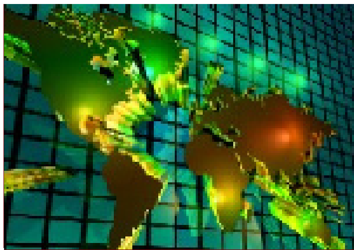

Forcing Change

September 2009

In This Issue

Carl Teichrib, Chief Editor

Climate and Coinage: Hot Air and Hot Money

By Carl Teichrib

This issue of *Forcing Change* takes a look at two major areas of concern for this fall, climate change (especially the financing of "global warming") and economics.

Understanding the monetary forces pushing climate change is essential, for in a few weeks time, before Christmas of this year, world leaders will be gathering at Copenhagen to hash out a new global climate change treaty. What makes this summit especially important is that the timing matches the economic crisis, and global warming lobbyists – along with major banking and investment firms – anticipate a solution that will save the planet's climate while reshaping the global economic landscape.

How so? Carbon taxes at the national and international level, and the creation of a massive new marketing structure based on carbon trading. Global governance is part of this package, as this "carbon economy" is to be coupled to a CO_2 currency that will transcend national politics.

Does this sound like a bland topic? Not when you realize that this new climate market is *poised to outstrip all other commodities in terms of annual dollar value.* This means that more money will change hands over "hot air" than over wheat, oil, steel, or beef. Moreover, if you engage in any type of economic activity – whether you buy or sell – your pocket book will be hit, for all economic activity is dependent on some form of energy. And energy is at the heart of the carbon credit system.

Hence, this issue contains three important articles on climate change, with two of these focusing on the money and politics of global warming.

Three other articles round out this issue: 1) an article on personal economics, 2) a short examination of the historical value of gold and silver, 3) a brief report on the geopolitics of a displaced US dollar in light of continued economic turmoil.

But the major media has told you that the economy is on the rise! Here in Canada, this mantra was repeated continually during the early part of September. This same line was repeated in other countries as well.

Are we out of the woods? Not even close. In fact, a good argument can be made that we are on the edge of round two in a multi-round global economic implosion. All the indicators point to this – demographics, upcoming energy choke points, massive debt creation, huge credit and trade imbalances, and the rising clout of the BRIC nations (Brazil, Russia, India, and China).

We may make it through 2009 before the next rollercoaster ride really starts to twist, but it looks like 2010 may see some big changes. Roger Wiegand, an economic analyst, foresees "the next wave of real estate foreclosures" in 2010, along with severe problems in the insurance and commercial loan markets.

"Big Banks are not healed," Wiegand recently stated in a Kitco.com commentary, "They just buried 90% of their toxic debt and pretend it's gone away. It hasn't gone away and will rear its ugly head again…"

In addressing this downturn economic situation, one that we reported on before the media picked it up in late 2008, we examined some basic ways to shore up your personal financial standing. This issue will reexamine some of those strategies with the hopes that the additional details will be of some help in determining your financial roadmap. FC

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Cash for Climate: Clunkers Have Nothing On This

By Carl Teichrib

This summer the United States introduced its "cash for clunkers" program in an attempt to rejuvenate the failing auto sector. Originally slated to cost US taxpayers $1 billion, the program soon ballooned to $3 billion in payouts and administrative costs. The idea was simple; bring in your older vehicle and receive a cash injection towards the purchase of a new automobile.

But it's not all roses in this socialist auto-utopia. Following the end of the program, car sales in the US crashed by 27% this September (reported by AFP), and buyer's remorse is now setting-in as new car owners are faced with making payments during an economic downturn. Remember, the "clunkers" may have been older vehicles, *but they were paid for.* But it's not only car buyers who will have to make payments. Just like other government handouts, the actual cost will be carried forward and remain on the books for years to come – another burden to the nation's taxpayer.

Consider the recent analysis published in the September 16th online-edition of *Canadian Business*,

"…assuming the Cash for Clunkers program was financed by 30-year Treasury bonds, the related interest will cost U.S. taxpayers a total of about US$150 million annually. And those payments will continue until the principle has been paid back, which may never happen – ever."

However, all of this is chump-change compared to the "Cash for Climate" program, as governments around the world pour astronomical amounts of money into combating climate change – "hot air." Consider just one country: the United States of America.

Spending Money, Creating Money

In a document released this summer, the Science & Public Policy Institute reported that: "The US government has spent over $79 billion since 1989 on policies relating to climate change…"

"In total, over the last 20 years, by the end of fiscal year 2009, the US government will have poured in $32 billion for climate research—and another $36 billion for development of climate-related technologies. These are actual dollars, obtained from government reports, and not adjusted for inflation. It does not include funding from other governments on the global industry." (*Climate Money,* by Joanne Nova, SPPI, 2009, p.3)

Joanne Nova, the author of the SPPI report, notes a very disturbing reality.

"The most telling point is that after spending $30 billion on pure science research no one is able to point to a single piece of empirical evidence that man-made carbon dioxide has a significant effect on the global climate." (p.3).

But there's another side to this cash-for-climate story.

In the fall of 2007, I had the chance to attend a Manitoba government-sponsored workshop on climate change and agriculture. It was an interesting one-day event: faulty science and lots of talk about farming practices made up the agenda.

What really roused our attention, however, was the potential to make a dollar in the growing carbon market – a trading system whereby "polluters" can purchase carbon offsets from a clean seller in an open carbon exchange. A *simplistic* illustration helps…

Let's say a factory in England produces 100,000 tons of CO2 a year, and the company has been told it must lower its carbon dioxide emissions to a certain level or "cap," as required by international climate laws. "Clean up or shut down!" demands the environmental bureaucrat, "You're pumping too much carbon into the air" (Never mind that plants need carbon dioxide, CO2, to live – a slightly *incontinent* truth).

