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Between a Rock and a Hard Place (Political Economics)

Here's a headline I have been waiting for: Trump Says Coronavirus Restrictions Will Be Lifted Soon—The US Was Not Built To Be Shut Down." With the virus gaining traction across the United States, and the worst undoubtedly to come, why is Trump saying this? Early this morning, the Fed came forth with its Mario Draghi moment—this time from Neel Kashkari, the President of the Federal Reserve Bank of Minneapolis. When asked if the Fed will literally print money, he answered that Congress has given the Fed the authority to do just that—to print electronic money into the system to provide needed liquidity. Asked if the Fed is flooding the system with money, he answered, "Yes, there's no end to our ability to do that—there's an infinite amount of money at the Federal Reserve."

That defines monetary lunacy, but why is Trump talking about easing coronavirus restrictions, and why is the Fed falling into lockstep with him? Let's begin globally and work our way home. Foreign nations own 12 trillion more in dollar denominated assets than we have in other currencies, so, as they get squeezed, and they sell those assets, we have to find a way to assume more dollar debt—and the currency dump of last resort is the Fed balance sheet. As long as markets are open, with borders and stores shuttered, the Fed has to print enough to cover all US instruments that get sold off by other nations, and repatriated home.

Trump knows there is no US economy without a rising stock market. This morning the Fed gave it their best shot and the market still sold off 3%. Gold noticed the selloff and moved back above \$1600. So, what is it that gold knows and Trump suspects? In a highly-levered, supply-chain world, there cannot be closed borders or business. That 125 billion a day into repo (et al) comes to 34 trillion a year. That there may come a time when the Fed is forced to add all US paper debt, and dollar imbalance, into its balance sheet. The US debt alone is 47 trillion dollars. It sounds incredible that the Fed would add insane levels of debt, but is it any more incredible than what we are seeing? If along the road to hyperinflation (deflation first?), the Fed adds 10 or 20 trillion to its balance sheet—why not?

The Fed is doing anything it can, including skirting the rules on directly purchase stocks, with little fear that Congress will reprimand them. It's as if a dying patient were offered an unvetted, trial drug, from someone they trusted. Any

hopeful protocol is to be gladly accepted. But it will turn out to be more lunacy: the US government is already the largest real estate holder on earth, and now they want to buy stocks with counterfeit money. A reserve currency with a zero interest rate, printing unlimited currency, without a plan other than to provide liquidity—what is it telling us about the future for the dollar?

When the stock market and the bond market head into the downturn together, our real problem will become apparent. That's when the US government will have to start bidding on gold—bidding up the price of gold using counterfeit money, which will throw the paper gold market into disarray—worse—consternation. And the paper market is huge. The actual gold market is minuscule, but the paper gold market does 280 billion trades a day—double the trading volume of the S&P.

I was writing this last night, and today the economic world is not the same as yesterday. The DOW is up more than 11%, and gold is up \$120—a pairing which is a definition for madness. This should remind us that the powers that be are not out of ammo—the Fed is hammering on empty chambers but the government is not. They yet have cards to play: confiscating paper money, and anything else they can rationalize. I see, this morning, the proposal for the government payments to Americans to be digital bank drafts. That's good beginning—make everybody get a digital account if they want a personal bailout. Then what?

I heard from a friend this morning that he is anticipating gold breaking the old high on it's way to \$4000. Maybe so, but not necessarily right away. Until the government runs out of financial repression vehicles, we could see the price of gold go sideways or retreat. Everything that can be done to hold up the purchasing power of the dollar will be done—even if the controllers know it will destroy Americans in the long run. These people are neither economists nor do they have their finger on the pulse of the country. As such, they do not understand how precarious this economy is: when one is preaching abundance every day, it's difficult to imagine that we were on our way to default before the coronavirus.

What's happening with the dollar rise is counterintuitive—a short-term phenomena that only lasts until our bond markets come under pressure. And when non-payment mistrust hits the credit card system, the whole system freezes up, resulting in no fuel or grocery delivery. India invoked today, with a one-day notice, 1.4 billion people into a 21 day lockdown—which translates to anything being possible. Trump, along with state governments, are at a crossroads. If they want our support in self-restriction of movement to flatten the infection curve, take the steps to un-restrict free speech on the other end. Let the social networks know that martial law is being planned, but only towards their tyrannical practices that are intended to strip Americans of their rights.

One of my novels, *The Audit*, has to do with what it looks like when financial repression is the law of the land, and free speech is a thing of the past. It's on my site: neverhadaboss.com. I have printed copies that I will give to you for free with an email request.

Visit my site: neverhadaboss.com. There you will find my blogs, fiction, and poetry. Get my blog by email: erik@neverhadaboss.com

