Shaping How We Think.com

The J. Russell Gardner Critical Thinking Series In-depth Study Lessons

(Dr. Gardner was my favorite philosophy professor so I named this series of writings I'm doing in honor of him.)

Chasing After Money for Money's Sake

by

Dennis G. Crumb

1.

The term "sneaky Pete" over the years has had many urban definitions. The original use of the phrase "sneaky Pete" comes from a song made famous by "Bull Moose" Johnson in 1948:

SNEAKY PETE
IS THE REAL McCOY.
SNEAKY PETE
IS THE JUICE THAT SEEMS SO MILD;
AFTER TWO DRINKS
IT DRIVES YOU WILD.

This term became one of the handles used to define the Army Special Forces (Green Berets). Their role is to sneak behind the enemy and do their thing, and they are very good at it. I know as I served with the 10th Special Forces (Airborne) in Germany in the early 1960's.

Anyone who knows me knows that math and I are not on very good speaking terms. I run away screaming when I must think about finance and how it works. And yet economics is a major player in what makes the world go round, so over the years I have been chewing on economics

What I am good at is concepts, so while I had to fight through all the gobbledygook number talk I slowly grasped the concepts driving those numbers. I was sneaking in the back door like a "sneaky Pete." I snuck into the Roaring Twenties, the Great Depression, the many financial crises including the Dot.com bubble and crash, and the Housing Bubble and crises and bank failures in 2008. I slid in an open window into the Federal Reserve beginning with our first president and the modern version created by President Wilson and kept returning to this day.

And what have I found? The love of money is the root of all evil. Everyone is guilty, from governments to individuals with each pointing the finger at the other as the one to blame for every financial crisis. Bankers are evil. Wall Street is evil. Yes. But the greed they got to is not the greed they began with. In other words, the idea of banking and the idea of stock markets is not systemically wrong, it's that bankers and brokers and individuals got ahead of themselves and let selfishness and greed define their reality. The great economic success that was brought about in the Roaring Twenties was not destroyed because of government's hands-off the free market (success wouldn't have come any other way) but came about by the greed of some who put it all at risk because of their own selfishness.

What else did I find? I'm afraid the greed level may have gone too far to correct itself without a crash that takes everything with it. No, it's not just the greed of bankers and stock brokers. No, it's not just the greed for control by politicians. It is just as much the greed of we the people who want to get rich quick. I've written this before. We are all guilty. Nothing can be fixed unless all three culprits change their ways: government, bankers/brokers/me. It's foolish to think otherwise.

A Smidgen of History

I hear it already, there he goes again with history. Can't you just skip to the conclusion and forget the lead up? No. You would do well to repeat often the words of philosopher George Santayana when he said: "Those who don't learn from history are doomed to repeat it." In terms of bankers and stock brokers who have today become an evil class, the two options we are faced with are either burn it down (Occupy Wall Street) or put patches on like we would patch an inner tube. I understand that this last image probably leaves the young scratching their heads as they've never seen inner tubes, so let me change it to leaks in a water hose that you simply cover with a patch hoping that will stop the leaks and make the hose properly water the grass and not spill all over you. Congress keeps passing legislation on banks and Wall Street thinking they know the root of the problem and the patch will fix it. Neither approach works

2.

I was 22-years old when I opened my first bank account. I'd been making money since I was a child on the farm but it was handled by mom and dad. Beyond that my wallet was my bank. Even while in the Army the paltry amount I made didn't need more than a wallet, especially since I spent it so fast. But now I was out of the Army, soon to be married and I (we) needed a bank account. For another thing, the bank held the loan on my brand new 1966 canary yellow Mustang.

Obviously, banks are all about money. In the beginning there was no money so no need of banks. Bartering goods was how economics worked. It was I'll give you one chicken for a gallon of milk. Or a bushel of corn for such and such. Even taxes by the state was paid in produce or animals. At least until the state got too big for the rulers to store all the animals and food collected for taxes.

For a time salt was used as currency. The Chinese in 1,100 B.C. used weapons and tools as exchange making miniature replicas of them, but eventually worked that into a circle shape which was less dangerous to carry, what with all the sharp edges on the tools and weapons replicas.

But it was Lydia's (Lydia was an Iron Age kingdom of western Asia Minor located generally east of ancient Ionia in the modern western Turkish provinces of Uşak, Manisa and inland İzmir. Its population spoke an Anatolian language known as Lydian.) King Alyattes in 600 B.C. when the first real monetary coins were minted. They were produced from a mixture of silver and gold, stamped with pictures acting as denominations. At the same time in China paper money was now being used. However, until the 1600s A.D. kingdoms still minted and used coins in their domestic and international trading. The first real use of paper money began with England and Canada and the Colonies.

