

## **The Debtors and the Savers**

Ever hear the one about the little old lady living in an old but paid-off house, with a shoe box full of gold coins in the basement? Across the street lived a big guy, in a big McMansion. It had a special garage for the RV, and another four-car garage for the other four cars. He had a boat at the side and a trailer with two jet skis in front of the boat. Then one day little old lady noticed big guy was gone. The bank had taken back his house.

Most people thought big guy was rich and little old lady was poor. How wrong most people were.

I watched a pretty forgettable movie the other night on TV. It was just so-so from a film-maker's perspective, but it had at least one redeeming quality from my blog-maker's perspective. It highlighted a point I had been thinking about.

The film is called "The Tiger's Tail", and the basic back story is identical twin brothers that were separated at birth when one was given up for adoption. The adopted brother is destitute when he discovers he has a twin who is a very public multi-millionaire businessman. So, filled with envy and anger over being given up as an infant, he hatches a plan to "steal" his brother's identity and life for just long enough to liquidate his assets and make off with the cash.

He is successful supplanting himself into his brother's life only to find that the vast wealth is built completely on debt. What filled him with envy on the surface is nothing but a giant, net-negative hole once he looks behind the curtain.

## **Marx Had It Backwards**

Karl Marx predicted the breakdown of capitalism as a result of class struggle, followed by the establishment of a grand commune in which all the means of production would become publicly owned and used only for the public good. Sounds pretty nice, huh? "Imagine no possessions, I wonder if you can. No need for greed or hunger, A brotherhood of man. Imagine all the people, Sharing all the world..." ... and all that peace and harmony stuff.

Today we have many fine, intelligent and exacting analysts all looking at the same economic data and coming up with vastly different analyses of the present global financial crisis. What sets them all apart from each other is not intelligence, or math skills, or even popularity. What sets them apart is the foundational premises on which they operate.

And a false premise can skew a brilliant analysis 180 degrees in the wrong direction. Few analysts fully disclose their premises. But Karl Marx did, and in this we can find the one, key flaw that sent his analysis off in a disastrous direction.

Marx writes, "The history of all hitherto existing society is the history of class struggle." He got this part right! What he got wrong was his delineation of the classes.

Marx's classes were:

1. Labour (the proletariat or workers) - anyone who earns their livelihood by selling their labor and being paid a wage for their labor time. They have little choice but to work for capital, since they typically have no independent way to survive.

2. Capital (the bourgeoisie or capitalists) - anyone who gets their income not from labor as much as from the surplus value they appropriate from the workers who create wealth. The income of the capitalists, therefore, is based on their exploitation of the workers.

Simply put, Marx says it's the rich versus the poor. According to Marx the rich exploit the poor to get themselves a "labor-free income", which spawns a class struggle.

This is an attractive perspective because it requires only a cursory, superficial judgement to place someone into one of the two camps, the rich or the poor. If someone is driving a Bentley we immediately know which group they are in, right?

But within this simple, foundational premise lies an error so serious that within 130 years of Marx's death it caused somewhere between 85 million and 150 million deaths, depending on how you count them. That's an oddly large number of dead people for a community in which class struggle had been eliminated, isn't it? Peace and harmony my ar\$.

As I said, Marx got one thing right. History does bear out the dramatic story of centuries of class struggle. But if we eliminate his one small flawed premise, we can see it all much more clearly.

The two classes are not the Labour and the Capital, the rich and the poor, the proletariat and the bourgeoisie, or the workers and the elite. The two classes are the Debtors and the Savers. "The soft money camp" and "the hard money camp". History reveals the story of these two groups, over and over and over again. Always one is in power, and always the other one desires the power.

1. Debtors - "The soft money camp" likes to spend (and redistribute) money it did not earn, either by borrowing it, taxing the savers for it, or printing it. They like soft money because it is always and everywhere constantly inflating, easing the repayment of their debts.
2. Savers - "The hard money camp" likes to live within their means and save any excess for the future. They prefer hard money (or in some cases "harder" money) because it protects their savings and forces the debtors to work off their debts.

1789, the French Revolution, "the hard money camp" had been in power since 1720 when John Law's soft money collapsed, and starting in 1789 "the soft money camp" killed "the hard money camp" and took back the power. This is the way "the soft money camp", the Debtors, usually take power... by revolting against the hard repayment of their spending habits.

