

## Our fiat currency

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When asked 'Why do you rob banks?' notorious bank robber Willie Sutton glibly replied 'because that's where the money is.'

It was a wise-guy comment of course, considering he was a criminal who shoved a gun in people's faces and demanded money for a living.

He wasn't quite so glib when he ended up spending half of his life in prison for his crimes.

The truth is that a newspaper reporter mostly likely made up that quote ' but it sold papers at the time.

Sutton apparently managed to steal around \$2 million during his exploits. That was back in the days when banks had money ' real money ' and the vault that they locked up every night was loaded with customer's cash.

These days you would have to be an idiot, even for a criminal, to try robbing a bank.

For starters, robbing a bank and using a gun like Slick Willie, in Canada, will net you a minimum prison term of at least five years and a maximum stretch of life behind bars.

Secondly, banks don't have much cash on hand.

Say you have \$100,000 in your savings account and you give the teller a withdrawal slip for \$10,000 because you're heading to Las Vegas to bet it all on red on the roulette table.

The teller won't have \$10,000 in her cash drawer, and most likely she'll summon the branch manager to come and speak to you.

A transaction of \$10,000 or more requires a financial institution to make a 'large transaction' report. This is done to flag people involved in money laundering or criminal or terrorist activities.

Then the bank manager will probably tell you that a transaction of that size in paper money might take a day or two. They will have to find the cash somewhere or maybe have it brought in during the next armored car visit.

That's modern times for ya.

There used to be a saying that 'cash is king,' meaning cash in your hand meant a lot more than a promise to pay, and handing over cash will net you whatever item you are purchasing in an immediate transaction.

As cash is used less and less in transactions, it may be time to examine what those numbers on a computer screen really mean.

The whole concept of paper money arose when it became rather inconvenient to carry around gold or silver bars to buy things. Making change was a real headache.

Paper money was invented to create an easy way to buy and sell goods. The money issued represented something that was tangible, namely gold, and backed by the issuing body ' the governments who had the gold in a vault somewhere.

At one time the federal government had the gold to back up its currency. It was all stored in vaults, nicely piled in brick form and weighed in tons.

In the 1960's there was more than 1000 tons of gold held by the federal government. By 2003, that was down to 3.4 tons. Now, the government has less than one ton of the precious metal.

So, what is your dollar backed by, other than a promise? Well, nothing really.

A fiat currency, which we currently have, is money that a government has declared to be legal tender but is not backed by any physical commodity.

Now that we have moved to an almost cashless society, your wealth is represented by numbers on a computer screen. If you asked to visit the vault at the bank to see the money you deposited with them for safe keeping, they won't have it, but they will assure you that it is represented by the numbers on the computer.

But what if the power goes out? If the power is knocked out of commission, so are all those numbers and your ability to make a purchase. No store owner is going to take your word for it that you will be back in a week to pay for those groceries you need.

Having cash or a few gold coins in your pocket suddenly makes sense.

Our Canadian banking system is among the best and most highly regarded in the world, so I'm not worried about them losing the numbers on a screen.

But when it comes to money, nothing can be predicted when it comes to inflation and other factors that could turn your dollar into .50 cents in a hurry ? especially when that dollar is simply a piece of paper engraved with the Queen's portrait.