And now we see the first sign of chasing after money:

"The shift to paper money in Europe increased the amount of international trade that could occur. Banks and the ruling classes started buying currencies from other nations and created the first currency market. The stability of a particular monarchy or government affected the value of the country's currency and the ability for that country to trade on an increasingly international market. The competition between countries often led to currency wars, where competing countries would try to affect the value of the competitor's currency by driving it up and making the enemy's goods too expensive, by driving it down and reducing the enemy's buying power (and ability to pay for a war), or by eliminating the currency completely." (*Investopedia*, "The History of Money: From Barter to Bank Notes."

The Gold Standard and Fiat Money

Let's take American money: penny, nickel, dime, quarter, half-dollar, silver dollar; and paper money: $1, $2, $5, $10, $20, $50, $100. How do we know the value of each denomination? In 1821 England set gold as the standard for pricing their money. In 1879, the U.S. exchange rate its coin and paper money was set at $20.67 per ounce.

So why gold and what is it? Gold "is a yellow precious metal, the chemical element of atomic number 79, valued especially for use in jewelry and decoration, and to guarantee the value of currencies. A deep lustrous yellow or yellow-brown color" it caught everyone's attention who ran across it. Gold has no intrinsic value other than its appeal as a color and its malleability to form it into attractive jewelry and as art decorations on objects, including buildings. Yet it became the most precious metal among peoples and nations, valuable because it was uncommon (scarce). Remember, value is based on availability: the more scarce something is the more value it has, the more common it is (found everywhere) the less value it has. Gold was very desirable and because it was scarce its value was great.

What made gold a standard meant a government had to set the price of gold at a determined value and other nations agreed to hold it to that value. When I was a youngster the price of gold was set at $32 per ounce. In order to keep it at a constant value government disallowed individuals to own gold and trade in gold that would drive its price up.

So the amount of gold a nation held determined the amount of currency it could print. To print more money you needed to have more gold to back the money. In the United States a silver lobby changed the standard to a gold and silver standard. Silver actually has intrinsic value because of its use in photography (the developing process of pictures) and in that cell phone you carry. But, oh, yellow gold, captured everyone's attention.

Beginning with World War I the limitations of a standard on the value of money showed as "political alliances changed, international indebtedness increased and government finances deteriorated. . . It became increasingly apparent that the world needed something more flexible on which to base its global economy."

In 1971 President Nixon took us off the gold standard and money became fiat money. "The term 'fiat' is derived from the Latin fieri, meaning an arbitrary act or decree. In keeping with this etymology, the value of fiat currencies is ultimately based on the fact that they are defined as legal tender by way of government decree."

3.
The Institution of Banking Begins

So you've got lots of coin (or paper) money, where are you going to keep it safe from bad guys? Safes haven't been invented yet, even mattresses as we know them haven't been manufactured where you can keep your money between the mattress and box springs.

As it turns out there were places to store your coin money; religious temples. Priests and religious workers, who were presumed to be honest people, were always in the temple and that would be a security for the money housed there. "There are records from Greece, Rome, Egypt and Ancient Babylon that suggest temples loaned money out, in addition to keeping it safe. The fact that most temples were also the financial centers of their cities, is the major reason that they were ransacked during wars." (*Investopedia*, "The Evolution of Banking".)

The first banks separate from Temples were begun by the Romans. It's interesting to note that banks, whether they be in Temples or independent buildings were not just holders of money, they lent out that money. I may have missed the fine print because I'm not very good at reading fine print, but when I opened my bank account I wasn't aware that my deposits would be used as part of the banks' outside loans. I looked at the bank as the holder of my money because I didn't want to keep it under my mattress. I accepted a fee for their services. What I didn't expect, probably because I didn't read that fine print, was that they would loan out my money with interest and they would keep the interest. When I learned that, I wondered why, since it was my money, I didn't benefit from that interest. I still wonder about that. Anyway, the templet for banking, included loaning out the depositors' money, began centuries earlier.

Okay, what have I learned? That banks play a dual role in society; they are depositories of people's money, and they lend out the money. Since money came into play there have always been moneylenders beyond banks. In my Army company there was a fellow soldier who always had lots of money, and we, who were less than diligent about our money, would from time to time borrow money from him, paying interest, of course.