Only nine years later, 1797, soft money collapsed once again (as it had just done in 1720) and a new French monetary system based upon gold was again reinstated. This is the way "the hard money camp", the Savers, almost always regain control: when the soft money collapses. On very rare occasions and only under highly favorable circumstances (like moving to a new continent!), "the hard money crowd" takes control by physically separating from "soft money" and declaring independence from the Debtors.

The American Revolution. Yes, the Constitution mandates hard money.

So just to repeat for clarity: Hard money regimes almost always end in bloodshed, when the soft money camp slaughters the hard money camp to avoid hard repayment

terms. And soft money regimes almost always end in financial suffering when the soft money collapses. Here are a few more examples of “soft money collapses”...

Angola (1991-1999)  
 Argentina (1975-1991, 2001)  
 Austria (1921-1922)  
 Belarus (1994-2002)  
 Bolivia (1984-1986)  
 Brazil (1986-1994)  
 Bosnia-Herzegovina (1993)  
 Bulgaria (1991-1997)  
 Chile (1971-1973)  
 China (1939-1950)  
 Free City of Danzig (1923)  
 Ecuador (2000)  
 England (1560)  
 Greece (1944-1953)  
 Georgia (1995)  
 Germany (1923-1924, 1945-1948)  
 Greece (1944-1953)  
 Hungary (1922-1927, 1944-1946)  
 Israel (1979-1985)  
 Japan (1944-1948)  
 Krajina (1993)  
 Madagascar (2004)  
 Mexico (1993)  
 Mongolian Empire (13<sup>th</sup> and 14<sup>th</sup> Century AD)  
 Nicaragua (1987-1990)  
 Persian Empire (1294)  
 Peru (1984-1990)  
 Poland (1922-1924, 1990-1993)  
 Romania (2000-2005)  
 Ancient Rome (~270AD)  
 Russia (1921-1922, 1992-1994)  
 Taiwan (late-1940's)  
 Turkey (1990's)  
 Ukraine (1993-1995)  
 United States (1812-1814, 1861-1865)  
 Vietnam (1981-1988)  
 Yap (late 1800's)  
 Yugoslavia (1989-1994)  
 Zaire (1989-1996)  
 Zimbabwe (1999 - present)

You see, Marx had it almost completely backwards when he said the rich exploit the poor for free income. Once we shuffle and re deal the two camps correctly we see that it is actually “the soft money camp” (the Debtors) that always exploit “the hard money camp” (the Savers), taxing them, destroying their savings, destroying capital, borrow-

ing money only to repay it on easier terms, and sometimes even killing them. So are “the Debtors” the rich and “the Savers” the poor? Of course not! Is this clear enough?

What does all this have to do with Freegold today? Well, with history, ANOTHER and FOA as our guides, we can see clearly what is coming. And with a correct view and a wide enough perspective, we can also see how some fine analysts operating under false premises are inducing the wrong conclusions.

Today we are living the end of the longest stretch of time in which “the soft money camp” has been in power both politically and monetarily. For a century now they have been softening our money more and more. And for those of you obsessed with the “emerging” NWO and One-World Currency... surprise! You’ve been living with it for 66 years now.

This latest push for central control and massive deficit spending by the “soft money camp” is simply the blow-off phase right before the long awaited collapse. And when soft money collapses, the transition is always financially painful but not necessarily bloody like the French Revolution, which was the end of the “hard money camp”.

Now, what happens during ALL periods in history, whether “the hard money camp” is in charge or “the soft money camp” are running things... is a transfer of wealth. This is important! Because when the soft money guys are in power the transfer of wealth happens slowly and gradually, and wealth flows from the Savers to the Debtors. But when “soft money” collapses - and it ALWAYS collapses - there is a very RAPID transfer of wealth in the other direction, from the Debtors back to the Savers.

And this is where you need to take some action today. Because we have been living in a “soft money regime” for so long now, the delineation of the two camps is somewhat obscured. There are many many people who consider themselves Savers who are still sitting in the wrong camp, and will be on the WRONG side of the coming - extremely rapid - transfer of wealth.

Today you need to be proactive if you want to get on the receiving end of this “blow back” transfer of wealth. You need to actively choose which camp you are in. And to do that, you need to recognize the two camps, or classes. Remember, this is a “class struggle”.

