

Pretty Rocks as Money

By [The Mogambo Guru](#)

01/24/05 The Mogambo used to rely heavily on the Chinese...for egg rolls, cheap high tech products, and especially for the "giggly Geisha girls." Lately though, he's becoming quite wary of our foreign friends from the Far East...well, maybe not the Geisha girls.

As I understood it, the deal was that those Chinese guys would remain content with their peasant status, work like slaves for pennies a day in horrible working conditions, and then we Americans, for our part, would sit around in our air-conditioned offices, waiting until the boss isn't looking, then go online to go shopping to buy those cheap Chinese products, and download entertaining pornography to pass the time while we wait for delivery! And use money borrowed from the Chinese to pay for it all! Isn't that the way you understood the arrangement? Me, too!

But, according to XFN, "China is beginning to have an impact on U.S. technology industries formerly thought to have been insulated from low-wage overseas competition, according to a report prepared by a U.S. Congress-mandated commission. China's exports of electronics, computers, and communications equipment...are growing much faster than its exports of low-value, labor-intensive items."

Hey! I know what you are thinking! This isn't fair! This proves that you can't trust the damned Chinese!

Chinese Economic Growth: Growth, the Deficit, and Inflation

Chinese economic growth has been averaging 9.7% a year from 1990 to 2003. Partly as a result, the People's Bank of China said that China's foreign exchange reserves rose 51% last year to \$610 billion, a new record. (But as John Mauldin reports, suddenly, the overwhelming bulk of that increase in reserves was NOT in dollars!) And China's M2 money supply growth expanded 14.6 percent from a year earlier. M2 in China is now up to 25.3 trillion yuan, which apparently works out to \$3.06 trillion, which is, for comparison, roughly equal to half of our M2 money supply. So, like the budding little capitalist swine that they are, and we are, and we all are, the nefarious Chinese now want to invest in producing high-value items, taking the bread out of our mouths! As one of the bright dudes at The Daily Reckoning website notes, also looking at the trade deficit, "Over the last 12 months, exports of 'high tech products' actually FELL 21%." How much longer before they start producing some nuclear weapons, like us? And then they can strut around the world, randomly kicking butt, like us! And won't that be nice? But life is all eggs rolls and Geisha girls who are all giggly and happy, until they find out I have no money, and the inflationary impact of such unrestrained money/ credit/ production excesses is showing up as higher and higher consumer prices, which is why the Chinese are trying to cool off their economy, even though the official Chinese consumer price inflation is only 2.8%. On the other hand, America's official inflation rate is higher at 3.5%, and instead of trying to cool the economy in the face of such high inflation; the Bush idiots are trying to stoke inflation even higher! And then people wonder why The Mogambo has locked himself in the Mogambo

Fortress Of Solitude (MFOS) and is writing terse, incomprehensible letters to George W. Bush (e.g. "Dear Butthead President: Arrrggghhhh! Signed, Angry in Florida (AIF)"). And speaking of China, one of the most Profound Moments In History According To The Mogambo (PMIHATTM) is that Mises.org reports that the Taiwanese have published, in Chinese, a reprint of Murray Rothbard's famous book, What Has Government Done to Our Money? This miraculous little book (62 pages), which is actually more of a booklet, contains all you need to know about money, credit and economies, and the disastrous results of fiat currencies, fractional banking, government deficits and all the rest of the stuff that keeps The Mogambo screaming long into the night until the police come and make me shut the hell up by putting handcuffs on my wrists and tape over my mouth, which tastes like crap, in case you were wondering, and then the rest of the night all I can muster is muffled cries of rage ("Mmmffhhh mmmumffmmmm!").

And now that the book is translated into Chinese, that singular effort will doom us if they take it to heart and base their money on gold. Our only hope is that the politicians of China are as corrupt and stupid as our own, and opt to go with a profligate central bank creating and unbacked paper currency in a banking system rife with fractional banking excesses, too.

Let's not count the Russians out! Agent 007 ("The name is Bond. James Bond") has had his share of run-ins with those guys, now their central bank reports that their foreign currency and gold reserves rose to a record of \$124.6 billion. Note that they are including gold in their report, which we do not, and they are accumulating gold, which we do not, either, mostly because our government and central bank figure that Americans are too stupid to know the significance of that. The only good news is that Rothbard's book has not been translated into Russian, as far as I know, although the fact that they are accumulating gold shows that it probably has. Now we have the Russians AND the Chinese to worry about! Fabulous. Just freaking fabulous.

Chinese Economic Growth: The Dollar's Questionable Future

People often ask, "Mogambo, how come you never amounted to anything and are, according to recent data, actually a big failure in everything?" Well, to be fair, they usually only asked me that question one time, and then forever after they carry bad memories and/or actual scars to remind them not to ask me THAT damn question again!

But they are wrong when they say I have failed at everything, because you can ask anybody who works at the supermarket about monetary policy and they ALL know all about how the dollar is being destroyed by the Federal Reserve, and how they are literally creating this tsunami of credit and money, which is going to rise up destroy our money by lowering its buying power to, rounding off to three decimal places, squat. And if you have never actually tried to exist on money that has buying power that registers in the "squat" range, then gather up some attractive pebbles from the roadside and try and use those "pretty rocks" as money when you go to the store. If you try that silly crap around here, as soon as you use the phrase "pretty rocks" the manager will probably run off, tearing out his hair and screaming, "Noooooo!! Not the damned Mogambo and his damned 'pretty rocks' and his damned loud monetary policy lectures! Death, where is thy sting?"

But Hans Sennholz takes the calm, philosophical approach, as he demonstrates with his essay, *The Dollar's Questionable Future*. He writes, "If the love of money is the root of all evil, the depreciation of money must be the mainspring of all shams and frauds. It works silently and covertly, impoverishes many while it enriches a few, and thereby inflicts great harm on social cooperation and international relations."

And what do you get when you, as he says, inflict "great harm on social cooperation and international relations"? You get strikes and riots, something like the recent outbreak in Moscow when they tried to trim a little off their bankrupting welfare payments, and countries like the U.S.A operating as terrorist nations that routinely invade other countries and kills whole swaths of people. Oops! But then again, nobody ever said that the downside of a fiat currency was pretty.

Regards,

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for The Daily Reckoning**