Worthless Money from the US to Zimbabwe

By The Mogambo Guru

06/25/09 Tampa Bay, Florida I had been getting ready for the release of the latest totals of how much credit the damned Federal Reserve had created in the last week, and I am afraid that I overdid it a little. Prying open one bloodshot eye with a numbed finger, I looked at the number and saw that they had created another \$29.4 billion in new credit last week! Which wasn't all that much, in comparison to the records of new money they created in the last year!

I groaned aloud, and as my head fell forward and hit the bar, I was thinking that this \$29.4 billion in new credit would be considered huge if Alan Greenspan (horrid former chairman of the Federal Reserve that created the economic catastrophe that is unfolding) had done it, and such outsized creations of new credit would have been horrifying, producing rioting in the streets, if any Federal Reserve chairman in all the rest of US history had done such a thing.

The bartender came over to see if I was passed out, and as he poked me and said, "Hey! Hey!" I looked up at him and said, "But for Ben Bernanke and his outrageous excesses of creating new money so that the federal government can borrow and spend it, it is not that much! Hahahaha! Hell, this is the weenie that increased credit by over a trillion dollars in the last year alone! Gaaahhh! We are so freaking doomed!"

If you, too, are like me and have consumed a lot of various things so as to calm down enough so that your freaking brain doesn't explode at the Fed's astonishing, irresponsible government-lapdog excesses, then you are probably ready to know that, surprisingly, the monetary base abruptly contracted \$46 billion, a hefty 2.6%, in the last week or so, probably having something to do with the simultaneous \$48 billion contraction in the recent \$800 billion Federal Reserve addition to bank reserves, which may have something to do with the Fed buying up last week a whopping \$42 billion in government and agency debt! Last week! Gaaahhh!

I notice that I am still using exclamation points to express my profound stupefaction that the damned Federal Reserve is creating so much money, which means that the value of the dollar will go down, and we are on the same path as the morons running Zimbabwe who, I guess you heard, finally created so much money – which created so much inflation in prices as the oversupply of new money completely diluted the existing stock of money – that the Zimbabwe dollar is now officially worthless. Worthless!

So how does an economy keep on operating with no money? Well, the local poor-folks have been begging from foreign sources and furiously digging flakes of gold from the rivers, but the more well-heeled have adapted, and as Golf Digest reports, "Despite hyperinflation, cholera and hugely unpopular President Robert Mugabe, golf survives in Zimbabwe. At Bulawayo Golf Club (founded in 1895), members have been paying with gasoline because local banknotes are worthless." And China will not be far behind us, as it looks like it is not only the Western world that has a plan to pound money into the system to benefit its friends and insiders, as Bloomberg.com cited Vice Premier Li Keqiang as saying that "China will stick to its proactive fiscal policy and appropriately loose monetary policy," and that China "will focus on boosting domestic demand, particularly individual consumption, to fuel economic growth."

And they have plenty of money to spend, although most of it is in US dollars, and it is reported that the Chinese have about \$780 billion in US bonds, and another \$700 billion or so in other dollar-denominated assets.

Their problem, perhaps giving impetus to the Chinese decision to flood their own economy with money so as to "stimulate" demand, is, as Bill Bonner here at The Daily Reckoning writes, "that China has lost more than \$200 billion so far this year, thanks to the fall of the dollar and US Treasury bonds."

I'll leave it to you to figure out how such increased demand by one-third of the world's population coupled with world-wide, pandemic "quantitative easing" flooding of economies with money and government debt leads to inflation in prices and what that all has to do with buying gold, silver and oil Right Freaking Now (RFN), but when you do, I am sure that you will think, "Whee! This investing stuff is easy!"