The death of money
James Rickards
The introduction indicates that the end is coming for the dollar. These authors are certainly not the first to make that claim. Moreover, the reasons that they give in their introduction are quite familiar. There will be excessive printing of dollars, and the dollar will lose its status as the global reserve currency.

They give an interesting overview of the deflation and inflation. Either one is going to be dangerous, and in their view either one will result in a an increase in the value of gold. Inflation will simply make the dollar worth less in comparison with gold, or make Google more expensive. In the case of deflation, people will want to hold on to dollars. This will deflation will decrease federal revenues, because taxation is based on the nominal value of the dollar, and if the real value of the dollar gains with respect were in comparison to the nominal value, it is extremely hard for the authorities to tax it. In other words if the hundred thousand dollars you make this year's worth more than 100,000 you made last year, it is incredibly difficult to justify raising your tax law.

They propose that the mechanism to fight deflation would be radically raising the price of gold. That is a new idea, and it will be interesting to read how the ideas expanded in the rest of the book

Chapter 1 says that there was massive trading in advance of the 20 our attacks in 2001 in the stocks of American Airlines and United Airlines, the two were involved, while they were as there was no shortselling or option selling of any unusual magnitude in other airlines. This meant that the conspirators were able to financially profit to a considerable degree by the disaster that they caused. And yet, the FBI said that there was no evidence. They close their eyes to the evidence.

We will see where this goes.

The argument leads to something called signal amplification. When some traders start to sell, they set things in motion in the market. Other traders LCV action and follow their lead, amplifying the swings resulting from any actual news that is held by insiders, not available to the public

No statement about how to deal with the debt crisis … would be complete without a call for the debtors to fulfill their part of the proposed bargain by “setting their houses in order,” “undertaking policy reforms,” or “submitting to strong conditionality.” The question posed in this paper is what such phrases mean, and especially what they are generally interpreted as meaning in Washington.… The Washington of this paper is both the political Washington of Congress and … the administration and the technocratic Washington of the international financial institutions, the economic agencies of the US government, the Federal Reserve Board, and the think tanks.

Berlin consensus:
Promotion of exports through innovation and technology Low corporate tax rates Low inflation Investment in productive infrastructure Cooperative labor-management relations Globally competitive unit labor costs and labor mobility Positive business climate

Rickards, James (2014-04-03). The Death of Money: The Coming Collapse of the International Monetary System (p. 121). Penguin Books Ltd. Kindle Edition.

He quotes CIA director George tenet "the system was blinking red." This is in response to the insider trades, which the author believes were made by a low-level operatives who could not resist betting on a sure thing.

The author establishes his bona fides by talking about his decade working with the CIA, first to unravel what happened in the World Trade Center, and then putting together a team called Project prophecy as CIA which is still to integrate market intelligence with signal intelligence and human intelligence to put together a system which is able to anticipate terrorist activity, threats against the United States.

The Russian economy is best understood as a natural-resource-extraction racket run by oligarchs and politicians who skim enormous amounts off the top and reinvest just enough to keep the game going.

Rickards, James (2014-04-03). The

All of this is background, presumably for how one is able to predict what will happen then markets. We will see how it plays out with regard to the death of money, we presumably unplanned although certainly not unstudied demise of the dollar.

Chapter 2 talks about financial warfare, and the fact that the Chinese have developed financial warfare doctrine to a higher degree and earlier than the United States. They did the author what records makes a distinction between kinetic warfare, using projectiles and explosives, and other means such as poisons and financial and information warfare. The Chinese seem to be looking at the latter, and they are looking at the damage to the morality of an enemy as much as physical damage. If you damage their financial markets, the damage their morale and their ability to resist without doing any physical damage. The United States and the West were able to use financial warfare to bring Iran and later serious to their knees, crippling their ability to situate and reducing the value of their currencies by about half in both cases. The countries were eventually sort of bailed out by their allies, notably Russia and China. Per the point of chapter 2 is to point out that not all of the worlds governments act according to rational economic principles. They may be in the interest of China or Russia to destroy the United States financial system, whatever collateral damage their own systems may sustain. In fact, both countries are building up their reserves of gold as fast as they can, and they are looking to delink their economies from the US dollar, both of which would minimize collateral damage if they were to get involved in a financial war with the United States.

On chapter 3 – the ruin of markets

Records seems to endorse high frequency trading as a legitimate activity. He compared Kerry compares it to a bazaar. This is quite at odds with Michael Lewis's newest book, "flash boys." The Soviet Union and China attempted central planning for a combined period of over 100 years, and with one third of the worlds population. It didn't work. Record says that what the central banks are involved in now is central planning. It is not as extensive as communist central planning, but it certainly does result in the major misallocation of capital.

