Forcing Change

Volume 2, Issue 6

www.forcingchange.org

Economics Undone

By Carl Teichrib

Preface: This has not been an easy article to put together. Whenever someone writes about economic issues, including crisis possibilities, it's easy to fall into traps. Over-sensationalism, or making the article too technical are pitfalls that are difficult to avoid. Moreover, when the data is sensational in itself, it's hard to side step the hype while still addressing the situation at hand. This is further complicated by the fact that, in order to make a case, a certain amount of provocative material needs to be brought into the picture.

Understanding this, it is my hope that you, the reader, will carefully think through the following information – looking to understand the historical context, and how the shifting economic climate may impact your specific situation. At the end of this article is a list of action points for your consideration.

During the past fourteen months, the threat of economic uncertainty has permeated the business and financial communities. From the American sub-prime crisis to the globally expanding costs of energy and food, it's evident that a major shake-up is in the works, and this economic turbulence has resulted in some very interesting stories. Here are a few that cropped up toward the end of June.

-The Royal Bank of Scotland "has advised clients to brace for a full-fledged crash in global stock and credit markets over the next three months as inflation paralyses the major central banks."[1]

- Tim Bond, Barclays Capital's chief equity strategist: "We're in a nasty environment. There is an inflation shock underway. This is going to be very negative for financial assets. We are going into tortoise mode and are retreating into our shell. Investors will do well if they can preserve their wealth... They [central banks] will have to slam on

> the brakes. There is going to be a deep global recession over the next three years as policy-makers try to get inflation back in the box.""[2]
>
> - Fortis Bank, a major European financial institution, recently recapitalized based on the belief that the United States economy is on the verge of a complete meltdown. Chairman Maurice Lippens, when discussing this recapitalization program, dropped the following bombshell: "We were saved at the last minute. Things in the U.S. are going far worse [than what] people think."[3]

To better understand the economic condition we find ourselves in, it's important to provide some essential background. And this includes an often-overlooked fact: Economics, politics, and religion are indelibly linked.

The reasoning that drives this thought may be construed as an overgeneralization; nevertheless, there is validity to the argument that cannot be ignored.

At the personal and cultural level, morality is based on the impact of historical and contemporary religious convictions, or lack thereof. Furthermore, from a cultural perspective, our worldview and moral standards reflect the way our financial and economic affairs are conducted. This in turn influences the political spectrum, which passes laws and regulations in order to guide behaviour in the realm of economics and financial obligations. Coming full circle, this action reinforces the morality that provided the ethics behind economics. Religion, morality, and politics: all of this frames the national and global economic picture.

So what does this picture look like?

For starters, it's enormous: The interlocking moral, political, and economic landscape is so broad, so vast, so all encompassing, it's hard to build a case using only one example. The scandals at Enron and WorldCom immediately come to mind. So does the mafia-run Wall Street "chop house" brokerages where organized crime ran illegal funds through the stock market in the 1990s.[4]

And let's not forget the amazing web of deceit and destruction woven by the BCCI . During the 1980s and early 1990's, the Bank of Credit and Commerce International acted as the "central banker" for arms merchants, drug traffickers, money launderers, and a myriad of black operations – attracting to it some of the most powerful and nasty players within the international arena. When the BCCI was finally shut down is was dubbed the "bank of crooks and criminals."[5] Adding to this is the fact that its depositors included "central banks, governmental organizations, government investment funds, and government officials, involving most of the countries in the world."[6] By the time the BCCI affair was exposed, a trail of bodies and bomb craters stretched from Latin America to the Middle East and elsewhere.

If anything, BCCI validated the words of the Bible: "For the love of money is a root of all kinds of evil" (1 Timothy 6:10).

But other angles to our economic panorama have to be considered. Richard Ebeling, an economics professor, reminds us of the role that state intervention plays,

> "Look around in any direction of our economic and social lives and try to find even one corner of our existence free from some form of direct or indirect government intrusion into our personal and interpersonal affairs. It is practically impossible to find such a corner. Our lives our not our own. They are the property of the state...
>
> Today, it is not free market forces but political directives that most often influence what goods and services are produced, where and how they are produced, and for what purposes they may be used. Pick up any product in any store anywhere in the United States and you will discover that hundreds of federal and state regulations have actually determined the

methods by which it has been manufactured, its quality and content, its packaging and terms of sale, and the conditions under which it may be 'safely' used by the purchaser. Buy a tract of land or a building and you will be trapped in a spider's web of restrictions on how you may use, improve, or sell it. Every facet of our lives is now subject to the whims of the state.

In an environment in which 'public policy' determines individual lives and fortunes, in which social and economic life has become politicized, it is not surprising that many Americans have turned their attention to politics to improve their market position and relative income share. Legalized coercion has become the method by which they get ahead in life. And make no mistake about it: Every income transfer, every tariff or import quota, every business subsidy, every regulation or prohibition on who may compete or how a product may be produced and marketed, and every restraint on the use and transfer of property is an act of coercion...

Over time, interventionism blurs the distinction between what is moral and what is not."[7]

All of these issues reflect a moral dilemma that goes beyond basic self-interests (meeting one's needs): It's called greed, and the power and ability to feed greed has resulted in the world's largest growth industry - money.

Speaking of financial greed, Federal Reserve chairman Alan Greenspan made the following statement during a US Senate Banking Committee hearing in 2002.

"An infectious greed seemed to grip much of our business community. Our historical guardians of financial information were overwhelmed. Too many corporate executives sought ways to 'harvest' some of those stock market gains. As a result, the highly desirable spread of shareholding and options among business managers perversely created incentives to artificially inflate reported earnings in order to keep stock prices high and rising...It is not that humans have become any more greedy than in generations past. It is that the avenues to express greed have grown so enormously."[8]

Greenspan was right; an "infectious greed" has gripped the business community. But in pointing a finger at the corporate sector, three were pointing back at him. For no other business on the planet has mastered the ability to feed greed better than the banking industry. After all, the ultimate power to create wealth or to withhold it isn't found in the business world, it's firmly planted in the realm of central banks and commercial lending institutions.

Sir Josiah Stamp understood this. As the former president of one of the world's most powerful central banks – the Bank of England – and considered the second richest man in England during the 1920s, Mr. Stamp knew the banking world intimately.

"The modern banking system manufactures money out of nothing. The process is perhaps the most astounding piece of sleight of hand that was ever invented. Banking was conceived in iniquity and was born in sin. The Bankers own the earth. Take it away from them, but leave them the power to create deposits, and with the flick of the pen they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes like mine will disappear and they ought to disappear, for this would be a happier and better world to live in. But, if you wish to remain the slaves of Bankers and pay the cost of your own slavery, let them continue to create deposits."[9]

Some readers will be raising their eyebrows; "What does he mean, 'continue to create deposits'...?"

That's right: Banks create money. In fact, the vast majority of the money in use isn't physical cash, but bank designed deposits. Accessing 2006 stats from the US Federal Reserve, author Ellen Brown reports that 3% of the US money supply is in the form of coins and paper-based dollars.

> "The other 97 percent is created by commercial banks as loans but in the form of credit and debt-based bank deposits."[10]

This is sometimes called "checkbook money," and it's created through a process called "fractional reserve" banking – a system employed by practically every bank and credit institution.

