The Nations Grew Weak…

A Review of Richard Duncan's *Dollar Crisis*

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U.S. demand for imported goods meant more jobs, more corporate profits, and more economic growth throughout the rest of the world. All that is coming to an end. When? When the U.S. property bubble pops. What is required? Raise the wage rates of industrial workers employed in export industries in developing countries through coordinated government intervention. Also, a global central bank is required to control a global money supply.

Richard Duncan
The Dollar Crisis

The nations grew weak
And our cities fell to slums
While evil stood strong.

Mötley Crüe
Shout at the Devil

Duncan writes (*The Dollar Crisis*, p. 247), “The success of this scheme [a global minimum wage] would very much depend on verifying that the industrial workers were, in fact, being paid (at least) the agreed upon minimum wage. The temptation to cheat in order to gain a competitive advantage would be very strong. A foolproof verification system would have to be devised to provide assurance to all parties that there were no ways around the rules. Establishing a trustworthy verification system would not be as difficult as might be imagined.”

Duncan is right. A foolproof verification system is not as difficult as might be imagined. Such a system already exists and it does, indeed, leave no way around the rules. It is called a Tomahawk Missile. Let us cut through the BS: Duncan is advocating that we bomb low-wage factories in the developing world.

While crowds of half-starved peasants stand pleading at the factory gates to work for four dollars a day, does Duncan really believe that jawboning the factory owner into paying fourteen dollars a day is going to work? Would that man not be afraid that factories in neighboring countries (Whom he is racist against – just because they are all “Asian” does not mean that they like each other any more than they like us.) are cheating on the global minimum wage and thus undercutting him? Obviously, if Duncan does not make real his threat to blow up that factory, then all the jawboning in the world will be for naught.

Not to put too fine a point on it, but a global minimum wage is the stupidest idea I have ever heard of. If we cannot prevent the Columbians from selling us cocaine, how are we going to prevent the Chinese from selling us cheap toys? There are a lot more Chinese than there are Columbians. Billions more – and they have nuclear weapons. If we started bombing toy factories in China, we would unleash a worldwide bloodbath of unimaginable proportions.

We *occupy* Afghanistan and we cannot prevent them from supplying 95% of Europe’s heroin. (After overseeing the corruption of their youth, is it any wonder that the Europeans hate us?) And now Duncan would have us control the worldwide garment and toy industries as well? Spraying herbicides on opium fields in Afghanistan did not exactly work and it was answered with a barrage of IEDs. Imagine what fighting the Chinese would be like. The Chinese are not the Pashtuns. The Chinese would win.

The English language does not contain adjectives strong enough to denounce the stupidity of a global minimum wage, so let us move on to Duncan’s other big idea, a global central bank.

As we have seen, a complete disregard for sovereignty is central to the imposition of a global minimum wage. So contemptuous is Duncan of other governments, he does not even consider them important enough to declare war on. He would just selectively bomb targets around the world and then act surprised that there even *are* governments in those regions, and that they are organizing a military response. The imposition of a global central bank requires a similar disregard for other nation’s sovereignty.

In my 1999 book, *Axiomatic Theory of Economics*, I wrote (p. 173):

"Some people want to increase their money holdings and sell more than they buy, and others want to decrease their money holdings and buy more than they sell. This is what creates the variance in the import-export business as far as it reflects the general tendency to buy and sell. However, the Law of Large Numbers implies that, as the size of a community increases, the random variations in its import-export business tend toward zero relative to their quantity.

"Thus, there are two factors that determine the quantity of commodity money that a bank needs to keep in reserve relative to the money certificates that it has issued. The first is the size of a bank's clientele, which determines the degree of overall variance, and the second is how much of that variance is reflected in the import-export business. The latter is a function of the sophistication of a bank's clients (their tendency to deal with strangers) and the difficulty of overcoming transportation and tariff barriers between communities.

"Thus, banks in large, isolated communities have little to fear from variance in the import-export business threatening their reserves and can maintain small holdings of commodity money relative to the quantity of money certificates that they have issued. Banks with a small but sophisticated clientele, as in a big city with many competing banks, need to keep much larger holdings of commodity money. They can issue few money certificates for which they do not have a redemption fund of commodity money. When a shopkeeper in a city deposits his earnings in his bank at the end of the week, he is not surprised to find most of it written on other banks, whereas a farmer considers it unusual to accept money certificates issued by an unfamiliar bank."

Here I am talking about free banking, where every bank issues their own money certificates and they are obliged to redeem them in commodity money on request, but there are no arbitrary rules about what percentage of their money certificates must be backed by commodity money reserves. The system we have now is called a fiat system because the dollar is not backed by *any* commodity money reserves, which is why there is a persistent trade imbalance. Without a physically limited reserve, the random variations in the import-export business need not tend toward zero relative to their quantity.

