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Symbiotic economics: Wealth 2 Two Paradigms

Last week we looked at people wealth, as the total of both our assets and liabilities. Those liabilities can be converted by God into assets, either instantaneously, or over time into a more classical outlook. This week we begin to look at a more detailed rendition of worldly liabilities.

Adam Smith's "Wealth of Nations" is essentially an outmoded concept in our post everything world. We in the United States however, for most of the next year will be forced to hear much to the contrary by those who seek to become President of this fair land.

On the one hand we have the Democrat Party candidates, who essentially tell us that they have great plans to raise this country to new heights by promoting a program of national socialism. On the other we have Republican Party candidates that tell us there is nothing wrong with

this country that a little big corporate monopoly socialism won't fix. There is a movement to draft an independent candidate, but so far we haven't been able to find the dude named, Noneof Theabove. Truthfully, we don't even know if Noneof Theabove is really a female dude, or a male dude anyway, and again we are told that it really doesn't matter anymore, we are all the same.

That is true, for the most part we are pretty much interchangeable in the post world. It wasn't too long ago that Americans were production units that were the envy of the world. With globalism that has all changed, now we are just to be the consumption units of the world economy. The only problem is that without first class production wages, you really can't afford to be first class consumers either.

"Wealth of People" is an interesting concept, except it too



doesn't fit with the post everything world. This concept is a quite different paradigm than we see anywhere in the world today. Simply, wealth of people believes, as we discussed last week, that true wealth and the ability to create it, rest with God alone, and we really aren't supposed to believe in God at all. Good production units and consumption units can't believe in God, because that makes them hard to manage, because they don't always do what they are told. After all, if we can raise production units of cattle, pigs, and chickens why can't we just raise and manage human beings the same way?

If we evolved from a primordial swamp, via whales and monkeys that would probably be true. However, the most primitive science tells you that isn't true. Of course if you check out some of the stuff on television these days it does clearly show a trend line heading in that swamp direction, rather than the other way around.

People were created in the image of God! From that high and lofty paradigm, wealth flows down into common normal every day life. What a simple concept, we are just too degenerate to fathom the wonder of that gift. Created in the image of God, that creative gift states that we are to create wealth as our reason for being, human beings. Eventually, some of that wealth is converted to material riches, and those riches, if needed, can and will be converted into money. This is the paradigm of truth, and this truth is not relative.

Truth, the prima fascia for the existence of God, demonstrates that all human beings are religious personalities. That religion might take on specific revelations in the culture, but to say that you have no religion is logically really a religion unto itself. In the developed world that religion is called science. This science however, is not science in the true sense of the term, because it is more concerned with dogma than it is with evidence. Without getting into anything too obtuse, just take an honest look at global warming for example.

The second paradigm of wealth is that it can be created by money. This paradigm works on the premise that you start with money. If you have enough money, especially in a relative sense,

then you become rich, once you are rich enough, again relatively, then you become wealthy. Relativism here is the modus operandi, because the person telling you that this works, always has more money than you do. Thus, by their to be gender neutral superior position, they can tell you what to do to become wealthy without really working. Just watch the infomercial and send them money for the books, DVDs, and software. Sadly, this infomercial sells especially well in religion also, especially evangelical Christianity.

Now God can and does use wealthy people to convert His wealth into money so that culture and community can function, essentially because the prime purpose of mankind is to enjoy God. In a material world, the ultimate gift of life requires certain material comforts. When those comforts become idols however, their wealth will soon vanish, via this temporal wilderness, or in the eternal future.

So to understand the money paradigm, the first thing to look at is just what is money. Money is essentially a medium of exchange, in lieu of barter or trading. This means in today's developed world, you have a job, that job produces some sort of product or service, your company exchanges that entity for money, the company gives you a small token of that money, which you in turn use to purchase products and services that you need or desire "thneeds".

What they don't tell you in your job is that their really is two types of money. They might tell you that there are two types of money in business school, but it is emphasized that only one of those types of money is important in the modern business sense and so it is. That money is debt money. Debt money is the medium of exchange in the post world, almost everywhere.

There is also a type of money based upon assets. Asset based money, riches, and wealth we will deal with in next week's episode.

