

UNB Brunswickan

Perspectives: The Emperor Has No Clothes

W. M. Stewart
1991-11-29

"There is no God but money, and Canada with its unparalleled natural resources in the most God-fearing country in the world." – Carleton W. Stanley, 1922

Money—in a bank account, stocks, bonds, or as a one hundred dollar bill—is not real. It is an abstraction, very useful to be sure, but only as substantial as our belief.

Money has now evolved far beyond its original purpose as a medium of exchange to replace barter, originally a smashing success because it was light, much lighter than goats, cows, or even small chickens. This evolution is now complete; one person can now carry as much money as he can afford, from one dollar to a billion, on a single piece of paper.

Some folks will even pay you money to give them money these days—five hundred for a car, a thousand for a truck, to save them the cost of reprinting the price tags I guess.

Money disappears now, your hundred dollar bill worth about a penny less than yesterday, 50 bucks less in ten or fifteen years, dissolving steadily into thin air at the rate of inflation.

Most of the time money floats electronically around the international financial markets, the biggest and most elaborate poker game of all time, where untold thousands of people make their living placing bets against each other with the balance of your savings account. Many of these bets are about other bets—meta-bets if you will—gambles about the gambles being taken by hierarchies of organizations all making gambles on other organization, statistics and rumours changing the odds by the hour.

You can even bet that money will lose money, by buying options—stocks that you agree to return later. For example, borrow 100 million worth of ACME stock from Solomon Brothers and agree to return it in six months, sell it, and pocket the cash. Five months later when the stock crashes, as you hoped, buy it back for 40 million and return it. Net to you—60 million for two phone calls, patience, and a bit of luck. To do well at this sort of work must give you a pretty negative outlook on life, but the pay ain't bad.

You can now buy money at almost any interest rate you want, even very high interest money that nobody expects will ever be paid back, called junk bonds, still going strong.

Money is now a commodity itself, a cyclical, recursive, self-referential meta-abstraction

on a scale no one person can comprehend, our society absolutely dependent on it.

For the most part this Darwinian world works—internally consistent, so large and diversified that it can absorb the loss of individual members with nary a hiccup.

Unfortunately, as I've been saying, money isn't real. It's not made of gold anymore, or even silver. Your parents may have told you of a time when banks promised to give you gold for your money if asked, but no more—there's simply too much money and not enough gold.

Now, herein lies the rub. If money is based on anything, anything at all, it is based on governments, on nations, on entities that supposedly cannot fail because their debts are secured by the land itself. Unfortunately, this is the biggest canard of them all. Nobody expects Brazil to pay back their national debt anymore, or even the interest, and, in the Third World, they're pretty well off.

If therein lies the rub, then herein lies the haymaker: the West can't pay back their national debt anymore either. In Canada, for example, give or take a few billion, our federal government now collects 60 billion dollars each year, spends 90, and is 400 in debt. And we are committed to this course for the foreseeable future, unable to reduce our expenditures or increase our revenues without catastrophic consequences.

Interestingly, that 60 billion in revenue actually covers our expenses. The extra 30 billion we spend each year, the deficit, is the interest on our 400 billion dollar debt. We are now actually borrowing the money each year to pay the interest on our loans. Try that at your local bank and see how far you get.

Money is not only not real, it's now largely theoretical, borrowed from future generations yet unborn. We have maybe ten years, fifteen at the outside, before we will be forced to face this fact. Buy gold when you can get it, land when you can't, and a lot of canned food. The next few years are going to be rocky, because money isn't real, and none of us want to admit it.