So let’s put a few modern groups and people into these two camps. I think it is fairly obvious that almost all modern “socialistic” governments and their politicians addicted to sovereign debt and deficit spending are in the debtor class. These are the soft money guys. And the bankers as a class are generally there too. As I said in a recent post:

The banker makes his largest profits during times in history when the liberal soft money crowd is in power both politically and monetarily. And he makes his most absurd profits when the debtor class allows its debt to go too far... to the very mathematical limit. But don’t worry. This unstoppable avalanche will reduce banking and central banking to what it should be; a utility for the public good.

And this is because soft money debt must flow THROUGH the banking class as it is passed between the savers and the debtors.

But as individuals, not “banks”, but individual bankers, we could say that some of them are Debtors while others are Savers. For example, would you agree that the

Rothschild family, as a family unit, is in the “saver class” while their industry or profession (banking) as a whole falls in the “debtor class”? Or perhaps we could say that the banking institutions, as the hollow corporate shells that they are, are closely aligned with the debtor class.

But on the other side of the coin, we can broadly say that most of the young “hot shot bankers” and investment bankers probably fall firmly in the “debtor class”. When you look at the lavish lifestyle of a lot of these young guys, you don’t see the debt it is built upon. Just like our character, Liam O’Leary, in *The Tiger’s Tail*. You could watch a Rothschild and a Goldman VP pull up to an event in identical Bentleys, not seeing that one is leased while the other is owned outright. Are you catching my drift?

You can tell who the “soft money guys” are because they will always argue that a currency devaluation is preferable to forced austerity. They will say, “the euro got it wrong because it doesn’t allow for Greece to devalue.” And in saying this, they put themselves firmly in the Debtor camp. They are saying that the “Argentine/Brazilian/Soviet/Zimbabwe workout” is preferable to what is happening in Greece today.

How about that Soviet “soft money collapse” in 1992? Who came out ahead? Most average people that thought they were savers lost everything. So did the Russian banks take over Russia? Or did a handful of “Oligarchs” emerge as multi-billionaires through the process and buy up anything in sight for pennies on the dollar? And which camp do you think these Oligarchs were in? The Debtors or the Savers? Curiously, one of them just bought the New Jersey Nets.

As I said earlier, almost all modern governments are in camp with the Debtors. And this includes the Russian government. So are the Oligarchs in the opposing camp as their beloved comrades in the corrupt government? Here is an interesting article:

Here’s The Real Reason The Russian Oligarchs Are Buying Up Professional Sports Teams - By Henry Blodget

SNIP:

...we hear that some Russian oligarchs feel that, if they become highly visible owners of beloved sports franchises, the Kremlin will be less likely to take them out.

Yes, as in that kind of out.

Remember Alexander Litvinenko, the ex-Russian spy who got poisoned in London...

So here’s the important thing in today’s dangerous world. We must each understand the difference between choices and inevitabilities. What is coming at us is inevitable. It is unavoidable. How we personally prepare for it is a choice we each must actively make.

The coming “blow back” hyper-rapid transfer of wealth is not something that necessarily requires moral judgements of good and evil. It is simply a fact of life today. Pick which side you want to be on in THIS particular transfer of wealth. By selling your debt-financed paper savings and buying physical gold today you are making the conscious CHOICE to join the camp of the true Savers.

Many people that consider themselves “savers” are precariously positioned right now. These people need to take active measures to get on the receiving end of this transfer of wealth to survive. Many, many, many average citizens amazingly still have this option, yet they don’t even realize it. They need to get up and move over into the same camp as the Rothschilds and the Russian Oligarchs, and prepare to own the future. It’s not a matter of good versus evil at this point, it is a matter of survival!

The soft money crowd has had a really, really long run in the sun this time. There’s no need to feel bad for them. And all the last-ditch central control efforts we see today are simply the culmination of that run. But their influential position is completely dependent on the power afforded by the soft money debt machine that is now crumbling. Their “power generator” is out of gas. And it’s not the kind of gas you can legislate or print.

But don’t take my word for it. And certainly don’t take financial advice from me! For that matter, don’t take financial advice from ANYONE. Think it through yourself, quietly. Use your own head. This is the only path to peace of mind. You and only you will lose your wealth if you take the wrong advice. And this time, it doesn’t take an MBA and a JD to understand the choices.

It is easy to watch the dollar losing its reserve privilege today. And it is also easy to see who will come out ahead when it happens. All else is noise. Choose your camp wisely.

Sincerely,  
FOFOA