

TABOO OPINIONS #6

By Richard E. Geis

rerwingeis@cs.com

Copyright 2004 by Richard E. Geis

For Adults Only!

4-28-04 Just a short comment on that dreaded subject, economics.

Those who think gold is the thing to buy in order to protect the value of their current wealth...must be flummoxed by gold's current decline in price in the face of rising "inflation."

"Inflation" is in fact the creation of money by loans (mortgages, credit cards, time payments, government deficit spending). "Inflation" is not the rate of rising prices. The rate of rising prices is the rate of the rising cost of living.

Just a correction of the government sleight-of-mind con game which has been going on (with the invaluable help of the major media) for fifty years, at least.

But I think a different process is going on. I think gold (and silver and platinum) is failing to rise in price because under the surface of this current 'pop' of business profits and prosperity (fueled by war spending, increasing consumer debt. And the amazing housing bubble) is the increasing destruction of money by way of bankruptcies, defaults and late-later-never payments.

There is a Law of Diminishing Returns in play now: The more money is created by debt, the less 'prosperity' effect it has, each economic cycle, until now we are in the last stage of the attempt to save the debt structure by way of incredibly low interest rates (designed to put off the evil day of debt collapse by hyping borrowing (money creation) one more time.

The great gold-bug fear is of hyper inflation---a la 1920's Germany---when a million marks wouldn't buy a loaf of bread. Then the government simply printed marks until the presses melted.

In our situation we sell our government debt to people and mostly

foreign central banks now, and they will not continue to buy our govt. debt if the totals become absurd and they decide there's no way we will pay off our borrowings in dollars worth the dollars they paid.

In short, our debt machine is inherently self-limiting, and soon the housing bubble will burst, the consumer will be tapped out, and the corporations and states will be unable to even spend and borrow at current rates.

The debt structure depends on ever-increasing levels of debt and an ever-decreasing value of the dollar. So any lack-of-debt expansion and any sign of value stability of the dollar...

This wasn't a very short comment on economics, was it? Oh, well.

Watch the economy, the stock market, the commodity prices...

END TABOO OPINIONS #6