Let me quickly talk about the Bretton Woods system, that was sort of the final nail in the coffin of the gold standard. Suffice to say that the system that followed after the 1930s, so we had a chaotic system of fluctuating national fiat currencies and people each tried to make their currencies cheaper so that their goods would be cheaper and they could sort of offload their unemployment by selling more exports onto their neighbors. Which was called, the "Beggar thy Neighbor policy." The allies got together when it was clear they thought they were going to win the war and they want to get rid of these currency wars, which we have today, by putting in a system of fixed exchange rates and calling it a gold standard. The main architects of the Bretton Woods system were both the US and British governments and their leading financial experts Harry Dexter White and John Maynard Keynes. Both of them wanted a world currency, ultimately, they both wanted a world currency. White named his, in a grandiose way, "the unita" to unite the whole world and Keynes, trying to be clever called his, "bank core" which is "Bank gold", core is the root for gold in Greek. But in any case, they wanted to replace gold. What about the Bretton Woods system? Key characteristics was that the US dollar was now going to be the only currency convertible into gold. All other currencies were going to be fixed to the US at a fixed exchange rate, though could be adjustable if there were some sort of this equilibrium current. So, the US currency was considered to be as good as gold, at least in the early 1950s. Other nations' currencies though were backed not by gold directly but by US dollars that they were holding, mainly short-term US Treasury bills. So now you had to form currencies being pyramided on top of US deposits. In other words, we had a situation in which the US could automatically export inflation to the rest of the world. So the US held more than half of the gold in the world at the end of World War II, so Fed notes and deposits were then pyramided on top of the gold, and then you had the commercial bank deposits because they held the Fed notes as backing as well as the reserves, at the Fed and then the foreign currency and commercial bank deposits were in a sense pyramided on top of commercial bank deposits here in the US. But they exchange those deposits for interest-bearing government bonds. But as US deposit increased more money flowed abroad because US prices began to go up. We continually increased the money supply during the 1960s, both to fight the Vietnam War but at the same time to implement President Johnson's Great Society programs. So, the whole point was, well we can have consumers goods produced and we can have more military equipment and military machines and weapons and so on. Well how do we do that, I mean, economies of a given size, how did consumers not suffer, US consumers; while on the other hand, the military industries were expanding? Very simply, we forced or fraudulently caused the Europeans to pay for it. Because what did we do? What we do is we sent them paper which they then took-- they took the US dollars, they exported to the US, sold them to their central banks; who then bought them by creating their own Marks or Francs and Pounds. And so, we exported to the rest of the world paper money inflation, in exchange for real goods and services. So, in a real sense, the Europeans paid for a large part of the Vietnam War and Johnson's Great Society programs. But what happened was paper money flowed out from the US and then the foreign governments bought up that paper money to back their own money they created new paper money and so we exported this inflation

Sparkle TV answers

Hi, thanks for calling Sparkle TV. My name is Jane. How can I help you today?

Uh, yes, ma'am. I was looking for a show I like and I just-- I just can't find it.

OK, I can help you with that. Um, what's the name of the show?

Oh great, it's the Bob Newhart show. I, I just want that show.

Sure, let me look that up for you. And while I'm pulling up our channel guide, can I get your name and address for my records?

Yes, it's Ellis Burns and I live at [AD] [AD] [AD] Shady S-H-A-D-Y Lane in East Point, Gorgia one one two three six.

Thank you, miss, um, Miss Burns. OK, hmm, it looks like the Bob Newhart show, is only available on channel four oh four. That's the classics channel and, and hang on, uh, let, let me see what package you have with us. What's your telephone number?

It's, uh, [PN] [PN] [PN] [PN] [PN] [PN] [PN] [PN] [PN] [PN].

Mm-mm, I still can't find it. Um, what's your account number?

Uh, [AN] [AN] [AN] [AN] [AN].

There we go. Hmm, to get channel four oh four, you'd have to upgrade to our Super Deluxe package. Are you interested in doing that today, Miss Burns?

Well, now how much is that going to cost me?

Uh, it's very affordable. I, I see you have our preferred customer discount, so that means, yes, I can offer you the, um, Super Deluxe package with an additional a hundred and fifty channels for just five hundred dollars today.

I'm sorry di-did you say five hundred dollars?

Oh, I'm sorry. I, I read that wrong. Uh, the actual price with your preferred customer discount is four hundred dollars.

Well, this is-- what did you say your name was again.

My-- it's Jane Sheridan, ma'am.

That's highway robbery, Jane.

Well, I'm sorry you-- I'm sorry Miss Burns. Um, I can check and see if you qualify for any additional discounts if you'd like.

Yes, cou-could you check on those discounts for me please Jane?

Yes, of course ma'am. Uh, just a moment while I access your account.

[S]

Are you still there?

Yes, I'm still here.

Oh, Miss Burns, I've looked into your account and, uh, it looks like we can offer you an additional discount of a hundred dollars for the first twelve months, so that would bring your, um, your bill to three hundred dollars. How does that sound?

So I'll have-- I'd have to pay three hundred dollars a month for twelve months and then four hundred dollars a month for the next twelve.

Uh, yes, tha-that's right.