Meanwhile, projects that offset carbon dioxide are calculated as to how much CO2 they collect, or how much the project will "offset" such as in the case of a wind farm verses a coal-fired utility company. Carbon-friendly projects could include zero-till agricultural practices, reforestation, or alternative energy utilities. Then after these projects are calculated in terms of CO2 savings, these "carbon credits" are driven through a brokerage and trade exchange. The factory in England can now enter the market and purchase the necessary carbon credits to offset the 100,000 tons it emits.

What did the factory get? The ability to satisfy the climate regulators – it's now a "carbon friendly" company. Did the factory do anything to physically slow down or stop emitting CO2? Probably not: It just paid for the right to continue emitting. The farmer or forester made a small dollar, and in the process may have tied their hands with new property-use restrictions. The brokers and investment firms, however, made big money in fees and by bundling contracts and playing the market.

Again, the above illustration is simplistic as this carbon-trading regime has many more twists and turns. But money changed hands, the law was satisfied, and the bubble economy in hot air expanded. Imagine that: You can save the planet and make a buck doing it!

It's an amazing concept: a *government dictated* marketplace in CO2 contracts. There's more! Beyond creating a trading system in case-by-case CO2 contracts, there is a distinct possibility that a new carbon-based monetary unit – an international climate reserve currency – will emerge along with the carbon economy.

Don't discount this idea. At present, the US dollar is the keystone unit for global energy trades, particularly in petroleum: a position it has held for decades. But many in the Asian and European financial community are looking to replace the US dollar as the global reserve currency with a different medium of exchange (see the 2007 *Forcing Change* report, "One World, One Money"). Could carbon credits become this new global currency, politically unattached to any singular nation?

In 2004, the *Harvard International Review* published an article titled "A New Currency: Climate Change and Carbon Credits."

"A new currency is emerging in world markets. Unlike the dollar, euro and yen that trade for tangible goods and human services, this new money exchanges for pollution – particularly emissions of carbon dioxide…Carbon credits, as they are called, are poised to transform the world energy system and thus the world economy." (*Harvard International Review*, Summer 2004, p.56.)

Two years later a report by the UK's Centre for Sustainable Energy suggested that individual citizens be granted a CO2-credit account, "based on a carbon credit card debited whenever carbon is consumed." (*A Rough Guide to Individual Carbon Trading*, November 2006, p.13). Hint: every conceivable economic action requires energy, and is therefore susceptible to a "carbon debit." Who do you think the real moneymakers will be in this kind of scheme?

Finally, Sindicatum Carbon Capital, a large UK-based investment group, is calling carbon credits for what they are: A "new global green currency."

Hot Air, Big Money

A glance at the present and future dollar value of "hot air" demonstrates just how significant this market is. In the SPPI document, *Climate Money*, Joanne Nova informs us,

"Even though the government has poured in around $70 billion dollars of influence over the last 20 years, that pales in comparison with the rapidly growing force of carbon trading. According to the World Bank, turnover of carbon trading doubled from $63 billion in 2007 to $126 billion in 2008…Not surprisingly banks are doing what banks should do: they're following the promise of profits, and hence urging governments to adopt carbon trading…The potential involved in an entirely new fiat currency has banks and financial institutions 'wholly in bed' with scientific theory…" (p.14)

But there's much more at stake. *Climate Money* quotes Bart Chilton, who heads an advisory committee for the Commodity Futures Trading Commission, and predicts that the carbon marketplace could be trading $2 trillion dollars with of credits in the near future.

"It wouldn't be as large as some of the financial markets – Treasury bills – but it would be larger than any physical commodity market." (p.15).

Others predict higher global values. Richard Sandor, chairman of Climate Exchange Plc, holds that this market will eventually "total $10 trillion a year." (p.15).

No wonder Al Gore, who's the founder of Generation Investment Management – a funding group that invests in the carbon market – is the most vocal "global warming" alarmist on the planet. Gore isn't an environmental scientist nor is he a climatologist; he's a salesman – a political lobbyist with a major economic stake in the upcoming trillion-dollar carbon market. He's a rich man who's set to become much richer, buying and selling "hot air."

Between cap-and-trade carbon markets and the fast approaching carbon tax that's set to impact your wallet, in whatever country you live in, you can rest assured that all of this will be sold to us in the name of saving the environment while rebuilding the global economy. And this new international climate regime isn't far off. For months world leaders have been discussing how this new hot air economy will work as they prepare to negotiate terms for the next international climate treaty summit, which is planned for Copenhagen this December.

Ironically, as the world is presently dealing with the problems associated with the aftermath of economic bubbles, we're being set up for what could be the biggest bubble yet. After all, the best way to inflate a balloon is with hot air.

NOTE: a copy of the SPPI document *Climate Money* can be found on the Science & Public Policy Institute website (http://scienceandpublicpolicy.org). FC

Carl Teichrib is editor of *Forcing Change* (www.forcingchange.org).

Gore: U.S. Climate Bill Will Help Bring About 'Global Governance'

By Marc Morano

Editor's Note: In 2007, *Forcing Change* published a short article on global taxation schemes. Unfortunately, this concept has gained in acceptance as world leaders attempt to deal with the ongoing economic crisis, and look to leverage the issue of "climate change" as part of the "global solution." Not surprisingly, various governments are now in the process of introducing a "carbon tax," as is the case of the European Union, where finance ministers are openly talking of implementing an EU-wide carbon levy (already the case in some EU nations). And if you live in the province of British Columbia, you're already paying more at the pumps due to BC's "progressive" carbon tax program.

As we near the December climate change conference in Copenhagen, expect an intensification of "global warming" regulatory proposals and calls for further energy taxation.

To help put this into perspective, *Forcing Change* is pleased to include a short article by **Marc Morano**, who writes for the Science & Public Policy Institute, a research and educational body promoting sound science in respect to energy and the environment.

The importance of Mr. Morano's article lies in the fact that he demonstrates an important part of the climate change agenda: global governance and the redistribution of wealth through an international tax regime.