The ancient Israelites were not allowed by God to charge interest: "Do not charge a fellow Israelite interest, whether on money or food or anything else that may earn interest." (Deuteronomy 23:19 NIV.) This is contrast to the rest of the world as we find in Ivestopedia: "Eventually, the various monarchs that reigned over Europe noted the strengths of banking institutions. As banks existed by the grace, and occasionally explicit charters and contracts, of the ruling sovereign, the royal powers began to take loans to make up for hard times at the royal treasury, often on the king's terms. This easy finance led kings into unnecessary extravagances, costly wars and an arms race with neighboring kingdoms that lead to crushing debt."

Introducing Stocks and the Stock Market

As banks played a role in the economics of individuals and companies so stocks would play a significant role in the economics of especially large businesses.

In nations around the world individuals were always wealthier than the State. The reason is simple and not sinister; governments only take, individuals create. In Europe, moneylenders, those individuals who succeeded in business and became filthy rich, played a part both in helping others in their businesses, and the State.

The majority of we (people) have always wanted to or did and do live above our means. It really is impossible not to. Even if you are frugal with your money and only spend what you have, unless you have a lot of money coming in you live a meager life. Now, in the days when there wasn't much to have it didn't matter. When prices were modest it wasn't hard to save up for "big-ticket" items. But when more "things" became available and prices began to rise precipitously, and your income did not rise at the same rate, the gap made it harder to purchase what you wanted/needed. This is where banks came in offering loans to individuals, small businesses, and small farms.

Stocks and bonds have to do with large businesses and states. To help a business become large and stay large, to help states pay for its needs, moneylenders gave them loans for which they received IOU's from businesses and bonds from states. For various reasons these moneylenders would trade, or sell off their IOUs and bonds to other moneylenders, or to individuals who became investors in those companies for whom they held their debt. In 1300 A.D. Venice, this is where we first see in Europe theses kinds of transactions in large ways.

From *Investopedia* we read this:

"Belgium boasted a stock exchange as far back as 1531, in Antwerp. Brokers and moneylenders would meet there to deal with business, government and even individual debt issues. It is odd to think of a stock exchange that dealt exclusively in promissory notes and bonds, but in the 1500's there were no real stocks. There were many flavors of business-financier partnerships that produced income like stocks do, but there was no official share that changed hands."

Businesses who saw a rise in demand for their product might find their money at the moment didn't allow for them to add new equipment and employees to keep ahead of the demand. Large banks were there to offer them loans, but another way was to sell "IOUs" in the beginning, or stocks when that was created. Stocks were valued initially at a price set by the company based on the value of that company and investors would purchase whatever number of stocks they had money to cover. That was an investment in the company for which the stockholder got a dividend like interest from a direct loan.

Unlike a loan that is typically collateralized (covered by real property that can be taken by the loan holder in lieu of the debt), stocks are not collateralized, meaning you can lose your investment and have no recourse to recover your money. But unlike a loan, the value of the stock or stocks you own can go up in value or down in value for a host of reasons. When purchasing stock in a company you do not then own part of the company, you are really an investor in the company. It is true that the more stock you own the more power you can have with the company. What's also interesting is that after the initial selling of the stock by a company, for which they receive the money, after that they do not receive direct benefit from the selling or purchasing of that stock. If I decide to purchase stock in a company after that initial sell off, I'm not purchasing it from the company but from an investor who owns that stock, someone who has decided for whatever reason to sell his or her stock. My money goes to that person, not the company. And if I decide to sell my stock in a company that money will go to me, not the company. I purchased stock from a company I worked for in lieu of taking a 401K retirement program from them. When I first purchased the stock the value was $35. Two years later it had gone up to $45 and if I sold it then I would profit $10 per share. Then it dropped to $2 per share and now if I sold it I would lose $33 per share. Because I had faith in the strength of the company I didn't sell off my shares, in fact, I purchased more at that low price. It did go up and today its value is near $60. I'm making money again. A company does receive indirect benefit from their stock being traded that financially help the company to grow and profit. But the stock game can be likened to gambling and the reasons for the rise or fall of the price of a stock can have no direct relationship to a company. (For a simple tutorial on stocks you can go to *Investopedia*: "The Birth of Stock Exchanges.")

Now, this wasn't so hard, and long, was it? Of course, it was just skimming of the surface. To understand all the complexities of banking and stocks you'll need to do your own research. It can be said that on its good side bankers and stock brokers had good intentions to help us and we accepted their purpose.

4.