Before we go into where we are today, we need to at least mention three important milestones, or millstones, of the 20th century monetary policy of the United States.

The first of those was the creation of the Federal Reserve in 1913. After it's creation, President Woodrow Wilson was said to remark, "I have unwittingly ruined my country." There is a debate

as to whether he actually believed this, or whether it was a political statement to avoid accountability, but for whatever reason the remark is preserved in history. Some say that the Federal Reserve is a private bank that runs the government. Others say that it is a government bank perceived as private. The truth is no matter what you believe, the Federal Reserve will be around until it ceases to function in a severe worldwide financial crisis.

The second stone, was Executive Order 6102, signed by President Franklin Roosevelt on 5 April 1933. That order confiscated all gold held by American citizens, because of the national emergency of the Great Depression. This order essentially also took the United States off the gold standard, in which paper money was completely backed by gold reserves. Again whether that was a good thing or a bad thing, or an inevitable thing, can, and still is being debated across the political spectrum. For most people however, they don't know, don't care, or even have an inkling that it might make a difference down the short or long term road.

The final stone, occurred in 1971 when President Richard Nixon cancelled the Bretton Woods system of convertibility of Dollars for gold. This also allowed American citizens to again own gold. Today, just as with the second stone, most people have no concept of what you are talking about and really don't care.

However, if you are serious about the "Wealth of People" these events have an impact upon the financial future of everyone in the world. Whatever path the USA behemoth takes, you don't want to be in their trail as they pass by.

The United States, as well as every other country today, fuels it's commerce and culture with debt money. The prime mover in debt based money is the principle of leverage. In general terms what this means is for every dollar or other monetary exchange unit in assets you possess, you can lend at interest, many times that amount. In the United States, Federally chartered banks require about a 10 percent reserve, which means that they can basically loan nine times that amount and are encouraged to do so. What makes this truly interesting is that

these assets, may be not only real assets, but also debt assets.

For example, let us say you borrow a million dollars from a bank, as you look for someplace to invest that money, you take it to another bank. That bank gives you a coffee cup, a nice pen, a personal banker, and says thank you very much for banking with us. They are so happy and can afford to give you a cup, a pen, and a personal banker, because they can now lend out that million dollars you brought them, not just as the million, but can make nine million dollars in loans. All this money just based on the million dollars in borrowed money you brought them. They do the same thing with United States Government Bonds, which are promises to pay issued by the Federal Reserve in the name of the American people. Some say that these outstanding debt securities of the United States now total fifty trillion dollars 50,000,000,000,000.00 but no one knows for sure.

Now you originally borrowed that million dollars on real estate that had a market value of two million dollars, of which you had an "true equity" of a million dollars because that is what you paid for it, but that million difference was based solely upon rapidly increasing real estate values of which you did nothing except hold title. Now you put 20 down on those properties that you bought for a million and they pay the mortgages without dipping into the million dollars you borrowed on your new market value equity. It all works fine as long as everything goes up, and up, and up.

Now this game will work not only in real estate, but gold, silver, oil, pork bellies, cotton, wheat, corn, whatever. The leverage multiplier may be different but the principle remains the same. For precious metals that multiplier is about five. It works really well until the market prices for something decrease drastically. Then, you have the sub prime mortgage crisis in the United States, where the whole investment scenario was based upon finding a place to put leveraged money, so that you could make more money, than if you just followed historic home lending practices.

The love of money drives people to do things that they should not prudently do, and we all eventually will pay the bill, except that bill will be paid for with borrowed money also.

It not only is depressing, it is downright scary, not only for your short term future, but the future of your family. All the while government doesn't invest in common infrastructure, but funds earmarks for special interest projects, and further ignores long term liabilities. Ain't speculation a grand way to run a world?

Now there are a number of ways to fix this problem, but most of them really don't address the underling issue with debt leveraged capital. That is fundamentally, the lack of monetary energetics to produce true wealth. Huh?

The energy just is not there to build a sustainable society based solely on debt financing.