Larry Bates, a former banker and member of the Tennessee House Committee on Banking and Commerce, explains how this works,

> "As a former banker, I have literally created millions of dollars out of thin air with the stroke of my pen. It works like this:
>
> One day I made a loan to a customer in the amount of $100,000, thereby increasing my assets in loans by $100,000. This customer was a good customer, and I deposited the $100,000 loan proceeds to my customer's checking account, thereby increasing my liabilities on the liabilities side of my bank ledger by $100,000. At the end of the day when I totalled my statement of condition, by the stroke of my pen I had increased the size of my bank by $100,000.
>
> All I have to do legally is to keep 10 percent of the $100,000 I deposited to my customer's checking account, or $10,000 in reserve. I subtract this $10,000 from the $100,000 deposit, and I now loan my next customer $90,000 of their money and repeat the process.
>
> The total amount that I can ultimately create is called a 'multiplier.' It is determined by a formula which is regulated by the reserve requirement set by the Federal Reserve.
>
> If you were to have a 10 percent reserve requirement, a simple way to determine the multiplier is to divide 100 by your reserve requirement. In the case of 100 divided by 10 percent reserve, it equals 10, so your multiplier factor is 10. In other words, with a 10 percent reserve requirement, I can take $1,000,000 in new deposits and under fractional reserve banking can parlay that into a maximum of $10,000,000 in newly created money supply."

Contrary to what many people think, the world's currencies are no longer based on a gold standard (hasn't been for decades), or on any other tangible commodity. It's built on a massive bubble of debt (credit) and the "faith" of the user that the government will "back it up." This form of money is known as *fiat* – currency by government *decree*, not intrinsic value.[11] Hence, our entire monetary system is now a towering pyramid of irreversible debt built on the foundation of fractional reserve banking.

While this sinks in, we need to briefly explore another economic reality: Monetary inflation and deflation.

Simply put, monetary inflation is the expansion of money. The more money created, the less "value" it has and the more prices increase to compensate for this loss in purchasing power. Other issues certainly impact price increases, such as supply and demand, and the spill over of supply/demand also comes into play. General inflation, however, is oriented to an increase in the general money supply.

This is significant, especially when considering the money creating power of banks and the present reality of credit-as-money. Walter Stewart, a Canadian author on banking and finances, recognized this seldom considered linkage.

> "The implications are huge. First, there is no effective curb on the amount of money a bank can conjure up in the bowels of a com-

puter, with a few keystrokes, and if that isn't dangerous, I don't know what is...

Second, there is no longer any effective instrument, other than jacking up interest rates, that the government can use to control inflation."[12]

"Jacking up interest rates" brings us to another point: deflation.

Deflation is the contraction of the general money supply. Now, with less money in circulation, the overall price of goods decreases to reflect the rising value of the more scarce dollars. Dropping prices sounds nice, until you realize that this is a result of less money in everyone's pocket, including yours and mine.

In our modern system where money is only based on debt – inflationary in its very nature – the effect of raising interest rates is a deflationary step. Higher rates means less loans, less credit, less money. This is what's known as "tightening up."

Finding the fine balance between monetary expansion and contraction, especially in light of other market drivers such as supply/demand, trade balances and employment issues, is not an easy task. Yet, this is what a nation's central bank is supposed to do. Therefore, when a central bank lowers interest rates, and keeps it artificially down to incite growth (spending) – which is what has happened during the last fifteen years – an inflationary imbalance occurs.

For more than a decade this cheap credit has been viewed as a good thing. It's appealed to our personal greed: Can't afford the new car? The new house? Buy now and pay for a lifetime.

Can't afford the leather furniture, the big screen TV, the computer? Buy now and pay later with approved financing.

Can't afford the trendy clothes, the meals out, the movies? Put it on plastic.

We've all done it; and now our culture is awash in debt and inflated, valueless, credit-based money.

The following LendingTree commercial, which is trying to sell even more credit, provides a prime example. Set in an affluent, upper-middle class suburb, we're introduced to a smiling Stanley Johnson who's kind enough to show us his "American dream" lifestyle – including his gorgeous home complete with a fireplace and inground pool.

"I'm Stanley Johnson.

I've got a great family. I've got a four-bedroom house in a great community.

Like my car? It's new!

I even belong to the local golf club.

How do I do it?

I'm in debt up to my eyeballs. I can barely pay my finance charges."

LendingTree cuts in,

"Need a smart way to handle your debt? At LendingTree.com, you can lower your monthly payments by using the equity in your home, with either a home equity loan or by refinancing your mortgage. Call 1-800..."

Riding his lawn tractor in his suburban backyard, Stanley cuts in; "Somebody help me."[13]

Sadly, this sums up personal finances throughout much of the Western world. Corporations and governments are in no better shape, as witnessed by America's total national debt (including government, corporate, and personal) at $50 trillion plus.[14]

But this wasn't accidental. Every time a loan or financing program has been entered into, a conscious decision has been made to proceed – sometimes for the personal betterment of the individual, sometimes not. Collectively, we knew what we were doing. So did the corporations and governments.

Likewise for credit institutions. The banking industry, following the lead of central banks, handed out cheap credit (debt) like candy. Did they know what they were doing? Of course! Banks advertised low rates and pain-free payments like they were carnival side-show vendors, doing everything short of banging on doors to sell cheap credit.

And the public, no longer content with starting small and building up savings to purchase items, gobbled up all the credit-candy possible. In turn, this created an almost endless credit-inflation cycle that society seemingly has had no choice but to perpetuate.

The US housing market demonstrates this principle [NOTE: The following explanation has been simplified due to space limitations].

Everyone needs a place to live, but buying a home is a big undertaking, and few can afford to enter with cash. Therefore, a loan is required for the average buyer. When the loan is made, more credit-based money is injected into the market supply. Thus, over the years, prices collectively rose. In some places the housing market was hotter than others, but this was a reflection of localized supply and demand pressures. Generally speaking, prices climbed as interest rates came down, and the loans became larger with less collateral attached.

Then in the late 1990s, banks started giving out high-risk loans to already debt-burdened families and low wage earners. These loans had a low introductory rate, but were adjustable – enter the subprime model. As consumer debt steadily expanded across demographic lines, and as the purchasing power of the dollar correspondingly fell, the use of subprime loans rapidly gained momentum.

Expanding on this, lending institutions bundled these loans and sold them to other banks and speculators around the world – creating the investment side of the sub-prime market. This became a goldmine for investors willing to take a risk. Money flowed, and lenders made sure that virtually everyone who wanted a home "could afford one."

No savings? No collateral? No problem. Cheap credit flowed like sweet soda, and the housing market inflated into an unimaginable bubble, pushing homeowners, banks, and subprime investors closer to the brink.

However, just as too much candy makes one sick, a debt-based inflationary economy eventually reaches a critical point. For scores of subprime homeowners, the critical point came when rates were adjusted up.

Is the housing problem over? Not even close. Instead, it may have acted as the cork in the dam. When the cork finally popped, it revealed a web of fast-growing cracks, right down to the foundation. Now it appears that the infrastructure could crumble. If the economic weaknesses can't be shored up, what can we expect?

Two options present themselves: inflation or deflation.

Let's recap.

<u>Inflation:</u> In this scenario, the central bank lowers interest rates and injects more liquidity (credit-money) into the system, providing a band-aid solution. This may hold off the inevitable for a time, but continue this practice too long and saturation takes effect. In this scenario, hyperinflation could be the outcome: money becomes worthless and prices skyrocket by the week, the day, and the hour. Monetary assets, such as gold, gains in value as national currencies are discarded by the market.

<u>Deflation:</u> In this scenario, the central bank raises interest rates, thereby slowing inflation by contracting the money supply. If this reaction happens too fast in a society operating chiefly on credit, then a deflationary depression ripples through the system. In this "tightening" scenario, lines of credit are no longer affordable, loans are difficult to come by, and those in debt cannot sustain the rate increases. Jobs are lost and prices plummet, including the value of stocks, as money is increasingly hard to come by.

