



The Wonder Springs Chronicle

8 October 2008 ; Volume 10, Number 40

The Wonder Springs Chronicle

Contact Information:

Jerry Bannon

Publisher

Wonder Springs

PO Box 1381

Orient, Washington USA 99160

phone: 509.496.5855

blog: www.wondersprings.org email:

jerryb@wondersprings.org

chronicle@wondersprings.org

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Globalism's entropy unmasked

Last week we dealt somewhat with the religious, or lack of religious underpinning of the world's current financial catastrophe. This week we turn our attention to specific observations of the continuing demise of global capitalism as the repercussions of energy and mortgage profiteering spreads around the globe.

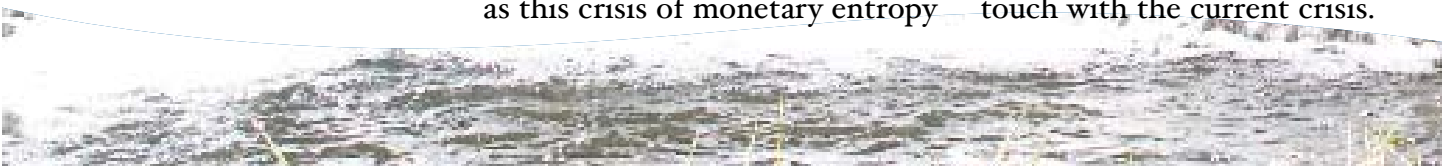
Friday, America's political leadership finally adopted a bailout plan, which probably was somewhat better than the original first proposed by Treasury Secretary Paulson a couple of weeks ago. Having said that, any bailout can only be looked at as the least destructive measure, among the alternatives proposed, at least in the short term.

As we are seeing this week continued Treasury and Fed moves show that 700 billion and related expenses are just American band aids and aspirin as this crisis of monetary entropy

grows. On Tuesday the Dow fell another 500 points, and it has been reported by the Associated Press that retirement accounts have lost over 2 trillion in the last 15 months.

This week the bailouts are spreading to Europe. Ireland was the first EU country last week to place government guarantees on bank deposits. This week that fever is spreading to the continent as other countries attempt to enact similar measures within their own national entities.

It seems that a unified attempt to quell this continuing monetary problem is for now taking a back seat to national interests. Whether that will work reminds one of the similar problems in the American Congress to enact bailout legislation. Political leaders around the world have become leading indicators to just how much all leadership is out of touch with the current crisis.



I didn't watch the Presidential candidate debate last night, but I did catch a little of the after show. From that discussion what was very clear is the overall Obama favorable bias of the media. Neither candidate however, seem to grasp that this is new historic territory and old solutions and old players, and talking points don't solve this reality.

So where is the bottom of all this? It really does no good to ask the experts, they are so out of touch with reality that common sense is a better indicator than expert opinions. All that spin however must be purged of wishful thinking.

After the bailout, on Saturday I found myself at Ag Appreciation Day in really rural Wilbur, Washington. After the parade that consisted of kids with parents pulling wagons and driving pedal tractors and cars, we were treated to big trucks, big combines, and big fertilizer applicators. Interspersed among them all were a few horses, some old wheel tractors, and grain trucks. After it was all over everyone hurried to the Community Center for an over priced barbecue sandwich, chips, coleslaw, a cookie, and pop. The highlight of the eating day however was dropping by the Senior Center for a piece of homemade pie for only a buck fifty.

In the middle of all that excitement, I stopped into the tasting room of the Whitestone Winery, which utilizes grapes grown entirely on my great grandfather's homestead in Jump Canyon, fifteen miles north of town on the breaks of the Columbia River, now known as Lake Roosevelt.

The winemaker has degrees in accounting and finance and learned winemaking mostly through experience. One of the tasting room customers had or works for Washington State University, teaching Ag classes in some capacity, both in the states and abroad. Somehow the discussion turned to the recent happenings in the economy. The professor mentioned that he had taken all his money out of the stock market just before this meltdown began.

So someplace along the line, I asked an open ended question, "Will this bailout fix the situation?"

The response from both participants was essentially, "You are joking, right?"

What followed from both was that this was just the beginning and it would be unknown years before maybe even the bottom was reached and a true recovery began. Furthermore from Wilbur, we didn't even broach the serious nature of what is happening around the world this week.

"So what really is happening in the global economy, led by the United States, which no leadership anywhere seems to grasp?"

Simply put, we have created a global economy which can no longer be supported energetically not only in terms of the price of energy, but also we have maintained that "culture" for a long time by debasing energy's relationship with the worldwide supply of what is generally called money.

If you just look at the current run up in energy prices, you miss the fact, that it was inflated prices and easy money in real estate that drove the vehicle. The premise was that real estate, especially in the United States, would continue to rise, well in excess of the price of money, virtually forever, at least beyond the economic horizon.

"Gee wiz, Joe and everyone else, the sun has set on that opportunity, and there is at present no others." At least real chickens come home to roost, when the sun is setting, but we have electrified the henhouse in hopes that somehow the hens would continue to lay eggs, beyond their natural capacity. Eventually with enough light and wishful thinking, called material economic policy, chicks elsewhere would eventually lay the golden egg.

Natural energetics basically states and means that everything eventually runs out of gas. The fantasy worldview of using cheap labor anywhere, to provide high quality goods to rich people elsewhere, has run out of gas. This before globalism really became a serious world player.

