

# From Currency Resets to Limiting Infinite Growth



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A couple of weeks ago, RT ran a story purporting to explain the mystery behind the rise in exchange rate of the Russian ruble. It touched on a concept I've talked about vis a vis Russia for years: the disparity between nominal GDP which yields a number roughly the size of Canada and Purchasing Power Parity (PPP) GDP which puts Russia on par with Germany.

While everything quoted here I feel is worth considering seriously, that GDP disparity that is what is important.

... the West had defaulted on its obligations to Russia when it froze the assets of the country's central bank. "This is the abolition (something like cancel culture) of the rules of international financial relations based on global total return swaps, redistribution of risk, guarantees of property rights and distribution of seigniorage."

It was these rules that determined the old ruble exchange rate and the approaches to its establishment that we are accustomed to, the expert said, adding that those rules "*no longer apply.*"

**Kopylov explained that the strengthening of the ruble is due to the fact that it is now based purely on exports and imports, and its value is determined by its**

**purchasing power parity (PPP). The International Monetary Fund (IMF) estimated the Russian currency's PPP at the end of 2021 at 29.127 rubles per one dollar. According to the Big Mac Index, that rate stood at 23.24 rubles to the dollar.**

I have pointed out for years that all discussions of the Russian economy in terms of nominal GDP are bogus. Nominal GDP is spending within the Russian economy converted through the RUB/USD exchange rate.

But that metric is irrelevant. It doesn't say anything about what that spending buys the average Russian.

GDP is a stupid metric. It should be called GNS, Gross National Spending. It is a dumb way to measure the 'output' of a society. It's at best a very gross approximation but it is, again, just aggregated spending.

This is the fundamental fallacy of Keynesian demand-side economics and all theories about which economies are expanding or contracting based on spending are literally bogus.

But we have all been trained to believe in GDP as some all-powerful measure of growth and power. It's not anything of the sort. When you have the ability to print money at will to bid up the cost of the goods purchased with that money, how is that telling you anything about the health of the country, the people... or frankly anything at all?

What it's telling you is that spent money, but did you take that money from the pool of real savings and deploy it into sustainable economic projects? Or did you print the money out of thin air, issue debt that borrows against the future labor of the country's citizens (or their kids.... or their grandkids) and pay someone to fulfill a 'shovel-ready' job of digging a hole and filling it back in?

GDP, in statistical terms, is NOT an independent variable because of this. It's value is dependent completely on the people controlling the inputs to it. Therefore, as data, it is worthless. As a scientist, I would throw it out of any discussion because it can't be controlled for.

This is why the discrepancy between the ruble's purchasing power internally is so much higher than its purchasing power externally. Pre-war the ruble traded at 75 or so versus the dollar. But it's PPP value was less than 30? This means Russian GDP is at least (by this flawed metric) 2.5 higher than the nominal value. This is how the Russian economy in PPP terms is actually larger than Germany's.

But even then, PPP GDP is still a terminally flawed metric as a measure of output. It gets us closer to fair comparisons between country's but it still says nothing about the economic value of the things the country spent their money on.

The funny thing is Russia's economy shouldn't be larger than Germany's in real terms, since most of Russia's output is base commodities, which have the lowest value-added component of any good in a market. The whole point of a sophisticated division of labor and economic system is to build up value through each stage in the production chain.

Cars, for example, should have more 'value' associated with them than the iron ore that went into making the frame.

This tells you how out of whack the world is in terms of the diversion of capital to unsustainable activity it actually is if a commodity producer is leading a manufacturing giant in wealth generation. This is exactly why the currency shift from debt-based to commodity-based money is going to be so painful.

And why the debt issuers are willing to risk nuclear war over it occurring. To them this is the end state of their power.

### **From Finite World to Infinite Growth**

[In a recent article on this blog](#), I did a quick and dirty takedown of the globalist parasites talking point about infinite growth in a finite world. That gaslighting was at the core of the conflict in the big story of the Marvel Cinematic Universe of films, which centered on Thanos coming to bring balance by destroying half of the life in the Universe.

