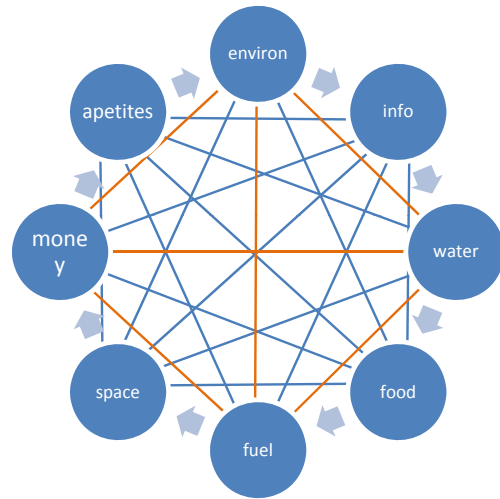


Resource Investment Balance and Whole System Limits

In a resource system, everything needed has costs in relation to the other things needed. In an economy those costs are compared by "markets" using the returns on investment in each to see what is most valuable to invest in. All the returns on investment tend to equalize because investment goes to where it can find higher returns. Whole systems equalize strains in all their processes that way. It also has the odd effect in a growth system of pushing all parts of the system to limits at the same time. Seeing whole system diminishing returns on investment, then, demonstrates both 1) the existence of the system and 2) the presence of observed whole system limits. BUT, because it happens to all parts at once it is hidden from view, and economists don't notice how the system becomes vulnerable to collapse. The way all parts relieve each other of strains and show diminishing real returns at once, makes growing returns only generally available from financial instruments. At that point investors that compound their returns drift away from investing in productive activity in what later becomes a "flight to safety" as divesting in non-growing physical things makes them lose value sharply. Investment is only safe with the "borrowers of last resort", the national banks, as the system disassembles its working physical systems. This sequence would happen naturally with any kind of currency if an economic system is pushed to a point of diminishing physical returns and multiplying returns by compounding investment is allowed.

pfh www.synapse9.com 10/28/08
See also Commodity Price History
<http://www.synapse9.com/issues/92-08Commodities2-sm.pdf>



a) Resource Network Relationships that Equalize Returns on Investment

b) but result in investment flight to the borrower of last resort if compounding financial returns is allowed and the physical parts of the system are not producing them.