A third option exists, but it's so improbable that it hardly warrants mention: In the short-term, central banks walk the perfect inflation/deflation tightrope, and at the same time reform the financial base of society – placing restrictions on the money creation power of the banking industry (including themselves), and introducing some form of asset backed currency to bring stability and accountability.

This would be a start: Good luck.

The fact that we are entering a period of crisis is certain. Two big questions crop up; will this crisis be deflationary or inflationary? And how soon before the dam breaks?

Right now, many analysts are predicting a further inflationary run. Mary Anne and Pamela Aden, editors of *The Aden Forecast*, recently reported,

> "Suddenly, there's a lot of talk about inflation in official circles and that wasn't the case before. But over the past couple of months, comments or inflation warnings were made by the Fed, the European Central Bank and the Bank of England. Government officials are speaking out, and so is the press. The International Monetary Fund was the most direct, warning that global inflation has reemerged as a major threat to the world economy."[15]

No doubt inflation could be poised to jump higher. However, the reaction to an inflationary crisis – and we've been experiencing a slow boil inflation build-up for decades – could set us up for a reactionary, credit tightening movement. And while energy and food costs are currently rising (due in part to geopolitical pressures), other sectors such as housing in the US are falling. Other parts of the world are experiences downturns too, yet even at the global level this crisis doesn't show uniformity.

Ambrose Evans-Pritchard, in the Telegraph, wrote, "The West is in the full grip of a debt deflation as years of credit abuse come back to haunt it. The East - loosely speaking - is in the blow-off phase of an inflationary boom."[16]

On June 19th, Bob Janjuah, the Royal Bank of Scotland's credit strategist, indicated a deflationary move was in the making.

> "A very nasty period is soon to be upon us - be prepared...Cash is the key safe haven. This is about not losing your money, and not losing your job...The ugly spoiler is that we may need to see much lower global growth in order to get lower inflation."[17]

And George Soros was quoted in the Telegraph as saying that this is "the end of a 60-year period of continuing credit expansion based on the dollar as the reserve currency."[18]

Inflation or deflation? Or a hybrid beast that hits the world from both ends? Until the storm is directly overhead, it's extremely difficult to say. Nor can anyone guess the timing of when the storm will unleash its fury. But an observation can be made; the storm clouds have crested the horizon.

Isn't it amazing what greed can do? In the words of Ambrose Evans-Pritchard,

> "We are in uncharted waters. The easy tradeoff between growth and inflation that so flattered asset prices for a quarter century is over. The monetary lords can no longer shield us from the full consequences of our debts. Nor do they want to."[19] FC

Suggestions for a Storm

The following are practical suggestions to meet a storm – either one that is personal, or a society-wide crisis.

Please note, these are not elaborate ideas, but practical approaches. As the author of this list, I must admit that I'm unable to follow all that is suggested. And I know that many others are unable as well because of lack of capital or other reasons, hence this list should be viewed as a jumping point to individually assessing your position. Therefore, each person will have to think through his or her own set of circumstances, and find the best course of action available. This will depend on a person's capital, debt levels, skills and talents, time, and even location – among other factors.

The following list is comprised of four parts: Knowledge, relational, economics, and physical.

<u>Knowledge:</u>

- Take the time to study and understand the history of money, banking, debt, and economics. Don't be content to only read books and articles by authors whom you agree with. Challenge yourself – take the time to think through and challenge your opposition's positions – and find books from a spectrum of time periods. Then, armed with knowledge, you'll be better equipped to grasp the situation at hand. At the bottom of this article is a list of books and resources.

- Make a full assessment of your financial situation. Be honest with yourself. A good book to work through in conjunction with this exercise is *Your Money Counts*, by Howard Dayton (Tyndale House, 1997).

<u>Relational:</u>

- Know your neighbours. Involve yourself with other people, supporting them in times of stress, and rejoicing in times of goodness and celebration. Think of others, and be quick to help. Don't do this because it's reciprocal, but because it's the right thing to do. Build relationships that go beyond talking about sports or the weather. Be a neighbour, be a friend.

- Where possible, involve yourself in the broader community: your children's school, your church, community functions, and other areas of social interaction. The above point, "know your neighbours," applies in the larger context.

- Seek council from individuals you know and trust. Talk to the elderly; many of them have gone through hard times, and can share stories and incidents that contain valuable lessons.

<u>Economic:</u>

- If possible, get out of debt, especially consumer-based debt. Even in the best of times debt is an anchor that weighs you down. In a personal and/or national financial crisis, debt can be the executioner's axe.

- Have a cash supply on hand. One rule of thumb is to have enough physical cash available to see your household through four to six months of no-income (how you store it is your own business). This should be an emergency fund, and treated differently than savings. (Alas, for many people, this is extremely hard to accomplish, especially when dealing with personal debt).

- Hold some gold and silver. Some analysts suggest 10% of your portfolio, others 50%. You have to be the judge of how much to hold, and in what form (certificates, coins, bullion, etc). Gold and silver have been historically sound, much more so than paper currency. Study this subject and determine what you need to do in your circumstances.

- Review your job or career, and/or your business. How sound is it? If you have a business, what do you need to do to shore it up? If a job: how secure is it, and do you have the skills and knowledge needed to change if the position fails?

- Investments. As I am not an "investment expert," I hesitate to suggest what options to pursue. Some thoughts come to mind; diversify your monetary holdings with strong currencies from stable countries, look to other parts of the world for sound investment opportunities (the resource sector is important to watch, a good publication to subscribe to is *Resource World Magazine*), don't copy what everybody else is doing. Think!

Physical:

- Have a storehouse of long-lasting food items. I grew up and still live in a very rural area where people have substantial pantries. Most of my city friends don't. After living in Indianapolis for four years, and watching the city react to an approaching snowstorm, it reinforced my belief in having a well-stocked pantry. After all, you have to eat.

- Grow a garden if you have the space. Make a deal to buy your meat through a farming connection. Don't have one? Find one.

- If possible, have a generator and a supply of fuel. I must confess, as a rural resident who has been without power due to snowstorms, I still don't have one (I hope to rectify this soon).

- Have tools on hand and know how to use them. This doesn't mean becoming a master mechanic, it just means knowing how to do things for yourself and others where you can. Don't have the skills necessary? Read some books, talk to people, and try (start small at first!). I have a friend who had few skills in this regard. After spending time in the library, talking with others, and carefully thinking things through, he did a fantastic job renovating his house. If we enter a downtime in the economy, be prepared to do more yourself.

Here are some suggested resources.

Web-based:

- www.kitco.com
- www.financialsense.com
- www.freemarketnews.com
- www.resourceworld.com (worth subscribing to their print magazine)

Books:

The following list contains some of the books I've read or are reading, including historically relevant items. This list is not intended as a guide, but as a jumping point for you to explore.

- James Eggert, *What is Economics?* (Mayfield Publishing Company, 1997). A good overview of economics.

- Howard Dayton, *Your Money Counts*, (Tyndale House, 1997). An easy to read book with a Christian worldview regarding money and debt – full of practical applications.

- Martin Mayer, *The Bankers* (Weybright and Talley, 1974). A history of the banking industry.

- John Kenneth Galbraith, *A Journey Through Economic Time* (Houghton Mifflin, 1994) and, *The Anatomy of Power* (Houghton Mifflin, 1983). Galbraith was a giant. *Journey* is a short volume on understanding economic drivers, and *Power* is an important study on the uses and leverage of influence.

- James Turk and John Rubino, *The Collapse of the Dollar and How to Profit from It* (Doubleday, 2004). A great overview of inflation and the case for gold.

- Contantino Bresciani-Turroni, *The Economics of Inflation: A Study of Currency Depreciation in Post-War Germany* (George Allen & Unwin, 1937) A detailed study of German's economic catastrophe.

