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Contact Information:

Jerry Bannon

Publisher

Wonder Springs

36 Merkel Road

Kettle Falls, Washington 99141

phone: 509.496.5855

blog: www.wondersprings.org email:

jerryb@wondersprings.org

chronicle@wondersprings.org

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No Skin In The Game XIV

A man is rich in proportion to the number of things he can afford to let alone. — Henry David Thoreau

Finally the finale!

This week we will briefly discuss some points that need to be enlarged further, but it seems that many of these need to be developed on their own merit, shall we say as “New True Skin In The Game” realities.

But for the grace of God alone, I began this series stating that I have no skin in the current economic game. This current dithering and dinking with that old closed game of debt driven consumerism has now put most people into lifeboats, trying to save what they can, as the financial ship sinks. As of this writing it looks like the politicians in Washington DC, haven't a clue about what is happening in the real world. They will propose to enact this, or cut that, or just continue another bimodal theory, and forego the unintended consequences; just because they believe their

actions will cause no unintended consequences!

Way back in the Reagan Revolution, we found out that the bimodal Laffer Curve was the cure for the bimodal high progressive tax rates. So we replaced tax avoidance investment schemes, with Wall Street investment schemes and guess what? In our complex money economy, with no true exponential wealth creating inputs, a zero sum game, trickle down economics—didn't.

Never mind the Voodoo Economics, or some other evolving economic plan to save the world, we can just make sure real estate increases more rapidly than inflation, forever and ever. Amen!

How to get your skin in the new game!

The Industrial Age game makes bankers happy because they get their compound interest; no



matter what happens to nation states, or the people groups that they represent.

The game that makes the people happy is the opportunity to pursue their uniqueness, and failing that, they want to be well compensated temporally (past, present and future) for their opportunities the nation states and their colluding economic partners have wasted.

In the middle of all this turmoil is the nation state, and no matter its form of government, has done its best to prove last week's Edmund Burke's axiom: "Great empires and little minds go ill together."

Modern Money (MM) is a true commodity, the only one currently without any real world intrinsic value, and therefore finds its valuation totally in the subterfuge of mankind. It commonly still functions in its historic role as a medium of exchange, but because it only has spurious value it cannot be a store of true wealth, only a medium to obtain wealth; hence its value can only be converted to wealth, just like all commodities, by essentially betting on the future.

MM is the requirement for current wellbeing in the closing of the Industrial Age. It requires you have a job to get it, and requires that you spend it in order to secure any of life's needs or desires. But a job is more than just a means to obtain MM; a job is our social structure that the need for money substitutes for family, the ability to do good things and to find your reason for living.

This community and need to do good things for others are the reasons home-based enterprises have such a dismal success record. God created humanity in goodness and as community builders, it is part and parcel of the command to be fruitful and multiply, and you can do neither in isolation, no matter the validity of the enterprise model.

MM cannot do the following:

Be a storehouse of natural wealth, because MM is truly just a manipulation of reality.

Because of its lack of a real world allegiance, MM cannot answer the human need to find true meaning of why we are here and what we are to do to achieve those desires.

MM truly cannot build true and lasting social communities.

MM can never become divine, only filthy lucre.

There can never be enough MM; no matter how much you may accumulate.

Lost and foregone opportunity costs of time, must be paid for in MM!

Our current Industrial Age-money-factional reserve-banking economy is by definition a closed (frontier) system. It can only rearrange the chairs on the Titanic of a zero sum game of winners and losers. Ultimately if you have access to capital, if you are not totally inept, you will eventually be a winner. If you don't have that capital access, you will need to be gamed by the system to earn enough just to keep your leaky economic boat afloat.

Current financial processes have no way to deal with the reality that allows money to exist in its fictitious world as this principal pedestal; historically that reality begins and will end in agriculture. It was agriculture that turned the true frontier into sustainable population, a state, a culture, a nation, a society, an interconnected world of finance and investment.

Agriculture rests upon the principle of exponential return. A seed planted returns ten, twenty, sixty, a hundred seeds of real, true wealth. In the broadest concept, only the natural agricultural model can create true wealth.

Modern economics is set up to deal with banking and compound interest. Hence it can track a farmer who buys a bushel of wheat and it can see when he sells fifty bushels. Economically it becomes part of the national GDP. But only in our current age of specialization would a farmer be so stupid to sell all of his crop and then be forced next year to buy more seed—to keep the farm economy going.

To use our rabbit model from last week, a potential rabbit farmer buys ten good meat producing does and a well-bred rabbit buck. Over a short period of time he has lots of rabbits he can sell, or he can trade his rabbits, for food for the rabbits, or for himself. The only thing our economy can trace is the rabbits that he bought in the first place and any rabbits he might sell in the future. He can be harassed to think he needs to grow and sell more rabbits, but if he is content and self sustaining in his situation, he would be foolish (and

greedy) to see just how many rabbits he can grow and sell, just so that he can work himself to death, thus allowing his rabbit farm to be reported to economists and politicians.

The agricultural system model breaks down when you are building iPads, flat screen televisions, software, or even social networking Internet sites. True, the marginal costs of production decrease with volume, but they can never essentially provide the wealth of an agricultural model, because all you are dealing with is assembly of tangible stuff from other tangible stuff, or lines of computer code.

Successful entrepreneurial activity however fits that agricultural model, because the initial startup of two to five million dollars is invested and is by definition replanted into real but intangible wealth. Working properly, only a small part of that is ever converted into money; hence it can't be measured by standard economic metrics. A good entrepreneurial enterprise in terms of money invested in founders' shares and early rounds of investment can create wealth in a ratio of a million to one.

