

U.S. Dollar Stuck Between Supply and a Hard Place

By [The Mogambo Guru](#)

05/01/09 Tampa Bay, Florida As I look at the pile of bills on my desk – each of them for amounts always marginally higher than they have ever been (since prices are higher than they have ever been and getting higher Every Freaking Day (EFD)) – I can't help but reflect that our whole Sorry Economic Mess (SEM) is caused by people not paying their debts by borrowing more money with which to pay their debts, and how it was the damnable Federal Reserve that created all the money and credit in the first place that allowed us all to borrow the money that we used to get into bankruptcy trouble.

But paying one's debts seems to fly in the face of Ridiculous Recent Conventional Government Thinking (RRCGT) and Ridiculous Recent Conventional Consumer Thinking (RRCCT), each of which posits that "In order to pay down debt, you borrow more money," which admittedly seems to work like a charm for a long time.

And it's fun consuming things without really paying for them! And it continues to be fun until, one day...well, look around!

Anyway, you can't say you weren't warned, because when you listen with your Inner Mogambo Ear (IME), you can clearly hear the soundtrack in your mind has been all low and moody, underneath the perky "Funky Town" that never seems to ever quite go away, disjointed, disquieting poly-rhythms and clashing brass frame both the sounds of ravenous wolves howling in the distance and the sound of your own children shouting at you, "You're a terrible father, and I hate you, and you are stupid, and you owe me fifty bucks, so cough it up, ya creep!" and you secretly hope the wolves get to them soon so they will finally shut (pause) the (pause) hell (pause) up.

And how much debt are we talking about? Well, if you are talking about all the money I "borrowed" out of the piggy banks and college funds of the kids, it's not all that much, but a lot more if you count the money that I took out of my wife's purse when she was not looking.

But if you are talking about Total Credit Market Debt, which is all debt except accrued governmental future liabilities, it is estimated to be about \$52 trillion. Now, with a GDP of about \$14 trillion, it doesn't take much fiddling with a calculator to find that we Americans now owe, individually and collectively, 370% of everything we make! Gaahh!

A new, horrific record of fiscal irresponsibility! Insanity! To the bunkers!

To explain my hysterical overreaction, the previous high for total credit market debt as a percentage of GDP occurred in the first years of the Great Depression, when it soared to the then-unheard-of high of 260%! Now, it is 370%! Gaaahhhhh!

No wonder nobody is buying anything! We're all too far in debt to even think about going farther into debt to buy anything more!

And that's the reason why the economy is going down, and that is why the American consumerist economy is not going to go up again; nobody has any money, except my kids (who steal me blind), my wife (who doesn't allow me to steal her blind), and Congress, which deficit-spends the new money created by the Federal Reserve (which steals us all blind).

And for some reason, it reminds me of Say's Law, which is popularly stated as "Supply creates its own demand," which I assume has to do with the wages and other expenses received during production causing increases in demand for some things, like hookers outside Army bases on payday.

But I am not so sure it is true, because I once had a garage full of ashtrays I had made of dried dog turds, and I am here to unequivocally tell you that supply does NOT necessarily create its own demand.

I can tell by the look on your face that you are not an aficionado of earthy folk art, either. So, since I never seem to tire of screeching about the inflation in consumer prices caused by an inflation in the money supply, I will note that an oversupply of dollars obviously makes demand for the dollar go down.

Maybe this is why there are those that say that it is also kind of correct to say that "Demand creates its own supply," which I like a lot better, because if there were a demand for my ashtrays, I could sure as hell supply them!

I see that I have wandered away from the point I was trying to make, whatever it was, why I forget, and instead of finding out, I decide to just take a nice nap when, suddenly, I am rudely awakened by my stupid kids brandishing a page from Barron's and yelling about how they should be getting more money from me regardless of how my income is going down, and if I don't give it to them, then it proves that I am more stupid than most of the corporations in the country!

Still groggy and irritated from being brought back to consciousness, I felt around with my hand for a stick or something to show my appreciation, but all I found was the TV remote. It was an easy call to choose to listen to them yap yap yap and have the remote in operating condition than it was to teach them a lesson for the thousandth time and have the remote shattered into tiny pieces of wire and plastic, some of them stuck in their damned heads.

So I lovingly said, "What in the hell do you idiots want?"

With a look of victory in their eyes, they pointed to the table that showed that the stocks in the Dow Jones Industrial Average are paying out cumulatively more in dividends (\$309.07) than it reports in earnings (\$253.28), as does the DJ Transportation Average (\$72.27 dividends versus \$64.07 earnings) and the S&P 500 (\$24.08 versus \$14.88)!

I shook my head at such stupidity, but then brightened up when I realized that all that future selling of stocks as earnings continue to decline and dividends (which are already low) means that a lot of guys who sell will suddenly be flush with money, and just as suddenly are going to think of gold, gold, gold within hours of saying to themselves, “Now what in the hell do I do with the money?”

Whee! This investing stuff is easy!