- Larry Bates, *The New Economic Disorder* (Creation House, 1994). A short but very good overall review of banking power, money, and politics.

- Gordon Thomas and Max Morgan-Witts, *The Day the Bubble Burst: The Social History of the Wall Street Crash of 1929* (Penguin, 1979). Exactly what the title says.

- Norman Angell, *The Story of Money* (Garden City, 1929). An old volume, but with lots of interesting history.

- G. Edward Griffin, *The Creature from Jekyll Island: A Second Look at the Federal Reserve* (American Media, 1998). A large, but easy to read study on economics, the power of banking-based money, and deeper political motivations.

- Walter Stewart, Bank Heist: *How our Financial Giants are Costing you Money* (Harper Collins, 1997). A Canadian review of bank manipulation and influence.

- Jack Weatherford, *The History of Money* (Crown, 1997). An easy-to-read history of money.

Endnotes:

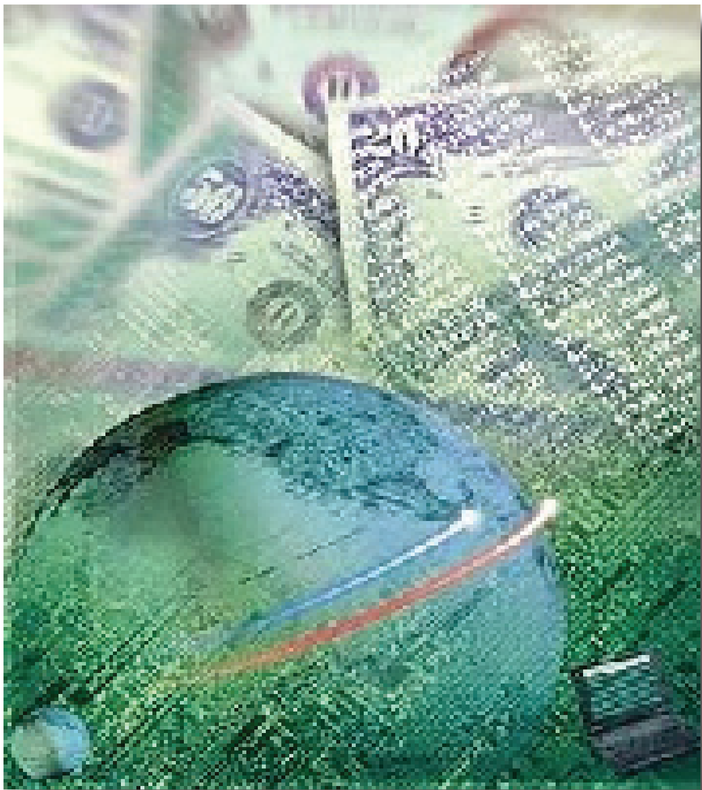
[1] "RBS issues global stock and credit crash alert," *Telegraph*, on-line edition, June 19, 2008.
[2] "Barclays warns of a financial storm as Federal Reserve's credibility crumbles," *Telegraph*, on-line edition, June 28, 2008.
[3] "Fortis made cash call in face of expected U.S. 'meltdown'," CNBC News [on-line], www.cnbc.com/id/25451427/for/cnbc, June 30, 2008.
[4] See Gary Weiss, *Born to Steel: When the Mafia Hit Wall Street* (Warner Books, 2003).
[5] See Lucy Komisar's essay, "BCCI's Double Game: Bankingon America, Banking on Jihad," *A Game as Old as Empire* (Berrett Koehler, 2007). See also, *The Outlaw Bank: A Wild Ride into the Secret Heart of BCCI*, by Jonathan Beaty and S.C. Gwynne.
[6] *The BCCI Affair: Report to the Committee on Foreign Relations*, United States Senate, by Senator John Kerry and Senator Hank Brown, December 1992, 102nd Congress, 2nd Session.
[7] Richard M. Ebeling, "The Free Market and the Interventionist State," *Between Power and Liberty: Economics and the Law* (Hillsdale College Press, 1998), pp.36-37.
[8] Testimony of Chairman Alan Greenspan, Federal Reserve Board's semi-annual monetary policy report to the Congress before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 16, 2002.
[9] Although first sources for this quote have not been secured, the quoted can be found in Larry Bates book, *The New Economic Disorder* (Creation House, 1994), p.122, and in, *Web of Debt* by Ellen Brown, (Third Mellenium Press, 2008), Introduction. Apparently, Mr. Stamp made this statement in 1927 while speaking at the University of Texas.
[10] Ellen Brown, "Dollar Decepion: How Banks Secretly Create Money," July 3, 2007, www.webofdebt.com/articles/dollar-deception.php.
[11] James Eggert does a good job of explaining this in his book, *What is Economics?* (Mayfield Publishing Company, 1997). See chapter 9.
[12] Walter Stewart, *Bank Heist: How Our Financial Giants Are Costing You Money*, (Harper Collins, 1997), p.12.
[13] This commercial can be viewed on Youtube.com. Type in "LendingTree commercial" and look for Stanley.
[14] This figure has been derived through the work of Michael Hodges (Grandfather Econimic Reports), using a variety of US government stats. You can view his charts at; http://mwhodges.home.att.net/nat-debt/debt-nat-a.htm.
[15] "Global Inflation: The Next Major Obstacle," Aden sister's commentary at Kitco.com.
[16] Ambros Evans-Pritchard, "Federal Reserve and ECB are in no mood to save us from the consequences of our debt," *Telegraph*, on-line edition, June 10, 2008.
[17] "RBS issues global stock and credit crash alert," *Telegraph*, on-line edition, June 19, 2008.
[18] Ibid.
[19] Ibid.

Money Answereth All Things

By Larry Bates

Editor's Note: This important article by Dr. Larry Bates was originally penned in early 1998 in the *Monetary & Economic Review*. Ten years later, Mr. Bates article is equally relevant and timely – it's a great introduction to the medium called money and the importance of solid assets, such as gold and silver.

Larry Bates is an economist, having served as the CEO of a bank and past chairman of the Tennessee House of Representatives Committee on Banking and Commerce. He's the author of *The New Economic Disorder,* and is the editor of the *Monetary & Economic Review*.



"A feast is made for laughter, and wine maketh merry: but money answereth all things." (Ecc. 10:19)

What is money? Most people would answer, "It's what I have in my wallet or purse," or, "It's what I have in my bank account, or what I have in my brokerage money fund account," or a combination of these.

I must tell you that your understanding of money – or your lack of understanding – can mean either great fortune or great loss to you. The choice to really understand, or on the other hand to continue with misconceptions of money, is critical. Knowledge of our economic and monetary system is one thing that will determine whether you are one of the winners or one of the losers.

John 8:32 reads, "And ye shall know the truth, and the truth shall make you free" (KJV). It's not the truth that's going to make you free, but it's your knowledge of the truth. We have a choice to either be good stewards of what God has given us by knowing the truth, or to just ignore the truth.

Money by Definition

The common definition that we find for money in the dictionary is as follows:

Money (mun'e) n., pl. -eys, -ies 1. a) standard pieces of gold, silver, copper, nickel, etc., stamped by government authority and used as a medium of exchange and measure of value: coin or coins; also called hard money; b) any paper notes issued by a government or an authorized bank and used in the same way; bank notes; bills: also called paper money (*Webster's New World Dictionary*, Third College Edition).

We must examine the question, "What did we do before we had money?" The answer is: barter. Suppose hat I'm a grain farmer. John is a dairy farmer, and Ben doesn't farm, but he owns a processing plant. I get tired of eating grain all the time, and I'd like to have some meat and some milk. John gets tired of drinking milk and eating meat, and Ben, who has the processing plant, would like something to eat. What do we do? I send grain to Ben and John, swapping meat, milk, and the services of the processing plant.

