

# Fake Money or the Real Thing: Do You Know the Difference?

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BUENOS AIRES – Day by day, the dots connect... the picture becomes clearer. And now we believe:

The Fed will never voluntarily return to “normal” interest rates.

Congress will never voluntarily cut spending more than a trifle.

The empire will never voluntarily back up.

There will be no renaissance of the U.S. economy.

The system will continue in the direction it is going... until the whole shebang blows up.

## Fake Money

These conclusions are all the results of something Professor Mancur Olson observed in his classic book *The Logic of Collective Action*.

Even though all the members of a group can see the boat is sinking, none of them will want to be the one who jumps over the water.

The group we are talking about is the Deep State. It controls the government and uses it to shift resources from the Street economy to itself, along with its zombie supporters and crony friends.

Democracies are supposed to correct their errors. But the voters vote for change – and no cares.

We’ve also seen that there are two kinds of deals: win-win and win-lose. The Deep State insists on win-lose deals. You lose.

Win-lose deals can be good for the winners. But not for an economy.

Win-win deals are the ones that tell us what things are worth. Without them, the wealth of the world – as expressed in millions of decisions made by free consumers – declines.

Only win-win deals give us honest price signals. And only these honest prices can guide us to produce more of what people want – that is, more “wealth.”

Which brings us to money itself...

As we saw with our deion of the [parking garage's claim tickets](#), the post-1971 dollar is phony.

It pretends to tell you something that isn’t true: that there are resources – goods and services – somewhere with your name on them.

Like a counterfeit claim ticket, it gives the bearer the right to take a car. But it doesn’t add to the number of cars available.

The Fed’s “wealth effect,” too, is fake.

Giving out phony claim tickets to the financial industry may make some people feel richer. But it doesn't create more wealth. It simply shifts it from the people who earned it to the Deep State insiders.

You park your car; some jerk from Wall Street drives away in it... and orders a pizza with your credit card.

### **Basic Fairness**

Fake money? Real money? What's the difference?

If it looks like real money... and spends like real money... and saves like real money... isn't it real enough?

Glad you asked.

Money is more than just a medium of exchange or a store of value.

Sometimes a rich person is maligned, as in "he only cares about money." Or money is dissed, as in "it's only money."

But money is more than "just money." It helps us maintain a sense of basic fairness... and keeps us grounded in the reality of resources, skills, information, and, most importantly: time.

Money is not something apart from us. It represents who we are... what we've done... what we know... how much we've done for others... how we've gotten along in the world so far... and what we hope to do in the future.

It is choice. It is liberty, independence, and, at times, survival.

### **Just Money?**

Imagine you spend your entire career working and saving money for your retirement.

Is that saved-up money "just money"?

It is much of your life. It represents the time you've spent working. And all the times you decided not to spend your money... but to save it for the future.

Now, imagine that you were robbed on the street. Or that you were scammed out of your money.

You would be indignant. You'd want to see the criminal brought to justice.

*But what if the money itself were the scam?*

What if inflation turned your \$1,000 worth of savings into just \$100... or only \$10?

Or imagine that someone else... perhaps someone who has never worked a day in his life... gets \$1,000 for nothing.

Or imagine that someone is able to borrow \$1,000... at no interest? How does that make you feel?

What does that make of all those years of working, saving, and scraping by? Were they worth nothing?

Does it feel like someone cut in line a of you?

### **Honest Economy**

In an honest economy, people give and get in more or less equal measure.

You get paid for a day's work. Time matters. If you work more, you get more.

If you are able to invent something that helps people save time... or build a business – like Wal-Mart – that helps them save money... you deserve to earn more. As you gave, so do you get.

Henry Ford revolutionized the auto industry, making cars available to ordinary working people. He made a fortune.

John D. Rockefeller made his fortune by helping to bring people the fuel they needed to run their cars and heat their homes.

And who resents Bill Gates or Steve Jobs, who brought personal computing to the masses?

Money was one of the most important innovations of all time; like the wheel, it made the modern world possible.

You could trade with people you didn't know, from different cultures, speaking different languages.

And it allowed you to move wealth across space and time. If you were a farmer in the Roman Empire and you had a wheat that you wanted to exchange for a ton of tea from India, it would have been almost impossible – and extremely expensive – to transport your wheat to the Indus Valley and make the exchange.

But with the invention of money, commerce got easier. You traded your wheat for a few gold coins... which you could trade for tea in India.

The seller didn't have to know what color eyes you had... or how good your wheat was. All he had to know was that money was good.

### **Permanent Wealth**

Or imagine you were a farmer in ancient Rome, and you raised a crop of tomatoes...

It represented years of preparation, learning, and skill... along with thousands of hours of field work.

But ripe tomatoes will last only a few days. That "wealth" disappears fast.

Money allowed you to convert your tomato wealth into currency wealth. This allowed you to enjoy your tomato crop A.D. 59... even after your retirement in A.D. 71.

Or if you'd put your gold coin in the ground, a descendant might find it... and enjoy it 2,000 years later.

But the money had to be real. It had to be honest.

Otherwise, you could be cheated.

More to come...

Regards,

A handwritten signature in black ink that reads "Bill Bonner". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.