Do you recall the 2008 financial crisis? That the worst is now over and the globe is looking forward to a period of growth, welfare, and felicitousness?

If your answer is yes, be ready to be shocked.

The thing that is truly incredibly fragile is the current monetary system where the cash in your pocket isn't unique. Besides, the next crisis seems on the horizon.

Chapter 1 - No present currency has its value and is just guaranteed by the state that they have a value.

A few centuries ago, if you desired to purchase a loaf of bread from a baker, you had to give the value of the bread in gold or silver. These days, on the other hand, you can pay a banknote that is a piece of paper that has no value in itself. So, why does the baker take this paper as his labor?

The reason for it is that the state values paper. This phenomenon is valid to whole modern currencies and is called fiat money, fiat word comes from Latin and it means to allow it to be made.

Fiat money is fundamentally a contract between its users and the government. By the government, a promise was given to the baker that he could trade the bill for something else valuable like flour or salt. Once they were not supposed to have any real value like gold coins, as long as everyone was sure that they were giving the banknotes this default external value.

The disconnection between currency and real valuables emerged in 1972. Until then, the global economy was based on the gold standard that the American government committed to fixing the worth of the dollar at a fixed rate to the price of gold. An ounce of gold costs $35. Later, by other countries, their exchange rates were fixed in dollars so basically all currencies were tied to the price of gold.

But after the 1973 financial crisis, who lost faith in the US's skill to keep the stable ratio between dollar and gold were governments around the globe. By the US, it was concluded that it must break from gold and allow its currency, and therefore all other currencies, to float freely.

From this point on, not each currency had material value and could only be affected by the government's monetary policy.

However, today, what is under attack is the modern global economy depended on freely floating currencies. It will be taught to us why in the following chapters.

Chapter 2 - It is a financial war that can take a heavy toll on the delicate global financial system.

When the 9/11 attacks were carried out by terrorists, they did not only hit human-beings in New York and Washington. Also, the American economy was targeted by them.

How?

In the months before the attacks, big bets were made by them on the share prices of the airlines that fell after the attack. When stock prices dropped, terrorists made huge profits. This is an instance of financial warfare, a strategy that is increasingly used by criminals to make profits and by states to attack their rivals.

That can be aggressive or protective in nature is financial prosperity.

Aggressive financial war could mean, for instance, entering a foreign stock market to manipulate prices and therefore cause economic harm.

A real-life instance happened in 2012 when Iran was attacked by the by removing it from the global payments transfer system. Consequently, Iran was no longer able to exchange its currency for the dollar or euro, causing the Iranian currency to decrease as it became unwanted for use in trade.

Defensive fiscal prosperity is used to preserve capital markets or to retaliate against attacking states.

For instance, Iran defended itself by collectively purchasing gold in the months before the US attack. In this way, it can continue to trade despite being cut from the international payment system.

It was the potential seriousness of the financial war as evidenced by the 2008 financial crisis. If bad mortgages accidentally caused $60 trillion in economic harm, consider how much damage experts who understand the financial system and deliberately set out to hurt it. Since the global economic system is very brittle and vulnerable to such attacks, the whole community can be harmed even by minor terrorists or criminal groups.

Having arrived at this reality after the financial crisis, the US and China now improved procedures for financial prosperity alongside their conventional military forces.

Chapter 3 - They are the grains of a future crisis within the financial system.

More than five years have passed since the financial crisis, so you might think that the worst is now over and the coming years will be very active.

Sadly, the future may not be so pink: a few potential crises can still be hidden in the financial system.

Such a potential crisis is due to the poor planning of this growth, although the Chinese economy has expanded dramatically over the past decade. Because of the great corruption in the ruling Communist Party, too much investment has been made in the wrong areas of the community.

An example is the many ghost towns across the country: large deserted urban spaces with buildings, parks, and roads that no one can use. They were built because of the government's policy of starting and promoting investment in larger projects, regardless of whether there is a demand for the final result.

Sadly, this policy has created an investment bubble and could soon explode when investors realize that they are not getting any return on their investment. As investors from all over the globe pour money into China and therefore these meaningless projects, a boom in the Chinese market could put the entire global economy in danger of collapse.

Another potentially impending crisis can be discovered in the USA. Although the mortgage crisis is over, another bubble is rapidly forming in the field of student loans this time around.

Why is that?

Because whenever it is wanted to invest money by politicians in the economy to excite consumption, they like to do so by giving students more generous loans. It is politicians who know they can rely on students to waste cash in the economy.

