

450 Billion Twenties

By [The Mogambo Guru](#)

03/26/07 **The Daily Reckoning PRESENTS:** The bane and beauty of paper money is that there is no limit to how much you can print. The Treasury could pay off the entire national debt, simply by printing nine, one trillion dollar bills. Of course, if it were up to the Mogambo, he wouldn't print anything he couldn't use at the convenience store. He would much prefer...

450 BILLION TWENTIES

A lot of "people-who-should-know" are writing of impending asset deflation, and that this fall in prices will probably include gold.

I personally have no idea, but the historical record shows that while assets of all kinds can, and do, go down (a lot of time disappearing altogether!) at the end of bubbles and booms, gold does not necessarily do so; and if it does, it does not stay there.

I hear the catcalls and hooting that this has elicited, and haughtily reply that for proof of my audacious statement, I merely have to point to the fact that gold is selling for about \$660 an ounce, and if in the last 4,000 freaking years it went down and stayed there, then how in the hell did it get back to \$660 an ounce now, and with essentially the same buying power?

But aside from that, one of the big, big, BIG reasons that I think gold will be supported (and will rise) is the fact that, as the domestic dollar goes down in value against other currencies, the price of gold in those other currencies will have to fall, too, as arbitrageurs will buy gold in the United States and sell it in those other countries to exploit the price differential. This, or the price of gold priced in dollars will have to rise, or both.

So, if gold fell in dollar terms while the dollar was falling in value, then the price of gold would have to collapse, too, in the countries with strengthening currencies, to achieve parity!

But the whole idea of gold falling in price, when priced in a depreciating currency, (especially one as continuously, massively overly-abused as the dollar and used by a country that is almost universally despised as vicious, murderous, greedy American imperialists), is the kind of thing that makes me laugh nervously and slowly, as I imperceptively move my hand towards a concealed weapon of some kind, since I have a Very, Very Difficult (VVD) time even conceiving of such a bizarre thing.

And while I can't think of a single historical instance of gold going down in terms of a collapsing currency (and I thus assume that it has never, ever happened before, either in real life or in the movies), I nevertheless CAN think of many real and cinematic instances where having a lot of gold and firepower has come in Very, Very Handy (VVH) when things got bizarre like this.

But now, all of a sudden, after all these hundreds and hundreds of years, and the thousands of failed fiat currencies falling victim to their respective idiotic governments and irresponsible central banks printing, creating and spending too much money, I am supposed to think that this time gold will fall, for the first time ever and for no reason at all? Hahaha!

And don't get me started on silver, which is the most undervalued necessity on the face of the planet right now, and which will continue to get more and more so until the price soars from these lowly levels.

The appearance of the U.S. Comptroller, David Walker, on 60 Minutes telling the sad tale of the coming economic collapse, has caused quite a stir. And I am sure that he is certainly correct down to the last decimal place, as far as I am concerned.

And I also agree that it is truly alarming that there will be gigantic entitlement programs and zillions of people will be benefiting from getting government money, and how there won't be many people working to pay the taxes that are necessary to pay this crushing entitlement burden, and how taxes will have to rise to more than two-thirds of incomes to pay for all of these Medicare, Social Security, Medicaid other welfare programs, and on and on, blah blah blah.

And then I think to myself "Nah!" I mean, that kind of economic collapse is old-fashioned. And kind of quaint, in a charming kind of way.

I mean, debts mean nothing – nothing! – if you have a pure fiat currency! Ergo, it is entirely possible for the Congress to declare that they are, effective immediately, calling in all the bonds the government has issued! They can easily direct the Treasury to literally pay off the entire national debt, all \$9 trillion of it, by lunchtime tomorrow, just by writing a check! And the money to honor the checks? It will be dutifully created by the Federal Reserve, because that is the kind of shameless, willing whore that it is!

So, (and here is why the government loves a fiat currency) with a fiat currency, they can simply print up nine trillion-dollar bills! Nine little pieces of paper! Or, alternatively, 9,000 billion-dollar bills! Lest you chastise me for lack of practicality, I recognize the fact that you can't spend anything bigger than a twenty at a convenience store without some flunky clerk getting all huffy (and pretty soon we're screaming at each other, where I learned that they REALLY don't like it when you tell them that their ridiculous foreign accents make them sound as stupid as they look!) Hahaha! Who knew, huh? Hahaha!

So in response to this growing problem with snotty cashiers in our nation's convenience stores, I suggest that they print up two trillion-dollar bills, 5,000 billion-dollar bills, and 2,000,000 million-dollar bills.

Now that I look at it, I am embarrassed to note that none of these bills, unfortunately, can be spent at a convenience store, either. Oops! So maybe we ought to print up the whole \$9 trillion thing with 450 billion twenties, which is so damned much paper money that the sheer logistics of harvesting the trees, making the paper, making the ink, making the printing presses, printing the

damned stuff and distributing/accounting for the cash will result in so much economic activity that it, single-handedly, would cause the economy to boom!

So why don't they do that? The only reason that they don't do that is that every time a government in all of history has tried such stupidity, such an instantaneous explosion in the money supply collapsed the currency, stoked an inflationary bonfire, and the party was soon over, long before the salvation of a hoped-for miracle arrived.

Better than that, today we (oddly enough) prefer to do it like we have been doing it; by spending as much as we possible can without raising a ruckus, or causing too much inflation that it causes a ruckus, or (failing that), lying and scheming like we have never lied and schemed before.

In other words, instead of being economically killed at a stroke, we are being consumed a little bit at a time, as a little inflation at a time is eating away at the dollar's buying power a little at a time, like a relentless, incurable cancer, all made necessary because the government now must borrow and spend evermore money to ameliorate the inflationary effects of the previous little inflations, a little bit at a time! Hahaha! A cancer, indeed!

This economic insanity is the ugly system that has evolved, thanks to the socialist/communist boneheads and traitors that we elected. This is the supposed genius of the democratic process? Hahaha! I snort in Caustic Mogambo Derision (CMD)!

Until next week,

The Mogambo Guru
for The Daily Reckoning
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**** Mogambo sez: Your future will be golden and your clouds will all have silver linings if you can decipher what in the hell I mean by that, and then do it. Otherwise, not.