In other words, all of us in our little economic units either produced goods as John and I did, or provided a service as Ben did. But as we became a more mobile society, it became very difficult to pick up the grain and carry it everywhere to use as "money." It was more difficult for John to carry his cows, and it was impossible for Ben to pick up and move his processing plant around the country. So, what happened was the evolution of money. We saw money take on required characteristics in order to be considered money.

Money had to be something that everyone would accept in trade for various good and services, and that could later be exchanged with something else for goods and services which they needed. This key concept of a portable medium of exchange gave a great boost to trading and other economic activities. Money had become the medium, or the middleman, of all transactions, including investments, making trade and commerce more convenient.

We see throughout the history of early civilization that the increasing trade in commerce caused people to gravitate to gold and silver as the trading medium. We see in the early days of the Bible that gold and silver had great value. People had long desired the precious metals for jewellery and decoration. It was valuable because it took labor to mine it, and it took labor to refine it. It represented one's labor and enterprise.

As time passed, a substance called electrum came into existence. Electrum was simply a mixture of gold and silver, molded into a crude ball or lump. These lumps of electrum were used as the medium of exchange because everyone knew from experience these lumps would not lose their value. It was widely recognized as money, and change could be made by shaving off pieces of electrum until the proper weight for payment had been achieved.

After electrum, in its crude form, we saw the advent of coinage around 650 B.C. People still liked electrum, but coins were far better. Coins were pre-weighted and had different sizes and denominations. It was not necessary to shave off the pieces to make change.

With the advent of coinage, Man's sinful nature rose up again. Kings and governments discovered a great secret: They could give themselves a monopoly of the mint by simply decreeing that only coins authorized by the king could be used. The "official" character of coins was further enhanced when the king put his image on the coins.

By controlling the minting of coins, it also became easy for the king (or the government) to steal from the people by simply debasing the coins. He did that by periodically calling in all the coins of the realm. He would then melt them, add a small amount of cheap base metal to the gold or silver, then re-mint them. Because he had added the base metal, he had more coins than before. They were still accepted at face value by the people when the king first spent them, because they didn't know any better. This is much like what is happening today, but in a far more sophisticated way.

This had become a "back door" tax on the people. How? It's simple.

The one who gets the new money first, or who knows about the new money first, profits at the expense of the one who gets it last or knows about it last. You see, the king had a definite advantage because he got to spend the money first. Many times, the king would create more coins to finance his wars or to bestow gifts upon his favorite subjects.

The most insidious thing about this back door tax is the fact that the people didn't even know they were being taxed. That, my friends, is fraud. Even back in the prophet Amos' day, we read that they made "the ephah (bushel) small, and the shekel (dollar) great...falsifying the balances by deceit." (Amos 8:5).

Banks Are Born

As early civilization advanced and trade and commerce boomed, and with coins being cumbersome and heavy to carry around, someone discovered that we should have banks where we could carry our coins and deposit them for safekeeping [NOTE: goldsmiths were known to first carry out this function]. A depository receipt was given, showing how many coins the individual had on deposit. Soon, it became evident that it was far easier to transport the depository receipts than the actual coins; and since the bankers would redeem the depository receipts and return the coins to the person presenting the receipt, it became commonplace to trade the receipts rather than the coins. Thus, paper money came into existence.

The king then discovered that he could do exactly the same thing with paper money that he had done with gold. He printed pieces of paper that represented the quantity of gold or silver that he had in the royal treasury. Then, by decree, he made it illegal to use anything except his paper money (legal tender laws).

The Fraud

Over time, the king gradually severed the relationship between the quantity of paper and the quantity of gold and silver in the royal treasury until the paper was based on nothing but the good faith and credit of the king. After all, the legal tender laws declared you had to use the king's money.

As more and more money was created, it became more plentiful. And as it became more plentiful, it had a diminished value. This is what we know today as inflation.

If we go to the dictionary for the definition of inflation, we read:

Inflation (infla-shun), n. 1. an inflating or being inflated; 2. an increase in the amount of money and credit in relation to the supply of goods and services (*Webster's New World Dictionary*).

Inflation is something like this: If I serve you a cup of black coffee and then start pouring clear hot water in your coffee to dilute it, and if your objective in drinking the coffee is the caffeine it contains, then you're going to have to drink a lot more coffee to get the same amount of caffeine.

The same thing happens with our money. As we have more money printed [NOTE: and more created in the form of bank loans and credit] and put into circulation, the result is a fall in its value and a rise in prices.

Real Money

You may be asking, "What should money be, then?"

Money should be something that has all ten of the following characteristics. If it does, it will function as it should.

1. It should be a store of value. Your money should be worth, in terms of purchasing power, what it is worth today, next year, or even in ten years.

2. It should be easily recognized as money. We can't expect someone to accept it as payment if they don't know what it is.

3. It should be universally acceptable. If people do not desire it, it has no value in trade.

4. It should be easily divisible. This is a must in order to make change.

5. It should have intrinsic value. It should be desirable in, and of, itself.

6. It should be impossible to counterfeit. If it cannot be counterfeited, it cannot be created out of nothing. If it cannot be created out of nothing, there can be no inflation and resulting depreciation in its value.

7. It should be durable. If it is not durable and deteriorates or is easily destroyed, its value will not last over time.

8. It should have high value in small quantities. A concentration of value or wealth makes it more convenient to transport.

9. It must be easy to handle. It must be in a size and form easy to store, transport, and exchange.

10. Its supply must remain scarce.

When you compare most of the paper currencies, including the US Federal Reserve note – the dollar – to this list, we find they have only a few of the ten characteristics. The US Federal Reserve note has only three. Real money must have all ten. However, we must remember that people – not governments, central banks, or even nation states – have always determined what money is and what money is not. [**Editor's Note:** The Federal Reserve is the US central banking system. Most countries have a central banking structure designed around similar principles].

In all of recorded history, including the Holy Bible, we have seen that the currency of choice and the money of the Bible is gold and silver. We read in 1 Kings 10:2 that when the Queen of Sheba came to visit King Solomon, she came bearing gold and precious stones. I cannot find anywhere in the text that she came bearing CDs and municipal bond portfolios. Gold and silver was the money of the day and it has remained so for thousands of years, to this very day.

A Fatal Tendency

In biblical times and continuing to this very day, there always has been that sinful nature of Man and his fatal tendency to live and consume off the labor of others. The Babylonian monetary system is alive and well in the world today in the form of dishonest weights and measures. Our monetary system today is doing the very same thing that is mentioned in Amos 8:5. We are making the ephah (or bushel, or whatever quantity we're buying) smaller; and we are making the shekel (or dollar, as we know it today) larger by inflating it s it buys less goods. Thus, we cheat with dishonest scales.

This is an abomination to Almighty God. This is a system, a commercial Babylonian system, that He already has judged; it is a system that we as believers must come out of. It's really simple. When you don't use the king's (the government's) money, the king can't rip you off.

You don't need legal tender laws to tell people what money they should use. You only need legal tender laws when the money that is being used is not what the marketplace desires, but what is being forced upon the people by the edict of the king or the decree of the government.

If one is to survive this coming economic disorder, one must learn what money is and what money is not. When people understand, there will be a mad rush to dump the counterfeit and grab the real thing [**Editor's Note:** this has already started to happen. Recently, while talking with a precious metals dealer, I was told that the supply of silver bullion products had become problematic due to public demand.]

