



Written by [Gary Benoit](#) on October 10, 2008

GM May Face Bankruptcy

In a single day, GM shares lost 31 percent of their value to stand at under five dollars — a level not seen since 1950. GM's market capitalization now stands at about \$2.6 billion, more than a billion dollars less than in 1929, right before the onset of the Great Depression. Shares of Ford Motor Corporation are at 26-year lows, and lost more than 20 percent of their value on Thursday.



By all accounts, the mood on Wall Street and among investors worldwide has reached the very brink of full-fledged panic. More than \$8 trillion has already vanished this year, and the prospect of high-profile bankruptcies outside the financial sector has investors scurrying for cover.

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The lessons from this unfolding saga are many, but a few are worth highlighting. For one thing, the \$700 billion dollar bailout and all of the other interventions embarked upon by the Federal Reserve, the Treasury Department, and central banks overseas, have come to naught. What has happened is that U.S. taxpayers are hundreds of billions of dollars poorer, with nothing to show for it.

The American public is also learning the hard way that trying to spend our way out of recession by flooding the economy with more fiat (unbacked) money does not work in the long run. In the short run, printing money — or, as the money mandarins like to say, "injecting liquidity" — can create an appearance of economic miracles, in the same way that performance-enhancing drugs can temporarily confer unnatural strength. But eventually, the piper has to be paid and all the illusory money swept away as market forces have the final say.

In the long run, we are all dead, economist and fiat money champion John Maynard Keynes famously said, by way of dismissing the warnings of precious metal advocates on the long-term effects of an inflationary monetary policy. Wrong, Mr. Keynes. Under a fiat money system, in the long run, we are all bankrupt.



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