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(Trade Dollars vs. Derivatives - An Open Letter)

June 20, 2006

Dear Mr. Meyer,

In response to your opening letter of the 6/13/06 Tuesday Report, wherein you described derivatives as having an "*important purpose*" and offering protection from risk, I must say that I bristled in dismay as you went on to describe small business barter-generated trade dollars as yet another form of these derivatives.

I have another name for these so-called derivative instruments: *synthetic financial aberrations*.

To quote you:

"*Sophisticated investors use .... derivatives, to hedge risk. Those who don't understand derivatives often claim that they are merely speculative instruments and akin to gambling*."

Au contraire, mon frere!

Credit derivatives do not truly provide protection against risk and default because the institutions who issue these instruments are actually in precarious financial positions themselves, and thus sell the derivatives because they are desperate for the cash flow.

In truth, in our current economic environment, a credit derivative is mainly used to provide the "accounting-fiction" that certain mostly worthless assets on a company's books still have value.

Derivatives, which are therefore nothing but huge side bets, comprise the exponentially-growing sludge core of a rampant global casino economy. And resultantly, the most dangerous element is a huge derivatives global "casino-bubble".

At present there exists in excess of $150 trillion in outstanding derivatives contracts, which is several times the GDP of the entire world economy. The staggering implication of this, quite simply, is that the world economy is thoroughly bankrupt!

Thus the derivatives market, overall, is designed to hide the bankruptcy of the system by providing "virtual assets" with which to cover-up its gaping holes, as well as garnering cash flow from selling mafia-like protection to companies ravaged by mafia-like market manipulations.

As Thomas Greco, Bernard Lietaer, Elisabet Sahtouris and other revolutionary thinkers of this current and most dangerous financial era have written, alternative currencies -- including small business trade dollars, local exchange trade systems, time-based currency schemes, consumer direct-trade Web platforms, and other emerging signs of a planetary paradigm shift in our relationship to money -- offer a way out of this horrific collapsing monetary trap within which the world economy currently finds itself enmeshed.

I have been an avid reader of BarterNews and the Tuesday Report for years, and your well-intentioned comparison between financial credit derivatives and exchange-managed trade dollars was not lost upon me, but let us not make the mistake of confusing the currency of the future with a monstrous mistake from the past.

Seen in the correct light, derivatives are a symptom of the disease for which barter is the cure!

Very Respectfully,
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President
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