Why Interest Bearing Fiat Currency Systems Mathematically must FAIL, system DEBT can NEVER be retired but only DEFAULTED.

1913 was a good year for Guido the Bankster and Mr. SnakeInTheGrass politician, an unlimited printing press to create as much FIAT currency as possible and buy as many votes as they could. It was called 'The New Deal (YACK!!!!!).
http://en.wikipedia.org/wiki/Federal_Reserve_Act ----> **1913**

FACTOID: Richard Nixon took us off the Gold standard in 1971 liberating the "printing presses" of a total DEBT based FIAT currency system.
http://en.wikipedia.org/wiki/Nixon_Shock
http://en.wikipedia.org/wiki/We_are_all_Keynesians_now

In simple terms US currency (Federal Reserve Note = FRN) is counterfeited (printed) by the US Bureau of Engraving and Printing and sold to the PRIVATE Federal Reserve as Federal Reserve bank notes for roughly the cost of production (paper and ink). The Federal Reserve then turns around and declares it "dollars" and buys US Treasury bonds the US government "prints" up out of thin air, basically an IOU. Net effect, US currency is "printed" and is DECLARED money by FIAT and is only backed by the future THEFT of your production (16th Amendment). Commercial banks then use these "dollars" as the "reserve" basis for fractional reserve banking (counterfeiting).
http://en.wikipedia.org/wiki/Federal_Reserve_Notes
http://en.wikipedia.org/wiki/Bureau_of_Engraving_and_Printing

Since FRN's are "backed" by DEBT, they have an associated INTEREST due on them that must be collected via TAXES (16th Amendment - **1913**). Let's call that FRN interest **k**. The interest comes from the associated US Treasury bond the FRN's are obligated against.
http://en.wikipedia.org/wiki/Sixteenth_Amendment_to_the_United_States_Constitution
http://en.wikipedia.org/wiki/Federal_Reserve_Act

The US monetary system is now completely based on DEBT. Currency exists in the system in the form of FRN's and is basically referred to as M0, the monetary base. Other "currency" in the system is based on fractional reserve banking (FRB) by commercial banks and exists in the form of bank credit/debt, M1, M2, M3.
http://en.wikipedia.org/wiki/Monetary_base

The bottom line is ALL currency (M0,M1,M2,M3) which we call "money" is based on DEBT with it's associated **interest** due called debt service. We'll call debt service interest on commercial bank created debt **j**.

Since **real money** is monetized human effort, currency does not necessarily equal money, only when secured by past human production, such as specie currency (gold, silver, etc..), thus the problems with fiat/printed currency. It doesn't represent anything produced other than printed numbers on paper. Simple as that.

In order to keep the discussion simple we'll just use **i** for interest (FRN + FRB) on ALL currency, whether central bank notes or commercial bank notes.

Our currency system is a ***system*** and thus can be mathematically modeled. We'll call **ALL** system dollars at a given time, say 2009, **C**.

Since **C** has an associated interest **i** that is due at some later TIME (**t**) and since **C** is **ALL** the existing system dollars, **NEW** system dollars must be **created** to service the interest debt service **i**.

So at time **t**, assuming the new debt dollars were created and the DEBT was not defaulted on, there exists $\mathbf{C * (1 + i)}$. The new dollars $\mathbf{C * i}$ are the INFLATION dollars created. The "money" supply MUST be **inflated** in order to service the total system debt **C**, regardless of whether any new production of goods and services took place. Currency Inflation is a MUST or the system defaults. Note also that inflation is really just currency debasement, not the price of eggs rising. True inflation is a monetary phenom, not economic. Economic inflation is a result of currency debasement, not the root cause.

Now realize that since **ALL** "currency" is DEBT, the new dollars created for debt service interest **i** have their associated respective debt service **i** as well, which we'll call $\mathbf{i_2}$. This process of having to "inflate" the currency to pay debt service interest on interest continues ad infinitum, $\mathbf{i_3 i_4 i_5} \ldots\ldots \mathbf{i}_\infty$.

