

By Alec Feinberg
Based On Chapter 5, From the book
The Truth of the Modern Recession - Root Causes and Reliable Solutions

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5.4: Historical Review of Hoarding – Fall of the Roman Empire and Parallels

From the FMEA table, we see that hoarding among the wealthy and mass hoarding are both indicated as root causes to the velocity of money. It is important to look at history, since this helps with verification and reliability lessons learned. Historically, hoarding has been shown to be a key reason for the fall of the Roman Empire.

Remark 5.5: Multiple scholars have contended “One of the primary catalysts to the deterioration of the Roman economy was the lack of circulating currency in the Western Empire. Two reasons for the lack of funds are **wholesale hoarding** of bullion by Roman citizens, and the widespread **looting of the Roman treasury** by the 'barbarians'. These two factors, coupled with the **massive trade deficit** with Eastern Regions of the Empire served to stifle the growth of wealth in the west.”¹

There are strong U.S. parallels in our economy that, while not totally equivalent, are concerning:

- The monetary saving is surging (as shown in Figure 3.4 and Remark 2.3). This is one key parallel effect to bullion hoarding. (Note: though money is no longer on the gold standard, gold bullion, a more finite conservative quantity as we mentioned above, is less like the dollar). There are also fewer tendencies as well to stuff money in a mattress, yet strong job-friendly investing is also not occurring:

Remark 5.6: As of June 11, 2009—The *Los Angeles Times* reports that there is still an enormous mountain of cash in savings accounts (\$4.5 trillion), money market funds (\$3.7 trillion), and short-term CDs (\$1.3 trillion). Right now, there is a \$9.5 trillion cash hoard.²

¹ancienthistory.about.com/gi/dynamic/offsite.htm?zi=1/XJ&sdn=ancienthistory&cdn=education&tm=106&gps=264_1163_921_556&f=00&su=p897.4.336.ip_&tt=2&bt=1&bts=1&st=34&zu=http%3A/web.archive.org/web/20040412123321/http%3A/www.acs.ohio-state.edu/history/isthmia/teg/Hist111H/issues/rome2.html

² www.fundmasteryblog.com/2009/06/11/95-trillion-cash-hoard/ , Sources MoneyNet Inc., Federal Reserve.

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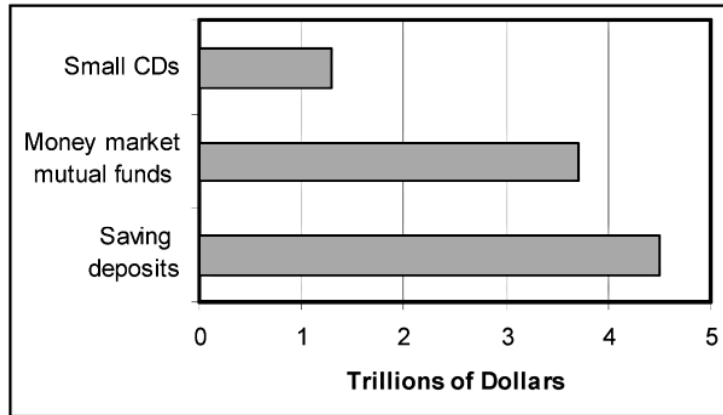


Figure 5.1 Company hoarding is increasing in 2009 for the most part. See Remarks 3.16 to 3.22

- In parallel to the Roman Empire looting, we have problems on Wall Street. Three good examples are:

Remark 5.7: The \$50 billion Ponzi scheme by convicted former Nasdaq chairman (hedge-fund manager) Bernard Madoff.³

Remark 5.8: “Robert Allen Stanford and James M. Davis, accused of carrying out a ‘massive Ponzi scheme’ over the last decade....more than \$1.6 billion in ‘bogus’ loans.”⁴

Remark 5.8-A: Companies can be legally bought, drained and sold, then sent to bankruptcy after executives and bankers take extreme profits leaving bond holders and company workers to bear the burden, says NY times of Simmons Mattress by a Boston firm THL.⁵

Remark 5.9: December 8, 2008— “...Over the last five years, the SEC has brought more than 125 enforcement actions involving hedge funds, and regulators are now probing new areas such as trading in derivative securities, controls over valuation, naked short-selling, use of high value investors, information sharing

³ www.time.com/time/business/article/0,8599,1866680,00.html

⁴ <http://dealbook.blogs.nytimes.com/2009/02/27/us-accuses-stanford-of-running-huge-ponzi-scheme/>

⁵ www.nytimes.com/2009/10/05/business/economy/05simmons.html?pagewanted=1&_r=1&sq=simmons%20company&st=cse&scp=1 , October 4, 2009

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among hedge funds, and the relationship between hedge fund managers and their prime brokers....”⁶

- With increases in national debt, bailout debt, job loss, and recession, we face lack of funds in our government (due to improper taxation see Chapter 4).
- We have a massive trade deficit, primarily with China, Japan, Canada as well as with a number of other countries (see Chapter 9 on Free Trade Failures).

The reader should not take these historical parallel to the fall of the Roman Empire lightly. The U.S. as of September 2009 has done little in the area of structural economic changes that plague our recession to remedy such problems (see Chapter 11 on What the Reader Can Do).

⁶ www.pli.edu/product/clenow_detail.asp?id=38831