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Prehistoric Problems With Fiat Currency

by The Mogambo Guru

"And it is made absolutely terrifying when you learn that all of the money that has been lost is, amazingly, borrowed and is still owed! Hahaha! This is the downside of having an economic system where debt creates money! Hahaha!"

As I was reading the first paragraph of Doug Noland's Credit Bubble Bulletin at PrudentBear.com, I was struck by how many year-to-date stock market sector losses there are, which are also (since this is just the early part of February) the losses of one freaking month! One month! Yikes!

As my boss so recently said to me in reviewing my job performance, "Let's take a look at the damage shall we?" He had this strange, twisted smile on his face as he said it, which was (it turned out) a Very Bad Sign (VBS) of what was to come, which seems so obvious in retrospect.

But I was already attuned to the fact that something was amiss, as we were in his office, the doors were closed, his secretary was taking everything all down in her little pad, and Carl from Rabid Dog Security Service was standing by the door, looking more menacing than usual.

So, similarly, I say, "Let's take a look, shall we?", as a way of being ominous. The losses are; down 8.2%, down 9.3%, down 7.1%, down 7.6%, 8.3%, 7.5%, 14.9%, 14.6%, 14.3%, 11.4%, 12.1%, 7.6%, 6.1%, and 0.7%, down, down, down! Whew! These are staggering, staggering losses!

The only two things that were up year-to-date were the Dow Transport index (up 3.1%) and HUI gold index (up 8.4%).

And from news.bbc.co.uk we get January's results from representative of the largest stock markets around the world as being down 22.7%, down 21.4%, down 16.1%, down 16%, 12.3%, 8.9%, and 6% down, down, down! 50 out of 52 stock markets in the world were down, so that \$5.2 trillion was lost in January alone!

I think I know why, and the evidence is contained in many places. The first place is in my clinical record, which chronicles my incessant fixation and fear about inflation in prices that always follows inflation in the money supply, usually thanks to a [fiat currency](#), or banking excesses, or (as we disastrously have now) both at once.

Even though most Earthlings do not like to be told how stupid they are, it is a good thing that they are stupid, because if "homo dumbo" truly, truly comprehended the sheer horrifying enormity of what is going to happen because of all of this incomprehensible debt and leverage financed by the Federal Reserve, they would crap in their pants in sheer terror and it would stink like hell.

Another place to look for evidence is anywhere you look in the whole history of the freaking world, even little dip-squat little prehistoric places out in the middle of nowhere, where the primitive people used mastodon crap for money, which was stupid because

there was mastodon crap everywhere, and so the money supply was unlimited, so inflation destroyed them all, too, but who can almost be excused for adopting such a stupid money and economic system because they had tiny little brains, and whose entire language system apparently consisted of about 30 words, 5 of them being various nuances of "mastodon crap".

In short, Every Freaking Time (EFT) in that selfsame history of the world that a moron country tried to make an economy out of a fiat currency or mastodon crap (which differ only in the kind of wallet you have to carry around), they failed catastrophically as the inflation in prices from such a huge inflation in the money supply destroyed them all, and there were lots and lots of angry, angry people all along the way.

And the other EFT thing is that every freaking time that the banks were allowed to vastly multiply the money supply to abet the scams of lying financial sharpies and/or the government (as eerily redundant as the terms are), the country also failed catastrophically from inflation in prices, and there were lots and lots of angry, angry people all along the way.

In case you were wondering, the only economies that did NOT fail for monetary/inflationary reasons were those that used [gold](#) and silver as money, which meant that the money supply was always a relative constant. And that is why the Founding Fathers put it into the damned Constitution of the United States of America that only gold and silver can be money. And while we are talking about it, the Constitution didn't say anything about allowing a central bank to be given total control over the money and economy!

To prove it, I present Jim Cook of [InvestmentRarities.com](#), who, in his essay, "Sweeping Towards Destruction", quotes George Washington warning in a letter, "Paper money will...ruin commerce, oppress the honest and open the door to every species of fraud and injustice."

And history shows that sound money worked like a charm, too, as we learn from the essay, "Dishonest Scales" by Larry Beane writing at [LewRockwell.com](#). He writes that, "From 1790-1913, the United States dollar was constant. It was tied to gold and/or silver. A dollar bought pretty much the same thing for Thomas Jefferson as it did for Teddy Roosevelt. A careful look at inflation rates from 1790-1913 shows some minor fluctuation, but for the most part, a 1913 dollar was the same as an 1850 dollar, and was the same as a 1790 dollar." Now that's money!

I can see you nodding off, as my predictable "[gold is money](#)" tirade is old stuff to some of you, but this is not about gold, but about how people are losing money, lots of money.

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In other words, the asset you bought with the borrowed money may be gone, but the debt remains until defaulted upon, which kind of rhymes, so you know it must be true, especially if it was sung by somebody famous and it had a really killer guitar solo, too, in

the middle, going waaahhh aaaa wahhhhh! Waaahhh aaaa wahhhhh!

And not only that, but the humongous clot of money and debt was originally used, not to expand production of goods and services demanded by the free market and thus raising the general standard of living, but to expand the size of governments, their programs and the sheer number of people whose incomes depend on it, until total government spending is now, even nominally, half of GDP! Hahaha! We're so freaking doomed!

At this point I will pause in my lecture, as I seem to be gagging up blood at the sheer horror of such a thing, and I feel a cold, clammy chill sweep over me, sort of like when I ate those ten-cent tacos and got sick as a dog. I knew I shouldn't eat them, as they smelled kind of bad and tasted weird... But damn! They were only ten cents apiece! A dime! Think of the money I saved!

It was, in retrospect, the best dollar I ever spent on food, as I was not hungry again for a week, and I lost a lot of weight from throwing up and squirting into the toilet all the time.

So I ended up with a better mass/height ratio and saved even more money by not eating, since nothing would stay down for the first few days!

But this is not about me and how I no longer buy food from guys I happened to meet in the parking lot of an adult bookstore, regardless of the cost/benefit ratio, but about all the losses in all the stock markets, and how I say it is because of inflation that is killing us all.

Finally back on track, Mr. Noland posts the chart of the CRB Commodity Index, which looks like the index has risen to about 370 from about 230 in mid-2003! Prices are 61% higher than they were five years ago! That's 10% a year inflation! I was right! Inflation is killing us!

And if that ain't a "case closed" on the failure of the Federal Reserve's stated mission to maintain stability of prices/value of the dollar, then, as they say, grits ain't groceries!