserve requirement, leads to ~ $1000 of currency in the system as funds are lent out and deposited over a number of cycles.

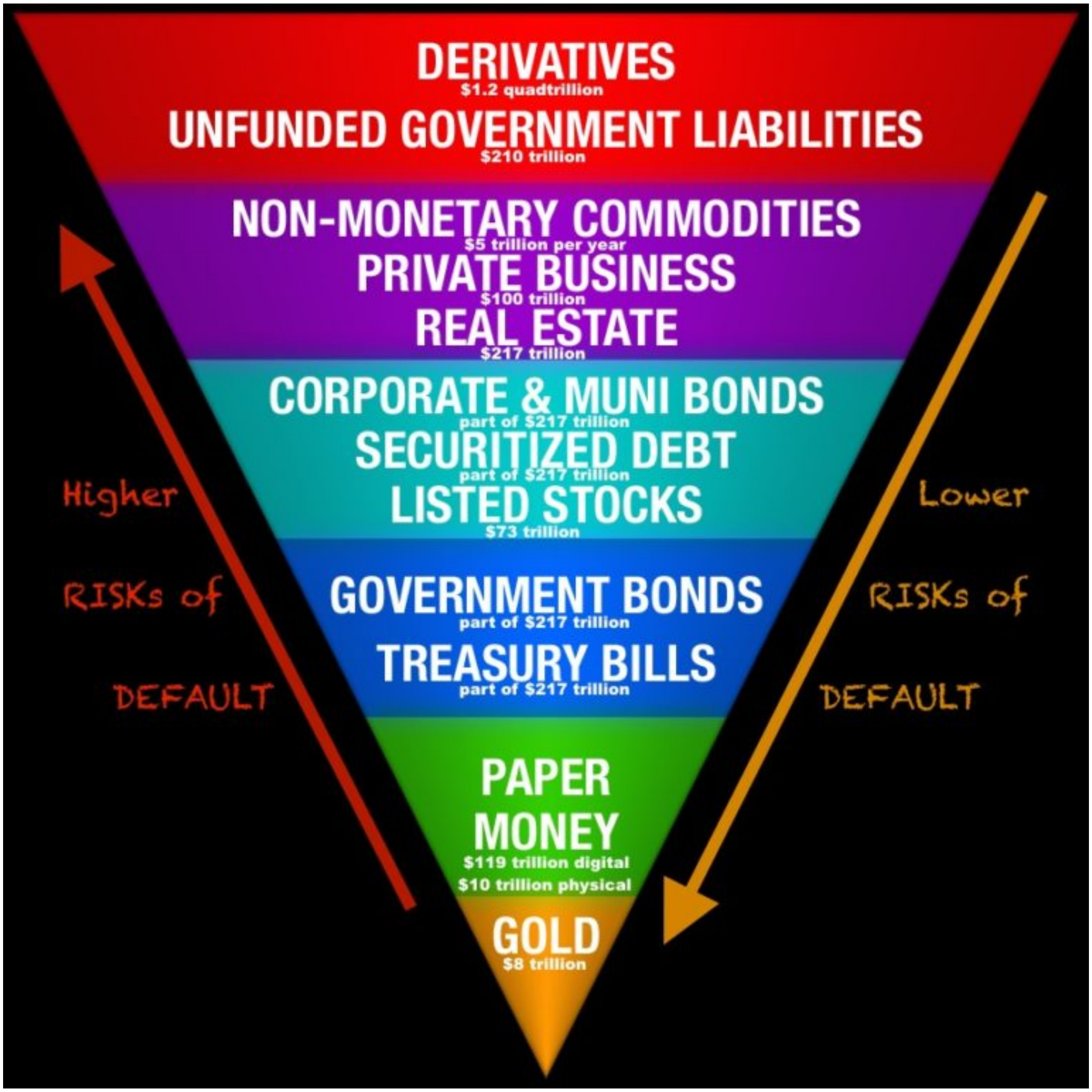
John Exter's Pyramid (MIT Econ Prof, Central banker)

According to Exter's model, those derivatives with the weakest and furthest links from base money are the first to be rejected and potentially bankrupted. As confidence vanishes and a broad based liquidation process ensues, the higher risk asset class values cascade into their underlying collateral. The financial spillover effects flow down the pyramid impacting even the least risky securities, and near the tip of the pyramid, paper currency itself.