For more information on the **Science & Public Policy Institute**, you can access their webpage at http://scienceandpublicpolicy.org. SPPI produces a number of reports and articles that critically examine the science and politics of global warming, and you can also sign up for their *Monthly CO2 Report* and weekly *eWire Newsletter*.

Former Vice President Al Gore declared that the Congressional climate bill will help bring about "global governance."

"I bring you good news from the U.S," Gore said on July 7, 2009 in Oxford at the Smith School World Forum on Enterprise and the Environment, sponsored by the *UK Times.*

"Just two weeks ago, the House of Representatives passed the Waxman-Markey climate bill," Gore said, noting it was "very much a step in the right direction." President Obama has pushed for the passage of the bill in the Senate.

Gore touted the climate bill, claiming it "will dramatically increase the prospects for success" in combating what he sees as the "crisis" of manmade global warming.

"But it is the awareness itself that will drive the change and one of the ways it will drive the change is through global governance and global agreements." (SPPI Note: Gore makes the "global governance" comment at the 1min. 10 sec. mark in this *UK Times* video.)

Gore's call for "global governance" echoes former French President Jacques Chirac's call in 2000.

On November 20, 2000, then French President Chirac said during a speech at The

Hague that the UN's Kyoto Protocol represented "the first component of an authentic global governance."

"For the first time, humanity is instituting a genuine instrument of global governance,"

Chirac explained. "From the very earliest age, we should make environmental awareness a major theme of education and a major theme of political debate, until respect for the environment comes to be as fundamental as safeguarding our rights and freedoms. By acting together, by building this unprecedented instrument, the first component of an authentic global governance, we are working for dialogue and peace," Chirac added.

Former EU Environment Minister Margot Wallstrom said, "Kyoto is about the economy, about leveling the playing field for big businesses worldwide."

Canadian Prime Minster Stephen Harper once dismissed the UN Kyoto Protocol as a "socialist scheme."

'Global Carbon Tax' Urged at UN Meeting

In addition, calls for a global carbon tax have been urged at recent UN global warming conferences. In December 2007, the UN climate conference in Bali, urged the adoption of a global carbon tax that would represent "a global burden sharing system, fair, with solidarity, and legally binding to all nations."

"Finally someone will pay for these [climate related] costs," Othmar Schwank, a global tax advocate, said at the 2007 UN conference after a panel titled *A Global CO2 Tax.*

Schwank noted that wealthy nations like the US would bear the biggest burden based on the "polluters pay principle." The US and other wealthy nations need to "contribute significantly more to this global fund," Schwank explained. He also added, "It is very essential to tax coal."

The 2007 UN conference was presented with a report from the Swiss Federal Office for the Environment titled ***Global Solidarity in Financing Adaptation.*** The report stated there was an "urgent need" for a global tax in order for "damages [from climate change] to be kept from growing to truly catastrophic levels, especially in vulnerable countries of the developing world."

The tens of billions of dollars per year generated by a global tax would "flow into a global Multilateral Adaptation Fund" to help nations cope with global warming, according to the report.

Schwank said a global carbon dioxide tax is an idea long overdue that is urgently needed to establish "a funding scheme which generates the resources required to address the dimension of challenge with regard to climate change costs."

Redistribution of Wealth

The environmental group Friends of the Earth advocated the transfer of money from rich to poor nations during the 2007 UN climate conference.

"A climate change response must have at its heart a redistribution of wealth and resources," said Emma Brindal, a climate justice campaigner coordinator for Friends of the Earth. FC

Marc Morano writes for the Science & Public Policy Institute, a research and educational body promoting sound science in respect to energy and the environment. Find out more by going to http://scienceandpublicpolicy.org.

83 Percent of All Statistics are Made Up on the Spot

***By Tim Ball,* Canadian climate scientist**

Saki (H.H Munro) said, *"A little inaccuracy sometimes saves tons of explanation."*

Today we have tons of inaccuracy and very little explanation. Most inaccuracies come from claims based on non-existent or inadequate historical data, extremely crude estimates, computer model projections, or are simply incorrect. It's prevalent in environmental issues but particularly bad with climate and animal extinctions. The reason is because they're the most politicized, which automatically takes them further from the truth.

As Henry Adams said, *"Practical politics consists of ignoring the truth."*

Speculative and Theoretical Nonsense

A good example is a 2008 report that titled *The Living Planet Index* that claimed, "Human activity is wiping out close to one per cent of every other species on Earth every year..." (*The Living Planet Index*, compiled by the World Wildlife Fund, the Zoological Society of London, and the Global Footprint Network).