Chapter 3 quotes kilohertz clock, from a 1975 paper by the reserve Bank of Australia. "Any observed statistical regularity would tend to collapse once pressure is placed upon it for control purposes."

I assume that what this means is that for the Federal Reserve to target unemployment or inflation rates automatically means that those statistical indicators are no longer independent, and are thus no longer reliable education indicators of what they are supposed to indicate.

Goodheart asks another chilling question, what happens when the data used by central bankers to set policy is itself the result of prior policy manipulation?" That is exactly the situation we see, with every financial indicator being manipulated.

The section on the wealth effect. The theory is that as people feel more wealthy, owning more financial assets and in particular with the value of their houses going up, they spend more. The empirical data to support this theory are kind of shaky and several studies have not found any strong correlation, and they are certainly far from any consensus on a percentage – what percent of wealth of increased wealth shown by the wealth of facts is not turned into spending.

Records seems to us except the federal government's rates for the consumer price index. He says that inflation is running 1.8%. This contradicts John Williams and many other obvious many other observers say this much higher, the results of the federal government manipulating the indices, as record just said in the previous section.

There are four things that cause economic depression, one of the greatest his regime regime uncertainty. This theory holds that even when market prices are have declined enough to attract investors in the economy, investors may refrain because unstudied public policy that is impossible to calculate returns with any degree of accuracy.

So in the 1930s, even with lots of unused labor and very low prices, S sat it out because they could not depend on a return.

This is the thesis of MIT chaise the forgotten man and many other historical reanalysis of the a Roosevelt administration.

The author contends the same thing happened in the 1970s, with Nixon's on pegging the dollar from gold, and Jimmy Carter's crude oil windfall profit tax. The government put its hand in things, creating uncertainty, and business simply did not want to invest.

The authors point is that that same level of uncertainty exists today, with the uncertainty with regard to the federal budget tax policy environmental regulation and health care. The question is not whether any individual policy is intrinsically good or bad, but the question is the uncertainty of the policy. A Michael Bedwell, risk versus uncertainty. Risk is something that can be statistically modeled, uncertainty cannot. Government introduces uncertainty.

The author says that the Fed is actually increased uncertainty, with the ongoing game of paper were not at Tabor, and when it will happen.

He says that then burning key pushed people into the market by giving them no other place for return besides the market. In this he was still attempting to reduce uncertainty, but in the process he introduced a lot of unwanted uncertainty.

The federal government more and more controls markets, and No more and more since the markets out because of regime uncertainty. This means this order is the slow demise of market utility, and the slow demise of the real economy. With the real economy falls the dollar.

Natural" life on his ally itself with every detail Play Asked if things really do),

Chapter 4 on China includes a sweeping history of China, especially the trends in government from centralization to decentralization and back. He cautions against any straight-line extrapolation of China's growth, saying that any such extrapolation is subject to error.

Besides Paul Krugman as an expert. The fallacy sites including Taos of the of TWA flight 801 human indication of who he respects. These are very much establishment figures, figures somewhat to the left. The cast some doubt on otherwise quite scholarly presentation

Interesting statistic that consumption makes up 71% of the US GDP, but only 35% of China's GDP. Whereas investment typically makes up 13% of US GDP, the corresponding figure in China is 48%. However, a great deal of this is Mal investment – the building boom among other things. It may not think lead to increased productivity.

Record offers a clear analysis of the Chinese building bubble, and the financial injury underpinnings of the building bubble. It is not the same as the United States housing boom, but it has echoes. Again, little understood financial products, in this case called wealth management products, are the culprit. As in the United States, investors are unable to get any sort of a decent yield with regular bank deposits, so they are driven to high-yield investments. Those high-yield investments are channeled through funds which puts the money into real estate. It is a Ponzi scheme and that the maturities are often short term, and they continue to be rolled over into more and more debt. He says that there is an estimate that they raised almost $2 trillion in the first half of 2012. In any economy, that is a lot of money.

Rickards says, that when all is said and done China's $3 trillion in assets will be enough to clean things up, although he predicts that there will be a an irreversible loss of faith in financial institutions after it happens.

