

# Re: The budget deficit creates wealth

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- *From:* Herman Jurjus <[h.jurjus@xxxxxxxx](mailto:h.jurjus@xxxxxxxx)>
  - *Date:* Tue, 31 Oct 2006 15:04:01 +0100
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royls@xxxxxxxx wrote:

On Fri, 27 Oct 2006 16:44:44 +0200, Herman Jurjus <[h.jurjus@xxxxxxxx](mailto:h.jurjus@xxxxxxxx)> wrote:

royls@xxxxxxxx wrote:

On Fri, 27 Oct 2006 00:01:35 +0200, Herman Jurjus <[h.jurjus@xxxxxxxx](mailto:h.jurjus@xxxxxxxx)> wrote:

royls@xxxxxxxx wrote:

[snip, snip, snip, snip]

Garbage. Paying back the debt only led to the Great Depression because the US Federal Reserve money system \_defines\_ money as debt.

[snip, snip, snip, snip]

Just curious: how else would you suggest they define money?

Historically, there are three kinds of money: commodities, tokens, and debt. Commodity money is defined as a form of wealth widely accepted in exchange. Gold is perhaps the best-known commodity money, but many other commodities such as cattle, cowrie shells, whiskey and wampum have also been used. IMO gold makes an excellent commodity money, but

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in the modern world, it would be economic suicide for any country to adopt a gold monetary standard: it would be a guarantee of prolonged deflation.

Token or fiat money is defined as a non-wealth medium of exchange recognized (usually exclusively) for settlement of legal debts (taxes and judicial awards). Tokens can function very well also, but because of the temptation of capturing seigniorage, there must be strict control of their issue, or inflation runs away.

It seems to me then that commodity-money is very much like token-money, but without the possibility to 'strictly control issue' (e.g. gold found in a newly discovered part of the world). Or do i overlook a more fundamental difference between these two kinds of money?

Commodity money consists of wealth. Token money is just tokens. Think of it as the difference between a cow and a picture of a cow. The government can tell you that the picture is worth something, but the cow is worth something even without the government telling you so.

Agreed about the 'direct' value of the cow.

But in what sense does gold have such value, other than as a token accepted by others as valuable?

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Cheers,  
Herman Jurjus

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