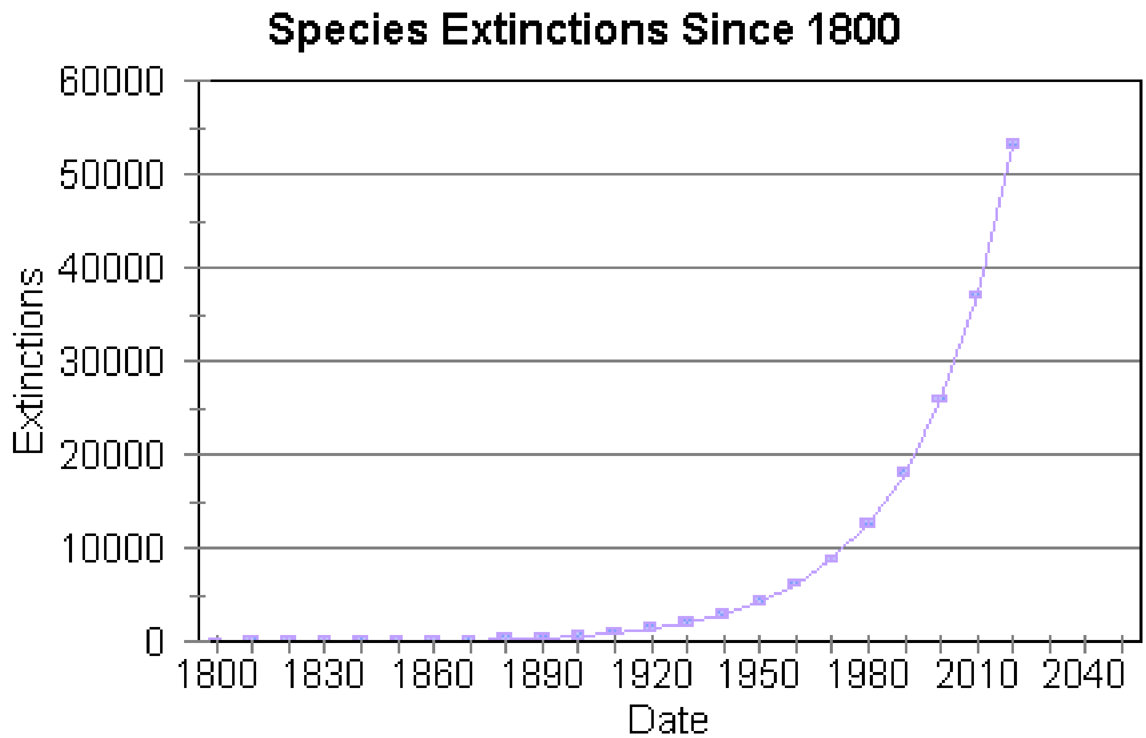
What absolute rubbish. They can't possibly substantiate these claims. We don't know how many species there are. We are finding new species all the time. We don't have even crude estimates of populations. We don't know how much population numbers vary. What do they

mean by "every other"? They should name all the species that comprise their claims.

Numbers in the 2008 Report are part of the ridiculous, completely unscientific, claims made originally by E.O. Wilson about species extinction. Self-proclaimed Canadian environmentalist, David Suzuki, traveled across the country a few years ago claiming the demise of 2 species an hour. He wouldn't name any of them because it's a false claim. It undoubtedly originated with E.O Wilson, who is listed as an honorary Board member of the Suzuki Foundation in the 2003 *Annual Report*.

Wilson introduced his idea of extinction based on mathematical estimates and false assumptions.

"A good proxy for the rate of extinction is the rate of growth in energy used by the human population. In other words, extinction rates are increasing in step with the product of population growth times the growth in affluence."



He produced a ludicrous graph whose shape is reminiscent of the infamous global warming "Hockey Stick" graph and as falsely derived.

Wilson's actual extinction claim was 27,000 per year. He also predicted 22 percent of all species will be extinct by 2022. It's time the media provided a daily obituary column with names of the 48 species provided by the Suzuki Foundation. It won't happen because they don't exist, but that won't stop others making false claims.

Claims of declining numbers work because we're emotionally vulnerable to allegations that we're negatively impacting animal populations. They work because people believe populations don't change much naturally, therefore large or sudden changes are due to humans.

Consider the Intergovernmental Panel on Climate Change, who made a statement in their 2007 *Impact Report* placing the blame on humans (the anthropogenic cause of warming).

"Global-scale assessment of observed changes shows that it is likely that anthropogenic warming over the last three decades has had a discernible influence on many physical and biological systems."

This is out of context and unsupportable. The word "likely" is defined as a 66 to 90% probability, which undercuts the certainty of the statement. Moreover, it's out of context because you can't determine the human effect without knowing or understanding natural change. This is the major problem with the IPCC *Science Report* on climate, so it is not surprising to see it repeated in the *Impact Report*.

Reality

Several situations can cause distortion. Most measures are snapshots taken at a single point of numbers that have naturally wide variation. They vary because of actual change in the total or because the species moves to another area.

For example, a July 4, 2009 letter to the English magazine *The Spectator* complained about the disappearance of swifts in London. (Common swift of Europe; forked tail; nests on city buildings.) A week later a letter said, "I think they may have come to north-east London. This year the skies above Hackney have been filled with them as never before."

None of this would surprise Hudson's Bay Company (HBC) fur traders.

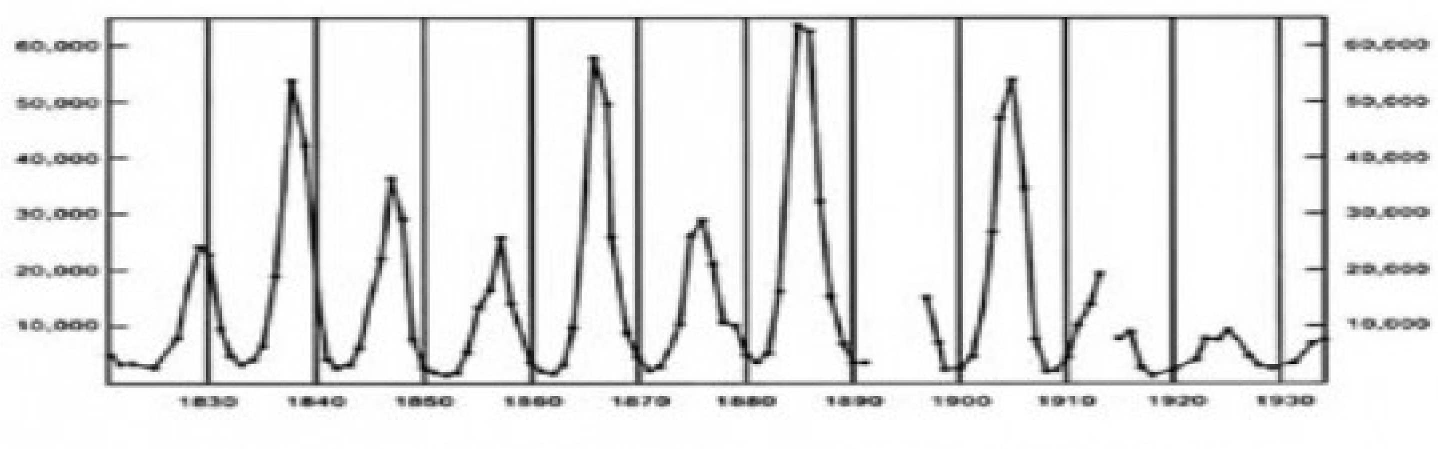
Moses Norton's journal for January 14, 1771 reads, "Ever since I knew the country I never experienced so great a scarcity of partridge."

