



# *The* Wonder Springs Chronicle

1 January 2012; Volume 14, Number 2

## The Wonder Springs Chronicle

### Contact Information:

*Jerry Bannon*

*Publisher*

*Wonder Springs*

*P. O. Box 461*

*Reardan, Washington 99029*

*phone: 509.796.2564*

*blog: [www.wondersprings.org](http://www.wondersprings.org) email:*

*[jerryb@wondersprings.org](mailto:jerryb@wondersprings.org)*

*[chronicle@wondersprings.org](mailto:chronicle@wondersprings.org)*

*©2012; non-commercial education  
& forwarding encouraged, please  
give a citation credit all other rights  
reserved. This work is licensed under  
a Creative Commons Attribution-  
Noncommercial-No Derivative  
Works 3.0 United States License.*

*For past Chronicle archives or to  
subscribe to this weekly email please  
visit our web site at:  
[www.wondersprings.org](http://www.wondersprings.org)*

## Entrepreneurial Pioneers

If you want it done precisely your way, you better do it yourself!

— Ancient Chinese Proverb

Late last week I bought a new over the air TV antenna from Costco, no more cable or satellite television for me. Now just the twenty minutes of advertising per hour rather than paying around an additional hundred bucks a month for the privilege of watching hundreds of channels I care nothing about, and I suspect few supply much positive influence to change our nation or the world.

To celebrate I decided to watch the Saturday evening Republican Debates. This was debate number 15, or so I was told. They all seemed like decent, somewhat committed guys, but I didn't see a national messiah amongst the crew. But just like the current incarnation of our president, it seems that they all still believe that the federal government is the source of the solutions to our current woes.

Over the past three years we have learned that Barack Obama

was not the national messiah either. But in the first real job he ever had, it seems that he was amazed, just as much as most of his supporters, that achieving nirvana in this world was not an easy task. Falling back to a more realistic desire shown in Machiavelli's *The Prince*, he also seems not to have either the talent, the ambition, or the constitutional ability to achieve that desire either.

When you look around the world, even though there seems currently a little temporary stability coming to the United States, we still seem incapable of even dealing with our universe of ever expanding debt; solutions are just as far away as they were a year ago; yet the current plight remains a juggernaut to a stable future.

What all this means is things are going to get worse, possibly much worse before they get significantly and sustainably better. In the context of last week's article on *The Normalcy of Deviance*, this



climax may probably come about not through a slow demise of prosperity but rather a global stupendous collapse. Could it be the Mayan's got it right, long ago, for reasons they could not understand?

It seems that the universe of hopeful messianic solutions extends well beyond politics however. The whole concept that you can solve the debt crisis with more debt is an evolved thought pattern well beyond the intellectual capacity of common mankind; its implementation truly impossible for even the highest elitist collective potential.

That takes us to a very brief study of economics and our means of measuring it, as GDP. The standard mathematical formula states GDP as equal to spending associated in Consumptive spending, plus gross Investments, plus Government spending, plus the net value of eXports less iMports. This is represented in the formula:

$$GDP = C+I+G+(X-M)$$

So where is the debt in this? In reality debt is determined by the surplus or the deficits of either exports or imports. That essentially means in a global world, national prosperity is determined by the surplus of exports over imports, so then to solve the debt crisis around the world all countries need to become net exporters. This sort of makes the old concept of selling the Brooklyn Bridge — really just a bridge to nowhere.

None of these calculations really relate to a real enterprise world where monetary policy, inflation, true wealth creation or any number of other factors operate essentially not so much by an invisible hand, but rather the unintended consequences of the world's financial markets. In other words the potential for a normalcy of deviance catastrophe is directly related to the unintended consequences of the wishful thinking of the banking, political and financial elites, both nationally and internationally.

Furthermore it is an elitist top down view of the world, as they hope it really would be; and never has been. In reality it only tangentially touches the real world, what is called in pejorative terms Main Street, entrepreneurs, and working folks. What we need to do is to modify this formula so in some more credible way it takes into account the real world, its risks and rewards; for it is only in this way that we can in some

way move from all financial transactions taking just and itsy-bitsy no risk cut of the action, into a world where we acknowledge true risk, rewards and new (real) wealth creation. Check this out:

$$MADP = (C+I+T[E-M])*1 + V\%(W+N+R+O)$$

MADP: Modified Alternative Domestic Product

C: Consumer goods and services spending

I: Traditional financial cartel Investments

T: Trade [Exports - IMports]

V%: Value Added as an aggregate positive or negative decimal percentage

W: New Wealth

N: INflation - deflation

R: Risk premium

O: PrOductivity

The strength of this formula at the present time is not any alternative product numbers it might produce, but rather its alternative look at parameters not covered in the current formula. For example if you add in a 3 percent inflation rate in conjunction with a 7 percent risk premium with little or no wealth or productivity increases, you can quickly not only forecast a true business cycle recession, but even perhaps a normality of deviance episode.

In that illumination, the driver of the equation's MADP increase is driven by the value added components of new wealth creation and productivity. Breaking them out separately, it is not hard to infer that the American jobs and prosperity problem is that the financing required to provide economic growth is hidden in twentieth century debt leverage and risk denial, where risk denial is not a river in Egypt, but oceanic lakes of excessive-debt-leveraged-fiat-money parked in financial centers around the world.

