

The Biggest Domino Chain in the World



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[Gary North](#)

In the mid-1980's, a man who was billed as the builder of the world's longest domino chains proposed to build one with 8,000 dominoes. One of the T.V. networks sent a crew out to film the great domino effect. The man had been working on the project for days when the T.V. crew arrived. They wanted several overhead shots. The chain was almost finished when one crewman climbed overhead to set up his camera. A pen fell out of his pocket. You can guess the rest. The crew and the builder watched in impotent horror as several days' work toppled, domino by domino. "Sorry," said the crewman. The world's longest domino chain was postponed.

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It winds around, reconnects, trails out in seemingly incoherent patterns. Several teams have worked on it in isolation. There is no master blueprint. The teams yell at each other once in a while, warning the others about how shaky the whole system seems to be, but everyone keeps building.

Some unforeseen event could set the process off by "dropping your pen" on any part of it. If this happens, nobody can tell you if the whole chain will collapse or if isolated mini-chains will survive because they are not connected to the main chain.

It came close to taking place in the summer of 1998, with the failure and banking bailout of Long Term Capital Management, a previously unknown investment company.

Let me propose a hypothetical situation for you. You are driving by your bank in the afternoon about 1 P.M., and you notice a line of people. Also, you notice that a line of cars has formed in front of the drive-in window. What is your instinctive reaction? To stop and get in line?

Second, you are driving to lunch on a Friday, and you hear a news flash that the business district in San Francisco has been hit by a major earthquake. The report says that the quake was measured at Richter 7.8. The report says that unconfirmed estimates are that at least 5,000 people are dead or injured, and that thousands more are homeless. Assuming you don't live in San Francisco, what is your first reaction?

Third, Dan Rather reports that Alan Greenspan has announced that he will retire in six weeks. The confidence that Europe has in the FED would disappear fast. They trust in men, not in the discipline of precious metals.

Fourth, someone runs into your office to say that President Bush has been assassinated by a team of fanatics. The President died instantly in an explosion which killed several of his aides. Vice President Cheney will be sworn in as President within the hour. (Same problem: conservatives trust Bush's judgment. His rhetoric soothes them. The system is therefore highly vulnerable.)

Fifth, you hear on the news on Friday afternoon that the Mexican government has defaulted on its debts to Western banks. A consortium of three Latin American nations -- Brazil, Venezuela, and Argentina -- is planning to meet over the weekend to discuss the implications of Mexico's decision. The New York stock market and commodities markets are closed, but your bank is still open, although it will be closed by the time you get off work. Do you leave work early?

Sixth, you see on the Tuesday evening news that a major hurricane is heading for the southern coast of Florida. It is expected to hit Miami the next day. Winds are estimated to be in the 160 MPH range. Damage could be above 20 billion dollars if it strikes the city, the newscaster reports. A run on Florida savings & loans has begun, he also reports. What will you do the next morning? (Again, it's the S&L problem. The collateral for the loans blows away.)

Are any of these events impossible? Obviously not. Would they have economic implications for you personally? Some would, some wouldn't. But could you be sure as you first confronted the news which would and which wouldn't?

More to the point, does your present mix of investments, including your job, take account of the possibility of any of these events? In each case, the weak link is the fractional reserve banking system. Is your investment portfolio connected to the domino chain?

[Editor's note: The "weak link" in most Americans' portfolios is none other than the currency in which they are largely denominated. Should a dollar rout occur, your wealth could suffer a serious blow... unless you take steps to protect yourself. Learn how to shelter your investments - and even make a profit - in the face of a falling dollar:

[Bonfire of the Currencies: 7 Ways to Sell the Dollar \]](#)

At the age of 25, **Gary North** was the youngest elected member of the Economists' National Committee on Monetary Policy. He has served as a senior staff member of the Foundation for Economic Education and as a research assistant to U.S. Congressman Ron Paul. He is also the author of [Mises on Money](#) and the editor of *Reality Check*, a free e-letter, in which this article originally appeared (to sign up, send an email to reality@agora-inc.com).