Now, more than $1 trillion have been provided to student loans by the US government and some financial institutions. Sadly, students cannot find jobs after graduation as the US economy is still stagnant. The result is that they will not be able to repay their student loans and will most likely default in the short term. What could en masse disarray US households and financial markets, is such a default.

Chapter 4 - It is the US dollar, whose global dominance as the reserve currency is getting to an end.

Have you ever visited a country with a weak local currency, for example in Africa or Asia? If your answer is yes, you may have discerned that locals tend to happily admit US dollars in shops and stalls.

They are also felicitous because the US dollar is the globe's reserve currency: almost all states have large reserves to use in international transactions such as trade. Consequently, due to it being seen as a reliable and stable currency, human-beings in some countries prefer it to their currency. The entire global financial system rests on dollars - the major currency for trade.

Still, it was developments in the past few years that made some states question their trust in the dollar. The reason for this is that improving economies such as the BRICS countries (Brazil, Russia, India, China, and South Africa) are unhappy with their economies being so directly impacted by monetary resources, as most of the trade is in US dollars. the policy of a foreign power - United States.

OPEC states (Organization of Petroleum Exporting Countries) are another group that supports the change. Conventionally, they, particularly Saudi Arabia, have been happy to double the oil trade in dollars in exchange for US security promises. Lately, however, the United States has gradually reestablished relations with Iran, the sworn enemy of the Saudis, prompting the Saudis to seek alternatives to US friendship and over-trust the dollar.

In addition to these groups, the strengthening euro puts pressure on the global dollar- rested on the monetary system. It may appear counterintuitive as the Eurozone is experiencing a currency crisis, but in reality, the crisis and the strong German economy have forced the Eurozone into a much more stable, more powerful, and more competitive economy than the US. It may be time to think that the euro will play a bigger role in the future global monetary system.

Chapter 5 - Until now, by the US, its huge national debt has been tried to finish through inflation.

If the news has been watched by you recently, you've presumably discerned that they talk a lot about the enormous size of US national debt. And for good reason: for the first time since the end of World War II, the national debt grew faster than the entire US economy. As a result, the political discussion concentrated on how to reduce this debt.

There are two major steps to do this.

Common sense and the logical way are to strengthen and grow the economy. This can be done by investing in the improvement of infrastructure such as transport and communication systems that stimulate economic growth. Sadly, selling to voters is a difficult step and it is difficult to know what investments will be made.

By politicians, it was often preferred the politically simpler but economically more problematic method: promoting inflation, thus making the dollar less valuable and removing debt. To comprehend what this means, think of the following example:

If $100 was borrowed by the US government and there was no inflation, that debt would still be worth $100 in a year. However, if inflation continues at 10 percent, a year later the debt will be worth only $90.

The US government resorted to printing more money and injecting it into the economy to raise inflation. This method is known as quantitative relief and results in human-beings having more money to waste, which raises prices. To comprehend the scope of this printing process, imagine a record rate of one trillion dollars a year.

Then, what's the issue?

The reason for so far, the strategy has not worked is that the dollar has also been subjected to deflationary forces trying to raise its worth.

For instance, the price of energy in the US is falling with the use of shale gas. Moreover, labor costs are falling as inexpensive labor from many improving countries enter the market.

These deflationary pressures prevent the US from achieving desired inflation and consequently, debt keeps going to arise.

Chapter 6 - Due to the US efforts to raise inflation, human-beings have been directed to seek alternative currencies.

In the earlier section, it was seen how the US government tries to deal with its huge debt by printing more money by you.

Sadly, this tactic corrodes human-beings' trust in the US dollar.

Why is that?

Because an illusion of money is created by printing more cash: even though you may consider the growth is improving, it doesn't increase the economy or make it more salutary in the short term. And in the long run, the value of the currency is decreasing less and less, eroding people's and investors' savings and thus reducing their trust in the dollar.

What is also true for the dollar-backed global monetary system and is already detectable in emerging payment alternatives to cash is this loss of trust.

A current trend towards electronic money like Bitcoin is another notable example. This digital currency is not connected to any government or central bank. By the end of 2013, over $7 billion of bitcoins were in circulation. While the currency's long-term viability remains uncertain, its popularity suggests that individuals are hopeless for options to cash.

Another exciting novel development is an electronic exchange: online merchandise trading without using cash as an intermediary. For instance, China Railway once bought a load of frozen turkey from one of its clients and then traded them to General Electric (GE) for locomotives. GE later sold the turkeys for cash to Tyson Food China, but the cash remained unchanged in the original deal.