Don't you think it's strange that the Federal Reserve (a private bank), who in 1913 was given a monopoly on the creation of paper money by "the king" (Congress and the president), has more than 50 percent of its assets in gold? [**Editor's Note:** According to June statistics from the World Gold Council, the US holds 78.2% of its reserve assets in gold. This amounts to 8,133.5 tonnes of gold.]

We must remember that the gold at the Federal Reserve is not for our benefit. Nowhere on the Federal Reserve's notes that we carry around in our wallets does it say that they are redeemable for part of the gold. The bills we accept as money are simply IOUs of the Federal Reserve. [Editor's Note: This holds true for other countries operating under a central banking system.]

Try to find on the face of any Federal Reserve note what it owes you; you will find that it says it owes you nothing. Therefore, you are carrying around a pocket full of "IOU nothings."

I challenge you now to pull any bill out of your wallet and examine it carefully. If you have a US one dollar bill and you ask the average person on the street to identify this bill for you, they will, in most instances, say it is a dollar. I must tell you that it is not a dollar.

The word dollar comes from the Greek word *thaler*, which means "unit of measurement." Congress defined a dollar as so many grains of silver and later as so many grains of gold.

Suppose you saw me pick up a two-pound bag of coffee at the local supermarket. You were behind me in the checkout line as I said to the clerk, "Just pour out the coffee and give me two pounds."

What would you think?

I know what you would think. You would think, "Wow, he's really lost it!"

But that's exactly what you've done with your dollar. We've all said together, "Just forget the gold; give me the dollar."

This is precisely how the economic and political elite of this world have been able to accomplish the biggest Robin Hood theft of all times. They have simply taken from the ignorant and given it to themselves, the well-informed.

You must be asking yourself right now, "What kind of system allows this kind of chicanery?"

Easy – the one we have.

Proof of this can be found in the language of the Series 1950 Federal Reserve note, which says, "This note is legal tender for all debts public and private, and is redeemable in lawful money at the United States Treasury or at any Federal Reserve Bank." This must mean that the newer bills, which don't have this notification, are unlawful money.

The only question remaining is, what action we'll take individually?

Noah is perhaps our example. Hebrews 11:7a: "By faith Noah, being warned of God of things not seen as yet, moved with fear, prepared an ark to the saving of his house."

It's time to build your financial ark. **FC**

Larry Bates is an author, radio host, and economist. He's served as the CEO of a bank and past chairman of the Tennessee House of Representatives Committee on Banking and Commerce.

Weimar Inflation in America

By James Turk

Editor's Note: After World War I, Weimer Germany experienced one of the worst inflationary depressions in modern history. Today, because of the massive growth of credit (debt currency) during the last couple of decades, America is poised to follow a similar path of inflationary depression. Other nations are on this road too. However, because the US dollar has been used as the global currency since World War II, no other monetary unit in the history of the planet has been spread so far or so thin – or carries with it the potential to impact so many people. [Keep in mind that an inflationary crisis could spur a counter-reaction, the retraction of credit, also known as a deflationary cycle].

How the coming economic shake-up will ultimately pan out is difficult to say, however, James Turk makes a compelling historical analysis between Germany and the United States.

James Turk, Founder & Chairman of GoldMoney.com and co-author of *The Coming Collapse of the Dollar*, is one of the world's most recognized experts in terms of gold/asset-based money. His articles on economics, including gold and inflation, are published throughout the financial and resource-based sectors.

Republished in *Forcing Change* by permission of Mr. Turk, FC hopes that this piece will assist readers in understanding the looming economic problems that are now facing America and the world.

Probably almost everyone is familiar with the hyperinflationary episode that engulfed Germany after the First World War. That nation's economy was crippled by monetary problems that resulted in dreadful personal hardships, even though up to that time Germany had achieved one of the highest living standards in the world.

The newly formed German government, named for the city where their constitution was drafted after the Kaiser's abdication in 1918, kept pumping up the money supply. The process started relatively slowly, but quickly the pace of money creation accelerated.

The Weimar government was paying its bills on credit – just like Zimbabwe is now doing. The Weimar government was issuing currency in exchange for valuable goods and services that it was receiving, and the vendors of those goods and services accepted the newly issued currency in the expectation that they would be able to exchange it for goods and services of like value. However, they soon realized that they were deluding them-

Figure 6. "The impoverished middle class has to sell its cherished possessions." Photo by Sennecke, Berlin, in Ostwald, *Sittengeschichte der Inflation*, 90.

selves. Prices were rising rapidly, with the consequence that a flight from the currency into commodities and other tangibles began.

There was no discipline on the creation of new currency, with the result that it was being issued to excess. Within a few short years, the German government eventually destroyed the Reichsmark, the currency it had been issuing, making the words "Weimar Germany" synonymous with hyperinflation, economic collapse, deprivation and personal hardship. All the wealth saved in Reichsmarks was wiped out.

For example, in his classic book, *Paper Money* – penned three decades ago under the pen name of Adam Smith – George J.W. Goodman recounts the story of Walter Levy, an internationally known German-born oil consultant in New York. Levy told him,

> "My father was a lawyer, and he had taken out an insurance policy in 1903. Every month he had made the payments faithfully. It was a 20-year policy, and when it came due, he cashed it in and bought a single loaf of bread."

The photo in this article is from an insightful book by Bernd Widdig entitled *Culture and Inflation in Weimar Germany*. This photo shows one way in which people coped with rising prices.

As the inflation worsened, people sold whatever they could to survive. Widdig succinctly describes it in the caption to the above photo as follows, “The impoverished middle class has to sell its cherished possessions.” He should have correctly stated that it was the “newly impoverished middle class.” They only became destitute after the inflation had destroyed their savings and ability to maintain their standard of living.

Sadly, the problems of Weimar Germany are now appearing in the US. To survive the impact of rising prices, Americans today “like Germans did eight decades ago” are selling cherished possessions, as explained in a recent story by Associated Press entitled “Americans unload prized belongings to make ends meet.”

The full article is available at the following link: http://abcnews.go.com/Business/Economy/story?id=4750846&page=1

AP explains how some Americans are trying to cope with the ravages of inflation,

> “To meet higher gas, food and prescription drug bills, they are selling off grandmother’s dishes and their own belongings. Some of the household purging has been extremely painful - families forced to part with heirlooms.”

It is indeed no doubt painful, just as it was for the Germans in the photograph above, who surely must have been putting on a brave face for the photographer.

Confirmation of the AP story came a few days later on May 14th from an article in the *Washington Post,* which reported,

> “Nearly seven in 10 Americans are worried about maintaining their standard of living, as concern has spiked higher in just the past five months, according to a new Washington Post-ABC News poll. Soaring consumer prices are a major challenge, with many people struggling under the weight of the rising costs of fuel, food and health care. The poll shows that the weak economy and rising prices are high among voters’ concerns, and contribute to a souring national mood in this presidential election year. More than eight in 10 said the country has veered pretty seriously off-track, and a separate poll released yesterday by ABC showed economic anxiety at its highest level on record since 1981. Overall, 68 percent of people surveyed in the new Post-ABC poll said they were concerned about their ability to keep up their lifestyles, a jump of 17 percentage points since December. The increase cuts across party and income lines.”

Crude oil is $132. Corn is $6.The cost of everything is rising. Inflation is worsening, and it’s not hard to understand why. M3, the total quantity of dollars, is now growing by 17% per annum. Weimar inflation has arrived in America.

The Federal Reserve is following the footsteps of the central bank in Weimar Germany. It is the same path taken by many central banks that have issued countless fiat currencies based on nothing but government promises. It is the path to the fiat currency graveyard, and the once almighty US dollar – which long ago used to be “as good as gold”, just like the Reichsmark once held that same exalted title – is knocking at the graveyard’s gate.