Look at the uber rich good friends Bill Gates and Warren Buffett. Bill's wealth is directly the result of the agricultural model of being a founder of Microsoft. Warren assembled his, building Berkshire Hathaway from the compound interest of a complex stream of insurance premiums. But we must not miss the truth that the wealth for both is tied directly to real world enterprises.

Let's put this, in your specialization understanding: You some way come up with say \$10,000 to invest for your future retirement, so you can travel, play golf, start your own company and do what you always wanted to do, except you needed to keep your job to pay the bills.

Your investment advisor, Chuck, tells you he has this great mutual fund that over past history, (until 2007) returned twelve percent after inflation. If you invest that ten grand and let it ride, by the time you get ready to retire, this investment will give you enough money to buy that rabbit farm you always wanted to try. (Why take all that risk, when someone else has done all the rabbit startup work for you, you can buy a turnkey operation, it is now set up just like the widgets you engineered, or built, at your work.)

What if instead, you believed that another 2007 was lurking over the horizon and you decided, instead of investing in gold, which as a commodity with fluctuate with time, you might look for a startup entrepreneurial adventure, where you could be in on the ground floor of something where you can get that agricultural exponential return.

In the 1980s I obtained the rights to pneumatic precious metals concentrating equipment and also developed a proprietary refining process first tested by the South Africans before World War II. Without the financial liquidity however, the company is still just a viable entrepreneurial seed and will remain such, until some people begin to understand that risk in a closed economic system is really just gambling with your own money in a casino game where the odds keep changing to meet the profit desires of the casino operators. At least Mr. Ponzi, played his game in the real world.

The great thing about investing in extractive resources, especially precious metals and high demand limited resource materials, is that you don't need to wait for the wheat to grow, or the rabbits to reproduce. If you have secured the proper location, true wealth can be created almost ex nihilo, similar to how money is created in a series of binary1s and 0s, lots of zeros.

Ergo without agricultural exponential growth, we have no jobs, no wealth, only an ocean of non-energetic monetary liquidity; incapable of doing any thing other than allowing people who have access to the fiat money, to continue to circulate it within their economic model, continually adding liquidity to their ocean, and nothing more; then they have the unmitigated gall to state, "We've done all we know how to do, to create jobs, increase wealth, and get the economy moving again!"

How about taking a long walk off a short pier, then you and your simplistic solutions to what ails the world will disappear, and while we stupid, primitive folks may not have the right model to fix the world, maybe, just maybe, we are still smart enough to figure out, that the real world would work just fine if we quit trying to make the something that wasn't broken, into an image of our own perverse enlightenment.

Harsh words, but we need to wake up, and not just smell the roses, but understand that we may breed roses, but we only do that within a closed world of a genetic genome—of roses.

So what have I learned that I would wish to condense into the space we have left this week?

Last week I restated a question that is being asked with more and more frequency and that is: “Can mankind govern ourselves, without some sort of elitist sovereign ruling over us?”

If you look at the Bible you find out that God created a true theocracy during the Exodus. That lasted a while, but soon the people wanted a king to rule over them, just like the other people of the world, so God gave them what they wanted and it led eventually to the diaspora.

Many of the United States founders looked to the Exodus and Moses as a model of good governance. But with the founding of the American experiment, we were dealing with an open Promised Land frontier. When you get right down to the nitty-gritty they were, and we were, all land speculators until about a century ago.

We recently gave that real estate speculation another shot, until it all fell apart, being a significant contributor to this current mess, along with military adventures, and lest we forget massively expanding social and regulatory compacts. They are not working, because in our quest for binary model sophistication, we have seemed to neglect that we are attempting to remold a closed system, in which all our actions create more unintended consequences, than the collective intellect, of all our small minds, can comprehend.

That closed system is closed monetarily, as a zero sum game, so those who have access to capital money can get more, those who don't are in the process going to lose more. The most significant explanation to, “Where are the jobs?” can be answered: There is no amount of Keynesian stimulus, or no new taxes, that is going to change that closed system reality. Sorry fellows!

But more serious than a closed monetary system, our culture is closed energetically. That is true in the energy to run stuff, but also the energy to recreate intellectually. Way back as one of my first articles ever, I wrote about the RE-words. Take your pick, pick all RE-words you can think of and ask your friends for some help, we need to thing seriously about redoing what we had sleepily dreamed would last forever. At Wonder Springs we are sort of partial to Redux Rendezvous, but there are surely enough RE-words to provide ample economic opportunity.

To implement the RE-words we must allow them; I know this is an exceedingly scary concept—to grow exponentially. As a first step, we must give them, those wild and crazy re-frontier ideas, access to financial liquidity. We need to reopen the financial frontier, and no amount of Quantitative Easing, for rearranging the debt chairs on the current financial Titanic, nor is some reinvigorated Keynesian stimulus, nor is refusing to raise taxes, or refusing not to restructure entitlements; et cetera—ad nauseam, is going to substitute for taking RE-al risk!

What we are facing is really a need to redefine our limits, which we have put on everything, and that can be accomplished through a need to reintroduce faith into the global picture, to remove the fallacy that we will only accept those natural laws that we would like to observe; hence we can evolve a society on human terms, by only using simple solutions to create more complex problems. That system, to use one of our Business Ecology terms, “Everything eventually runs out of gas.”

The Industrial Age and the monetary system that has propelled us to this Sin-Cosmos cliff, has run out of gas, thankfully by Divine Providence, just as we reached the end of the inherit-stasis, and we are about to charge off an true energetic half-life decay cliff, God has given us an opportunity to rediscover the God of creation, forgiveness, faithfulness and grace.