Ronald Reagan was a truly great guy, but just like George W. Bush, he believed what learned people told him. As such Reaganomics was based upon the trickle down effect of debt capital, not asset capital. The flawed assumption behind the model is that debt capital has the natural energetics to flow downhill trickle down , when energetically speaking it is already down.

In the Symbiotic Economic view of wealth, you develop a liquidity cycle similar to the natural hydrologic cycle . If there is no energy to get the ocean of plain capital, not even looking at leveraged debt capital, up to the mountains where it can fall as snow and rain, one must be created. Sure there are ocean currents that move capital from one place to another, but there is really no current mechanism, to irrigate the world that truly needs the liquidity. If you get capital to those liquidity desert places it can produce wealth, just like God's hydrologic cycle makes life possible on the big blue globe.

However, hydrologic capital just flat out isn't going to work where people are considered as less than human. Furthermore, it isn't going to work either if these human personalities, created in the image of God, don't think the return is worth the risk. In another way. You cannot create wealth, which comes from God alone, by borrowing enough money, which is tied directly to you making periodic loan payments, simply because you don't and can't create God's, and hence your own reality. If the reward isn't there you will just keep your evolutionary job s and retire after you have sacrificed all your dreams of wealth on the

altar of monetary entropy.

You may be able to borrow money to buy a tractor, and by wisely using that tractor you can produce more riches faster, but you still haven't produced any wealth unless God allows it to happen. That tractor may provide all the wealth you need to make you happy and provide eventually, through the wise use of debt the wealth that is consistent with your calling.

However, any creation of wealth requires two prerequisites, risk and faith. Creation of riches from money only requires a calculator and wishful thinking, and really nothing more.

Wealth comes from God, even if He is not acknowledged, because wealth is a gift that comes from natural factors, and also God imparted abilities. The ultimate reality is God's glory, that maintains the energetics of society in a way consistent with God's timing. Having it's source in God, wealth's liquidity may eventually find itself in the debt capital ocean. However, along the way, because of it's high energetic value, it can be used to create more wealth if it is shared with others working to create wealth. Some of that wealth may take the form of money, because as we stated at the beginning, money is the world's recognized medium of exchange that can be used to buy and sell goods and services.

In the ancient days, 20 to 25 years ago, bankers were still interested in people as a means to make a return on investment. At that time who you were was important, sometimes more important than what you wanted to do with the money. Those days are gone, who you are is now what is your credit score, and using a calculator, how can we leverage this idea to get you something, a thneed. You probably could never borrow money to get something you truly need however, the risk in that has always been considered too high.

Way back then, I had a real banker. Real bankers now are an extinct species. Now banks have employees that are wise at distributing leveraged funds, but really are bankers in name only. This real banker and I would meet on a regular basis just to talk about money and how we could really create some wealth for both of us. In one of these discussions I asked why banks really are not interested in taking equity positions in companies, for we both acknowledged that true wealth was

created from equity, not from debt service.

The real answer was that they just were not interested. While acknowledging that equity was the form by which real wealth was created, he stated that the banks did not have the expertise to pick good companies from bad. Banks never have been in the risk business, because throughout history, bankers are generally more concerned about money than people. Banks are designed to loan you money with the right collateral for a smaller return and then spread that risk even more by bundling the loans with others, minimizing the specific risk even more. That reality is required by the banking principle of principal leverage.

Hence, the real problem of wealth creation relates to the human factor. Valuations of companies are based upon returns. This return can be analyzed by a number of criteria: Investment, Assets, Equity, Earnings, Owner discretionary cash flow, and others. The price or value of the company is then based upon some multiplier of the return. For example, in publicly traded stock, companies are generally valued by the concept of earnings per share. The price per share fluctuates depending how those earnings are evaluated, in the whole market and as it relates to the companies stated future financial projections.

With small companies however, for the most part valuations do not relate to an earning stream, or even the assets. The price of the company generally relates to the investment of capital, personal and financial that the owners have invested, and if there is real estate the market value of the property, even if the business can't even pay the interest on the loan, never touching the principle, or salary and other benefits to the new owners.

Depressing isn't it? Next week, hopefully we can begin to get the true wealth of people out of the way of a dying herd of debt behemoths on the way to the elephant graveyard.