At least having the financial reserves to clean things up sets China apart from the Western economies, which clearly have no such reserves and are operating on faith

The inequality in wealth in China is becoming more and more exaggerated, because as in the United States the Mal investment favors the already rich, the crony capitalists. The authors feeling is that it would take an active role in the state, one that will not be forthcoming, to rebalance the economy. In the process growth would slow rather dramatically. The result is that the little guy is getting screwed. His savings are not worth much, are subject to being washed, and there are no great increases in productivity because the investments being made is really not improving productivity – it is going to other crony capitalists who do the construction and so on.

The chapter on Germany talks about the emergence of modern Europe. It was a good six thanked history of how the European Union came to be

It is refreshing to read a defense of the year of, one in which the author discredits Paul Krugman and Joseph Stiglitz for simplistic analysis of euros the euros problems. Although the points they make are correct, they ignore history.

He describes the Washington consensus on page 119, a set of policies are acts that sovereign states should follow to keep their financial houses in order.

The Washington consensus favored the dollar, is the world's reserve currency. It also expected behavior from states which was not forthcoming. The United States in particular did not adhere to the guidelines for fiscal responsibility

The Washington consensus was replaced by the Beijing consensus of incremental reform, innovation, export led growth, state capitalism, and authoritarianism.

The sticky wage theory of John Maynard Keynes is wrong. It assumes that an estimate that the workforce doesn't change, you're dealing with individual workers in a situation in which they are strongly represented by unions. From a couple of counts. Unions are not that strong, and a person who's coming in as a replacement does not necessarily expect the same wage as a person who has left. It is easy easier to replace workers was cheaper workers if that's what the situation calls for.

Read elsewhere, but there's a lot of new money coming into Greece now that the economy has repriced itself. Wages are reported by the Greek statistical agency to be 22% lower than before the crisis.

He also reports surveys that show large majorities of people in Spain and Portugal and Italy did not want to leave the euro.

An interesting observation quote the the EU should

An interesting observation is that the EU, or the euro zone continues to grow, with the admission for the coming admission of Balkan states Croatia and Latvia, and the potential membership of more than a girl, Serbia, Macedonia and Turkey. He also provides a list of others who might want to join.

Besides a problem with the euro zone is the lack of uniformity among the countries of measures to control debt – no deficits to 3% of GDP if the Jets are less than 60%, and 0.5% if they are at greater. Although he doesn't say it, almost all governments in the EU have that of more than 60% of GDP. And there budget deficits are generally in excess of 3%. So he is talking about unrealistic terms. The other issue is deposit guarantees. There is no uniformity of bank deposit insurance.

Records champions Germany, saying they were German leadership the EU will become the dominant economic power in the coming couple of decades.

Rickards compares to the bricks Brazil in the Russia China South Africa and two other acronyms the pigs which she calls portugal Ireland Italy Greece and Spain, and the bells Bulgaria Latvia Lithuania and Estonia. He compares he contrasts the latter two groups. When confronted with the crisis of 2008, the pigs increased taxation, whereas the bells decreased spending. The bells recovery was much more dramatic. He advocates a policy of being honest with the people, asking them to accept austerity, and getting on with what needs to be done rather than sugarcoating it.

This is clearly true. It depends on a population which is willing to listen to understand the truth, and to accept those hard decisions. He does not talk about the differences among the electorate's, but to the reader the differences are obvious.

He coaches an expert Anders Ostlund, who comments often on Ukraine, and his comments are generally quite insightful.

A useful quote the pegged to the euro have proved instrumental in recovery, because it removes the exchange rate uncertainty for trading partners, investors, and lenders.

This is consistent with what he's calls regime uncertainty in investing. Investors have a perhaps unrealistic desire for certainty of returns. This among other things accounts for the relative attractiveness of bonds, with the stated fixed interest rate, over equities which have variable returns.

"The findings show that economic prudence works and Keynesian style stimulus fails. The results are not surprising, giving Keynesianism's dismal track record over the decades and the lack of empirical support for its claims. Talking about the United kingdom and Japan, he says that they do not have enough gold to sustain themselves as a reserve currency.

Interestingly, the author accepts as unquestioned the premise that the United States is gold is as advertised, 8000 tons in Fort Knox, and the Chinese is also as advertised. This flies in the face of statistics put out by the G8 CA and many group bugs of them large amounts of growth that has been imported by China over the past several years., And the premise that the only place he could come from is the United States. There is also the observation that the United States has been extremely slow to repatriate Germanys cold, adding to the question as to whether the gold in Fort Knox really exists.

Quote by 2014, it was as if the Federal Reserve, the Bank of Japan, and the Bank of England were in a monetary poker game and had all gone all in on their back. All three central banks reduced money printing and the hand near zero rates to create inflation in order to increase nominal GDP.