Davos has gaslit two entire generations of westerners in the Malthusian talking point that you can't have infinite growth in a finite world. All of their economic dogma is predicated on this.

It doesn't matter that this talking point is predicated on an inane premise, truth is, after all treason, at this point in the economic and cultural cycle. But, to try and explain quickly for the slow-witted. GDP growth is not necessarily real growth. It's just spending. It says nothing for the quality of the spending or whether, in real terms, the people spending the money are materially better off than they were at a previous point in time.

What isn't measured by GDP is VALUE. Value is what we crave, the ability to plan further into the future, using our ingenuity to find better mousetraps to build and more efficient, and yes sustainable, ways of deploying scarce capital and time.

When you have a monetary system and regulatory regime designed to thwart that to stop growth then you have the world we live in today. That infinite growth is a subjective, not objective, measure.... not in GDP terms but in the 'alleviation of human misery' terms.

Davos absolutely doesn't want this because a world where everyone gets maximal value for their time is a world without our need for them.

But in order for us to have a discussion about this, I need to lay out some base assumptions. First, that we have owners who agree with Julian Huxley that growth will lead to destruction of the planet, therefore we should not have any more meaningful growth.

Second, only those who are currently with power have the will, intelligence and expertise to guide us to this next phase of humanity's existence.

In service of these controlling ideas:

1. They have erected systems and barricades to real growth for decades in real terms, i.e. energy usage per unit 'wealth' ... some call this EROEI = Energy Returned over Energy Invested.
2. They have stymied more efficient use of human capital by running us around in mazes which are dead ends — Light Water Nuclear Reactors vs. oil, replacing both with Solar, Wind, Electric Vehicles, etc.
3. They foment wars to divert capital to useless weapons rather than applying it things which make our lives better, more predictable. They specifically divert spending (GDP) to humans building systems which increase chaos and unpredictability rather than decrease it.
4. They empower and expand bureaucracy to keep otherwise 'useless people' employed with meaningless jobs
5. They have supported cultural degradation which undermined the nuclear family and local culture by promoting women into the workforce, divorcing them from their core strength as mothers and caregivers and putting them effectively on welfare, UBI.

These are all the basic distractions which force us to waste most of our productive time running around on a hamster wheel of arbitrary obstacles in order to eke out some small measure of comfort.

The basic reason for Human Action, as defined by Mises, is to alleviate future uncertainty. Man acts purposefully towards that end, otherwise he wouldn't act or he would act differently.

That said, we can have our rationality diverted to purposes which do not serve our better interests because of the perverse incentives placed in front of us through artificial barriers to capital formation.

Therefore, if we were acting with purpose towards our most efficient and creative ends to a more predictable future, infinite GDP growth would be a no-brainer. This isn't to say infinite GDP growth is infinite resource utilization.

Because as you travel up the production chain to higher order goods, you produce more value relative to the input commodities... if you didn't, then you wouldn't do it. You would do something that did.

What's more valuable a tree growing on your property or the lumber you turn it into and then use to build a shelter?

For an even more idiotic example, is there really \$10,000 difference between a BMW 230i starting at \$37.5k and a Ford Mustang in terms of raw input commodities, especially when, in the real world we're talking more like \$15,000? No. Both are roughly 3500 lbs of aluminum, steel, leather and plastic.

So, where's the value difference? In the materials? Again, not really. It's in the intellectual property of the engineering, the final driving experience and the perception of value by the consumer.

But in terms of them being a tool for potential wealth creation, the two cars are, really fungible. They can transport up to 3 people (realistically) and a little bit of cargo somewhere to do whatever it is that they do.

Is that reflected in the purchasing price of these cars? No. Not at all. But, if we sell more BMW's as a percentage of Mustangs sold, are we expected to impute a higher capability of sustaining wealth production because of higher overall spending as measured by GDP?

