

# Purchasing Power Buckles Under Government Spending

By [The Mogambo Guru](#)

03/23/11 Tampa, Florida – What if I got right up in your face and told you that there is almost \$2 trillion in government debt outstanding on which the government pays no interest? Would you think me insane? Would you look at me skeptically and say to me, “I’ve told you a thousand times that you are not allowed to make things up just because you don’t know what you’re talking about, you moron!” or something equally as rude?

Well, I take umbrage at this, as this is one of those times when I am NOT making things up, but I admit that I still don’t know what I am talking about.

“But,” I say, springing to the attack, “if you are so damned smart, then what happens to the interest that the government is paying on the \$2 trillion in government and agency debt that the Federal Reserve owns? Huh? Who? Huh? Who?”

I say this because, so the story goes, the Fed is not allowed, as a private bank, to profit from creating money, nor, I would say, from the ownership of the government bonds that it bought with money it created.

And so the Fed, every year, remits all the money it gets back to the Treasury, except for a few billion in fees, charges, expenses, overhead, commissions, bonuses, additions to the petty cash accounts, and (probably, under “miscellaneous expenses”) kegger parties with strippers.

And as a guy who has gotten stuck with the check for a blow-out kegger party, I can tell you they ain’t cheap, but I suspect that the Fed can afford it, as [Ralph Benko](#) of the American Principles Project, and writing in his essay [“Gold, the States, and Federal Monetary Policy”](#) here at *The Daily Reckoning*, notes, “Uncle Sam will spend \$10 billion per day in 2011.”

This is in contrast to how “the federal government spent \$15 billion from 1789-1900. Not \$15 billion a year. \$15 billion cumulatively.”

I look again at the government spending \$10 billion per day, and then I look again at the government spending \$15 cumulatively, and then I look again at \$10 billion per day, and then again at \$15 billion cumulatively for 111 years In A Freaking Row (IAFR).

Then I look at Bill Buckler, who, in his Privateer newsletter, writes, “This year, the official budget for the US government is \$3,700,000,000,000. That means the government will spend \$10.13 billion every day – weekends and holiday included.”

Obviously, by noticing the way my head is swiveling to and fro, you know that you can bet your butt that I was ready to take this outrage and go off on a predictable Screaming Mogambo Rant

(SMR) about the inflationary horrors of the Federal Reserve creating so much money and that such massive, deliberate devaluation of the dollar were even possible, and that the federal budget of \$3.7 trillion doesn't include all of the \$2 trillion or so that Congress will surely end up deficit-spending during the year, as hundreds and hundreds of billions of dollars more is spending is authorized during the year with "supplemental appropriations."

Fortunately, Mr. Benko barreled ahead, cutting me off, by elaborating, "The federal government spends more every two days than it did altogether for more than America's first century."

"Aha!" I thought to myself! "This is in nominal dollars! These are not inflation-adjusted dollars! Now, Mr. Benko! Now we'll see who will pay a price for cutting me off!"

My Brave Mogambo Heart (BMH) was beating with a war-cry of victory – Hahahaha! – when I was suddenly quieted as, again suddenly, out of nowhere, he again cuts me off, and cuts the guts out my objection! I am, in a word, upset!

Suddenly adrift in the bitter ashes of my defeat, I see he is leaving me with nothing except a sense of frustration and the incomparable phrase "cuts me off and cuts the guts out," which is, I guess, better than nothing, and maybe with a little editing, maybe a nice rhythmic percussion over a catchy tune, I could parlay it into a hit song, a recording career, fame and fortune, my own line of perfume ("Mogambo Mambo"), a reunion tour, and make tons and tons of money so that my revenge against Mr. Benko here, for cutting me off, would be even more sweet.

What he actually said was, "Although these sums are not adjusted for inflation, they give a correct impression of the magnitude of the change from what our Founders set forth and our early statesmen delivered," which is not only perfectly correct and perfectly horrifying, but sounds so classy, too, as compared to my coarse scratchings, deepening my sense of embarrassment and frustration.

"You want classy, eh?" I snarl. "Maybe if I come over there and piss on your shoe, then we'll see who has class and who ain't!"

Well, to my surprise, making threats against footwear was the key to victory here! He then said, without any sense of his flowing lyricism of old, "The dollar today is worth less than a quarter was worth in 1971," which is plenty of testament to his "magnitude of the change" in the purchasing power of the dollar.

The question that should come immediately to your lips is, "If that was 40 years ago, what will a dollar be worth in 40 years?"

My answer comes immediately to my lips when I answer, "You won't care if you buy gold and silver with the dollar!" That elegant simplicity makes investing so easy that I say, "Whee!"