

Steady Diet of Chinese Currency

By [The Mogambo Guru](#)

01/05/09 With the devaluation of U.S. currency expected to continue – if not speed up – in the coming year, we'll probably see a new “big man on campus” begin to take over. His name is Chinese Yuan, and he's here to take your girlfriend, Reserve Status. Read on...

I keep watching the steady march of China towards world domination, and their currency (the yuan) getting bigger and stronger until it achieves reserve status and replaces the worthless dollar; and people around the world will say, “Foey on the dollar!” and I will get really nervous like I do every time some dirtbag country starts getting uppity like they are going to begin paying us back for the misery we have inflicted on them, and their friends, for the last century or so.

And yet I eat a lot of Chinese food, which seems somehow unpatriotic, but like most self-absorbed gluttons, I cannot stop because I don't want to, just like I still eat tacos even though Mexico is taking over the USA, and I am uneasy about that, too, and I walk around outdoors without an aluminum foil hat to shield my brains from interstellar rays and invisible CIA cameras reading my thoughts.

News.bbc.co.uk had nothing to say about how one's dietary excesses are reflective of one's patriotism, or about any of my other weird paranoid delusions, either, but it did say that (just as bad) up to now, “Most of China's foreign trade is settled in U.S. dollars or the euro, leaving exporters vulnerable to exchange rate fluctuations” and, of course, vulnerable to all the little bites taken by middlemen.

Now, “China has said it is to allow some trade with its neighbours to be settled with its currency, the yuan. It means if the two parties to a trade have yuan available, they need not enter world exchange markets to pay”, which will save them both a lot of time and money, as they can bypass all those expensive intermediaries that each take a little bite of your action.

Now, without these parasites, the inflationary implications caused by such cost-push factors are eliminated! Inflation goes down!

Anyway, the announcement is almost a fait accompli, as “Analysts told Chinese media that the yuan was already being used in some South East Asian countries and that China was happy to see such use extended”, which suddenly explains many of my unnamed fears and a lot of frightening nightmares about being eaten by gigantic egg rolls, instead of the delicious other way around.

Well, egg rolls or not, pretty soon everybody is going to have more egg rolls, as the Chinese are engaging in massive stimulus spending, too, just like we and everyone else are, and “announced more measures to stimulate domestic consumption”, which included such things as “subsidies to rural households for the purchase of household appliances and other goods, and the setting up of new stores and distribution centres in rural areas.”

Subsidizing raw consumption! Wow! Now THAT'S stimulus spending! But maybe such heroic measures are just to take up the slack, as the Chinese are taking a whack, which is almost poetic, which is why I wrote it that way, but also for dark, mysterious reasons about which one can only speculate and shudder, but mostly because the Commerce Department announced that consumer spending in America fell 0.6% in November, and U.S. exports fell for a third straight month, which is a lot, which also explains why the Chinese are taking a whack from slack!

What slack? From Marketwatch.com we learn that the Federal Reserve reported, "Stung by the loss of \$2.81 trillion in their net wealth, U.S. households paid down their debts in the third quarter for the first time since at least 1952."

The actual numbers are that "As of Sept. 30, households' total outstanding debt shrank at an annual rate of 0.8% from \$13.94 trillion to \$13.91 trillion", the difference being a hefty \$300 billion in foregone consumption right there, unless it was all offset by higher incomes, which it wasn't! Gaaahhh! We're freaking doomed!

As staggering and as bewildering as to what any of this could possibly mean, it was not until later that they reveal that when you adjust this fall in nominal consumer spending for the effects of inflation (perhaps using the recently revised Gross Domestic Product Deflator that shows that inflation in prices is 3.9%?), then "Real consumer spending rose 0.6%", which seems weird and contradictory until you remember that "Everybody's lying to me and that is why I understand nothing", and then everything makes sense again.

And that sudden clarity, that transcendental moment of total consciousness, is when you realize that you can trust only gold, silver and oil.

You wish you could trust The Mogambo, too, but you've seen how he looks at your wife behind your back, and you realize, "This guy's a real scumbag! But maybe his advice about gold, silver and oil is good, which will make up for it!"

Until next time,

The Mogambo Guru