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A Hitchhiker's Guide to Under-Priced Oil

by The Mogambo Guru

"Now I can afford to cruise the streets looking for hitchhikers, so that I can give them a ride while I explain to them, 'Hey, kid! Did you know that money is created by debt nowadays? It is!'"

Robert Morley, in an essay posted at thetrumpet.com, is titled, "How This Recession Could Change the World", which is kind of funny, as it would be REALLY weird if a recession DIDN'T change the world in some way! Hahaha!

Hell, just getting short-changed by a lousy ten dollars by the snotty little cashier at the supermarket changed my world! Hahaha!

My attempts at humor falling flat, he brushes me aside and starts out asking, "Did you know that lower oil prices may set events in motion that will have a much bigger impact on your wallet than a few dollars off at the tank? There is an unexpected side effect of today's breathe-easier gas prices - and it is a big one."

I say, "Yeah, I know!" Now I can afford to cruise the streets looking for hitchhikers, so that I can give them a ride while I explain to them, "Hey, kid! Did you know that money is created by debt nowadays? It is! It starts when the Federal Reserve creates, at its whim, credit in the banks, which becomes money when someone borrows it from a bank, for which the borrower owes both the principal and interest. The borrower owes more than was borrowed! Hahaha! Do you understand the significance of knowing that every dollar you have is not enough to pay back what you owe? Hahahaha!

"And now we owe So Freaking Much Money (SFMM) that it is around 400% of our GDP, of about \$13 trillion, which is the total value of everything this country produces in a whole year! And the government has an accrued liability of \$95 trillion, on top of that, right freaking now! We're freaking screwed!"

By this time, I have merged back with traffic, horn honking, tires squealing, giving me the opportunity to say, "And then the Federal Reserve and regulators all looked the other way and acted stupid when derivatives got So Damned Weird (SDW) so that now, globally, there is over 650 trillion dollar's worth of them in the U.S.A., and a reported \$1.25 quadrillion in the world! Hahaha!"

Dangerously weaving in and out of traffic so as to focus my passenger's rapt attention, then I tell them, "The Burning Question That Will Plague The Future (BQTWPTF) will be: How could these Earth people be such buttheads that Glomdorm, high overlord of this sector of the galaxy, had to send The Mogambo, which is me, to Earth here to tell them to peg their money strictly to gold or, in the immortal words of Glomdorm, 'die the dreadful death of inflation at the hands of governmental overspending and increasing enlargement of the governmental apparatus therewith' which admittedly does not flow trippingly from the tongue?"

By this time, their eyes are bugging out, but I continue relentlessly, "And if the governments did not do that, then each Earthling should, again in the words of His

Excellency Glomdorm, 'accumulate as much gold and silver as possible because this is the only rational response of intelligent beings to such stupidity by a government, and if people react appropriately, as befits intelligent beings, and start buying gold in response to such monumental governmental stupidity, then we will not incinerate the planet Earth into a burned-out cinder with our plasma ray-guns!'"

Well, usually, I find that such momentous revelations are too much for tiny Earthling brains to absorb, and they start whining and crying and begging me not to hurt them, and how they just want to get out of the car after just a few blocks, and I am yelling at them "You begged for a ride to go two lousy blocks, you hateful little creep?"

They never answer, or even say "thanks"; they just open the door and run away, usually screaming and crying, which I figure means they understood the enormity of the situation, which was my plan all along! Mission accomplished, Mogambo!

But Mr. Morley is not talking about that, but about how "As expensive as \$147-per-barrel oil was for consumers, and as bad as that was for the economy in general, believe it or not, it was a bit of a blessing for the U.S. government. As U.S. consumers sent hundreds of billions of dollars to oil exporters such as Saudi Arabia, Kuwait, Nigeria and others, these countries recycled large portions of those dollars into the United States by lending them to the federal government. They did this by purchasing U.S. treasuries and other U.S. agency debt, such as Fannie Mae and Freddie Mac bonds."

He notes that one result is that "This oil-dollar recycling had one huge short-term benefit for Americans: It helped keep interest rates low", which is true, but all I can think about is how much tax money all those governments raised as a result, and how they spent it instituting permanent programs to take care of another swath of now-dependent parasites, and how the government will keep deficit-spending, and the Federal Reserve will keep creating the money to pay for the spending, and things will cost more and more, and one day \$147 per oil will seem like a pleasant dream.

At first, I am despondent and suicidal, as usual. And then I remember that as oil will be higher, ditto the prices of gold, silver and oil!

Then, I feel better when I realize, "Whee! This investing stuff is easy!"