

The Greatest Deficit of All

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Doug Wakefield with Ben Hill

*The following is an interview transcript from institutional money manager Tom Cammack conducted by Doug Wakefield, President of Best Minds Inc., on **October 6th, 2008**. The opinions shared in this interview may or may not be the same as those of [Best Minds Inc.](#)*

“We must not let our rulers load us with perpetual debt. We must make our election between *economy* [thrift] *and liberty* or *profusion* [abundance] *and servitude*. If we run into such debts as that we must be taxed in our meat and in our drink, in our necessities and our comforts, in our labors and our amusements, for our callings and our creeds... our people must come [will have] to labor sixteen hours in the twenty-four, give the earnings of fifteen of these to the government for their [the government’s] debts and daily expenses, and the sixteenth being insufficient to afford us bread, we must [will] have no time to think, no means of calling the mismanagers to account, but be glad to obtain subsistence by hiring ourselves to rivet their chains on the necks of our fellow-sufferers.

If the American people ever allow private banks to control the issue of their money, first by inflation and then by deflation, the banks and corporations that will grow up around them [the banks], will deprive the people of their property until their children will wake up homeless on the continent their fathers conquered.”

– **Thomas Jefferson**

Tower Of Babel



Doug: Today, I have with me, Tom Cammack. Tom, why don't you tell us a little about who you are and your background?

Tom: Hello Doug. I'm an institutional investment manager. I'm a CFA and a CPA, and I've been in the business for over 20 years and started investing personally over 30 years ago.

Doug: So, this is not just hobby for you; you handle other peoples' funds, and you've done it for years.

With that I want to jump right in. Both of us watched the movie, I.O.U.S.A., and we came away with some interesting conversation.

In this movie, David Walker points out four different deficits that the United States faces today: the first is the budget deficit; second, is the savings deficit; third, is the balance of payments deficit, with a subset being the trade deficit; and the fourth, which Walker thinks is one of the most important, is a leadership deficit. When I talked to you, you said, "Well, I think it's even deeper than a leadership deficit; it is a moral deficit."

So, let's start by looking at our money, financial prices, and the unfolding of this massive bailout. A lot of people are asking, "Where did this come from, and how in the world did we get to this point?" From the commentary I've heard from various news sources, those who proffer answers are approaching this from the last 5 years or maybe even the last 30 years. But feel free to take a broader view than that; I know, from your standpoint, the biggest deficit, in what we're dealing with in our economy right now, is a moral issue.

Tom: Yes, I believe the movie referenced the Thomas Jefferson quote about leaving debt to the next generation being immoral at least twice.

Yet, ever since the Federal Reserve Bank was established, in 1913, there've been ongoing and ever-increasing budget deficits. And, as you know, the country has become increasingly controlled by Wall Street bankers and their political friends in Washington. As evidence of that, look at Fannie Mae, Freddie Mac, AIG, etcetera, and the increasing bailouts. And we've come to the point where people are asking, "Why is all this occurring?"

At the root, it's because we've exchanged a sound monetary foundation, with gold and silver as money, for a very unstable situation, where we have fiat currency – or

money that can just be printed up – as the foundation of our financial system. So, it's not surprising that we're seeing increasing instability.

Just look at history; if you go back and look at Rome or England, they debased their currencies, making their currencies increasingly worthless over time, which occurs along with inflation. And, in each situation, the financial system collapsed before or along with the empire itself.

And so, in the film, I.O.U.S.A., I think most people are aware of the 3 deficits of the budget, trade, and savings. But, they also talk about what they call a leadership deficit. And, I agree with that, except I think it's a little broader than that, in that it includes a moral deficit in the country. And one reflection of that is our financial system.

Doug: I know you've known this for years, but one of the things that took me a while when I first started learning about the history of money and the role that fiat has played in modern history, was the role that gold played in keeping government spending in check.

A hundred years ago, if you ran up debts in your country, and you had borrowed a ton of money for war, spending, or expansion of government policies, then your paper money was not worth as much. So other banks or counties, not wanting to hold your paper money, would demand that you send them gold, which they knew you could not print at will. And, because of that, it was like jumping off a building. You knew there was gravity. They eventually had to reach a balance.

