

## **Why the American dream is dead**

By Bill Bonner, 2 April 2015

After real money and real savings left the economy circa 1971, GDP growth rates fell. Wages atrophied. And now, for the first time in 35 years, American business deaths outnumber business births.

The body economic grew soft and mushy – unable to hold itself erect or to stand on its own two feet. Thenceforth, it needed the crutch of increasing credit.

The new credit-based monetary system meant that Americans had less real wealth. But until 2007, they could still get what they wanted by borrowing. Few noticed that they were borrowing from the company store and becoming slaves to their credit masters.

No one ever figured out how to create gold. So, Washington insiders changed the money system in two steps. In 1968, LBJ asked Congress to end the requirement for the dollar to be backed by gold. And in 1971, “Tricky Dicky” ended the direct convertibility of dollars to gold.

With the new dollar, unbacked by gold, they could create all the money they wanted. After the 1970s, instead of earning more money, or borrowing from the savings of his neighbors, the typical American had to grovel to the elite who controlled the credit machine.

### **The Making of a Modern Debt Serf**

Government and its cronies in the banking sector created money ex nihilo. This money cost them nothing. Still, they lent it out just as though it were real savings.

The typical American took the bait. He bought a house. He bought a car. He had a nice steak dinner and paid with a credit card.

Now, he was no longer a free man, in a free economy with real money in his pocket. He was a slave to the credit system. And he needed to work hard to keep up with it.

The feds got the money for nothing. But he had to pay for it. Most often, he couldn't pay off his debt. So, he became a debt serf – beholden to his masters for his home, his transportation, his education, his health care... and even his food.

If he wants a house, doesn't he depend on Washington-backed Fannie Mae and Freddie Mac to help him get it?

If he wants a car, doesn't he need the Fed's ultra-low interest rates to help him buy it?

If he needs a job, doesn't he need the Fed's stimulus? Or failing that, at least Washington's unemployment insurance, food stamps and disability payments?

Just look at the food-stamp program. From zero in 1970, the scheme now costs \$75 billion a year – every penny of it to people who used to be capable of feeding themselves.

The elegance of this scam is staggering. The banks get money at zero cost. They give the homebuyer a mortgage. Now, effectively, the bank owns the house and the “homeowner” pays it rent every month. The poor schmuck never realizes what has happened. He kisses the hand of the lender and practically begs him to sleep with his daughter.

When elections come he is ready to play his role – a proud citizen and homeowner, voting for more lashes.

### **Flabby Income Numbers**

More and more Americans vote for “something for nothing.” Because nothing is all they have to bargain with.

Here are the numbers from the Social Security Administration:

- 39% of American workers make less than \$20,000 a year
- 52% of American workers make less than \$30,000 a year
- 63% of American workers make less than \$40,000 a year
- 72% of American workers make less than \$50,000 a year

By one estimate, had the economy remained on the track it was on in the 1950s and 1960s – before the new money and crippling restrictions took hold – the average American would earn \$125,000 more a year today.

Instead, since the turn of the new millennium, the average household income has fallen to \$52,000 from \$57,000.

### **The Delusion of Democracy**

But we are still talking about money, aren't we?

Let us take another look at the face of our new government and draw a measure of its character.

The skull may be the same as it was in 1970 – the Constitution hasn't changed – but gone is the smooth, youthful, open visage. Over the years, the sour creases have multiplied. They tell an ugly story.

What happened?

When a group of people can control an economy's money, they tend to direct the spoils to themselves, their cronies and their pet projects.

The rich, special interests, the well connected and the elites figure out how to play the game. And how to make it pay. They throw some bones to the plain people and take the meat for themselves.

The financial sector, for example, watched as its profits went from only about 15% of total corporate profits in the 1970s to 40% in the 2003-to-2007 period.

### **How did that happen?**

Easy: They were lending money they never had to earn.

The corruption of the American system of government has taken place over more than half a century. But it is only in the last few decades that the body politic has begun to curl into a grotesque new shape.

In a credit-based money system, the people who control the credit are like guards at a gulag. Pretty soon, they start acting like them. They decide who eats and who goes hungry.

They are not bad people or good people. They are just like all of us – eager to take advantage of opportunities as they present themselves.

Gone is the delusion of democracy. Out the window is the hope of a free market. Forget the American dream. It is all fraud, scam, and the old false shuffle.