Part three – money and wealth

Chapter 7 – debt, deficits, and the dollar.

They start off with the meaning of money. The classic definition is that it is a store of value, a medium of exchange, and a unit of account.

Records folds them all into one, it is a measure of value, and then he asks what value is.

Is something you can trust, something consistent. He examines monetarism, short sellers and CH a RT a L I SM, and credit-isms as three series of what money is. He says that they have one idea in common – a belief in Fiat money.

An interesting take on the gold standard. He says that as long as private citizen can buy or sell gold, we have an implicit gold standard, because people want to use it for free to do so.

Page 170 – talks about the value of hard assets. His example is Warren Buffett buying 100% of the Burlington northern Santa Fe Railway. Where which consists of nothing except hard assets – land, rolling stock, and they moved tangible assets. Whatever happens to the economy, those assets will retain value, unrelated to the unrelated to the dollar. He says the same of gold, and he disparages people who call in a barbarous barbaric relic. Barbarous relic.

Talks about government spending good and bad. The Internet's evolution from ARPANET was good. The government initiated the research, hand-in-hand with universities, and then got out of the way and let private industry developed the Internet.

The bad government intervention is Obama's stimulus plan of 2009. The money went to union jobs, which were redundant and none nonproductive, and technologies such as solar panels, wind turbines and electric cars which simply are not viable.

Another example of a government initiative that meets the three tests – it can not be done by the private sector, it produces a positive return on investment, is seen in a interstate highway system.

Those are two. The third criterion is sustainable debt. This gets its own paragraph.

Quote the gold the classic gold standard had its problems, but it was better than the next best system."

Sites and contradicts brain hurt and Rogoff's thesis that the absolute level of debt to GDP is what triggers a crisis, but rather that the trend in the ratio of debt to GDP is the trigger. This seems a little bit observe this seems a little bit arcane or silly, because it is because a high ratio is usually the culmination of a number of bad decisions, the inability to balance over a long period

The other factor that is a little bit hard to believe is the acceptance of one percent inflation, which is a government provided figure which many believed to be highly manipulated. So even accepting this optimistic figure, he still says that with his bets system, the US is in an unsustainable position. Our debt is high, at 100% of GDP, and the math says that with the primary deficit of 4%, growth at 2 ½, when I can make it up. We're losing ground.

Records sees his bets system as a panacea, a simple way to explain the complex. It is viable, but it doesn't seem intuitively to fully explain all of the factors.

The solution, which he credits to Carmen Reinhart, is to maintain a system of slightly negative real interest rates. In other words, the press interest rates to a point or so below inflation. This steals from savers, but not at a vast rate.

But me as out of sequence that there are many arguments that records does not even go near. He does not question the government figure for inflation rate. He does not question the quality of the demographics of the rising generation, the fact that they are that their educations are less valuable, and that this genetic effect of lesson cellos of people having more children. He does not question the claims that the gold is still in Fort Knox. There are many other such argues such questions that could be argued, that he chose it chooses not to, and he still comes to a fairly pessimistic conclusion.

"

Page 189.

In short, the Fed is caught between its rules as proprietor of the debt as money contract bad as the singular savior of sovereign debt. It is unlikely to succeed in only one of these roles; it shall succeed, or fail to come at both.

Chapter 8 is on the central banker to the world, the IMF.

From the other book on the IMF, we learn that its balance sheet is only half $1 trillion, quite dwarfed by the balance sheets of the central banks of the major world nations. It simply does not have the resources to bail everybody out. Note that coming up with 15 billion for Ukraine in the face of Russia's aggression has proven to be quite difficult.

Despite the limits of its resources, the IMF tries "to control finance, to contain risk, and to condition economic development on a global basis."

He gives a growing discussion of the Robert Rubin group from Goldman Sachs and the Clinton White House, and then devastates him with the quote "the members of the Rubin clique are extraordinary in the incompetency displayed during their years in public and private service, and the financial devastation left in their wake." He makes the key distinction between cyclical and structural problems. Structural problems don't go away. We're pretending that our problems are cyclical, when they are not.

The quotes Vice Chairman Xu M I N space CH you space of the IMF as saying actually it's all structural.

