

The Money System Triggered the Bankruptcy of General Motors

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Thomas Friedman believes G.M. is a “giant wealth-destruction machine.” He’s dead wrong. General Motors was, is and will be a giant wealth-production machine. Industry produces wealth, and G.M. is the victim of an unsound money system.

The abysmal state of the world economy has no physical cause. We have not run out of resources, factories, people, or suffered a cataclysm. All over the world, the unemployed are willing and eager to work, but are prevented from earning a livelihood because they cannot find work. An upside down notion of national economic wealth and an unsound monetary system are at fault.

The wealth of a nation is fundamentally based on the physical wealth it creates. Physical wealth consists of things that are beneficial to human life such as food, houses, clothes, cars, etc. The foundation of a nation’s wealth is the industries that create physical wealth: raw material extraction, energy, agriculture, and manufacturing. To become wealthy, a nation must produce and consume wealth. A nation is not made wealthy through banking, finance, litigation, or insurance.

Individuals correctly regard the money they possess and the money they are owed as part of their wealth. But, while debt and money are ultimately ways for individuals to obtain wealth, they are not wealth in and of themselves. Money is simply the medium by which we exchange physical wealth. Money and debt are simply human conventions having no intrinsic value in themselves. Thus, for a nation to be wealthy, it must produce physical value. A nation should not and cannot consider the money and debt it holds as wealth. If a nation were to have ten times as much money as it does now, physically it would not have any more wealth than before. Thus, though an individual can be made very wealthy by accumulating money, a nation cannot.

Nobel laureate, Frederick Soddy, distinguished between individual economics and national economics. Economists conflate the two and ruinously apply the principles of individual economics to the nation. In individual economics, outsourcing jobs, work, and entire industries is beneficial. With lower costs a company is able to increase its profits. However, from a national perspective we are worse off, because we are producing less and have fewer jobs. Individual profits are increased, while the nation is impoverished. Applying the principles of individual economics to the nation results in a steadily declining standard of living and increasing unemployment.

The mentality of economists such as Friedman is outdated and wrong. Vincent Vickers, former director of the Bank of England, described their mentality thusly: “Without money,

nothing can be bought and nothing sold. Therefore nothing matters but money.” Thereby, G.M. becomes a “wealth-destruction machine” because it is not making a profit. But, in Friedman’s eyes Google, which he lauds, is creating wealth because it is profiting, although it produces nothing and profits by selling ads. By regarding money rather than production as the primary factor that drives a nation’s economy, economists have mistaken the shadow for the substance.

The bankrupt ideas of economists are ruining our nation. American industry can produce far more than the public can purchase. If everything produced could be purchased, we would have more jobs because more production requires more employees. We would be wealthier and have a higher standard of living. Americans want to work and are capable of producing. All that is missing is the power to purchase.

The power to purchase is limited because the supply of money is completely controlled by the private banking system. We have bank-made rather than government-made money, and banks only create money for the purpose of receiving interest. Today, money is only created so that debt can be created and interest charged on that debt. Money is lent into existence by banks rather than spent into existence by the government. Only an insignificant amount of money is cash, and the rest exists solely as data entries in bank computers. Banks create and destroy money simply by modifying entries in a spreadsheet. While it is commonly believed that banks lend their depositors’ money, this is false. Whenever banks loan money, they create entirely new money that didn’t exist before.

Any economic system that prevents production from being distributed is fundamentally flawed. The people must demand the government institute a sound money system run in the public interest rather than let private corporations run the system for profit at the public’s expense. A sound monetary system would provide as much money as needed and in such a way that it allows the exchange of all physical wealth produced by the nation. Only then will our nation no longer be subject to the random vagaries of economic boom and bust cycles driven by speculative bubbles, private financial interests, and a corrupt money system. If we already had a sound money system, right now GM would be one of the strongest wealth producers on the planet, employing more people than ever, and making a healthy profit. The fastest road to economic recovery is to institute a sound money system.

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