Money is just electronic bits and bytes unless it is energized, not by itsy-bitsy no risk transaction fees and compound interest, but rather the true profit potential of the human desire to pursue happiness. The pursuit of happiness requires a historic access to capital. With the closing of the physical frontier we transferred the exploitation and the wealth creation potential of distant places to the exploitation of neighbors. In recent decades our consumer debt

leverage was followed by indebted government spending and taxpayer funded bailouts, which are really just unsustainable sovereign debt extensions.

In the process we have abandoned any concept of the frontier as too risky, hence we have abandoned wealth creation and only focused upon the exploitation aspects of material greed, financed through debt.

We live in a limited but open natural world, yet we have created a closed economic system of severely limited human institutions, and divorced them from the potential openness of a universe of human potential — the only natural frontier that remains.

Capitalism, at its roots, derives its strength from what is called capital or money in a historic sense. Notice capitalism is not debtism, as it has been recently practiced; yet really the people who have access to real capital are essentially extinct. In that illumination the fractional reserve banking system is really a function of this leveraged debtism, rather than drawing on any of the virtues of true capitalism.

However in a world of fiat electronic money, such an argument is really just a discussion of the obtuse. Likewise hard money, based upon gold or other standard that provides a natural reality tie, commits the economy to true natural world limits, which thereby constrain any openness of opportunity.

In other words, and in another world other than the present, money should function as a medium of exchange and as such we can impute a temporal value, but that can and should be controlled not only by the amount but also by the velocity by which it changes hands.

The nature of the entrepreneur is that any money to fund the startup of the company must be real capital and not debt, especially because in the early stages of the entrepreneurial enterprise, that capital has a very limited velocity, if it has any velocity at all.

Contrast this capitalistic entrepreneurial culture with our present day and future desire for a restored consumer society. The consumer, at least until

recently, didn't care if his expenditures were funded by debt or capital. Actually the use of real capital was frowned upon because it couldn't provide the needed velocity to keep the money moving. In reality you could spend the limit of a new credit card essentially instantly, limiting the monetary velocity only by the time to make the plastic, or approve the online application.

So where am I going with all of this?

Why not make entrepreneurs the first residents, or pioneers, of a new entrepreneurial culture, as opposed to the consumer culture. If 70 percent of America's domestic product came from entrepreneurs there would be no unemployment, there would be no inflation because of limited monetary velocity, government would provide government services instead of enterprise fringe benefits, and imports and exports would be balanced because entrepreneurial growth will be exported to the rest of the world. The only problem with this idea is the Investment contributor to our current domestic product numbers.

In this new world order, the amount of entrepreneurial transactions and enterprises would greatly overwhelm Wall Street and the world's current financial cartels. These dinosaurs, behemoths, and troglodytes of the twentieth century would disappear, because their ability to collect excessive itsy-bitsy no risk fees and risk insurance would dry up.

We began this week by looking for political saviors and found none. Yet the solution the politicians all seek, attempt to tell us they have the answer, when the solutions are simply to just create a mechanism to get real capital to would-be entrepreneurs. These solutions could be instituted any number of ways, from capital grants, to regional and local entrepreneurial pioneer areas, or simply the removal of the stigma that all entrepreneurs are con artists and Ponzi schemers and the SEC and investment bank clients in some way are better job and wealth producing enterprises. In reality this is a gargantuan myth, if not an out right fib.

However all American enterprises would benefit greatly by regulations that would encourage growth and limit unintended consequences to the maximum extent. The best way is to grant that regulatory power as naturally close to the implementation as possible and require sunset provisions.

That would in time change the current American form of federalism to one better in line with the original constitutional design. Furthermore such a change in the way currently we do things would eliminate the need for a messianic figure to be the president, but also would change the American proverb of bigger is always better into one in which efficiency would be achieved through decentralization.

If you want it done precisely your way, you better do it yourself!

This ancient Chinese proverb really isn't; I created it during my military, corporate and early Business Ecology days, when "management by objectives" was in vogue. Managers were very willing to give the objective scope, but then they would walk away, and if the objective was not implemented within their limited concept, they would either kill the solution, if it threatened their position, or steal it as their own, if they could get away with it.

We have really changed this proverb into a national motto. We make these grandiose statements about how entrepreneurs and small businesses are the backbone of the American economy, yet we never provide them with the tools and resources to do their jobs. We then criticize their results and increase their regulations and compensatory overhead.

Our long love affair for debtism has come to an end, yet the culture and leadership has yet to acknowledge this reality. Entrepreneurs especially in America are ready to create a new sustainable world order, yet they are shut out of access to true capital, are belied has crooks or worse, regulated to extinction, while we hope for a political and/or a financial messiah.

The real question is whether these debt culture changes are going to be a long muddle through solution, or in essentially and hour the whole establishment will suffer a normalcy of deviance catastrophe. The new order will be either built upon the old ruins, or the ashes, that is the choice we all must cope with in 2012. Right now the probabilities tend to favor the normalcy of deviance collapse, but that will make the rebuilding, go faster with more opportunities for willing participants.