

Worthless Dollars In a Drafty Shack

By [The Mogambo Guru](#)

11/13/06 The U.S. debt and equities owned by foreigners have fallen in value, thanks to the collapse of the dollar, by a third! A 33% loss in five years! Our Mighty Masked Economist explores...

Ken Y. sent the Treasury link that he thinks he may explain where some of the enormous money is coming from to fund the bloated, dysfunctional system we call Home Sweet Economic Home. It is a lulu, too!

The link describes the Term Investment Option (which has the acronym TIO). "In April 2002, the Treasury, through the Federal Reserve System, piloted a new investment option to test the viability of placing excess cash balances with Treasury Tax and Loan (TT&L) depositaries for a defined term and rate determined through a competitive auction process. [The] Treasury announced in October 2003 that the TIO program would become a permanent cash management alternative for investing Treasury's excess cash balances."

Why are they doing this? They say "The program is designed to increase the rate of return earned on Treasury investments, add investment capacity to the TT&L Program, and to provide TT&L participants certainty in the terms of these investments." Ahh! So the Treasury Department is going to make more money by investing temporary excess estimated-tax remittances in an expansion of "investment capacity" of the banking system, and provide moral hazard underwriting to the whole thing, too? Wow! Things are worse than I thought, as this is too bizarre for words.

And after hearing that, you are not buying gold now? And I mean right freaking now? Then you had better start writing down all the reasons that you are not, because one day your little children and grandchildren are going to be groveling around in the worthless dollars covering the dirt floor of your drafty shack, and they will want to know why you did not buy gold when you could have and should have. In response, you can use that list of reasons to entertain them and keep them distracted from their miserable situation, and you'll also have something to brush the flies away from their filthy faces while you do it.

As an example of the greed of government that is coming to gobble us all up (because a government that is steadily increasing the amount of dollars it spends on an increasing number of people will always need increasing amounts of money) from Reuters we learn that "Toronto's main stock index plunged 2.4 percent on Wednesday after the Canadian government announced plans to tax the once-booming income trust sector. Ottawa said trusts that begin trading from now on [would] face the tax in the 2007 tax year, while existing trusts will have a four-year transition period. The S&P/TSX Income Trust subindex, which tracks the prices of 75 of the 253 trusts in the Canadian market, was down 11 percent on Wednesday."

To put it in cold, hard Canadian dollars and cents, "The drop represented a loss of more than C\$20 billion (\$19.5 billion) in market value for the income trusts, and more than C\$24 billion including BCE and Telus's losses", which are two of the biggest trusts most devastated by this change.

And the insanely ludicrous thing is that this is, as I understand it, to prevent the government from losing a few billion Canadian dollars in tax revenues from corporations, as the profits of the trusts are passed-through to the shareholders, who are taxed anyway! Hahaha!

So, the net effect is an immediate C\$24 billion in losses to investors, plus another few billion in higher taxes sucking your investments dry, every year from now on!

But it's all because the government needs money, and this may explain why Bloomberg.com reports "Retail-sales growth in the dozen nations sharing the euro accelerated in October as cheaper oil prices and increased hiring bolstered consumer spending." Well, retail sales growth may have had something to do with those things, but Bloomberg also reported that "German industrial production fell in September for the first time in three months as companies made fewer consumer goods such as washing machines and refrigerators and as energy output dropped."

I figure this all means that the Germans, already facing another announced 3% hike in the VAT tax starting in January 2007, thereby putting this "sales" tax up to around 20%, are buying like mad, right now, before the tax (and thus the total price) goes up. And now everybody else in the EU is thinking to themselves, "Oh, my God! That stupid Mogambo was right! Governments really ARE a brain-dead bunch of commie/socialist re-distributionist morons who are going to destroy me with taxes and/or inflation!"

From DailyReckoning.com we read, "Who is the world's biggest supplier of oil and gas? Russia. The west may have knocked out the old Soviet Empire, but now Russia has emerged in control of the world's most strategic asset – energy. Saudi Arabia supplies 18% of the planet's oil and gas exports. Russia puts out 19 percent."

And Russians, still smarting from the humiliation of us destroying their stupid communist economy and inflicting more than a decade of misery and suffering on them, are probably not going to be cutting any sweetheart deals with us Americans any time soon. And if I know the cunning, evil, treacherous Russians as well as I think I do (from the way they are portrayed in James Bond movies) they are going to try and destroy us right back, putting THEM on top! Then can SMERSH be far behind?

Thanks to John Rubino of DollarCollapse.com and this excellent compilation essay "Best Quotes of October 2006" we discovered that we missed Adam Hamilton of Zeal Intelligence when he said, "From its peak in mid-2001 to its trough in late 2004, the U.S. Dollar Index lost a staggering 33.3% of its value in the world currency markets! A dollar spent internationally in late 2004 would only have purchased two-thirds of what the same dollar spent in mid-2001 would have commanded."

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Even more significantly, he says, "Since currencies usually move with all the sound and fury of a glacier, this is a staggeringly large move, especially for the world's reserve currency."

And from Mr. Rubino we also get Captain Hook of TreasureChests.info, who enlightens us that "According to the Bank for International Settlements (BIS), the combined turnover in the world's derivatives exchanges totaled USD 344 trillion during Q4 2005. No, that's not a typo, that's \$344 trillion of notional value, where if one were to annualize a total, it doesn't take long to figure out the world is now trading in excess of a quadrillion worth of this paper every year. Is that a big enough bubble for you? And it goes without saying this has been a boon to the brokerages and banks that deal in these formerly exotic financial instruments."

Of course, we galactic observers stationed on this planet are not too surprised to learn that slick operators and colluding bankers on yet another planet in the cosmos have rigged up something slimy to enrich themselves. But the horror comes when he goes on to say "Whether you realize it or not, even if you don't participate in them directly, simply by owning a mutual fund, or a bank account for that matter, indirectly you too are captive to this trend." Yikes! Now you know another good reason to hold gold and silver bullion, which is NOT even remotely connected to any of this crap!

Until next we meet,

The Mogambo Guru
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Mogambo sez: The day is almost at hand. "What day?" you ask. The day when you realize that The Mogambo was right, and now you hate my guts for not forcing you to do the right thing and buy gold and silver.