On January 1, 1810, William Cook wrote in his journal, "Indians complain of scarcity of food." Then on the12th he notes, "Scarcity of partridge and rabbits." A year later he writes,

"Thus are we receiving supplies from one party and witnessing the most abject poverty in another but it is perfectly consistent with the nature of the country that it being not at all uncommon for one set of Indians to be absolutely starving while another party at the distance of 40 miles are living in the utmost profusion."

humans. Unfortunately, few knew or even considered natural variability, even though it was reported in some of the research on the subject: "Shifts in climate in 1977 and 1989 resulted in significant changes in production for a number of marine fish species including Pacific salmon."

You can claim these are recent and still due to human causes. But then how then do you explain the comments of the fur traders, or the oral tradition of the west coast people that speak of failures of the salmon runs with descriptions that indicate they're related to weather-related changes?



HBC lynx returns, 1820–1934. Cycle has mean length of 9.6 years (Elton and Nicholson 1942, 230)

Not surprisingly, Hudson Bay Company records provided the data for one of the first research projects on natural fluctuations in animal population, done by Charles Elton.

His publication with Nicholson in 1942 shows variations in Lynx numbers in a very long record. My current research (unpublished) plots this graph against the 11-year sunspot cycle and shows a high correlation.

The day I read the second letter in *The Spectator* I was involved in a radio phone-in program about the decline in salmon along the west coast of Canada.

A general theme of callers was that humans were to blame, whether it was sea lice from fish farm salmon, forestry or global warming due to

Historical Examples of False Accusations

Many examples exist of groups blamed for decline in species numbers when the cause was natural.

In the late 1980s farmers, especially on the Prairies of Western Canada, were blamed for a significant drop in numbers of migrating waterfowl. They were accused of draining the wetlands, cutting the trees and using chemicals. The actual cause was drought and accompanying wind pattern changes, especially in 1988 and 1989. Significantly increased numbers were reported to the east and west of the traditional fly-routes as the birds adjusted and followed their usually practice of flying 88% of the time with a tail wind to areas were water was available. When the rains returned the birds returned, and bird counts were the highest in over 70 years. Of course, no reports in the media and no apologies to the farmers.

Over 30 years ago, Roger Pocklington approached me about weather conditions in the eastern region of the Canadian arctic. Roger was an oceanographer studying water temperatures from Newfoundland to Bermuda. He reported they were falling. He was welcome at conferences because it fit the consensus of the day, global cooling. Temperatures in eastern arctic Canada had declined for over thirty years and resulted in a cooler Labrador Current. Colder denser water was pushing farther south. We determined this would impact the cod fisheries of the Grand Banks, but nobody would listen. Roger was also ignored because he continued to record and report cooler temperatures, but the politics of climate change had switched to global warming.

Cod numbers declined, and as usual humans were blamed. This is not to say over fishing was not part of the problem. If you assume numbers are relatively constant then a natural decline will make the fishing harmful at a certain level. The problem is we don't know how much the numbers vary. The Canadian government effectively banned cod fishing in 1992. This was akin to banning corn production in Iowa.

After 17 years the numbers haven't recovered. Where did the cod go? Further out to warmer international waters where Europeans fished them, and to shallow warmer inshore waters where they were off limit to Canadian fishermen. In 1996 I stood on the dock at Fortune Harbour in northern Newfoundland with an 84-year-old fisherman. He said cod were more plentiful and larger than he could recall in the bay, but he was banned from catching even two to feed his family. The great irony of the story is that oil drilling at Hibernia on the Grand Banks saved the Newfoundland economy.

It's Time to Expose Scientific Nonsense

Animal populations and distributions vary considerably over time. Every report of decline or discovery in a new location is now attributed to human induced climate change, or some other human activity. Perhaps the most outrageous is the claim of humans hunting Ice Age species to extinction. All ignore natural variability, but that is the pattern of anti-humanity environmental hysteria.

As Lord Dunsany said, "It is very seldom that the same man knows much of science, and about the things that were known before science came."

His comment is even truer if the science is perverted to political ends. FC

Dr. Tim Ball is a renowned environmental consultant and former climatology professor at the University of Winnipeg. Dr. Ball employs his extensive background in climatology and other fields as an advisor to the International Climate Science Coalition, Friends of Science, and the Frontier Centre for Public Policy."

What To Do? A Look at Economics

***By Carl Teichrib* (www.forcingchange.org)**

Introduction:

With the world economic situation poised for more shake-ups, is there anything a person can do?

Actually, there is: It's at the personal level and it sounds like "common sense," especially when viewed against the rising uncertainty of the global marketplace.

1) **Contentment:** Some people mistake contentment for a form of apathy, suggesting that a person shouldn't strive to improve or advance, as this action demonstrates a lack of satisfaction. Such a view misses the point. The writer of the book of Philippians, the Apostle Paul, gives us the proper perspective.

"I have learned to be content whatever the circumstances. I know what it is to be in need, and I know what it is to have plenty. I have learned the secret of being content in any and every situation, whether well fed or hungry, whether living in plenty or want. I can do everything through Him [Jesus Christ] who gives me strength." – Philippians 4:11b-13.