This insight about the importance of gold and shortcomings of fiat currency is not surprising, nor is it new. Here is what Rep. Howard Buffett, father of Wall Street legend Warren Buffett, had to say on May 4, 1948,

> “Our finances will never be brought into order until Congress is compelled to do so. Making our money redeemable in gold will create this compulsion.”

Absent that compulsion, the dollar is going the way of the Reichsmark. Don’t count on the US government to do the right thing and make the dollar redeemable into gold. Instead, take those steps necessary to protect yourself and your family to prepare for the dollar's inflationary collapse. Buy gold. Buy silver. Avoid the US dollar. **FC**

James Turk is the Founder & Chairman of GoldMoney.com (www.goldmoney.com). He is the co-author of *The Coming Collapse of the Dollar,* which has been updated for a newly released paperback version, now entitled *The Collapse of the Dollar* (www.dollarcollapse.com).

It's Not An Oil Problem

By Paul Proctor

Editor's Note: For most FC readers, the price of fuel at the pumps is hard to swallow. Moreover, petroleum companies are reporting huge profits, causing the average motorist to point the finger at the oil industry as a prime villain.

Paul Proctor provides a different train of thought. No doubt supply/demand issues, including refinery capacity and the oil thirst of China, have had an impact on the price of fuel. Government taxes too are a contributing factor. In Canada, as the price of petroleum increases, the government's take rises as well (35% of the cost of fuel in Canada is absorbed in a variety of taxes, including the Goods and Services Tax). However, another factor in the rise of fuel costs needs to be considered – money.

This is something that OPEC President, Chakib Khelil, recently voiced. In the June 24th, on-line edition of *The Economic Times*, Mr. Khelil pointed the finger at the "weak US dollar" as a primary factor in fuel price increases. Considering that the US dollar is the world's petroleum currency (countries buying and selling oil have to use the American greenback), a "weak US dollar" puts a huge strain on the value of global petro-trades.

But what exactly is a "weak US dollar"? Simply put, money that has lost it's purchasing power due to the fact that too much currency/credit has flooded the system, thereby devaluing the worth of the dollar. In other words; inflation.

Mr. Proctor puts this into perspective.

About Paul Proctor: "a rural resident of the Volunteer state and seasoned veteran of the country music industry, retired from showbiz in the late 1990's to dedicate himself to addressing important social issues from a distinctly biblical perspective. As a freelance writer and regular columnist for NewsWithViews.com, he extols the wisdom and truths of scripture through commentary and insight on cultural trends and current events. His articles appear regularly on a variety of news and opinion sites across the internet and in print."

Forcing Change is pleased to introduce Mr. Proctor to the FC family.

As I was driving around town the other day, running errands and taking care of business, I noticed trucks, vans and SUVs, very similar in size to mine, absolutely everywhere – many jammed full of kids, soccer moms, businessmen and blue collar workers, sitting in traffic between red lights with cell phones hanging off their heads.

Knowing that their urban assault vehicles required at least as much gas as mine, I wondered:

How in the world does a family paying a mortgage and a couple of car payments get by these days with prices being what they are? I'm not a tightwad by any stretch of the imagination, but I scratched one of the things I needed that day off my shopping list for one reason, and one reason only – it wasn't worth the gasoline it would take to drive across town and buy it.

The store that sold the item I needed wasn't more than twenty minutes away, but the fuel it would have required to get there and return home again made it too expensive. I admit this because I'm quite certain I'm not the only one out there whose priorities are changing dramatically where gasoline is concerned.

And that can't be good for business.

In an article I wrote a couple of years ago titled "Gasoline Is Not Going Up," I tried to explain the illusion of "inflation" we are under and the real reason the things we buy, including gasoline, are getting so ridiculous. If you haven't read it yet, I hope you'll take a few minutes to do so (go to www.newswithviews.com and check out Mr. Proctor's archive). Newcomers might find it a real eye-opener. The only things in the article that have changed since it was published are the prices I cited. And change they have!

You see, I began the piece by stating, "For the first time in my life I put $70 worth of gas in my car."

Well, as outrageous as that seemed at the time, it's a bargain now because just the other day I filled up that same vehicle with $67 worth of gas (same grade) – but my tank was only half empty when I pulled up to the pump. In fact, I generally start looking for a gas station at around half a tank now because I haven't found one yet that will let me have $100 or more in fuel on a single credit card purchase. Don't bother asking the gas station attendant why. They'll just plead ignorance or tell you it's your credit card company that's limiting the purchase.

You see, it was reported just last week in an article titled "Some Gas Stations Say No More

To Credit Cards" that gas stations are being charged higher processing fees for larger credit and debit card purchases, meaning the bigger the sale, the less they profit – which may explain why many gas pumps automatically limit the size of your fuel purchase to under $100. But, with prices skyrocketing at the rate they are now, a half tank today is probably going to be considerably less painful than a full tank tomorrow.

Oh sure, I tried paying with cash for about a month or so earlier this year, but to do that you have to burn even more gas driving around to ATM machines, some of which have lines in front of them, especially during lunch or rush hour. It's either that or you go get in line at the bank to cash a check.

And remember, this is just for gasoline!

Now, if you don't want to do that and you have to fill up a couple of times or more a week, that means you'll need to carry around a big wad of cash in your pocket, maybe a third of your paycheck or more, which really isn't very safe. Then when you get to the gas station, you'll have to go inside and get in line at the counter to pay for your purchase in advance – then go back outside to fill up your car, all the while hoping the attendant remembers to reset the pump – and then go back inside when you're finished to get in line again for a receipt and/or any change they might owe you for the difference.

I believe they call these places "convenience stores."

And here's a little word to the wise: The price of gas being what it is now, I wouldn't recommend you "wad carriers" out there with a tendency towards impatience, skip that last step and drive away with a full tank and no receipt. It's your word against theirs, and the burden of proof will be on you when the police come knocking on your door at home bearing a license plate number and a vehicle description some cunning or confused gas station attendant gave them that matches yours.

Better to get a receipt now than a phoney felony charge later.

The point is this: Prices obviously haven't improved since I wrote that article two years ago and, as you know, prices are accelerating upward at an alarming rate – so much so that many of our other buying habits are being adversely affected.

At the current rate gas stations are charging for mid-grade gasoline, which is required in vehicles like mine, it now takes $128.34 to fill up my tank from empty. I really feel sorry for you guys out there driving diesel pickups.

Two friends of mine just recently told me they had parked theirs because they couldn't afford to drive them to work anymore, much less anywhere else; and they can't sell them because nobody wants to buy a vehicle that requires a near $5 a gallon fuel to drive it.

Now they're making loan payments and paying mandatory auto insurance on vehicles they can no longer use; and in many cases the trucks aren't even worth what they owe on them – so they're stuck, and find themselves turning to motorcycles and scooters to get them where they need to go.

Who knows how they'll get around when winter returns.

And, because so much money is going into gas tanks, major department stores, shopping malls and high-end restaurants here in the Nashville area are closing their doors due to a dearth of customers. We all know what that means.

In fact, The Tennessean recently reported that, "the state's unemployment rate saw the biggest one-month jump ever recorded." Ever is a long time, ya'll.

And we're in one of the better parts of the country, economically speaking. In fact, my county is one of the wealthiest in the nation. Not only that – Nissan just moved their North American headquarters here. That's how commercially attractive this region is.

Even so, three well-known regional banks with branches spread across the southeast, all very prominent in this area, are struggling to survive due to the ongoing real estate and credit crisis. So, I can only imagine what it's like for people in other areas of the country that have been hit much harder and financially depressed much longer.

And what are those in Washington and the mainstream media telling us about the economy?