Gold bullion forms the smallest and soundest base in the inverted pyramid displaying highest to lowest risk asset classes. This is because physical gold bullion is universally the most recognized default proof asset an investor can own. It is for this reason central banks own about 1 out of every 5 ounces of gold ever mined within their very own vaults.

The mushrooming derivatives market with its credit default swaps, collateralized debt obligations, mortgage backed securities, etc. have all taken top risky residency in this modern inverted Exter pyramid.

In some types of financial crisis, physical paper currencies are slower to default in the short term within the nation they have legal tender status in. Hyperinflation changes this.



https://www.silverdoctors.com/gold/gold-news/a-look-at-exeters-pyramid-because-gold-will-really-really-going-to-matter-when-the-crisis-hits/

Arc from Ancient to Modern History

Babylonian Money Majick -

Modern Banking started in Babylon, the present day Iraq, around 2,000 B.C.

The rulers discovered that they could lend money to kingdoms to fight wars and end up controlling the kingdoms as debt-slaves.

The kingdoms that borrowed the money then had a debt. If they didn't repay the debt, they were taken over.

So the rulers of Babylon were the first to recognize that those who controlled the money supply also controlled governments and people by issuing debt.

http://www.anewdayanewearth.com/Babylonian%20Money-Magic%20System.html

Over the years in Europe a system of private bankers lending to governments evolved into a privately owned Central Banking system.

US History

After more than a century of resistance, the US became part of global structure of central banks in 1913 with creation of the Federal Reserve System. At the time there was a form of gold backing of US Dollar. Meaning a dollar was worth a fixed amount of gold.

During the Great Depression, Federal Government revalued dollar against gold as a way of reversing deflation.

Following WW II, the Bretton Woods Conference established the US dollar as global reserve currency

Bretton Woods established a fixed dollar exchange rate standard. In this system, the foreign exchange rates for US dollars were at a fixed rate with US dollars in turn fixed against gold. This system lasted until August 1971 when the so-called "gold window" was closed during the Nixon Administration. The closing of the gold window ushered in an age of so-called fiat currency. Fiat meaning backed by nothing but confidence in the "full faith and credit" of the issuers of the currency. Foreign exchange rates float freely. All fiat currencies fail eventually. Typical life span is less than 70 years, often less than 50.

"Petro Dollar"

Soon after 8/71, the next step was establishment of the so-called Petro Dollar Standard by which price of oil was agreed by swing producer Saudi Arabia to be only denominated in US$. Further, Saudi oil sale proceeds were to be invested in US Treasury Securities in exchange for US defense promise to SA.

The so-called Exorbitant Privilege of being able to effectively print value electronically at will was enforced by US Military on all others around the world since the early 70s. (Examples Iraq planned to price oil in Euros and other currencies, Libya was planning to implement a gold backed currency) This meant that the benefit in impact on US standard of living had to be greater than the cost of care and feeding of the Defense Department.

The USD has had a position as "global reserve currency" due to use in oil sales (largest component of trade) but also in many other international transactions. This relationship is now breaking down. A key year was 2014 – starting of Gold backed oil contracts on Shanghai exchange, beginning of trade agreements between China and Russia in national currencies with no USD component. While USD is still in the middle of a significant % of trade transactions globally, the percentage has been dropping, more rapidly since 2014.

One of the consequences of enjoying the exorbitant privilege is known as Triffin's Dilemma. This means the country providing the reserve currency must by definition run a negative balance of payments in order to provide stock of currency for the rest of the world to build reserves to use in trade and investment transactions. By extension this puts pressure on the domestic industry of the reserve currency provider. This dynamic explains a good deal of the hollowing out of the US manufacturing base since the early 70s.

The potential negative impact of hollowing of production capacity was exacerbated by the trend toward just in time logistics, which started with Quality Movement in early 1950's and went global through Japan's Toyota production system.

