POM and Economic Depression

When an economy begins to have problems such as those faced today by the economy of the U.S. (and indeed, the world) people begin to remember bad economic times of the past. Days when the stock markets drop several percentage points remind people of Black Monday 1929 when the New York stock exchange dropped and seemed to lead the U.S. into the Great Depression. The stock market crash did not cause the depression, it was a reflection of what was already beginning to happen.

The nations of the world have always been economically interdependent. If one economy suffers there are adverse consequences for the other nations as well. On the other side of the coin, success in one nation can help the other nations. So a strong economy in surrounding nations will help ease the difficulties of a nation in economic trouble. Today international trade and corresponding economic interdependency has reached new heights.

Since the United States is the world's largest producer and importer we are very closely tied to other economies. If the United States experiences an economic dislocation of similar magnitude to the Great Depression, it will almost certainly likewise force the rest of the world into depression.

Take Mexico for example. As we know, the U.S. is Mexico's largest trading partner. If U.S. demand for the products of Mexico were to drop 50% it would be a small part of U.S. imports but it would be a much larger proportion of Mexico's exports and of Mexico's economic activity. There would be a significant increase in unemployment in Mexico driving a greater impulse to migrate to the U.S. But the workers from Mexico already in the U.S. would be experiencing less demand for their work as well which would reduce the income of the Mexican families still further. In short, there is a good chance that Mexico would experience an even worse depression than the U.S. would.

In the U.S. resentment of "illegal immigrant" labor would increase for a variety of reasons, many political. The increased attempts to cross the border for work would be met with increased enforcement and anger on the part of segments of the U.S. population, especially in those areas near the border.

Violence is almost certain to break out in several places near the border. Individual acts of assault would be the most common but semi-organized gang or gang-like activities could also be expected. One is reminded of Pancho Villa and his invasion of Texas in 1916.

Note that this situation is only plausible because all nations use POMs (physical object monies). Money factors are the predominant causes of reduced production. People don't work if they don't expect to get paid. People don't invest if they don't expect a profit. If nations employed barter rather than a medium of exchange, the supply of money on either side would become irrelevant. In the case of Mexico, barter-style trade with the U.S. as nations (not individual consumers bartering with producers) is feasible since each produces things the other nation wants.