Chapter 7 - It is truly a global currency, rather than the dollar that the global monetary system requirements.

So far by us, it was seen what is in trouble is the current dollar-backed global financial system. So, what can be arranged about this?

Turning to the International Monetary Fund (IMF) could be one option, whose role is to loan money to countries in desperate need of financial backup. For lending, the IMF uses its quasi currency, Special Drawing Rights (SDR).

Although formally not a currency, SDR works similarly: it holds a worth derived from the globe's main currencies, can be exchanged between countries, and switched for other currencies.

Since SDR works like a currency and is steadier than the dollar, it is a candidate to change the dollar as a global reserve currency. The IMF and the US discussed slow action in this direction.

The change will take certain advantages, most importantly, that monetary policy regarding SDR will be defined by the IMF, an international entity that will make its decisions depending on what is good for the whole globe. Currently, the US sets its monetary policy for the dollar according to its national interests, which sometimes harms other states economically.

It appears that the whole globe, including the US, is interested in seeing the IMF and SDR take a bigger role in the global monetary system. All in all, a weak monetary system is in nobody's interest because it is unsteady and unpredictable.

Chapter 8 - It is the reintroduction of the gold standard that will stabilize the global currency system.

It is said by Warren Buffett is a legendary investor guru that "Gold is for losers". In fact, in the last few decades, the global monetary system has increasingly been far from itself from the value of gold.

Still, if the aim is to establish a steady monetary system, we should think of taking gold back into the equation.

Why is that?

Because what will provide a stable reference point - an anchor - for their value is to bound currencies. Right now, for instance, the dollar is not supported by anything durable, just the commitment of the US government and central bank that it has worth.

This system is called the "Ph.D. standard" by one finance writer: it is the value of the dollar that depends solely on the steps taken by an elite of Ivy League graduates who set policy.

Well sure, the gold standard cannot be rigorously reapplied - it requires careful planning and consideration.

How to set the price of gold correctly will be a major concern. The current price of $1500 per ounce cannot be used because all the gold in the globe at this price will not be adequate to support the value of the world's $2.5 trillion money supply. Therefore, central banks will have to set a fresh price, close to $17,500 an ounce, to meet the money supply of the US, EU, Japan, and China.

It appears distant just the material of jewelry such as necklaces and rings, gold may be the rescuer of our global monetary system.

Chapter 9 - Distribute your fortune across many assets to guard it in case hyperinflation strikes.

If you were living in 1920s Germany, you might see a foreign sight: Someone purchases a loaf of bread and pays for it with a cart full of cash.

It was this strange situation caused by uncontrolled inflation or hyperinflation: prices were rising so fast that money was essentially worthless. Well sure, this kind of situation is indefensible and in this case guides social disorder and ultimately the population turning towards Adolf Hitler.

Sadly, the current situation seems to be a matter of time before the dollar enters hyperinflation. When you face this dire situation, you must take measures to keep you alive and thrive in the worst case.

How can be that done by you?

To be sure that your fortune is invested in a wide mix of assets and fields is the easiest measure. If you invest all of your fortunes in a single asset, such as a savings account at your local bank, it can all be deleted because of hyperinflation.

Alternatively, you should have a various investment portfolio:

- Hold 20 percent of your assets in gold bars, as their values are relatively stable.
- Make investment 20 percent in property in places with an influx of people. Thanks to such properties, the economy will gain value no matter what.
- Invest 20 percent in alternative financial instruments such as hedge funds. These are mutual funds that specialize in making a profit when the economy collapses or goes bad.
- 10 percent is used to purchase fine art such as paintings and sculptures. That way, you have something of value that is tangible and a little adequate to carry with you if required.
- Finally, 30 percent of your fortune must be kept in cash in the bank. Cash is the most elastic tool to keep, so if a crisis occurs, you can designate it to the smartest looking investment at that moment.
- It is such various portfolios that will serve you well although hyperinflation and social unrest arise.

The Death of Money: The Coming Collapse of the International Monetary System by James Rickards Book Review

The dollar will not be the globe reserve currency for any longer. It is the US monetary policy that corrodes people's trust in the dollar and will ultimately suffer from hyperinflation. You have to be ready for this scenario.

Propagate your fortune.

Do you hold all your savings in the bank? If then, you may be leaving yourself to more risk than you consider, because of hyperinflation, which can destroy the value of your savings in no time. It will be much better if you distribute it to various investments such as gold, real estate, etc. You can take help from your local bank to decide where and how.

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