Major Risks

The Quality Movement kicked off a drive to improve financial efficiency by reducing inventory and thus working capital in businesses. Which was then followed by a trend toward sourcing from lower cost countries, enabled by greater efficiency in global logistics. This is all now breaking down whether deliberately or not. It is said that grocery stores have approximately 3 days worth of sales on the shelf under normal conditions. Everywhere I go in business today, people are talking about the breakdown in logistics, which is driving costs higher, and availability of goods lower. Just in case is replacing just in time as an operating approach in businesses. The offshoring of manufacturing capability will make recovery of standards of living more difficult in the US when the US Dollar as global reserve currency finally fails. Major risk #1

There are other points of concern to note.

Inflation is a function of quantity of currency and its velocity. The government is printing currency electronically with abandon. Until now the velocity has remained under control and global supply chains have provided goods in a way that kept inflation low. This seems to be changing now. A typical dynamic is that as confidence in a currency declines, people start to buy hard goods to get something of value for their cash. This accelerates velocity, and thus rate of inflation. Weimar Zimbabwe ensues at the extreme of hyperinflation. This may well be in progress now. Major risk #2

With some rounds of deregulation and innovation in finance, the quantity and riskiness of Financial Derivatives has grown dramatically. A simple example derivative is a put or call stock option that permits a holder to sell or buy a number of shares of stock for a given price by a certain date. The option derives its value from the underlying security. But the complexity of derivative securities and how lucrative they have become for the players involved has caused a huge growth in the outstanding notional value of derivatives issued to now in excess $1.5 Quadrillion. Some argue that the net value of the derivative exposure is much less yet expert commentators like Jim Sinclair and Rob Kirby point out that in failure mode the risk exposure of derivative contracts in USD terms tends toward notional value. Failure of even a fraction of these instruments would be catastrophic to the global financial system. This kind of systemic risk was already present in the late 90s Long Term Capital Management collapse. That was on the order of $126 Billion. Which is .008% of the total notional value today. Major risk #3

Government spending has a limit at 100% of revenues from taxes, duties, etc. going to interest payment on debt. That limit may have been reached as of October 2021. If so, "faith and credit" is in serious jeopardy. If not now, it is but a matter of time as effective interest rates of the Federal debt have been artificially low for a long time. Major risk #4

Physical Cash is considered a problem by Elites because it is anonymous, "out of control", "dirty", "black market". War on cash is underway. Major risk #5

The central banks are privately owned in most countries. BIS is the global HQ of the central banking system. Decentralized Finance or "DeFi" Crypto currency is anathema to The Globalists so now being actively evolved into Central Bank Digital Currency.

In August 2019 the so-called "Going Direct Reset" was initiated by Globalist Elites. Going Direct means that not only the current banking system of nation states or groups of states (like EU) would be bypassed eventually by a single global digital currency, administered and issued to you directly by a global central bank. This would have to be brought about in steps, the next of which will be the implementation of digital vaccine passports. Other following steps would include the dismantling of remaining vestiges of national sovereignty, etc. On a personal level if one does not comply with all mandates, one's access to the financial system could be cut off entirely. You may become "unbanked" as a result of your medical choices. Major risk #6

New Kazakh born and Moscow State University educated nominee for Comptroller of Currency is a strong advocate of both digital and global currency. OCC regulates Commercial Banks, Federal Reserve regulates Bank Holding Companies directly.
https://www.zerohedge.com/political/end-banking-we-know-it

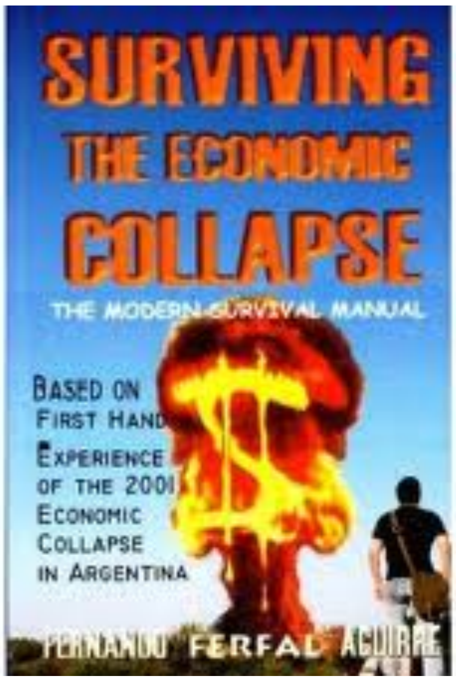
From all of these risks we can be certain a period of disruption is coming. Exactly what may happen is uncertain. There are a number of possibilities ranging from a brief transitional interruption/change over to protracted economic dislocation. The latter could involve significant political disruptions up to and including Martial Law, rounding up "dissidents" and more.