Paul understood that it wasn't about a particular economic class or circumstance, but the recognition that in Christ Jesus was life's meaning and strength. By being rich in the saving grace of Jesus Christ, Paul could move in and out of whatever situation with the knowledge that his foundation was sure. This is contentment; to remain unshaken by the circumstances and to recognize the blessings in whatever situation – for the Christian, it's an attitude of the heart grounded in God's unchanging character.

2) **Live Debt Free:** An almost impossible task, yet for those who have obtained debt-free living the rewards are substantial. If you are not in this situation, and most of us are not, then work towards it. Personal debt can be an overwhelmingly destructive force, especially when a job is lost or health problems occur. And in our present global economic situation, *which precariously hangs over a razor's edge*, the burden of debt is further magnified.

Debt can be a cruel taskmaster. In fact, the Bible warns about this powerful snare.

"The rich rule over the poor, and the borrower is servant to the lender."

– Proverbs 22:7.

Even modern pop culture recognizes the power of debt. There is a line in the recent movie, *The International*, that sums it up.

"You control the debt, you control everything… This is the very essence of the banking industry; to make us all, whether we be nations or individuals, slaves to debt."

3) **Six Month Buffer:** If you've achieved debt free living, congratulations. The next step is one that the vast majority seemingly can't obtain, including this author – the ability to

save at least six months worth of living expenses in a set-aside fund. This is basic living insurance in case of a job loss or other personal calamity. It's not to replace your aging car or television, but to act as an emergency, cash-on-hand safety buffer.

4) **Tangible Asset Insurance:** Certain items have a long history of holding value, and because of this fact they act as a type of tangible asset insurance. In other words, they are recognized anywhere in the world as a store of value, whether a particular economy is open or closed.

Gold and silver are the most obvious choices; they have held value throughout economic history, regardless of what happens to national currencies. This doesn't mean that *today* you should use gold or silver to buy a burger at a fast food joint (however, the restaurant owner would be wise to take the coin, and you'd be a fool for parting with it), rather, it should be viewed as a safety net against two types of situations; 1) personal investment loss, 2) *catastrophic* social and economic turmoil – the kind where currencies become grossly unstable or fail.

The first point, a form of insurance against personal investment loss, is very basic. In this situation gold and silver act as stores-of-value against the possible plunge of paper investments. Mutual funds and individual stocks may drastically go down in value, or collapse outright – as many investors have already experienced. However, if a person holds a portfolio percentage in gold or silver, the value inherent in these two monetary commodities can offset some of the loses, for neither gold or silver have gone to zero.

The second point represents the most troubling of circumstance: A catastrophic social and economic situation.

So how do you use gold or silver as a type of insurance against such an extreme condition? The ways are varied, but let me share one person's example.

- <u>The Businessman:</u> Years ago I talked to a businessman who did a lot of traveling through Eastern Europe and Southeast Asia. In his travels he

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carried a few gold coins and some silver bullion coins (known as "rounds"), and he carried them "loose" so as not to draw unwanted attention at airports or other checkpoints. The reason for carrying bullion coinage was simple: if while traveling through a particular country the political or economic situation turned ugly, he could use the intrinsic value of gold as leverage in an attempt to extract himself from the situation.

The silver, however, he used for making special purchases. If for example he wanted to buy a dress at a local shop to take back for his wife, he would approach the shop owner and explain that he wouldn't be paying for it with dollars, euros, rubles, wons, or any other national currency. Then he would press into the shop owner's hand a silver round. The businessman explained that the shopkeeper would often tear up. Why? Because in countries that have experienced true hard times, silver and gold still function as a solid store of value – even if the metals have been deemed illegal by the nation in question. At the end of the transaction, the businessman would walk away with goods worth 25 to 75% over the current market value of the silver coin.

How did the shopkeeper gain in this trade? The silver coin was pocketed and saved as insurance against the next political or economic shakeup. And if no-such event would occur again in his lifetime, then the silver would be handed down to the next generation as a constant store of value – along with the important life lessons that would be attached to this item.

Does this sound extreme? Not when you consider history. For those of us in Canada and the United States, we've yet to experience the strife of a true national calamity (neither Pearl Harbor or 9-11 counts: in both cases our country's governments, economies, and social systems stayed afloat).

I personally hope that my nation, and yours, doesn't experience this type of deep upheaval. But we need to be honest to history: peace and freedom are rare luxuries in the annuals of time. Therefore, if you never have to use a tangible asset as a crisis-induced bargaining chip, be thankful and pass on the bullion – and life lessons – to your children and grandchildren.

For some, the question of confiscation comes to mind, primarily from US-based readers (in the past the US government confiscated individual's gold). If you live in a country that has done this in the past, and may do it again, then you have to consider the options, risks, and opportunities available. In the end you will have to answer for your actions, and you may have to make hard decisions regarding the demands of government verses your family's need.

"A prudent man sees danger and takes refuge, but the simple keep going and suffer for it." – Proverbs 22:3.

NOTE: Investing in precious metals as a vehicle for capital gain is another matter altogether. The purpose of tangible asset insurance isn't to make a profit but to act as a value-based buffer that, if not used up during a personal or national crisis, can be handed down from generation to generation.

5) **Educate Yourself:** This is so necessary, yet few do it. However, if you are a reader of Forcing Change, then it's obvious that educating yourself in such matters is important. Here are some further suggestions.

- Listen to Others: Spend time talking with those who have lived through times of economic hardship and social upheaval. Ask questions and listen.

In the early 1990s I worked for a health-care program that had the aim of assisting seniors who were living in their homes. This afforded me the opportunity to talk with folks who survived the fires of Europe in the 1940s, the post-war inflation of Hungary, and individuals who grew up experiencing extreme poverty in rural Canada. Their stories were eye opening, and important life lessons were tucked into each account.

I was also blessed in my youth as I had family-friends who lived through Holland as teenagers during the Nazi occupation; they were wonderful people who had a perspective too few appreciated. Another life blessing came through a Laotian family who my mother taught English to. They had lived through the economic, social, political, and military chaos of southeastern Asia. And even though the language barrier made it difficult to communicate, deep undercurrents of challenge and courage permeated their stories.