Well, about 3 months ago, in an article titled "The Worst Is Yet To Come," I said this,

> "In the near term, I suspect there will be a lot of talk that the worst is all behind us and that things are starting to look better in certain segments of the economy. This kind of propaganda is likely to be repeated over and over again on the evening news to try and prop up consumer confidence in the face of rising prices, declining demand and plummeting profits."

Then, a few weeks later, Yahoo News posted an article in their finance section titled (are you ready for this?), "The Worst Is Behind Us." It began this way,

> "With Treasury Secretary Hank Paulson and Merrill's John Thain chiming in, there's now near unanimity of opinion on Wall Street: The worst of the credit crisis is over."

Are we that stupid, or are they that incompetent? I mean, these guys get paid a lot of money to figure this stuff out. They're supposed to be experts. So, what's going on here?

As if that wasn't enough, a month later, the Associated Press said this in an article titled "Wall Street's Credit Crisis Heads Into Second Year,"

> "With each passing quarter, Wall Street's top bankers have indicated that the worst of the

market turmoil was over - only to face more pain months later."

Now compare what is being said here in America to what is being said about America overseas...

Central Bank Body Warns Of Great Depression:

"The Bank for International Settlements (BIS), the organisation that fosters cooperation between central banks, has warned that the credit crisis could lead world economies into a crash on a scale not seen since the 1930s."

RBS Issues Global Stock and Credit Crash Alert:

"A report by the bank's research team warns that the S&P 500 index of Wall Street equities is likely to fall by more than 300 points to around 1050 by September as 'all the chickens come home to roost' from the excesses of the global boom, with contagion spreading across Europe and emerging markets."

Well, I'll leave you to draw your own conclusions; but more than anything else, what I hope readers will gain from all this as they fork over more and more for less and less in the coming days, is an understanding that it is not an oil problem we're facing – it's a money problem. But, those in charge of the money don't want you to know that. They want you to aim your angst at everyone else involved, from gas station owners to commodities speculators, from radical environmentalists to big oil companies and OPEC – anyone and everyone but the fractional reserve lenders who relentlessly devalue your dollars and mine by printing and circulating too many of them.

You see, OPEC has been radically raising the price of their oil because they know something your government and media isn't telling you – that the dollar we buy their oil with, along with everything else, is plummeting in value here and around the world.

It's just that simple.

And that Stimulus Check you got from Uncle Sam that's supposed to make you feel better and save our economy?

Well, that's like putting a Band-Aid on a bullet hole.

You can only live it up so long on borrowed money. Sooner or later, the party's over.

"Because thou sayest, I am rich, and increased with goods, and have need of nothing; and knowest not that thou art wretched, and miserable, and poor, and blind, and naked."

– Revelation 3:17 FC

Paul Proctor's articles can be found archived at www.newswithviews.com.

Quotes on Money, Inflations, and Debt

1. "It often has been said that money does move the world. Therefore if you are of the mind to control the economic and social behavior of the masses, it is desirable to control the money."
- Larry Bates [economist and former banker], *The New Economic Disorder* (Creation House, 1994), p.101.

2. "Despite what politicians and money manipulators would like you to believe, inflation is not rising prices. That is only a symptom of inflation, just as sniffles are a symptom of the cold. Knowledgeable people are well aware that inflation is an increase in the supply of money – period. Nothing more and nothing less."
- Larry Bates, *The New Economic Disorder* (Cre-

ation House, 1994), p.21.
3. “Price inflation means that most things require more money to buy than they did before. Or, stated differently, each dollar buys less. It is natural to focus on the things that are costing more, rather than on the money that is buying less, since by habit we think of money as the measure of value. But in fact it is a change in the money that causes a change in prices, rather than the reverse.”
- Harry Browne [investor and author] and Terry Coxon [tax specialist], *Inflation-Proofing Your Investments* (William Morrow and Company, 1981), p.25.

4. “It must be realized that, while money may represent an asset to selected individuals, when it is considered as an aggregate of the total money supply, it is not an asset at all. A man who borrows $1,000 may think that he has increased his financial position by that amount but he has not. His $1,000 cash asset is offset by his $1,000 loan liability, and his net position is zero. Bank accounts are exactly the same on a larger scale. Add up all the bank accounts in the nation, and it would be easy to assume that all that money represents a gigantic pool of assets which support the economy. Yet, every bit of this money is owed by someone. Some will owe nothing. Others will owe many times what they possess. All added together, the national balance is zero. What we think is money is but a grand illusion. The reality is debt.”
- G. Edward Griffin [author and researcher], *The Creature from Jekyll Island: A Second Look at the Federal Reserve* (American Media, 1998), p.188.

5. “The more of a positive net money balance I have, the more of a negative balance someone else has.”
- Altruism.org, “The Wizards of Money.”

6. “If all the bank loans were paid, no one could have a bank deposit, and there would not be a dollar of coin or currency in circulation. This is a staggering thought. We are completely dependent on the commercial banks. Someone has to borrow every dollar we have in circulation, cash, or credit. If the banks create ample synthetic money we are prosperous; if not, we starve. We are absolutely without a permanent monetary system. When one gets a complete grasp of the picture, the tragic absurdity of our hopeless situation is almost incredible – but there it is.”
- Robert Hemphill [former Credit Manager of the Federal Reserve Bank of Atlanta], as presented in *The Creature from Jekyll Island: A Second Look at the Federal Reserve* (American Media, 1998), p.188.

7. “Humans have inherited a monetary system that fuelled the industrial revolution, lost its commodity backing during the Vietnam War, and now travels by the trillions, over millions of miles in a matter of nano-seconds. Physical currency notes are almost irrelevant having been replaced by a system of bits and bytes accounting in complex networks. While money is just a highly abstract measure and a medium of exchange, our lives revolve around it and its disappearance can bring trade to a grinding halt, collapsing whole com-

munities. This ridiculous situation is akin to a carpenter stopping work because he has run out of inches!"
- Altruism.org, "The Wizards of Money."

8. "Most of the total money supply is created by banks making loans to the non-bank public. Almost all money (more than 95% at any time) is created by the creation of a corresponding amount of debt. Currency in circulation is just a very small proportion of the total money supply and it is created by the Federal Reserve System, not the government. In truth, money is actually created 'out of thin air' by the commercial banks and their Federal Reserve System."
- Altruism.org, "The Wizards of Money." [NOTE: The Federal Reserve is the US central banking system. In Canada, it's the Bank of Canada. In England, it's the Bank of England...etc. In most nations this principle is the same.]

9. "The effect of monetary control is more powerful than mega-tons of atomic energy. It reaches into every shop and home, a feat that could never be accomplished with standing armies. It can be used with precision against one nation, one group, or even one person while sparing or benefiting all others. Military force may be irresistible but it causes resentment and political unrest that can smolder for decades. Since monetary manipulation is seldom understood by its victims, it does not incur their wrath. In fact, the manipulators enjoy high social status and financial reward."
- G. Edward Griffin, *The Creature from Jekyll Island: A Second Look at the Federal Reserve* (American Media, 1998), p.514.

Forcing Change is a monthly online publication dedicated to documenting and analyzing the socio-religious transformations now sweeping our world. Owned by Globalization International, Forcing Change is a membership subscription service, with an annual fee of $120.00 US. Membership in Forcing Change allows access to the full range of FC publications, including e-reports, audio and media presentations, Forcing Change back issues, downloadable expert documents, and more. FC receives neither government funding nor the financial backing of any other institutions; rather, Forcing Change operates solely on subscription/membership support. To learn more about Forcing Change, including membership benefits, go to www.forcingchange.org.

Globalization International/Forcing Change, P.O. Box 31, Plumas, Manitoba, R0J-1P0, Canada.