The Good Became Bad and Ugly

If, in the beginning of our nation, I wanted to open a mercantile I only needed the money to build the building and fill it with things to sell. There was no regulatory system over me and every other mercantile in the several states. While colonial towns had mercantiles they did not have banks. It wasn't until 1781, after the founding of our nation as a nation in 1776 and 7 years before the reformed Constitution was ratified in 1788, that our first bank opened, the Bank of North America located in Philadelphia, chartered by the State of Pennsylvania. Banks, unlike mercantiles, could only come into being under the blessing, with some rules, by the State. The next bank, and one created by Alexander Hamilton, was the Bank of New York founded in 1784. While the rules from the states were loose in the beginning, the Federal State has today, especially after the TARP bailouts at the end of the Bush administration carried over to the Obama administration, added serious rules over banks, though large banks still have a lot of wiggle room to operate independently.

Money for the moral person is luxury. Luxury is not a sin when earned. There is nothing sinful in earning what you need and earning more than you need. There is an interesting parable in the Bible found in Matthew 25: 14-30 that's been titled the Parable of the Talents. There is a man rich enough to have several servants. He plans to travel to a "far country" and he brings his servants in and gives each one money to be used keeping his business profitable. There were three servants who had differing abilities so to each he gave different amounts of money expecting each would use that amount to increase what the man had. As the parables recounts, one was given five talents, another two, the third one talent. The first two used their money to make more money while the third, the one with only one talent, buried it for fear of losing it for the master. When the master came back he gave the first two praise and doubled their reward while the third one had his one talent taken from him.

There are a few things Jesus wants us to understand by the parable, but I'm going to stray just a bit for my own purposes. Could Jesus be promoting a democratic free-market system? Let's just say it lends itself to these thoughts. The Puritans who came to the New World certainly took it to mean they were to work hard and working hard would produce benefits that increased their wealth. As William Bradford would say at the time, don't feel guilty for being successful if your success comes out of your hard work. You've earned it.

Money for the immoral person is greed, they didn't earn it, they took it. The motivation for their success is not hard work but the fruits of other's work. They are chasing money for money's sake.

Some started as the moral person then they lost their way becoming the immoral person. Some began as the moral person but then felt life (or government) was pushing them into the immoral just to survive. Some fought the temptations of the self and life and stayed moral. Some were just immoral from the get-go.

Harken back to the days before all this confusion, the time of Adam and Eve in the Garden of Eden. There in that garden was our future, the Tree of the Knowledge (experience) of Good and Evil. Next to it stood the Tree of Life. Every time they came to that spot they had to decide; eat or don't eat. Don't eat, you don't have to worry about greed. Eat and greed becomes your lot in life, and every day you must decide; do I become greedy or not? Fast forward how many generations unknown, the reality that some are good and some are bad, that sometimes we are good and sometimes bad, is our lot in life. Potentially it doesn't have to be that way, but the odds are not.

5.
Systemic or Not?

A word comes to mind, systemic. It has to do with a whole system, not just part of it. Today, looking into the future, we are using the term, algorithms. An algorithm in a system defines how the system works and what it produces. Put a variety of things into the system and the algorithms will pick those things that fit with the system and reject the others. For instance, if someone gathers all your information and puts that through a criminal algorithm that system will look for those things that fit the algorithm and decide if you are a criminal, or at a minimum fit the image of a criminal. The algorithms are specific to the system and in this case we've created the algorithms.

An example: There are those who believe and are quick to say that the United States from the beginning was systemically racist. Because racism was systemic (everywhere) nothing that generation created was good but evil. So the democratic Constitutional Republic built upon the Declaration of Independence, and later the Constitution was an evil system and therefore to be rejected. They really don't have evidence to support systemic racism, not even when some of those writing the Declaration of Independence and the Constitution and the Bill of Rights were slave owners. Racism certainly existed and we are still suffering the effects of that racism today. But when you look objectively at our history you don't find systemic racism but a divided people over the issue of slavery, including those leaders who owned slaves yet spoke about freedom for all. I'm not going to reargue this history except to say that believing that ending a long history already in the southern colonies where most of the slavery existed could not be immediately accomplished and doing so would break apart the unity of the States, a unity that protected them all; nonetheless they created governing documents that dispelled slavery and would be used when the time was right to end slavery. It's easy to say, and I'm one who says it, it should have been tried from the beginning, at least with the Constitution ten years after the war, and see however hard it would be to find unity among the people and states. But I'm speaking two centuries plus later and the British did give them a second go around in 1812 when a good chance through the disunity of the nation would have spelled its end. Had the Brits taken New Orleans, and the Louisiana Purchase at best it would have stopped the westward expansion of the United States, at worse, it could have very well spelled our doom as a nation and we'd be speaking with British accents.

So you should get the idea that something systemically bad should never have been started and now that it is should be totally rejected because it is something that never will bring good. But is it systemically bad? I'm talking now about banks and the buying and selling of stocks.