How to prepare and cope?

Get your spiritual house in order and then get mentally prepared for what lies ahead.

Worth considering:

Get a flavor for what happens when things break down. Ferfal (Fernando Aguirre) of Argentina and Selco Begovic of Former Yugoslavia have based their prepper fame on relating their personal experiences dealing with forms of societal breakdown. Ferfal writes with a sort of over the top machismo but his book "Surviving the Economic Collapse" contains some very practical advice for getting your head on right in the event of economic collapse driven by currency collapse like in Argentina in 2001. So his may be the more apt analogy for what lies ahead of us.



If one or more of the risks outlined earlier come to pass, getting necessities of life will require a different mindset because much will have to be accomplished via barter initially.

BJ Fuller <u>Barter Secrets</u>

Any idea what this book costs on Amazon now? (A: $674 minimum as of October 2021)

Link to course about this book follows. Have not looked over the linked course personally so not sure of its value. The stated price is much lower than the hundreds of dollars the book commands on Amazon.

https://bosscourses.net/download/bj-fuller-barter-secrets/

Fuller argues that paper currency (in the short run) is the "hardest good" simply because it is legal tender and widely accepted. In a more protracted/deep breakdown scenario that could change. Certainly would in hyperinflation.

Goods from Hardest to Softest

Paper Currency
Short term government bonds
Precious metals
Blue Chip Stocks and Corporate Bonds
Single Family Home (Debt Free)
Income Producing Real Estate (Debt Free)
Secured First Mortgages
Secured Notes
Investment Grade Art
Producing Farmland
Prime Building Lots (Debt Free)
Automobiles/Trucks
Building Materials
Airline Tickets
Computers
TV Sets/Electronics
Livestock
Hotel/Motel Scrip
Radio/TV Ad Time
Print Media Ad Time
Billboard Space
Furniture
Appliances

Fuller's Key Points Include:

Always trade up (from softer to harder) and Use options

Don't give until you get

Don't offer to trade what you don't own

Let there be no surprises at closing

The "Don't Wanter" is always in control

Always deliver before the day promised

Conclusion: Beyond the Initial Troubles

We will be facing a lower standard of living, but at the same time the dynamics will favor people with an entrepreneurial spirit taking the lead in re-shoring and re-establishing a more complete and in depth production capability "right here in the USA".

And there will be an entire workforce of displaced workers from the vax if the mandates are strictly enforced that will have the skills to open up entirely new avenues for services as well in the fields of medical, education, security and more.

An interesting related book: The Market For Liberty This book is an interesting thought exercise to show that every service the government provides could potentially be handled by private enterprise.

Suki and I went through this kind of transition personally at the end of the Cold War in early 1990. Peace dividend, largest downsizing in our lifetime, pretty much unremarked in the rest of society. Thousands of us left the military service, retooled our skills and jumped into new roles in the economy. Time is at hand again soon to recommit to lifelong learning and jump on board with all of the hard work that will be necessary to "build back best"… and best is in accordance with our foundational principles rooted in individual liberty.

At the apartment buildings we took care of in Boston, the owner was a very frugal guy. So frugal that he did not invest in trash dumpsters, depending on his caretakers to carry the trash down to the street by hand every week from a bin outside each building. There were 48 units in two buildings, so you can imagine the volume. The bins were often attacked by raccoons making a mess that had to be "rebagged", etc. The first week as we were hauling the refuse out to the street, Suki stopped and looked at me and said (and I quote) "You used to be a Captain, now you're a trash man".

Humans are quite adaptable. We will get through this; more comfortably if properly prepared spiritually, mentally, and physically.