Since infinity can **NEVER** be obtained the total debt service interest is never created, eventually the debt service MUST be defaulted or currency simply printed out of thin air, hyper-inflation. Either results in system destruction, thus default.

Simple example:

C = $100, total system dollars
i = 5%

Since the system only has $100 total, the additional $5 interest debt service must be CREATED and added to the system otherwise the system defaults. Since ALL currency is DEBT, the interest on the interest must be created. Ad infinitum, the interest on the interest on the interest ………..on the interest, must be created.

In our world yes you can pay off your debt, but the currency you used to pay off the debt was borrowed by someone else and the interest (vig to the banksters) is owed on every single dollar on the planet. Without monetary inflation, i.e. more and more borrowing, the system MUST implode. SYSTEM debt can NEVER be retired as more interest must always be created for debt service than currently exists.

Our REAL world example:

In fractional reserve banking (legal counterfeiting), banks create leveraged credit dollars (bank notes) from the FRN's the FED (Guido) requires them to keep on deposit for the inevitable redemptions (the illusion of your money in the bank). Systemically, when the mathematically necessary debt service on debt created equals the FRN's in reserve, NO more debt can be spun off from the system. Thus, debt service (inflation) can not occur and defaults occur, crumbling the house of FIAT cards (deflation).

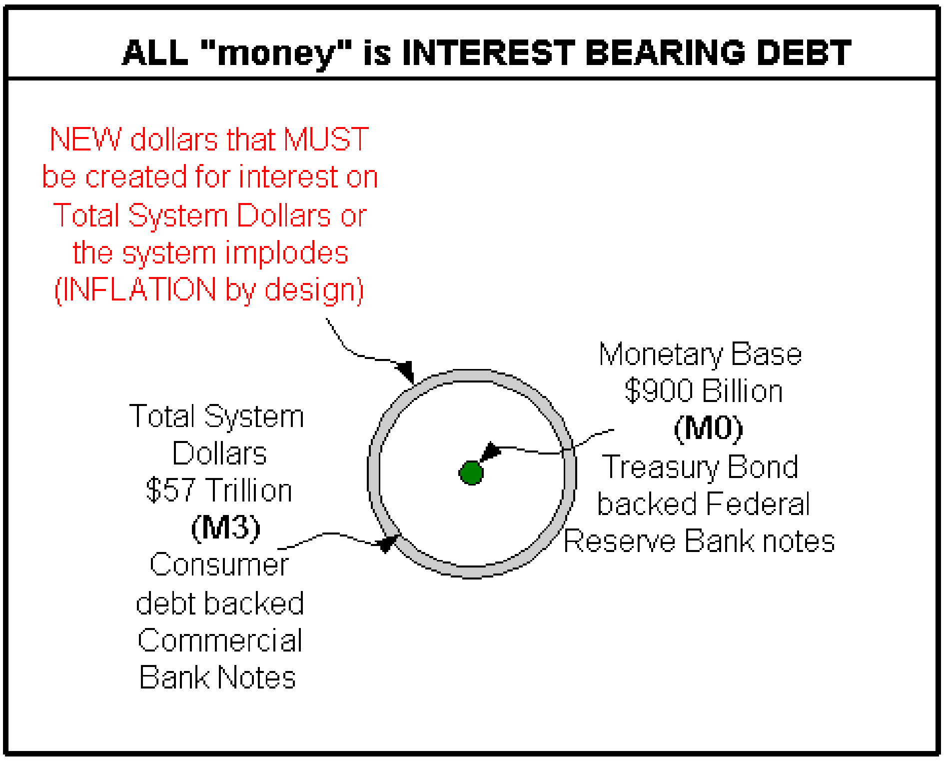
In our world the on balance sheet debt is approximately 57 Trillion dollars, created from about 900 billion in monetary base before the FED/US gubmint recently "printed" up more currency. The basic leverage ratio is therefore about 60. In other words for every REAL dollar (FRN) in existence there exists 60 times that in FIAT bank credit notes outstanding, backed by nothing but WORDS (promises of repayment). Of course the banksters did receive MASSIVE fees and interest from their counterfeiting and money laundering operations (Sub-Prime lending/TARP).