Sadly yes.

And that's where the disconnect is.

This is why, fundamentally, GDP is a poor measure of 'growth.'

That said, absent the diversion of capital to the unsustainable as practiced by *Davos* you can have constant 'growth' in value terms. It is better stated that 'growth' is the alleviation of human suffering and/or uncertainty, which is what value is.

This is true because if we're driving costs down to utilize natural resources ever more efficiently thanks to proper pricing of the money used to procure the input commodities, then we can move more of our spending out of base commodities into higher order goods with higher returns of perceived value.

Moreover, the Malthusian/Huxleyian argument presupposes somehow that the Universe isn't governed by the Laws of Conservation. Iron isn't destroyed when a car is trashed, we just store it in a junkyard. The same goes for landfills and plastic.

The problem we have today is that we act within a system which skims all the wealth created by our actions to the betterment of the people who produce nothing at all. All they produce is money and bad ideas, the former of which is based on your future labor and the latter sustained by it.

Then they dupe you into selling your future labor back to you at a vig while trying to take all the intellectual property rights for your innovation and skill. We call these people Venture Capitalists.

No wonder the Marxists see this system as exploitative. It is! But it's also not the only way things can and/or should be organized. This isn't a fault of capitalism and property but of our not properly pricing the cost of the State and all of its enforcement of our 'rights.'

This is what leads to the concentration of power in the hands of rent-seeking douche bags and vandals.

Sustainable growth where all factors of production are properly priced up the value-adding chain is the first step. That will lead to the rewards being shared more equitably by all involved.

That model is not only possible, it's the only system that is inevitable.

*Davos* decided if we were not controlled and forced onto low-margin hamster wheels we would strip-mine the planet and destroy it. That's why it needs to be controlled and real growth curtailed.

What we have now is a system of maximal wastage of natural resources with minimal returns: cheap money begetting conspicuous consumption of resources while erecting barriers to new, competitive technologies at the expense of the producers of those input commodities.

Thanos in the Marvel films makes the same mistake *Davos* and Huxley made, deciding in their hubris and arrogance that because they couldn't see a solution to a problem they'd defined, that solution did not exist. This justified their acquisition of power unlimited to re-make the world in their image.

The truly despicable nature of the Marvel films is that they spend so much time trying to make Thanos' quest a noble one, a sympathetic one, rather than the rantings of a small-minded homunculus.

I wonder who ordered that rewrite of the script to *Infinity War*?

### **The Return of the Commodity King**

This is why the ruble is so undervalued, up until recently commodities had been driven below their cost of production through the corruption of all of us into the land of cheap money. It is why now, with the changes coming to the monetary architecture of the world, the ruble's real purchasing power will finally be expressed, forcing commodity inflation in real terms on those whose currencies are overvalued.

*Gresham's Law* has never been wrong.

Overvalued money circulates to procure unearned goods in the real world.

Undervalued money is hoarded because savings is the pre-requisite of capital deployment.

We are at the end of the cycle where the pile of real wealth has built up for decades unable to express itself while the ultimate psy-op fuels the biggest Ponzi scheme in history.

When the confidence in the overvalued money (debt) falls, inflation rises rapidly as people demand goods and eschew money. This will raise the prospect of the undervalued money (commodities) entering into circulation as its true value is finally expressed in the market.

At that point you will then see what the real growth rate of the world is. Gary North used to say that prior to the early 1800's the real rate at which wealth compounded was ~1% annually. Then something changed and it doubled to 2% and that scared the bejeesus out of the elites because too many people were getting rich too quickly to need them to look out for their interests.

Now you know why the Club of Rome began in the 1850's, why central bankstering was so bitterly fought over here in the US then. It's why Marx's insane ideas were adopted by those with generational power. It was to STOP our growth as a species, not keep it from destroying the planet, but their system of unearned privilege.

<https://tomluongo.me/2022/05/19/from-currency-resets-to-limiting-infinite-growth/>