Oh no, no, mm-mm, that doesn't fit into my budget. I just wanted to watch the Bob Newhart show, but that's not worth it.

Oh, o-ok. I'm sorry to hear that. Are you sure I can't interest you in upgrading today?

Yes, I'm sure that, that's just too expensive.

Uh-huh, well, uh, if you change, um, your, change your--

Thank you for all of your help today.

Alright, thank you for calling Sparkle TV today Miss Burns, uh, have a fantastic day.

You too, thank you. Bye, bye.

B-Bye, bye.

[S]

Now there's no evidence that Freud actually ever said that love and work is, is, is what you need. Uh, he said things that were like it, ah, but interpretations and I guess Erick Erickson, um, claimed that he said that. But it's, it's a great slogan anyway, this is what life should, you know, wh-what you need to make your life worth living is love and work. Um, so Ben Bernanke has-- this is what he said about what makes you happy, um, which is not too different from Sigmund, right? Uh, it's, uh, having, having a strong sense of support, basically, that that's love I think is the first part and a sense of control over one's life doesn't have to be work but pretty much does, uh, have a lot to do with, with having a job feeling secure in the job, knowing, knowing that you're gonna be able to make your way.

Ok, what does this tell you should matter a lot. The answer is, well having a job, if you want one, being able to find a job, being able to keep your job, feeling secure in your job, I mean, the family that's, you know, economics is not gonna help on that. But the, the, uh, the employment thing is going to matter a lot. And there is in fact quite a lot of evidence that unemployment matters a great deal for people's happiness, um, it matters-- obviously cause you-- if you're unemployed you have less money, but that turns out to be a relatively trivial part of it. The, um, the, the, some of the evidence I've look at, um, has these massive surveys have been carried out suggesting that the, the loss of happiness or life satisfaction that comes from being unemployed is about five times as big as we can-- we can see how much people's happiness seems to vary with their income, we can see how much their happiness seems to vary with being unemployed, compare those and, and the great-- when we look at the-- at the dollars and cents we miss the great bulk of the story, that if we're actually asking what does this for human happiness, to, to be unemployed it's not-- the money obviously matters, but the loss of-- the loss of sense of self-worth, the loss of sense of control, the anxiety, uh, is much greater. Furthermore, there is a, um, there are large effects of your being unemployed on the people you know, people who are close to you. The, the sense of insecurity that comes from having people you know are unem-unemployed is, uh, is quite large.

Um, ok so we've had a, a, uh, the worst economic slump since the great depression. Many people will point out the way we measure unemployment is, is not a perfect indicator by a long shot. It's, it's a pretty good indicator, still. All of these measures, broader measures tend to move in the same direction, um, with some exceptions and the, the thing that's really true now is not simply that we have a high unemployment rate, but that we have long-term unemployment that is completely out of, uh, out of the, the experience of the last 70 years, uh, yo-you will not get, uh, get anything like what we're seeing now, unless you go back to the 1930s. Uh, we normally it's very few people, at this point it's more than three million, this is, here, this is a huge, huge, uh, deterioration in, in, in our in, in, in life, um, so it's not just the fact that, you know, these five million people who've been out of work for more than six months are-- have a much lower income, their, their lives have, have fallen apart and, and it's not just them. It's the people who are-- who know them, people who care about them, people who see themselves as being potentially in the same boat, uh.

Ok, um, what can we do about it, cause this is really severe? Uh, what do we actually know about this unemployment crisis? And the answer is we're really past the point of any reasonable doubt that, uh, that government spending, uh, can create jobs in a situation like this. That the government can, can in fact, uh, increase employment, arguably other things like tax cuts can also promote, but it's basically fiscal policies. Um, in normal circumstances changes to the government's spending, whatever, can be offset, will be offset by what the Fed does, or in Europe by what the ECB does, etc., but not now. Which means that now is a unique time when restrictive government policies destroy jobs. In other times it could be offset with interest rate cuts, it's a time when expansionary government policies create jobs. In normal times, uh, they-- expansionary policy would be offset by interest rate increases, so this is a special circumstance. Only now, only until the economy has recovered some more, um, is, is it true that these policies, uh, matter so much for employment. A lot of people, as, as you know from reading the-- over and over again the times, I think that there are very strong pure dollar and cents arguments for not cutting spending out, for spending more not less. Uh, those dollar and cents arguments come down to losing a lot of potential output, um, we're probably harming the future, there's a lot of long-term th-the long-term shadow that's cast by the unemployment rate now. So there's all these dollar and cents arguments that say that we should not be doing this austerity right now. Um, but if you step back for a moment that's actually-- that's, that's a right argument. I think even if you only think in terms of the dollars we shouldn't be doing this. But actually, the far more important point is, think about the damage we're doing to people's happiness. Uh, this is a-a time when, when that produces, uh, a massive destruction of human happiness and life satisfaction. Um, the fact of the matter is that if you wanna ask what is so terrible about the way we're messing up our policy right now. Uh, it's terrible we-we're losing 900 billion dollars a year probably of wasted resources we're, we're probably significantly damaging the future. But above all, we're destroying millions of people's lives and we should stop doing it, right now.

All of my exams are a hundred questions. So, I can miss a few and still get all A's.