

Stimulus May Be Last Nail for Dollar

Government actions have consequences.

Some people were happy with the so-called stimulus checks they got from the federal government. Most of them are excited about the prospects of getting another one.

One such fan of stimulus checks was complaining to me a while ago after realizing prices on some necessary items have gone up a noticeable amount.

Instead of keeping my mouth shut, I said “Remember the stimulus check you were so thrilled to get a couple of months ago? You’re starting to pay for it.”

I could have added, “Expect it to get worse.”

The more dollars created, the less each individual dollar is worth. When a dollar is worth less, it takes more of them to buy things.

Look at the recent price of gold, silver, and Bitcoin. As the U.S. dollar loses value, their prices go up.

It’s called “inflation,” but most people get it backward. It doesn’t mean things are getting more expensive; it means dollars are getting cheaper. Inflation means you can get more dollars for a roll of toilet paper than before.

People who are unaware of this economic fact might complain about the wrong things and blame the other victims — manufacturers and retailers — instead of the guilty party. Government will do almost anything to keep the people from realizing who’s to blame.

Don’t expect the trend to be a straight line. The value of a dollar will be unstable, going up and down over the short term. Prices will rise and fall because the value of a dollar isn’t the only thing affecting prices. Supply, demand, and innovation also affect what things cost. This is why, even though the dollar’s value is fading, prices don’t always only get higher.

In the long term, the dollar is doomed. It was probably already doomed, having lost over 96 percent of its value since the Federal Reserve was created. A dollar today is worth less than 4 cents compared to a dollar before government policy began its destruction.

The COVID-19 spending, conjuring dollars out of thin air, might be the final nail in the coffin. Or, people may continue to tolerate a “dollar” worth a few cents if enough of them imagine it’s worth more. You can’t predict what people will do. I never believed anyone would tolerate having the economy shut down and being forced to wear masks, but here we are.

Has anyone told you recently we are living in interesting times?