Seek out those voices, and spend time listening. There are hundreds of millions who have experienced real "hard times." Without question some are living in your community, and some may be from your own family. Listen to them with compassion and genuine friendship, learn from them, and be thankful.

- Read: There are numerous books on economics that will help you better understand our world, and your responsibilities. Here are a few suggestions. Arm yourself with knowledge!

Howard Dayton, *Your Money Counts* (Crown Financial Ministries, 1996/2007). This short book is the best I have seen on personal money management. The perspective is Biblical, and the lessons are invaluable to all. Before reading any other book in this list, read *Your Money Counts*.

Larry Bates, *The New Economic Disorder* (Creation House, 1994). In the past Mr. Bates was a bank executive and member of the Tennessee House of Representatives' Committee on Banking and Commerce. This book presents a non-technical overview of how banking works, what money is and isn't, the politics of money, and suggestions on how to shore up your finances in light of coming economic woe. This book was published 15 years ago, yet it's relevancy today is beyond question (Mr. Bates recognized the roots of our present financial crisis years ago).

G. Edward Griffin, *The Creature from Jekyll Island* (American Media, 1998). This tome is essential reading, as Mr. Griffin explores the history of money and banking, the power of debt manipulation, and the role of politics and global governance. This book has become a classic in hard-money circles.

Peter D. Schiff, *Crash Proof: How to Profit from the Coming Economic Collapse* (Wiley, 2007). Well before our current economic crisis, Peter Schiff was warning of the coming financial turmoil. Major media outlets such as CNN would bring Peter on as a contrarian voice, and the media hosts (and other guests) would literally laugh at him for his predictions about a coming economic storm. His book, which has been re-released as *Crash Proof 2.0*, details the facts and fallacies of modern economics – including the history of how this financial storm came about (a crisis which, in Peter's view, is only beginning). *Crash Proof* also gives recommendation on how to financially safeguard and invest in light of economic troubles.

6) **Help Others:** No matter what happens – for good or bad – in the global economy, be aware of other's needs and *help.* This may be as simple as providing a friendly, encouraging voice. Or it may mean getting your hands dirty doing some type of physical labour, sharing the produce from your garden, or giving a gift basket containing gas coupons and gift cards. It may even mean taking someone under your wing for a time. In other words, *do something*. Make a difference at the individual level.

Conclusion:

There are strategies and measures available for those who want to take action as the global financial storm intensifies. These measures, for the most part, are not exotic or overly complex. Indeed, common sense and sound thinking are essential ingredients.

- Learn contentment.

- Get out of debt.

- Have an emergency cash buffer.

- Consider tangible assets as insurance against catastrophic situations.

- Educate yourself.

- Be alert to other's needs: invest in people. FC

Carl Teichrib is editor of *Forcing Change*, a monthly digest on world affairs from a Christian perspective. (www.forcingchange.org)

Gold and Silver: Historical Stores of Value

The following short review of gold and silver as a store of value has been gleaned from a recent article by Jeff Clark, editor of *Casey's Gold and Resource Report*. For more information about *Casey's Gold and Resource Report*, go to www.caseyresearch.com.

While *Forcing Change* neither buys or sells precious metal products, we feel that the following review is of importance in understanding the role of metals as a measure of value.

Let's trace what an ounce of gold or silver – true money – has been able to purchase at various periods in history, and how it compares to today.

1979: Gold's average price that year was $306.68. This bought an average-priced full size bed.
• 30 years later, $950 would still buy you a full size bed.

1963: A gallon of gasoline in America sold for 31 cents. This meant that 3 silver dimes could buy a gallon of gasoline. The total weight of silver in 3 silver dimes is .217 of an ounce.
• Today, 3 silver dimes would buy a gallon of gasoline anywhere in the U.S.

600 AD: In the Middle East, a chicken at the time of Mohammad would cost a family one silver Dirham (3 grams).
• Today, 1,400 years later, a chicken in the Middle East would still cost a family one silver Dirham.

Time of Christ: Under the Roman Empire, an ounce of gold purchased a Roman citizen his toga (suit), a leather belt, and a pair of sandals.
• Today, one ounce of gold will still buy a man a suit, a leather belt, and a pair of shoes.

400 BC: Some scholars report that during the reign of King Nebuchadnezzar, an ounce of gold bought 350 loaves of bread.
• Today, an ounce of gold still buys about 350 loaves ($950 divided by 350 = $2.73/loaf).

1000 BC: King Solomon was known to have purchased many horses for his army. Historical records show he bought them in Egypt for 150 shekels of silver each.

150 shekels was about 55 troy ounces of silver.
• Today, you can still buy a riding horse for 55 troy ounces of silver ($800).

Some characteristics of gold --

Gold cannot be…

- Printed (ask a miner how long it takes to find it and dig it up)
- Counterfeited (you can try, but a scale will catch it every time)
- deflated or inflated (it can't be reproduced)

Gold cannot be destroyed by…

- Fire (it takes 1945.4 degrees F to melt it)
- Water (won't rust or tarnish)
- Time (a gold coin remains recognizable after a thousand years)

Gold doesn't need…

- Feeding (like cattle)
- Fertilizer (like corn)
- Maintenance (like printing presses)

Gold has no…

- Time limit (most gold mined is still in existence)
- Counterparty risk (remember Bear Stearns?)
- Shelf life (it never expires)

Gold as metal is…

- Malleable (spreads instead of crushes)
- Ductile (stretches without breaking)
- Beautiful (just ask an Indian bride)

Gold as money is…

- Liquid (easily convertible to cash)
- Portable (you can hold $50,000 in one hand)
- Private (no mandatory reporting here) FC

"America and Britain Must Be Very Worried"

By John Rubino, (www.dollarcollapse.com)

Note by Carl Teichrib, editor of *Forcing Change*: During the lifespan of Forcing Change, a number of FC articles have focused attention on the demise of the US dollar as the world reserve currency. In fact, years before becoming the editor of FC, I published a few pieces on the rise of dollar competitors – primarily via regional currencies such as the euro – and how this would impact the world's geopolitical fabric. *This singular issue is one of the most profound in modern history, and how it plays out will determine the course of world events.*

As *Jack Weatherford*, author of *The History of Money* tells us,

"Behind the scenes at the interwoven markets of today, a fierce struggle is under way for control of money. The key to future power lies not just in controlling nations with large amounts of territory and people, and not only in controlling multinational corporations that stretch around the globe. Of even greater importance is the question of who will control the creation and distribution of money itself – the substance on which rests all the wealth of nations, the power of corporations, and the success of individuals."