That running out of gas is known as entropy. It is real reality and we can pump money at it ad nauseam, ad infinitum and that reality is not going to change.

To put it another way, the developed world, which buys that stuff, does not have enough true wealth to continue to buy stuff from where it can be built at the lowest cost, and transported to

where you and I can buy it. What all the guru's of money forgot to tell you, because they did not know, is that moving energy around costs more money and true wealth, than the price of the energy expended. Human infrastructure, which we call civilization, is very expensive energetically to build and maintain.

Our modern urban culture is essentially not sustainable with the way the real world is plumbed. Now the world's new pseudo green environmentalists have a whole host of ways they plan to change all that. So does the other side of the development coin, which the greens call the evil exploiters of nature.

The problem is all that energy is out there, but it is much more expensive than we can now afford when you look at the big energetic picture. By the time you add the entire natural and civilized infrastructure however, none of it makes economic sense at the level, which we are now paying energetically for our standard of living.

Looking at efficiency of markets only in the monetary sense, means what we are now seeing unfold around the world, and no one knows where that bottom really lies. But that reality will come, and the main question is, "Where do we go from here?"

We hear continually that socialism doesn't work and the form now present in Europe is economically truly more inept than what we see happening in America. We now also know as now constructed that this form of capitalism doesn't work, the greedy speculators and corporate executives have looted their companies, investors, and the plain folks. We could also add that the worst player in all this is the current political system and the inept bureaucracy that it has allowed to evolve from neglect.

It sort of looks like the world as we have known it has simply evolved beyond the intelligence of mankind to maintain this fiasco.

To use an old saying, "It pretty much looks as if the writing is on the wall."

That old saying of course relates to the Old Testament in the Book of Daniel, Chapter five. The pertinent part begins in verse 24 and

continues through verse 28:

Then the fingers of the hand were sent from Him, and this writing was written.

"And this is the inscription that was written: MENE, MENE, TEKEL, UPHARSIN.

This is the interpretation of each word. MENE: God has numbered your kingdom, and finished it; TEKEL: You have been weighed in the balances, and found wanting; PERES: Your kingdom has been divided, and given to the Medes and Persians."

In the context of the chapter we have all been at this short term banquet with good old King Belshazzar. We have had all the best the world has to offer, we have even raided the house of God to add to our pleasures and now the writing is on the wall, and everything we have prided ourselves in doing for most of our life now is gone.

"Gee wiz, Joe and everyone else, it seems that we really don't control our own evolving destiny."

While you might not of heard this in church, the text book is clearly written on creation, you were just too busy with your stuff and getting more stuff. You just didn't take the time to comprehend the reality of Natural Law and true reality.

For the few who might now be interested, the economic future of the world rests with energetically sound small business. While it has never been a favorite of the Belshazzar crowd, during the reign of his superior highness, King Ronnie Reagan all incentives to invest in small businesses was removed, killed, and buried.

"It is your money and you should be able to do with it what you wish. However we are going to stack the deck so that you can only invest in global corporations or spend it on stuff you really don't need or even want, if you just swipe your plastic credit card. Work to develop your credit score so that you can keep the consumer economy moving briskly onward and upward forever."

True, any incentive to invest in small business then only existed because of high marginal tax rates, but true to the American historic dream, bigger is always better. Just get a job with the big man, play the game, invest any savings in the man, and as long as he needs you great. Once he thinks he can make more money for himself, or the company elsewhere, to hell with you, here's to big me.

Is this the freedom of the American republican experiment, or just some other form of slavery or indentured servitude?

In the concept of common grace, the Good Lord made everyone with a divine purpose. Does working 20-40 years at a job that doesn't even address any of your needs as a human being fulfill any goals, other than at the end of that time you might metaphorically receive a goal watch, as you are ushered or forced out the door.

That watch is a good thing, for it should remind you of the time you spend missing out on why you are here in the first place. Now your life as been weighed in the balance, and it is too late to begin again, especially now that all those companies that used to advertise about investing in them for your retirement, are no more.

Barack says he has a plan to develop small business. I think it is about number 65 on his list of 100, but I really don't have access to that list so I don't know the extent of the list or it's precise numbering. Of course we have no clue what that plan might be, but then again its only an election, the specifics will come later.

John says he wants to cut taxes, just like Barack. His however is just that same Republican tax cuts that got us into this mess to begin with. Small business really isn't even in his talking points deck. The only way it entered into that side of the conversation is that Sarah brought it up.

This is probably because; other than the oil

companies, there is little big business in Alaska, because Alaska is really a Big Gigantic Nowhere. Hence, the significant enterprise in Alaska is small business.

The easiest way to promote small business is to make capital gains from small business investment like as in equity not taxable. These businesses still pay real taxes just like everyone else, but that initial investment up to a certain cap, say 2 million, both in sweat equity and monetary investment, is never liable for capital gains tax. However once sold, that stock becomes ordinary common stock. These shares however, maintain their "founders" designation through any splits or other changes as long as they are held by the original investors or their heirs.

Canada has such a model for this type of venture investment, except for the tax free part; it is easy and relatively cheap to operate. Sure most of those companies never amount to anything beyond that initial investment and just like elsewhere most eventually fail, but they provide a mechanism to fund new ideas and develop diverse aspects of their economy, which just does not and never has existed as part of the American Dream, other than as a dream.

We will have more specifics to say about this concept next week.