Special drawing rights or the IMF's currency. They've only been it issued four times, small amounts in the 1970s and then about after the crisis of 2008, enough to bring the total up to about $300 billion. Note that this is still quite small in comparison with the economies of the IMF member countries. However, one can anticipate that they would grow. A new wrinkle in the IMF is that instead of simply levy" is on all of its members, and getting actual cash to fund its loans, it now has assumed the function of a bank, able to issue SDR's like I am creating money in the safe way to the bank does. The standby power is quite vast, though it has not been used much so far.

Page 212 "the IMF can issue SDR's to the BIA asked today to finance its ongoing gold market manipulations."

Chapter 9 – gold

Gold is not a commodity. Commodities such as oil, wheat, aluminum are consumed. Gold is a story value, not a commodity.

The author outlines a plan for a new gold standard. Using the SDR, the IMF special drawing right, is a world currency, he would define the a gold equivalency for the SDR. Since all world currencies would be

exchangeable with the SDR, although at floating exchange rates probably, every currency in the world with us beyond a gold standard by its association with the SDR.

Chapter 10 crossroads

The author begins by using the word manipulation, but she did previously with regard to gold. Says the markets are manipulated, never goes into it.

Mentions student loans, and unsustainable bubble. Versus Chinese real estate booms have resulted in ghost cities, new and uninhabited, the US tuition loan] has resulted in the promises are real but cannot be used to get paying jobs.

The federal government must have inflation for four reasons. Deflation causes an increase in the federal debt or in any bad because the dollars I would become worth more, harder to obtain secondary, it has an adverse impact on the debt to GDP ratio. Third, although banks may benefit initially by being repaid more than the Atlantic, the risk of default increases dramatically in a deflationary environment. In the fourth and final problem with deflation is that it reduces federal tax let income. As nominal earnings decrease all real earnings state court, the tax rate schedules, which are graduated, yield less revenue.

Obviously, capital gains taxes, which come from an increase in the nominal value of assets, are not possible or do not yield of the revenue.

For the reasons these reasons, the Federal Reserve, and the US government must strive for inflation, despite the fact that there are deflationary pressures at work, largely due to the parts of large block to the high levels of unemployment and the underemployment of capital and other resources in the economy.

The author has a prescription of what could've been done in the crisis of 2008. He could have let the banks go bankrupt, or been nationalized, you could of let property values fall much farther than they did. The feds stepping and propped up the improvident, saving them from their folly.

He uses the expression the expression "failure of imagination" borrowed from Tom Friedman's description of the World Trade Center attacks.

Chapter 11 maelstrom

Current was involved in risk management models are unsound. The Wall Street executives know that, some of the political system level, but the the political system is in the pay of Wall Street, and the rewards are now, the downside is in the future. Nobody is going on the side of prudence.

Wealth is to longer created, it is taken from others. Parasitic behavior is not confined to bankers; it also infects high government officials, corporate executives, and the elites societal stratum.

The chapter offers a very full explanation of vote manipulation. This coincides fairly well with a clear explanation by Paul Craig Roberts in January, and dovetails with the Baha'i Muggles politick, a book by Dimitri Speck. See also the Gold antitrust action committee, which has been working on the questionable price manipulation for well more than a decade.

He says that the crunch time is here for the Federal Reserve. There is a charm and complexity theory the system goes wobbly, much as the top stars to wobble when it runs out of centrifugal force. He says that the Federal Reserve is already there, and it is unable to fill any of its roles other than to continue to monetize debt.

"Michigan, I think assist Tammy Mishkin, there in the real world of real political system they use monetary easing used to avoid hard choices on the fiscal side. Fiscal being tax and spend that the federal government level.

An interesting thing among the things that this book does not discuss are the federal federal programs, the welfare programs, the entitlements which is caused our debt to go out of control. The same is a full course to for Europe. The reasons the budgets cannot be balanced are political. There are two too many people taking too many people who depend on government handouts. This in turn, is a functional is a structural problem. At the the older demographic is retiring and drawing their earned benefits. Younger demographic younger cohorts are smaller, and less competent. And the same time technology has changed the workforce, putting a premium on high intelligence and high skills, and leaving a smaller proportion of the workforce capable of doing other than the most menial jobs.

Conclusion page 280 945-2000 five the United States, but by bankers whose self-interest blinded them to danger, police in the world with excessive debt.

The losses were not absorbed by the bankers, but were passed along to the public through federal finance.

Defaults for larger nations such as the United States will come from across the board inflation that will steal from savers depositors and bondholders alike.

Perspective the apocalypse, he gives seven signs of the end days and gives you five things in which to safely invest. Gold, land, fine art, alternative funds, and lastly cash, which is rather surprising in an inflationary environment