The Crisis of Common Sense: Is It So Difficult To Understand The Financial Crisis?

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Thinking & Common Sense

God gave us a brain to think, to think naturally and in simple terms, and not in a complicated way.

When we think naturally and use common sense to address problems we will be able to arrive at simple solutions.

But our education system tortures us mentally and forces us to think in complicated ways. Our teachers, economists, politicians and so-called experts in God and religion make mountains out of mole-hills, turning simple truths to complex arguments and "scientific theories and equations".

These experts need to make things look difficult to survive and to make sure that we have to rely upon them for solutions. It is often said that, "in the land of the blind, the man with one eye is the King".

Thinking used to be a pleasure and so very invigorating. But now experts have ensured that thinking is difficult and tiring, so burdensome, that we don't think at all.

The result is that common sense is thrown out of the window, and we have been conditioned to rely on our mental crutch, the so-called experts to think for us.

How sad.

It Is So Difficult To Understand The Financial Crisis

Many have expressed to me that they are overwhelmed by the complexity of the global financial tsunami and are absolutely confused as to how to prepare and survive the crisis.

When I explained in simple terms, they refused to accept the explanations as to them "it was too simple. It must be more complicated as otherwise how can the crisis become a global fiasco?

Consider the following and my simple explanation:

1. financial engineering: new ways of gambling

2. Investors: gamblers

3. Stock & Futures Markets: casinos

4. Financial Analysts: casinos' salesmen / women

5. Bonds: I.O.Us.

6. Banks: Dishonest Money-lenders (actual money-lenders licensed not as banks, but as money-lenders, cannot create "money out of thin air". They have to use their own capital – 100% to lend)

7. Currencies / fiat money toilet papers

8. Derivative markets: ponzi scheme

So many people have difficulty accepting my explanations as the simple reality. This is even after the recent exposé of the US$50 Billion fraud by Bernard Madoff, the former chairman of NASDAQ. He declared to the FBI, that his scheme was essentially a Ponzi scheme (i.e. using one set of "investors' money" to pay off an earlier set of "investors").

Banks worldwide have collapsed!

Why?

Two reasons – (i) they gambled at the casino and lost trillions and (ii) almost all their borrowers that borrowed huge sums (leveraging 30 times or more i.e. if a borrower has $1 million capital, he can borrower $30 million) have defaulted.

Common sense tells us that if our income is only $X and we borrow 30 times in excess of $X, there is no way that we can repay the debt, unless our gambling bets pay out in excess of 30 times the original amount of $X.

Common sense tells us that if our total family monthly income is e.g. RM3,500, we cannot afford a lifestyle that requires a monthly expenditure of RM10,000 financed by credit-cards with only 5% monthly payment on the outstanding. When interests start piling up on the accumulated monthly outstanding, a point will be reached whereby the cardholder cannot even keep up with the payment of the interests. The cardholder defaults and he gets sued by the lawyers acting for the credit-card companies and or banks.

Common sense tells us that if you are conned into buying something allegedly worth US$500,000 when its actual value is US$5,000 and you borrowed to buy the inflated "asset", there is no way that you will continue paying the installments and the interests on such an acquisition. The bank on the other hand is stuck with an "asset" supposedly worth US$500,000 but its actual worth is only US$5,000 or less.

Common sense tells us that the banks and the governments (fearing a systemic banking collapse) will lie and cover up the con-game until it cannot cover up anymore as too many banks are having the same problems and more importantly, the con-game cannot be covered-up anymore because borrowers are walking away and saying to the banks and governments – "You conned us, you take the blame."

Common sense tells us that these so-called assets which "investors" have invested cannot be real assets, but mere papers masquerading as assets (such as CDOs, synthetic CDOs and CDO Squared – toilet papers). Therefore, so-called sophisticated "investors" were borrowing toilet papers to "invest" in toilet paper assets!

Common sense tells us, and thinking naturally and in simple terms will enable us to conclude, that only greedy people can be lured by such con-games and that when gambling at such casinos, these so-called sophisticated investors were not using common sense.

Common sense tells us that we, the remaining hardworking people should not allow any government to use our tax revenue to bailout such reckless and greedy b@#st@#ds.

Common sense tells us that when gamblers lose millions at the Las Vegas, Macau or Genting Highlands casinos, no government can justify and or dare to bailout such stupid and greedy gamblers. We would vote them out of office.

Common sense tells us that since all these "clever people" by their reckless, irresponsible and fraudulent conduct have destroyed the economy, they should be prosecuted and sent to jail and the keys thrown away!

Common sense tells us that a system that allows such frauds and gambling should be banned and made illegal.

Common sense tells us that when common thieves rob a jewelry shop or a bank, they are sentenced to long terms of imprisonment and whipped as well, these sophisticated thieves should be likewise be whipped and sent to prison for life imprisonment, as their destruction is a million times more devastating than the common thieves!

Common sense tells us that when times are hard, we should be prudent and thrifty to overcome and survive the hardships, so why are we encouraged to borrow more and more and to spend, spend and spend?

Common sense tells us that when a shop is offering a discount, a reduction in the price of a product, the shop-keeper is encouraging us to spend and buy the goods.

Common sense tells us therefore, interest charges and penalty interests are the cost of a debt / borrowings from the perspective of the borrower and revenues and profits, when the debt is fully paid, from the point of view of the lender.

Common sense tells us that it is not out of kindness that banks lower interest charges. Like the shop-keeper, it is to encourage more borrowings. More borrowings mean more debts and ultimately more profits for the bankers.

Common sense tells us that we should not get into debts unnecessarily and not to borrow to purchase things that are not within our income and our ability to repay.

Common sense tells us that we should not commit fraud and or be a party to a fraud.

Common sense tells us more importantly, not to be greedy and lust for material wealth.

Common sense tells us that we should be angry, very angry with the so-called "sophisticated and up-right people" who commit fraud and the regulatory authorities and political leaders who cover-up their crimes.

Finally, common sense tells us that we should take action to put a stop to these crimes and scandals.

Please use common sense and do something before it is too late!

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