

What Happens When Currencies Go Bust?

By [The Mogambo Guru](#)

12/07/10 Tampa, Florida – I was telling the doctor that I distinctly heard a popping sound inside my head when I saw that the foul Federal Reserve had created, last week alone, another \$24.2 billion in Fed Credit, which was instantly turned into money when the Fed bought \$24.2 billion of US government securities, and all in One Freaking Week (OFW)! It made a kind of “sizzling” sound.

Furthermore, a tortured howl of outrage boils up inside me (which tastes surprisingly like stale beer and pepperoni pizza) at the Sheer Inflationary Horror (SIH) of this creation of \$24.2 billion in new money in One Freaking Week (OFW)!!

The doctor dismissed my complaint, but billed me anyway, although you can obviously see the seriousness of it by the use of two exclamation points, and by the use of another one at the end of this sentence used to explain the significance of the prior exclamation points! It’s self-proving! Proving!

Perhaps you are saying to yourself, “This seems to be important, as indicated by the sudden plethora of exclamation points, but for reasons which are not clear. Why am I wasting my time with this Stupid Mogambo Crap (SMC) anyway?”

If you are, indeed, asking yourself such a question, then lean forward and look deep, deep, deep into my bloodshot-yet-limpid blue eyes to see my Utter, Utter, Utter Sincerity (UUUS) when I tell you that “When the supply of money goes up, prices soon go up.”

And since prices going up is just another way of saying that a currency is doomed, a reader, Chet, wrote to Casey Research and said, “I fear that the dollar is doomed as are other fiat currencies, and time is getting short. So the question that came to mind is, what happens if one is invested in metal stocks or any vehicle that is denominated in a fiat currency, and that currency goes bust, blotto?”

As a guy who has been both bust and blotto many, many times, often at the same time, I deem myself somewhat of an expert on the topics, and so, without waiting for either David or Terry to give their response, I jumped up and replied, “What happens is that the price of everything adjusts according to supply and demand, just like everything else in the whole freaking world always does all the time, you moron!”

Chet apparently did not like my unsolicited response, and continued as if I had not just explained it, “What value does that investment retain? Does it become a total loss? Redefined into the currency of the locality that operations are in? Converted into some other New World Order monetary unit, SDR’s or nationalization of any regional assets by the locals? Is this impossible to plan for?”

Growing more frustrated by the minute, again I interrupt and politely say, “What in the hell is wrong with you, ya dimwit? The price, in the local currency, of everything will adjust. If bread is \$2 a loaf, gasoline is \$3 a gallon and gold is at \$1,400 an ounce, will you be better off if bread is \$40 a loaf, gasoline is \$60 a gallon and your gold is selling at \$28,000 an ounce, assuming that prices adjust perfectly in proportion to the loss of buying power of the dollar due to over-issuance?”

Suddenly, I realized that the reason that Chet was ignoring me was that I was reading it on the computer, and people are looking at me while I am yelling at my computer screen, “Chet, you’re an idiot! The answer is no; thanks to gold, your financial situation will be exactly the same in terms of loaves of bread and gallons of gasoline!”

Embarrassed, I sat back down and pretended nothing happened, so that after a few minutes, everyone went back to work. I pretended to go back to work, too, but secretly I was thinking to myself, “While he will be unchanged, those who do not own gold, silver and oil will be worse off, even if temporarily offset by still having \$1,400 in cash instead of an ounce of gold, and who will, in turn, be better off than the vast, overwhelming majority of the population who will be the worst off, as they do not have gold, nor silver, nor oil, and this is to say nothing of them not having \$1,400 in cash!”

Unfortunately, these poor people still have to somehow pay \$40 for a loaf of bread and \$60 for a gallon of gasoline. Welcome to the wonderful world of inflation! Hahaha!

And the reason that you should be buying gold, silver and oil against the onslaught of the Federal Reserve and the federal government against the value of the dollar will become very clear, very soon.

In the meantime, rest your pretty head, my darling Junior Mogambo Ranger (JMR), as all you need to do is buy gold, silver and oil at your leisure, which is so easy that you, too, will happily exclaim, “Whee! This investing stuff is easy!”