When you look into their history you will find good and bad uses of both because both were about money and money gave some the power of control, not just for individuals but equally for states.

Banks have two primary functions: a payment system for its depositors and lending money to help people in their enterprises. It's this lending function where the real controversies occur. If we ask if a bank, or banking, is systemically good or bad, we will first find that we cannot do without banks. In the progress of history banking was inevitable. Like most technologies, how one uses it determines whether it's good or bad. Remember, banks are chartered by the individual states, to include the federal state, and some rules come with that charter.

One of the functions of the Bank of the United States was to oversee banks to ensure that the money they lent out was payable by the bank. They didn't actually lend out money but bank notes that were redeemable so when the bank notes went to the farmer to purchase seed, the seed supplier who received those notes then took them to the bank to turn into real cash. The problem was, and it would always be the problem to this day, oversight by the Bank of the United States, now the Federal Reserve System, was never consistent. Unscrupulous bankers greedy for more money would lend out more than the bank could actually promise real money for those notes. Hoping that the payments with interest from the farmer or whomever got the loan would return real money keeping any potential loss at bay. To complicate things, banks, who wanted to make big loans beyond the money they could cover, could and did borrow from other banks on a short-term basis, or when the Federal Reserve System came back in under Wilson, they could borrow from the Federal Reserve. Investment banking for larger banks became a significant part of their banking. It's here that banks made their multiple of millions of dollars out of which senior management would make millions of dollars in salary and compensations. Middle management would make hundreds of thousands on their investment roles. The intention was to help people get the things they needed but couldn't immediately pay for which would both help the individual and the economy. But that depended upon making far more smart loans then shaky loans. Middle management, those making the loans, would get commissions for each loan they made so it incentivized them to make as many loans as they could to make more money for themselves. Here we run into the some good/some bad. Those who were moral weren't concerned with their commissions but with helping people. The some who were bad were only concerned with their commissions, they were chasing money for money's sake.

If there was some gambling on the part of banks, the selling and purchasing of stocks was almost all about gambling.

6.

The stock market, or Wall Street, is nothing more than a collection of businesses in the business of selling stocks for companies. There are three kinds of trading: 1) Equities (Assets -Liabilities = Equity). The equity of a company is its value minus any debts against it and a company can borrow on the equity or sell equity shares. 2) Stocks: stocks come in two forms; common or preferred. With the purchase of a stock you become a shareholder in the company. "Common stock usually entitles the owner to vote at shareholders' meetings and to receive dividends. Preferred stock generally does not have voting rights, but has a higher claim on assets and earnings than the common shares. For example, owners of preferred stock receive dividends before common shareholders and have priority in the event that a company goes bankrupt and is liquidated." (From Investopedia on "Stocks".) 3) Bonds: A bond is like a loan to a company for which there is a set period of time that the bond can be redeemed (the loan paid back) with a set interest. When we think of bonds we typically think of government bonds, but companies also sell bonds. A fourth type of sale at a stock market is "securities" and comes in the form of equity security or debt security.

All of this are ways companies have of bettering themselves when they don't have the cash on hand for the expansion they need. Companies that do this are no longer private companies but now become public companies, they have shareholders to contend with who now own a part of their company. Not all companies choose this route, one being In-n-Out burgers that still is a privately held company, and in this case by the original family that started it. In contrast, in 1971 three friends started a coffee house they named "Starbucks." In 1982 Howard Shultz joined the company as Director of Retail Operations and Marketing. In 1987 Shultz, with the help of some investors, purchased Starbucks. In 1992 Howards took his company public at $17 a share. Unlike In-n-Out Howard wanted to go global with his company and do it quickly. To get to this global size there are 1.5 billion Starbucks shares being traded.

All right, this is the basis of stocks. Companies cannot grow really big without selling stocks. A business is created to do that for companies whose goal is to help companies grow. This is the systemic nature of Wall Street, that gathering of companies where stocks are bought and sold, whether located on Wall Street or wherever. Its intention is noble.

And yet it, too, has some good/some bad conducting business. And even more than banking, the purchasing and selling stock is often not much more than addictive gambling.

I own stock and I don't think of myself as a gambler, yet I really am gambling with my money. I am gambling that the company I own stock in will continue to be successful and the value of my stock grows. Like many of us stockholders we aren't looking to get rich quick, we've invested either for our retirement or our children's education, both in the future. It is a gamble that I'm taking, but then, getting into my car and driving is a gamble that other drivers won't drive recklessly and hit me. I've been in four accidents, one my fault. Many years ago I invested a chunk of money into a company planning that the rewards would help pay for my children's future. It crashed. I lost 97% of my investment. Twenty years later I suppose I can say I got lucky because I kept that stock and today its value is at the amount I originally put in. But then, my children have grown up, gone to college and that investment attempt I made twenty years ago did nothing for them.

