

The Killing of a Worthless Currency

By [The Mogambo Guru](#)

05/04/09 Tampa Bay, Florida All of our economic problems are caused by the Federal Reserve creating the excess of money and credit that produced the bubbles in stocks, bonds, houses and size of government, but doesn't have to be electronic money made from electronic credit.

No, sirree! You can expand the money supply the old-fashioned way, as it can be money made from plain, old, paper-and-ink! Fire up the presses! Monetary inflation the old-fashioned way!

Perhaps that is why Mark J. Lundeen, market analyst, writes that Currency in Circulation (CinC) can also be an inflationary problem, as **“The historical period where the US saw double digit CPI inflation occurred from the mid 1970s to about 1982”** which was a time when, “CinC’s annual increase was pegged at 10% during this period. The CPI Index soon followed.” Yikes! Double-digit inflation!

Well, if you are like me, you are wary of references to the '70s and '80s since someone is liable to bring up some of those embarrassing episodes from your past that you had hoped were now forgotten, hopefully forgiven, but past the statute of limitations in either event.

Thankfully, Mr. Lundeen is not referring to any of that, and says, **“CinC, after falling for almost 8 years, has just recently jumped up to this same 10% year over year increase line that caused so many inflationary problems 30 years ago.”** Yikes!

And besides, he says, “How can any economist claim that the Fed is fighting inflation when the US Currency in Circulation has increased 20,000% in the past 95 years?”

Well, already overwhelmed by the terrifying increases in the money supply thanks to the recent insanities of the Federal Reserve and Congress, my Delicate Mogambo System (DMS) cannot take another shock.

So with trembling fingers I quickly verify this, and I see that, **as of April 27, 2009, currency in circulation was \$903.3 billion, up \$90.4 billion from this time last year!** He's right! An increase of MORE than 10%!

And if double-digit inflation is not bad enough, the news for the stock market (representing everybody's retirement accounts) is bad, too, as explained when he notes, “capital gains and dividend payouts lagged inflation for 10 years after the surge of CinC inflation of 1971. If this pattern holds for the 2007/09 surge of CinC inflation, stock values, earnings and dividend payouts will be woefully sub-par for a decade or more.” Yikes!

Unfortunately, he seems to be being already proved right, as even he notes, “corporate earnings are currently crashing. And,” he asks, “without earnings, how long can the DJIA, Barron's 50 and the S&P500 companies continue to pay dividends?” Good point!

Naturally, he figures that he expects to see “big cuts in dividend payouts within a year,” and that bond yields will rise “higher than most ‘experts’ believe possible,” which makes perfect sense to me when I see how **the 30-year T-bond is priced so high that it now yields about 3 lousy percent, the lowest since the mid 1950s!**

And what is the problem with creating excess paper, fiat money? Well, ask the people of Zimbabwe, whose moronic government has been creating so much of it for almost 15 years that, towards the end, inflation in prices could only be poorly estimated, as prices soared to more than a million percent, or a billion percent, or more. Nobody knows. A lot, though!

Well, the final upshot of constantly creating more and more money was provided by Junior Mogambo Ranger (JMR) Arlo S., who made sure I got the news from CommodityOnline.com that “Zimbabwe Declares Its Currency Dead.”

The article read, **“Super-inflated Zimbabwe declared its currency, the Zimbabwean dollar, a dead one and is no longer being printed.”** The fiat Zimbabwe dollar is worth zero!

Actually, this was inevitable, as nobody has used Zimbabwe dollars in a long time anyway, and non-governmental commerce was being conducted in foreign currencies and in grains of gold.

Later, we read that even such a catastrophic lesson has not penetrated any thick heads, as “Speaking to reporters here Zimbabwe’s Economic Planning Minister Elton Mangoma said the currency could be returned as a different currency or as notes once inflation was under control.” Hahahaha!

And what will gold be worth then? And one day, what will you answer when somebody asks you, “What will gold be worth at the end of the American super-inflation?” Hahaha! I thought so! And that is why we both know that you should be buying gold right now!

Whee! This investing stuff is easy!