Free banking has never been tried at the local level, as I advocate. But, before World War I, a similar system was in place and worked quite well at the national level. The fundamental principle is that, what constrains the issuance of fiduciary money (money certificates not backed by commodity money), is the multiplicity of currencies. This is why I advocate local (intra-national) currencies, because it makes competing currencies even more legion and thus even more immune from the devastation of credit cycles.

A global central bank, which Duncan advocates, is exactly the opposite of having many local banks, each "with a small but sophisticated clientele." The U.S. got away with a fiat system for thirty years because banks in large, isolated communities have little to fear from variance in the import-export business threatening their reserves. But the U.S. is not as isolated as it once was and now our persistent trade deficit has become a problem.

Duncan's solution? To give the IMF a global monopoly on the issuance of money – the ultimate fiat system. Not since the Middle Ages, when the Catholic Church ruled all of Europe, has anyone proposed giving a single institution such sweeping authority. God himself would tremble before such an all-powerful bureaucracy.

Countries did not go off the gold standard because it was unpopular with the people. They went off the gold standard because it was unpopular with the military-industrial complex. After the gold standard had been abandoned, however, getting back on it when the war was over proved unpopular with the people, especially farmers. Every high school student in America can recite William Jennings Bryan's famous speech, "You shall not press down upon the brow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold." What they cannot so easily recall is the date when it was delivered, 1896, or what is significant about it being thirty years after the Civil War.

In *Axiomatic Theory of Economics,* I wrote (pp. 179-180):

"While we are primarily interested in asymmetrical understanding of a depreciation in money, profit may also be made by predicting an increase in the value of money, the most important instance being of commodity money when banks fail. Another instance is the attempt to revalue money certificates at their previous level after they have been devalued to pay for an expense that a government did not wish to neglect but for which it could not convince people to pay taxes, such as an aggressive war.

"It is sufficient to note that different people are in a position to speculate on increases in the value of money than those who were hurt by the devaluation of the previous monetary unit. Temporarily abandoned commodity-money standards are sometimes completely abandoned because economists assert that returning to a commodity-money standard requires revaluing money certificates at their previous level, which is not politically feasible.

"In fact, it is sufficient to redefine devalued money certificates at their current level. Historically, opposition to a commodity-money standard is considered a populist cause, but these movements have always occurred after a commodity-money standard was temporarily abandoned to pay for a war, after which economists insisted that the currency be revalued at its pre-war level. This imposed hardships on people such as farmers without money-denominated assets.

"However advisable it may be to wage a war that people will not pay for with taxes, once done, there is no necessity for deflation. Temporarily abandoning a commodity-money standard must have costs lest it be done too frequently, but making farmers bear the costs has incited populist movements that eventually proved fatal to commodity money while too-frequent abandonments did not."

Now, thirty years after another unpopular war (unpopular with the people; the military-industrial complex *loved* the Vietnam War) led to the abandonment of the Bretton Woods system, the populist Richard Duncan is advocating a global central bank:

“A global central bank (GCB) is required to control a global money supply. The International Monetary Fund (IMF) has the organizational structure and many of the policy tools needed to carry out the role of a quasi-GCB. However, there are three important tasks that the IMF must now master if it is going to succeed in that role. First, the IMF must gain control over the global money supply – that is, over the creation of international reserve assets. Second it must learn how to allocate the future supply of global liquidity [money] in quantities that are neither excessive nor too sparse. Finally, it must learn how to allocate the global money supply in a way that both ensures global economic stability and, simultaneously, supports the global development agenda (*The Dollar Crisis*, p. 260).”

Since the dollar is currently the world’s reserve currency, it is the first part of Duncan’s plan, “the IMF must gain control over the global money supply – that is, over the creation of international reserve assets,” that is most worrisome. This means war. To gain control over global assets is what is normally referred to as world conquest. Whether or not the IMF can then learn to allocate the global money supply in a way that will render future generations all happy little children in Duncan’s brave new world is a separate question. First, Duncan must force this generation to relinquish sovereignty to the United Nations.

At the time of this writing, the dollar has not yet “done a Wile E. Coyote” as Paul Krugman so eloquently describes it. However, it is clear to economists of all schools that the dollar will lose value, either quickly or slowly. Is this going to be trouble? Yes. Can we overcome these difficulties? Yes. To quote the great theoretical economist of the 1980s (Not Milton Friedman – I refer to Nikki Sixx) on the subject of credit cycles, “But in seasons of wither, we will stand and deliver.”

I understand that this website is read mostly by students of economics, not by their professors. So let me speak to you students directly: Just because these are difficult times, that does not mean we have to get stupid about things. World War III is not the answer. And, as I have made clear above, implementation of either of Duncan’s proposals will result in world war.

What can you, as a student, do about this? Resist the draft. There is going to be one and, when it comes, you need to resist. If you are already in the military, you must refuse to fight for the United Nations. The oath you took said that you would support and defend the Constitution of the United States of America. It didn’t say anything about helping the IMF gain control over the global money supply.

It has been written
“Those who have the youth
Have the future”
So come now, children of the beast
Be strong
And Shout at the Devil.