

Sub-prime rate or Sub-primate loan Scandal!

My own fractured thoughts on Money and the Sub prime rate loan Scandal!

Remember when we were taught, "Monetary Theory" in grade 10? No? How about when we were in grade 12 so we could graduate and be financially literate? No? Not there either? Okay then, how about during university? Well actually, most University students have no clue either, because even though we all deal with money almost every day of our lives, Monetary Theory is a very specialized field, not part of med, chem, phys, educ, etcetera.

How much DO we know? Remember when you went to get that car loan or mortgage and the banker explained it all exactly... "We lend you \$100,000 for the house at 6% interest and in 25 years when you pay it off, the house will have cost you \$250,000, but if you are lucky the property market will have made the house exchangeable for \$500,000!

Well actually, who could ever have foreseen that last part? If I recall anywhere near close to accurately, in '52, Grandma and Grandpa bought 2256 West 14th for \$7500 at somewhere between 1.5% and 3% interest, carried on a first mortgage to limit from the bank and a second from GrtGma/pa Read. I think it was 1.5% but that seems crazy today.* And anyway! at this stage of my life I can only really remember that an afternoon at the Ridge theatre (exotic newsreel, serial, two cartoon, and Tarzan or Kill-all-those-damn-Redskins cowboy flick cost 15¢ when we got 25¢ a week for allowance). I can also remember that minimum wage while finishing my last degree at UBC was \$5/hour and my tuition had jumped from \$475 PER ANNUM to a whopping \$535 and we were pissed. I had to go and get a grant/frackin'loan for \$3600 for my last two years. *With any luck, to be included in Grandpa Read's memoirs for the family.

A sub-prime fiasco or is it?

A while ago my younger brother Derek, a programmer, and I were attempting to share ideas about the U.S. Sub-prime rate loan scandal. I suggested the U.S. government should just restructure all of the mortgages and write off the losses. Derek said, "No doubt someone made a lot of money, somewhere." I suggested it wasn't "real money" it was just money on paper that didn't really exist.

Although I think I understand what Adam Smith tried to explain to me in *Wealth of Nations*, the attached link is something that every family member, except perhaps Dad, Holly, Steve, Cath and Christopher William might watch. Sean and Andrew may know this stuff, but I don't think many of us do. Certainly Jer, Tee, Stu, Jez, Thms, Spence and Garrett may learn more in this 47 minutes than an entire course in finance may ever give them.

Adam Smith in Book 2, "Of the Nature, Accumulation, and Employment of Stock", taught me that, "money is neither material to work upon, nor a tool to work with." He tells me that all hard-currency, gold or silver coin and eventually fiat (paper money), ca\$h, moola, dinaro, franc, pound, euro and lira are just make believe in a conjectural idea we have that vaguely has an equivalent to what has just happened with multi-billions of Sub-prime US Greenbacks. U\$ dollars backed up by that 'Friedmaniac' idiot Alan Greenspan who "independently", working on behalf of the military industrial complex, forsook all of his principals, started the fiat presses working 24/7 after 9/11 printing obscene, completely-worthless-to-the-masses, amounts of cash, shoveling billions into the pockets of Bush, Chaney et al for their contribution to the war effort. (Over one hundred thousand- \$100,000 guided missiles, privatization of military services including their Halliburton MREs or what Sean and Andrew know as IMPs and grumpa dad recalls as Field Rations. I actually had a taste of Ración de Campaña in Cuba- consisting of dos tamales, envueltos, lentejas con chorizo, arvejas con carne, garbanzo a la madrileña, arroz atollado, ajiaco con pollo, sudado con papas y carne, etc. plus bread products, beverage mixes, candy y un cigarro (I gave it and the powdered cola away).

The USA has debt has almost doubled in ten years to \$9 trillion. Canada has 10% of their population yet our debt is \$250 billion or per capita one third.

We do not have to compare the debt as a ratio to their GDP because they have a false economy, meaning other than some fruit, veggies, tones of corn, cows and pigs they really do not produce much worthy of surviving on a healthy diet. And now they're even going to dump a lot of that corn into gas tanks and up in smoke!

Both Hilary Obama and Barak O'Clinton have threatened to end NAFTA. Yayyyy! Perhaps we Canadians can actually go back to a self-sustainable economy.

Update 2009 – Not going to happen!