Just one further point, unless you purchased your stock at the original offering, or any subsequent offerings by a company, the stock you purchase is from someone who has stock. It's like selling or buying a used car, but not from a car lot, rather from another private owner. The car company gets none of that money, it exchanges hands between and stays between individuals. As it turns out, the stock I purchased was directly from the company I worked for at the time so my money went directly into the company to help it progress successfully. Now, I sold off some of that stock, none of that money went to the company, and yet and here all things get complex, it still has impact on the value of a company.

7. Chasing Money for Money's Sake

I'm trying not to get too technical in this study because I'm requiring you to do your own homework and research banking and stocks. I did want to make a couple of points: 1) whatever your feelings are about both banking and stocks progress required both to come into being and not as a lesser of evils. 2) If you want to change them you must know how they work with their complexities because Band-Aids won't do the job just make more problems. We must understand how banking and stock markets work and how some of that went bad so we can make the changes that will effectively correct the problems.

For example, prior to Obamacare there were a number of serious problems in health care insurance. The fix became far more problematic and destructive than the original problems. The cost and access to health care is worse than before Obamacare. The problem with the fix isn't, in this case a matter of Band-Aids, it is that radicals wanted to take down private-market health care systems for government control. I bring this up because this is exactly how some are fighting the problems with banking and stock brokering. Occupy Wall Street was not an American Arab Spring as some want to define it. Neither was it a grassroots movement of discontented people protesting the excesses of Wall Street. There were, and are, plenty of reason for such a protest. What most of us did not know at the time, because the press for the most part ignored it, was the that it was the brainchild of a group from Canada called Ad Busters, a very anti-democracy group dedicated to bringing about a world revolution taking down democratic states in favor of total government control. I suspect a lot of innocent protestors who thought they were just protesting greed didn't even know the leadership of this movement had very different ideas from those sweet words they used to convince so many it was a righteous protest. All the liberal and supporting media wrote about OWS as leaderless, a grassroots rebellion. They talk about democracy and bringing it back when they, the hidden leadership, really wanted to destroy democracy in favor of government control.

This same kind of thing happened with health care insurance and practice. As I've argued many times there has from our beginning as a nation been those who never believed that individuals could control their own lives, they needed a government to do that for the benefit of all. That philosophy finally found its legs in the progressive movement that came from Europe as it was part of the Communist and Socialist movements going on there.

If in banking and stock brokering there is a systemic problem it isn't the system but the ones working the system. No "fix" will fix the problems we are suffering from if it doesn't begin there. The fundamental problem is the love of money, not for money's sake but for the power money brings. As I've already written, we in modern times cannot do without banking and stocks. Done right they make progress what it is. Done wrong and they make some rich and the rest of us miserable. But if we think that throwing the whole system out like we did with health care will fix it, the result will be the same, chaos and nobody happy, at least not the masses.

The colonists who came to the New World with the ideals and idealisms in the 1600s, a hundred plus years later and a couple of generations later, those ideals and that idealism had worn thin and that sinful nature latent in us all began to come out. There was a fracturing among the people in their own way which mirrored the fracturing we see today in America.

We would never as a people have gotten to the new nation that was built in 1776 if it were not for what has been dubbed as the Great Awakening that began in Europe and came to America in the 1730s. The backbone of the colonies had been the religious faith of so many, a faith that took them through the terrible hardships of building from scratch their new lives in a new and undeveloped land. Three generations later that fever that their ancestors had in building something new was waning both from the success of past generations and the failures of some who never made it successful for themselves. God, who was a passion of so many of those original colony founders seemed more distant to the third generation and their faith took a backseat in their lives. This generation that saw the birth of the men who would change the world could have easily become the generation that saw the birth of the men who might not have changed the world.

People needed to be awakened to the goodness and possibilities of God just as their ancestors believed in the goodness and possibilities of God. From the Britannica Encyclopedia on the "Great Awakening" we read this:

"The philosophical rationalism of the Enlightenment was spreading its influence among the educated classes; others were preoccupied with the things of this world.

"When Theodore Frelinghuysen, a minister of the Dutch Reformed Church, came to begin his pastoral world in New Jersey during the 1720's, he was shocked by the deadness of the churches in America. He preached the need for conversion, a profound, life-changing commitment to Christ, not simply perfunctory participation in religious duties. Presbyterian Gilbert Tennent was heavily influenced by Frelinghuysen and brought revival to his denomination. Tennent believed the deadness of the churches was in part due to so many pastors never having been converted themselves. His book On the Dangers of an Unconverted Ministry caused quite a stir!"

