

Specie, Script, and War: The Contradictory Practices of the Global Economic System

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“Wars are never fought for altruistic reasons. They’re usually fought for . . . business. And then, of course, there’s the business of war.” Arundhati Roy

Ms. Roy’s view is widely held, and it’s certainly true—as far as it goes. But the view has a logic to it that, to my knowledge, no one has ever elucidated.

People assume that the economy is a system. But it isn’t. How the world-wide economy works has developed mostly by happenstance over millennia. It embodies contradictory practices and produces horrific consequences.

Primitive peoples extracted from nature what they needed or fashioned it into things they could use. When they produced more than they needed, they bartered the excess for what they could not produce themselves. It’s called trading. Commodities are traded for commodities, and over time some commodities became media of exchange, the most prevalent of which are precious metals that are converted into specie (coin). But this system works only when the commodities traded have equal value. When they don’t, trade becomes a form of theft, which leads to unfairness and conflict.

Trade implies that all nations can be neither net exporters nor net importers. Net exporters amass huge amounts of specie while net importers relinquish theirs. Net exporters become rich while net importers are bankrupted. To keep this system working, colonial wars were fought, peoples were subjugated, and their lands were plundered. Theft became a global practice.

The colonial wars fought after the discovery of the Americas by Europeans were fought for this reason. England, France, Spain, Portugal, and Holland, not themselves rich in mineral resources, all not only fought wars of conquest but fought each other to gain control of what precious metals could be extracted from the so called New World. Trade required access to these metals. No inhumane act was beyond use. Genocide, enslavement, piracy, cruelties of all kinds were commonly practiced. These practices continue today. These wars were necessitated by the need for specie which the trading economy requires.

But specie is a limited resource. Not only is it not distributed throughout the world uniformly, it is finite. It is also inconvenient for many transactions, so scrip (paper money), originally valued in units of specie, became common. But the holders of specie, bankers, quickly realized that they could issue more scrip than could be redeemed by the specie they held, since all depositors would not want their specie back at the same time. The practice is called fractional reserve banking and is a Ponzi scheme, a banking fraud. The specie of new

depositors is used to redeem the scrip issued to past depositors. Ultimately, when more scrip was issued than could be redeemed by the available specie, the link between scrip and specie—the standard—was abandoned. Since then scrip functions as a medium of exchange only because people believe it can be traded for commodities. The entire world-wide economy functions merely on faith. But the world is too complex, too dangerous, to rely on an economy based on faith.

Over time, some nations became highly developed, net exporting manufacturing powers. Others stagnated as net importers. Then something unanticipated happened. Because it was viewed as cheaper to manufacture products abroad and import them than manufacture them domestically, manufacturing in developed countries declined as did the incomes of their peoples. The developed nations began, for various reasons, to import more and more and export less and less. Without commodities to trade, they trade scrip. But as the so-called developed nations manufacture less and less, less and less is available for the holders of scrip to buy. The scrip eventually becomes worthless, and the entire system collapses.

As natural resources become scarce domestically, the economic infrastructure created in earlier times still requires them. As domestic oil production shrinks, for instance, the need for imported oil increases. But no products are being manufactured domestically to barter for the oil. Without commodities or a credible scrip, trade cannot be relied upon to provide the required commodities.

How can such nations acquire the resources needed? There is but one answer—conquest for plunder! Human life becomes the medium of exchange. The world has been turned topsy-turvy. Rather than an economy that functions to fulfill the needs of people as it originally did, people are sacrificed to fulfill the needs of the economy, and the economy exists for no purpose whatsoever. It just is. The current attempt by the European Union and the IMF to resolve the sovereign debt crisis by sacrificing the well being of people to preserve the European economy demonstrates this topsy-turviness. The European Union, which is nothing but a trading association, has made the economy more important than the welfare of its people.

Yet conquest is only a temporary solution. The conquests carried out by Western nations in the sixteenth century for precious metals have now been undone. These nations are, like the United States, virtually bankrupt. And conquest itself is expensive; its costs are high in both money and lives. As more and more sophisticated weaponry is developed, the costs grow higher and higher. How long can bankrupt nations afford them?

Western economists have propelled this system and are now claiming that countries like China, for instance, need America as much as and perhaps more than America needs them. But is that true? Are these economists trapped in a closed box? They are right only if China travels the same trail to development that has been blazed by the Western world. But what if the peoples of the developing world don't do that? What if they realize that the trail leads only to trouble? What if they switch their manufacturing from products for export to products for domestic consumption? What if they realize that dependence on foreign commodities is a road to ruin? What if the Chinese and other developing nations realize that becoming self-sufficient is a much safer policy? Economists call that autarchy and have been denigrating it for decades. Look what their denigrations have wrought!

If the human race is to survive, it will have to abandon this economy of plunder. The

weapons of war have become too horrendous, the costs too great, the damage too sweeping, and the evil too extensive. The Earth is being turned into a wasteland, a huge landfill, a gigantic burial ground.

Some believe technology will save the day. But since the dawn of science in the sixteenth century, it hasn't shown much promise. The proliferation of products of convenience it has yielded has not ameliorated a single major problem. Suppose, for instance, that alternative forms of energy are produced. Can wind power replace oil? Perhaps, but the economic conundrum will not be solved if the turbines have to be imported from China.

Many today advocate a return to a specie standard—the gold standard. But there is nothing special about gold as specie. Gold is just another commodity, although gold has some physical properties that make its use as specie preferable. China recently agreed to lend Venezuela \$20 billion which Venezuela will repay with oil, a bartering arrangement which shows that any valued commodity can be used to ensure the value of scrip. Furthermore, since the amount of specie is limited, fractional reserve banking would still be required if the amount of scrip needed to finance the volume of trade is to be made available. Nothing would really change. Net exporting nations would quickly impoverish net importing nations by simply redeeming scrip for gold.

But Arundhati Roy is right. Wars are fought for business, but business and the economy are synonymous. Wars will continue to be fought for the economy as long as this economy is not abandoned. War is a logical consequence of it, not, as most seem to believe, a means utilized by it. No attempt to eliminate war and preserve the economy can succeed. A globalized economy leads only to a global disaster, as everyone should have now seen. Net exporters become rich while net importers are impoverished. Self sufficiency (autarchy), not trade, is the only possible way to extricate the human race from the consequences of the specie/scrip/plunder economy. A nation that doesn't need the resources found in other lands has no reason to go to war. Globalized trade, rather than being a path to peace and prosperity, inevitably leads to war, poverty, and destruction. The economists have it all wrong.

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