Notice with current systemic conditions (2009) the debt service at say 5%, **exceeds** the total REAL dollars to pay off debt by several times.

5% of $57 Trillion = $2.85 Trillion (M0 approximately 900 billion pre-printing)

Insoluable debt service = USURY (Slavery) = FIAT collapse

Note today, an unborn child owes about $37,000 just on the existing national debt. Of course if they are a worker that produces it's many times that as the entitlement citizens and illegals don't pay taxes.
http://apnews.myway.com/article/20090704/D997DOMG0.html



Below is an open letter to Glenn Beck explaining what is taking place in our currency system.

It's not the economy *stupid*, it's the FIAT currency system, LOL…. ☺

Glenn,

On your show you asked for people that knew what was going on to write in or call in if they knew what was going on.

Well I'm pretty sure I've got the mathematics that proves our FIAT currency system is inherently mathematically doomed to failure due to insoluable debt service that must be created to feed the beast of interest bearing currency (Federal Reserve Notes) coupled with fractional reserve banking. EVERY dollar that exists on the planet is based on DEBT the bankers pull out of their A$$.

Unfortunately most of the world that's been dumbed down by gubmint schools wouldn't understand higher order mathematics and how a diabolical system of debt slavery has been used to control them and enrich the elite Oligarchs for generations.

Here's the bottom line.

In a debt based interest bearing FIAT currency world, NEW debt must be continually created in order to pay the interest, to the banksters, on the previous debt. Either the private sector or the government sector must BORROW more and more money to service the interest on the total SYSTEM debt or the fiat house of cards collapses. This is typically called the "business cycle" but is caused by the debt based currency system mathematics.

Current total DEBT in the US is around 55 Trillion, depending on who's numbers you believe. Look at M3.
http://nowandfutures.com/key_stats.html

Hodges says 57 Trillion.
http://mwhodges.home.att.net/nat-debt/debt-nat.htm

Notice some correlation with the FED's estimate of US net worth (total credit dollars created = 56 Trillion).
http://www.fxstreet.com/news/forex-news/article.aspx?StoryId=67bdc994-8db6-4c05-9c04-aedc5ca4db8d

Now since ALL dollars on the planet are based on DEBT, the debt service even at a small nominal rate of 5% would be

5% of $55 Trillion = $2.75 Trillion per year.

Note this is more DOLLARS than exists on the planet even after the FED (Guido) printed up another 1.5 Trillion or so.
http://research.stlouisfed.org/fred2/series/BASE

Bottom line:

There isn't enough DOLLARS (FRN money/currency) on the planet to even service the DEBT outstanding in the US, much less all the off balance sheet CDO debt created in the shadow banking system. Since the private sector isn't "borrowing" to feed the beast, the banksters coerce the government to borrow and buy votes because if the system doesn't get fed (debt service dollars) it collapses. No more FIAT Banksters.

Now you know… ☺

Appendix

Author's Background:

Retired Principal Electrical Engineer, MS,BS,AS
Nuclear/Industrial Engineering minors
Undergrad Valedictorian – only graduate with highest honors
MS, Ga Tech
Who's Who in American colleges and universities
VP Tau Alpha Pi National honor society
Major 4.0, math 4.0
Numerous US and international patents
20 years as an R & D engineer with numerous "think tanks" such as Bell Labs.

Time function for system failure:

$$\text{DeathTIME} * \log\left[(1 + i) \,/\, (1 + j) \right] - \log\left[\text{DeathTIME} \right] = \log\left[j * \text{VelocityOfDebtCreation} \right]$$

Time = independent variable and constant

i,j and Velocity of debt creation (VOD) = econometric system dependent variables

i = FRN interest rate (US Treasury bonds)
j = FRB interest rate (Consumer debt interest rate)
VOD = Velocity of debt creation in economy

Note DeathTIME is time to system failure and is FINITE. DeathTIME can only be accelerated or decelerated by economic factors i, j and VOD, not terminated.

DeathTIME = Fait Accompli

