

Key to recovery: Trust and faith >

Executive Summary:

What exactly is money, anyway? It's both more and less than you might imagine.

By Andrew Hudick

Our monetary system is based on trust. The difference in purchasing power and value between a \$1 bill and a \$10 bill is because you and I believe there is a difference. Take a \$1 bill out of your pocket and read the words "Federal Reserve Note" and "The United States of America certifies this note is legal tender for all debts, public and private."

Choose another denomination and you will see that the only difference in the paper notes are the suggested values (\$1, \$5, \$10) and the pictures depicted. The manufacturing cost to create each of the paper notes is the same but the implied value differs. There is no asset behind this \$1 bill other than the full Faith and Credit of the United States Government. For this value to be real, we have to trust and believe in this statement as fact.

Many of us pay our bills and expenses by check or with a set of online keystrokes. "Real" money is never involved. We send our monetary payment by mail with our signature attached to a check. We send our payment by e-mail with a tracking number attached. Our signature is simply a promise to pay the agreed upon amount. The exchange is one based on trust between honorable people.

The World financial markets operate in a similar way. They operate best when there is trust and transparency. When the parties to financial transactions are honest with one another, business moves along. Commerce and trade occurs between willing buyers and sellers with full disclosure and a sense of trust. If we lose the faith and trust in those that manage financial dealings, we have

little left in the financial world. Those dots and dashes and dollar bills do not represent anything that is tangible.

Did your financial vendor put an asset in your investment account with a funny name? Did you own an asset that was full of abbreviations? Did you have an investment that could not be explained simply in a couple of sentences? Did you own an asset that imposed a liquidation penalty that was not based on the current market price of the security?

Have you read about the CEO of the bank or brokerage institution who earned or paid out millions of dollars of bonuses based on the sale of financial products that had no economic viability? Did you read about a former chairman of the NASD and NASDAQ Stock Market who may have bilked his friends and business associates out of \$50 billion? Have you read about the proposed cabinet members who neglected to include all of their earned income on their personal tax returns and did not pay their "fair" share? These were financial leaders that we trusted and had faith in assisting us with our financial decisions.

The system failed because a few abused the trust and faith vested in them by the many. This abuse is not an isolated fact pattern. The system has failed before and once the "change" occurs and things start running smoothly again, the system will inevitably fail again. Your job, as a consumer of financial products and services is to be aware of the options available and to make good decisions with good assistance.

Our financial economy is too complicated to ever return to trading with beads, wampum, or even gold coins. While the system is a manufactured one, it requires faith and trust in order to function. In order for the confidence in the system to return, we each need to do our part. I want to believe in the honor of our leaders and they need me to believe in them in order to serve me most effectively.

I am ready to have my faith in the system restored. Are you? 