We had become the center of our lives, not God. The change that would affect the Thirteen Colonies, that would get them to a place where they could create a new nation that would be the envy of the world, came in three men: Cotton Mather, Jonathon Edwards, and George Whitefield. Two books that Jonathon Edwards wrote that had such impact on colonists were Sinner in the Hand of an Angry God, and The Nature of True Virtue, Original Sin, and the Freedom of the Will. As I wrote in Miracle Across the Water:

"These three men who would impact a nation were not just preachers, they were philosophers and scientists and they spoke not just about faith but about the nature of man. This Great Awakening began in the early 1700s, at the very time a new consciousness was developing among colonists, some we will get to know very well because they wrote this new consciousness in papers we call the Bill of Rights and the American Constitution."

Quite honestly, is a new spiritual awakening, the only thing that can really fix us and reduce greatly the greed and divisiveness that is destroying us as a nation? Otherwise the fix we go for will destroy us as a great nation. But many of us come up with the schemes that attract some bankers as they take our money and chase after the all-mighty dollar. Or many of us are demanding more and more from the stock we own driving some brokers and businesses to build schemes that appear to answer our own greed. And frankly, the government that is supposed to protect us has miserably failed us, and often has become the problem itself.

If you want to understand more deeply the role of government in our economic structure and how it helped along our moral failures to be good stewards of other's money, I recommend two books: The Power and Independence of the Federal Reserve, by Peter Conti-Brown, and Fed UP, by Danielle

Dimartino Booth. The author of the first book is a progressive who believes in a central bank and the author of the second book is one who also believes in a central bank yet having worked inside it has seen its failures.

Central planning has always failed. The U.S.S.R. failed miserably under the central planning of Stalin as did China under Mao. Both were built under a political idealism where the few could determine the success of the many because the many could never do it for themselves. The few looked out for the many because inside the many were individuals who only looked out for themselves and would take down the many for their own interests.

At the risk of being booed, let's look at the craze of "gluten free." Manufactures of our food are quick to print on their labels "gluten free", and advertisers are promoting the same. Even foods that would never have gluten in the in the first place feel pressured to add they are gluten free. We, the people, have been pummeled over gluten in our diet as an evil to avoid if we want good health. But what is the truth. Yes, some are allergic to gluten. Steven Ross Pomeroy in an article titled "Are You Really Gluten-Intolerant? Maybe Not" says this:

"Celiac disease is an autoimmune disorder that affects less than 1% of the population of the United States(PDF). The ingestion of gluten, a protein found in grains like wheat, rye, and barley, gives rise to antibodies that attack the small intestine. At first, the symptoms are annoying: stomachaches, gas, and diarrhea. Over time, they can grow to be debilitating. The autoimmune assault corrodes the small intestine's ability to absorb nutrients, which can prompt anemia, chronic fatigue, and weight loss. There is one treatment for celiac's: strict, lifelong adherence to a diet that's devoid of gluten."

Yet in this health-conscious climate that has driven so much of our thinking about what we eat, those 99% of us who are not gluten intolerant are feeling guilty for eating gluten laced food. There is nothing inherently bad about gluten, but those who do have an intolerance to gluten preach to us that it is evil for all of us to eat gluten and want us to change our lifestyle because of their own experience.

Now imagine this: the government in the form of Congressional committees are bamboozled by the anti-gluten lobby and decide, in their central planning role, to ban all gluten products because a rare few are allergic and now all of us, especially the wheat farmers, must change our lifestyle.

While officially the Federal Reserve is not a central bank, it often acts like one. In one respect the Federal Reserve has a thankless job because it is the federal government that sets the fiscal policies and then expects the Fed to clean up the mess it caused.

The Great Depression, caused by the greed of some and the incompetence of government, created in 1933 in the Federal Reserve System a new role and a new department, the F.D.I.C. (Federal Deposit Insurance Corporation). Now the Federal government would protect those of us who had our money in a bank from losing it if the bank failed —in the beginning it covered $100,000 and now is increased to $200,000. Prior to this as seen in the Great Depression when the banks failed no one could get their money, it was gone.