The following article is a montage of sorts. It starts with an introduction by John Rubino, an author who has been featured in **Forcing Change** before, and goes into an excerpt by

Robert Fisk (reporter for *The Independent* and author of *The Great War for Civilisation: The Conquest of the Middle East*).

Mr. Rubino is the founder of a website that monitors the slide of the US dollar (www.dollarcollapse.com), and has co-authored a book with James Turk titled *The Coming Collapse of the Dollar and How To Profit From It* (Doubleday, 2004). Despite the long and seemingly frightening title, the book is a sound read and was predictive of the financial crisis we are faced with. Hence, when the media tells you, "Nobody saw this economic crisis coming," you know they're full of hot air… John Rubino, James Turk, Peter Schiff, Doug Casey, Larry Bates, Pat Wood, Gary Kah, Jim Puplava, my radio host friend John Loeffler – and many others, both known and unknown, saw this economic storm looming.

But what makes this financial situation especially unique is that it affords an opportunity for non-Western powers to challenge the dollar's supremacy in a multitude of ways, and in the process our world is poised to be reshaped.

It's been obvious for some time that America's trading partners are caught in a financial catch-22: If China, Japan, and Saudi Arabia keep accepting dollars in return for their cars, toys and oil, their currency portfolios become even more unbalanced and their foreign exchange risks more extreme. But if they sell some of their dollars, everyone else will feel free to do the same, and the value of their remaining dollars might plunge.

So most big holders of dollars are diversifying while pretending not to. China, for instance, continues to accumulate Treasuries -- but only short-term notes, not long-term bonds -- while buying up real assets like oil fields and iron ore mines. Once sufficiently diversified, so the thinking goes, it can start trading commodities like oil in other currencies.

Dollar-bulls assume this second stage is a long way off. But maybe not. According to an article by Robert Fisk of *The Independent* (excerpted below), the process now has a timeline:

The Demise of the Dollar (excerpt) By Robert Fisk

"In the most profound financial change in recent Middle East history, Gulf Arabs are planning – along with China, Russia, Japan and France – to end dollar dealings for oil, moving instead to a basket of currencies including the Japanese yen and Chinese yuan, the euro, gold and a new, unified currency planned for nations in the Gulf Co-operation Council, including Saudi Arabia, Abu Dhabi, Kuwait and Qatar.

Secret meetings have already been held by finance ministers and central bank governors in Russia, China, Japan and Brazil to work on the scheme, which will mean that oil will no longer be priced in dollars.

The plans, confirmed to *The Independent* by both Gulf Arab and Chinese banking sources in Hong Kong, may help to explain the sudden rise in gold prices, but it also augurs an extraordinary transition from dollar markets within nine years.

The Americans, who are aware the meetings have taken place – although they have not discovered the details – are sure to fight this international cabal which will include hitherto loyal allies Japan and the Gulf Arabs. Against the background to these currency meetings, Sun Bigan, China's former special envoy to the Middle East, has warned there is a risk of deepening divisions between China and the US over influence and oil in the Middle East.

"Bilateral quarrels and clashes are unavoidable," he told the *Asia and Africa Review*. "We cannot lower vigilance against hostility in the Middle East over energy interests and security."

China imports 60 per cent of its oil, much of it from the Middle East and Russia. The Chinese have oil production concessions in Iraq – blocked by the US until this year – and since 2008 have held an $8bn agreement with Iran to develop refining capacity and gas resources. China has oil deals in Sudan (where it has substituted for US interests) and has been negotiating for oil concessions with Libya, where all such contracts are joint ventures.

Furthermore, Chinese exports to the region now account for no fewer than 10 per cent of the imports of every country in the Middle East, including a huge range of products from cars to weapon systems, food, clothes, even dolls. In a clear sign of China's growing financial muscle, the president of the European Central Bank, Jean-Claude Trichet, yesterday pleaded with Beijing to let the yuan appreciate against a sliding dollar and, by extension, loosen China's reliance on US monetary policy, to help rebalance the world economy and ease upward pressure on the euro.

Ever since the Bretton Woods agreements – the accords after the Second World War which bequeathed the architecture for the modern international financial system – America's trading partners have been left to cope with the impact of Washington's control and, in more recent years, the hegemony of the dollar as the dominant global reserve currency.

The Chinese believe, for example, that the Americans persuaded Britain to stay out of the euro in order to prevent an earlier move away from the dollar. But Chinese banking sources say their discussions have gone too far to be blocked now.

"The Russians will eventually bring in the rouble to the basket of currencies," a prominent Hong Kong broker told *The Independent*. "The Brits are stuck in the middle and will come into the euro. They have no choice because they won't be able to use the US dollar."

Chinese financial sources believe President Barack Obama is too busy fixing the US economy to concentrate on the extraordinary implications of the transition from the dollar in nine years' time. The current deadline for the currency transition is 2018.

"These plans will change the face of international financial transactions," one Chinese banker said. "America and Britain must be very worried. You will know how worried by the thunder of denials this news will generate." FC

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