Now, since 1971, we have all of the industrial countries around the world saying, "The reason that you can trust us is because we all have to trust each other." And there is absolutely nothing stopping them from printing more of this paper. This situation had never existed prior to 1971, so it has created a great deal of deception during our day.

Tom: That's right. And, I'm reminded of something I saw last week, where the U.S. Treasury, or the Fed, agreed to billions of dollars of currency swaps with other countries. And, you have to think, if the U.S. dollar is truly the reserve currency of the world, why do you need to do these currency swaps? The reason they did it is because they want to be in a position to defend the dollar should there be a lot of selling of it. So, there are red flags all over the place, including these currency swaps that are being done now, and it just shows that the U.S. dollar is losing its status as the reserve currency.

Doug: That leads us to our next point, which is where we are now. It really was overwhelming last Monday to watch the Dow fall more than any time it had in the last 20 years, an enormous one-day decline. The news of course, said, “Well, this happened because the House could not agree on the \$700 billion bailout.” And then the next day – exactly what you’re talking about – the interest rate swaps came into play. And the headlines read, “\$600 Billion injected into global system.” The average person stands back and says, “Who is actually running the show here?” And, with fiat currency, the highest authority of the land really has the power.

Tom: Clearly, in terms of the bailout, people look to the politicians and the Federal Reserve Bank as providing solutions to whatever problems arise. Unfortunately, we’ve built what I call a financial “Tower of Babel” that gives us the illusion of prosperity, but is really a house built on sand. You know, the current system has become primarily a wealth transfer mechanism that greatly benefits the investment bankers and many politicians, while it impoverishes the people with more and more debt and inflation.

Doug: And, that’s what is so overwhelming; people who have saved and been prudent with their money cannot control what happens with the rest of the money in the system. The inflation and destruction of value that is happening in the whole system eventually comes back to affect them too. So, it impacts the prudent as well as the imprudent.

Tom: It does. And, assuming your inflation rate is running a bit higher than what a saver can earn on the money, inflation is really a transfer of wealth from different parties, in this case savers, to the bankers.

Doug: I think the average person is starting to wake up to the fact that something is massively wrong with the financial and economic system. We are clearly not as “in control” as we thought we were. They are printing tons of money and telling us they are trying to restore confidence and financial stability to the system.

Tom: Well, they can do things in the short-run that do help improve confidence; there’s no question about that. But the problem is that the system itself is broken and it has become dysfunctional in my opinion. And so while they may be able to restore some confidence in the short run, the long-term problem remains, in that it’s a morally corrupt system that needs to be drastically overhauled.

Doug: I wonder how many Americans really understand that, because it’s way too painful to want to acknowledge. But earlier you said, when you are in a system that continues to print money, pouring fake money into the system, you are literally

altering the landscape of who has power and where wealth is concentrated. So, you really don't have a free market. You have a quasi-free market that is enormously impacted by what I believe is a socialistic institution.

But, let's go back to the average person again. They have to be overwhelmed by the things they are watching. Just a couple of days ago, California said they needed \$7 billion dollars in order to meet some of their obligations, and of course, requested that from the Treasury. And there are other cities asking similar things. British news sources are saying that the Bank of England will do whatever is necessary; One British news source commented that the Bank of England had loaned sixteen times what they had ever loaned to banks in such a short time frame. So, massive amount of new paper loans coming into the system. These are "emergency loans" that are hundreds of billions of Dollars, or Pounds, or Euros, and the average person has no control over it. So at this stage, what can be done, either as an individual or especially a leader? Who can speak out on the moral issues?

Tom: There are a few things I think people should consider. One is, they need to understand the nature of money. With that, part of the definition of money, is that it should be a store of value. Well, it's not going to be a store of value if you've got \$60 to 100 trillion of unfunded liabilities that the only way you can pay it is to print up money.

Doug: And, at that stage, the science tells us, you cannot do that indefinitely. At some point, you are bankrupt. Go ahead.

Tom: Right. And some people would say we're bankrupt now. Regardless of that, it is going to become increasingly evident, and investors – here in the U.S. and abroad – will become more and more reluctant to buy even Treasury bonds because of concern about them becoming increasingly worthless as more and more money is printed up to meet these unfunded liabilities.