The FDIC is not an actual government program because they gave the duty to the independent Federal Reserve System to run. But not only was it to be an insurance for we depositors, it also was a check and balance on banks forcing on them new rules and regulations on how they operated as a bank. A problem here is that while we think of the Federal Reserve as a bank it is not, it is made up, especially in the top tier, of nothing but PhDs in Economics, men and women who have never worked a day in their life in a bank. As Danielle puts it in her book, Fed Up, the single greatest problem with the Fed is this overbalance of ivory tower economists who don't live in the real world and so don't understand the real world. Between the burdensome rules placed on banks, and any real supervision over the banks we ended up with the crash of 2008

Not only large banks but large (like Enron) businesses were overextended in their loans and borrowing but were covering up their debts and miscues to give an image to the public that they were highly successful and investors would continue to invest. When the stick got jammed into the money wheel it all came crashing down.

Sure bets don't make a lot of money. Risky bets have the potential of wild money. Bankers and stock brokers who were making risky loans were getting their commission on the front end and as long as they could in pyramid scheme fashion keep fresh money coming in it would hide the failures that chasing after money for money's sake always brings.

8. There's Only One Solution

Okay, now that we have a basic understanding (you will get a further one as you do your homework) and clearly see that more government interference called for by us will not do the job because it will not fix the problem, let's accept the only real solution.

We all love to quote Adam Smith in his Wealth of Nations or throw poisoned darts at it, but in doing so we start at the wrong place. Adam Smith was not a Christian, at times, perhaps, an agnostic Christian. He was, believe it or not, a moral philosopher long before we knew him as an economist.

What did he understand that we missed by only looking at Wealth of Nations and forgetting his first book, Moral Sentiments? Freedom without morality is not freedom, it is license. Freedom is not the absence of responsibility but the presence of responsibility. If we take the free-market without the responsibility factor we don't have a moral system where everyone has a chance to win but a system where the deck is stacked against the average person.

What socialists-progressives want us to believe is that the system, the democratic free-market system, is inherently (or systemically) wrong and should be done away with. The some good/some bad is changed to all are bad. This is not true, but what is true is that there are too many who are chasing after money for money's sake and we are all losing because of it. And not all but too many, are pressuring those without scruples to push to make more money for us and in that we keep the bad, bad.

History is clear that what made the United States the greatest nation in history was our democratic free-market economic system and our Constitutional Republic (political). As I've written before, the progressive changes that came with Wilson and Roosevelt and Johnson and Obama was not due to the fact that our system of economics and government was failing, it's simply because a new (really old) philosophy caught the attention of the intelligencia and worked its way into our politics. What happened was that these socialists-progressives compromised both the democratic free-market system and the Constitutional government so we are no longer, especially today, either a democratic free-market or a Constitutional Republic. Those complaining the loudest against free markets and Constitutionalism ignore this fact of government compromising both and only complain about free markets and Constitutionalism.

So the government through its new rules and regulations on businesses create a serious problem with how they work, blame the free market system, and we call on more government control. Adding more law on top of law will fix nothing because too much law, and over restrictive law is ineffective because the problem is not a lack of law but a sick heart.

We will have to address all these issues of rules and regulations and government control but this isn't where we need to begin. If you really want to make changes because there is too much gone wrong/bad the only place to start is with our moral decline that led us into chasing money for money's sake.

Let's be clear about this: some Christians are fraught with greed and while some would say they were never Christian, being careful of the weed and grass issue, the one thing is clear, they certainly don't live their Christian faith. Non-Christians, or non-religious people can be very moral, but what they may not recognize or want to recognize is that their morality is borrowed from religion. Some, or many, will not be happy with this statement, and your further frustration will be that I will not spend time defending this statement in this essay. I have made this point and supported it in other writings. I will make the following statements:

- For morality to be workable it must be universal and absolute
- Morality that is not universal and absolute changes by those who are in charge or power

- Morals are either absolute or relative
- Absolute morality can only come from God, anything else is man-made

As we learn in Genesis God created all things, to include his image inside all people whether we believe in him or not. This means that inside us all is both an idea of God and an idea of Good (absolute). The idea of a social contract as presented by Thomas Hobbes fails because while we now agree to behaviors that will let us get along, there are no ultimate reasons to do so and we can change and become primitive because that, despite the social contract, is our basic nature.

Whether you accept that all real morality is from God or not, you know that our real issues bringing about chasing after money for money's sake is immoral. The only way to really fix immorality is to have an awakening of morality where you change from inside and that changes your outside behavior.

I find the destructive aspects of banking and Wall Street immoral, and don't forget that some of us outside both institutions yet want them to make us rich, quick, also are acting immorally and need our morals renewed.

I agree with many of you in your anger against banks and Wall Street, it's just that I don't believe in your solutions because I don't believe they fundamentally address the real problems; morality. Short of a Great Awakening in America that changes most of us into a renewed moral behavior (leaving behind our political bickering) we will never come to a solution that is a real solution. We cannot start in the wrong place and expect effective solutions.