



## Naked and Afraid

There is a surprisingly addictive TV show currently airing in the UK called "Naked and Afraid" where two participants, a male and a female – previously unknown to each other – have to survive in hostile environments for 21 days with just one survival item each, normally a machete and a firelighter.

It reminds viewers what could happen without the modern conveniences.

Recently, the producers have upped the ante and now have Naked and Afraid XL where a larger group of homo-sapiens try to survive 40 days in a hostile environment. Now the fun begins...

Two things become apparent. Without money, one has no way of knowing how much each is contributing to the group and if they are, how useful is the contribution. Secondly, there is no way of postponing current consumption by 'lending' your goods and services at an interest rate. Tension is brewing as some of players feel they are doing too much, others too little and no-one is 'accumulating' wealth at this stage. Money in some form should make its appearance fairly shortly.

The concept of interest has been with us since the stone-age. Human beings do not value a meal next week at the same value as a meal today. There is a natural rate which people can be convinced to postpone consumption. Ludwig Von Mises and the Austrian school understand this well and go further by stating that the monetary interest rate should be as close to this real rate as possible in order to correctly allow goods and services to ebb and flow to and from where they are needed in a society in the most efficient manner.

The hope of central banks in keeping the monetary rate below the natural rate of interest is to encourage consumption, with production following as the natural outcome. However misdirected capital and mal-investment is the result.

The problem is that this misdirection has such a magnitude now that the horrors of correcting it are almost as bad as the horrors of leaving it.

But like they say, 'deal with reality or reality will deal with you'.

Imagine in Naked and Afraid someone discovers cowrie shells then establishes himself as the de facto central banker as he is the only person who knows where to find these shells. He now spends his time creating goods and services for himself whilst lending cowries to others at an interest rate. He is the richest person in that society and people keep him sweet because they know if a crisis befalls them they will have to borrow cowries from him. People are very uncertain and those that are able to, hoard the cowries, thus masking the subtle inflation of cowries that is seeping into their society.

They would be making the classic mistake we are making.

Richard Russell puts it best.

*"It has taken almost two centuries for bankers to pull the wool over our eyes, but today both you and I work for intrinsically worthless paper [cowries] that can be created by bureaucrats without sweat, without creative ability, without work, without anything but a decision by the Federal Reserve.*

*This is the disease at the base of today's monetary system.*

*And like a cancer, it will spread until the system ultimately falls apart. This is the tragedy of the great lie.*

*The great lie is that fiat paper represents a store of value, money of lasting wealth"*

*Richard Russell - <http://dowtheoryletters.com/>*

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