Money Tsunami Capsizes the Global Economy

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I was surprised that *Barron's* reported that the banks show their **Total Reserves fell from $896 billion to $848 billion,** which is a simple math problem that seems custom-made for my abilities in that regard.

And to prove it, I deftly subtract one from the other and get – voila! – $48 billion, which is not only factually correct, but more than enough to quiet any naysayer saying, "Nay, I say!" as regards my computational skills.

Then, to add that essential touch of surreal whimsy that seems to permeate all things fiscal and monetary these days, I additionally note that not only did Total Reserves go down in the banks by $48 billion to $828 billion, but I will note that **Total Reserves one year ago were a miniscule $41 billion! Hahahaha! They fell last week by more than they totaled one year ago! Hahaha!**

In fact, Required Reserves are only now starting to rise from "nearly zero" to "slightly more than zero," and banks are now "required" to have a miniscule $56 billion in reserves against their zillions of dollars in assets and liabilities, while meanwhile, a mere couple of lines up on the same *Barron's* page, the Federal Reserve reports that "Reserves F. R. banks" went down by an astonishing $125 billion last week to $692.6 billion! Wow! Big move!

These huge tsunamis of money, joining all the other tsunamis of money sloshing back and forth around the banks and the world, around and around, getting everything all wet, are not only ruining the patio furniture and making a mess of everything, but are such that **even the World Bank has revised its estimates, and now says the global economy will contract by 2.9% this year instead of their previous forecast of 1.7%, which is an error of 41%.**

Well, when I show up at an executive board meeting sporting a 41% error on a forecast I made just a few months ago, all I hear is people all demanding that I be fired or killed for bringing the company to the edge of bankruptcy and ruination, which of course I seize upon to show that precision economic forecasting is a ridiculous exercise everywhere you go, especially since economics is, just as the Austrian school of economics always said it was, human behavior with a huge random element, which is not even to mention Taleb's Black Swan Hypothesis of unforeseen catastrophic events making a complete mockery of using bell-curve probabilities to forecast long-term expected results.

It's like expecting, but not getting, what you would expect from the statement from the Federal Open Market Committee after their recent meeting, which apparently showed that they are incredulous of the generally low level of intelligence of Americans, which they demonstrated when they said, “As previously announced, to provide support to mortgage lending and housing markets and to improve overall conditions in private credit markets, **the Federal Reserve will purchase a total of up to $1.25 trillion of agency mortgage-backed securities and up to $200 billion of agency debt by the end of the year,”** which I figure would be $238 billion a month for the remaining six months of the year, which would normally make my heart start fibrillating with fear at the inflationary implications of such irresponsible monetary policy.

My snotty interpretation is that by saying “as previously announced” they mean, “we say again so that you can’t say we didn’t tell you that you morons are sitting there while we at the Federal Reserve are going to buy up the losses of our friends at a rate of $12,500.00 for every one of the 100 million non-government workers in the USA, which is admittedly a lot of money at $12,500.00 each, but which is almost certainly grossly understated so that we are going to keep coming back for more and more and more! Hahaha! Suckers!!”

Whether or not they meant that, it turns out that I was right, and this is all part of some nefarious plan, as they later slipped in, almost as an afterthought, that **“In addition, the Federal Reserve will buy up to $300 billion of Treasury securities by autumn,”** which made my eyes pop out painfully when I realized that this means that we are suddenly talking about buying up almost $350 billion a month in worthless assets and handing over the cash to the lucky current holders (who are making out like bandits!) of those toxic assets, which means that these guys will suddenly have a lot of cash in their pockets looking for a home, and the prices of something, or some things, are going to go up as this $350 billion of new cash Per Freaking Month (PFM) gets plowed into “investing” in some asset or another.

This is where some people think it gets tricky, but it is not. This is, in fact, the easy part, as **all you have to do is buy gold, silver and oil when your government is acting so impossibly stupid.**

At least, that is the lesson of the last 4,500 years of history! And like the saying goes, “The race is not always won by the swiftest, nor the battle by the strongest, but that is the way to bet!” which is just another way of saying, “Whee! This investing stuff is easy!”