So, without being totally doom and gloom, I think people need to be realistic about what the situation is and what steps they can take, practically, to be prepared for difficult times. Also, part of that is an understanding that the real solution is not a political or a Fed bailout solution but a morally or spiritually based solution. Until this country returns to the core values upon which it was founded, values based on the Bible, to me it seems like it's going to be difficult to achieve a long lasting solution because it will be something that is designed to put the plug in the dike for a little while.

Doug: Well, if you look at the history of men under governments, they have never gone to governments as their source for passing on moral teaching. They have gone to their religious leaders, and in the United States today, in looking at our 220 plus year heritage, we have looked to our churches or synagogues for moral leadership. Why have our religious leaders remained almost quiet in regards to the corruption of our monetary system?

Tom: I've personally been surprised that there has not been more said by our church leaders about the moral corruption of the financial system. I think that's the case mainly because there is a glaring lack of education in our country about sound economic and money principles. We could argue whether that's intentional or not, but nevertheless, it does exist. There is a lack of understanding that money is indeed a moral issue.

Doug: From what I've read, our current juncture is just another example, in world history, of a nation that got into a financial morass because our citizens have increasingly depended on money, printing presses, and debt rather than the moral restraint to say "enough." It goes on for long periods because of the power and the illusion of wealth it creates in the public and leadership. At first, it goes along with the whole idea of "don't anybody say anything because I like a lot of the things that its doing." And so, like you stated earlier, it's really this Tower of Babel; it's creates an illusion that I really have a whole lot more money and can do a lot more things than I really can. And it's because, we, as a society, have said, "Debt is really not debt." Its mind boggling, but it's something that's been repeated in the past. The public has come to a point where it's not seen as a moral issue. "Debt is not wrong."

Tom: Of course, paper money is issued as debt, so debt has been seen as money, but it really isn't. And so, over time people have grown accustomed to the current system. But, it's a system that's based on nothing but confidence because there's nothing backing the currency.

Doug: As you say that, I'm sitting here looking at a \$5 dollar bill. On the face of the bill, it states, "This note is legal tender for all debts, public and private." It doesn't say it's backed by land or gold or the industry of the American people. It's backed by debts.

Tom: As an interesting side note, I believe it was JFK who was the last president to try to have some money actually backed by silver reserves. And they did that for awhile, but then quickly got away from it after his assassination. But, you're right. The thing is, confidence can be here one minute and then gone the next. That's the problem.

Doug: You know – I’ve actually tracked this through the prices of gold and silver today – the wealthiest man was Solomon, who lived about 3000 years ago. And if you took the amount of gold and silver that he inherited from his father, David, that silver and gold alone would place him as one of the top wealthiest people today. As such, there’s a lot of great wisdom right there in Solomon’s writings in the Old Testament. In Proverbs, he states, “A false balance is an abomination to the Lord, but a just weight is His delight,” and “The rich rules over the poor; the borrower is the lender’s slave.” I cannot think of a better term today because the American people are basically in bondage to the financial system.

That’s why we were told, “You have to sign the bailout.” Why? Because the system will implode if you don’t.

Tom: And that truly is the way it is. So, until such time as you try to change that situation, it’s going to boil down to that system continually trying to bail itself out or the whole thing just collapses.

Doug: From studying history, we can see that the world changed so greatly in the 1930s because they basically changed several rules at the foundational level. This is extremely painful for people to consider, but think about it. The British Empire left being the British Empire in 1931 when it removed itself from the gold exchange standard, and the U.S. moved to power because our currency retained the gold exchange standard. So, it was an enormous shift that occurred at that time. And, I don’t know when the next shift is going to occur, but we cannot keep doing what we are doing and expect it not to have ramifications. Some type of currency and regime change is going to occur on a global basis.

Tom: Yes. In this case it’s a matter of reaping what you sow, which is also discussed in the Bible. As a country and as a world, we’ve got to return to sound economic principles.

Doug: And like you said, at the end of the day, it’s not just a matter of knowing what those sound principles are; it is not electing the leader that would back those, but it is the leader and the people saying, “Morally, this is what must happen.”

Tom: That’s correct. And in teaching our children and our grandchildren, as well, what constitutes sound principles. But, it is going to take a while to achieve that and maybe more crises are necessary to develop the recognition that we need to change.

Doug: Well, Tom, I thank you for your time today, and as always, it was good to talk to you.

Tom: Thanks Doug.

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