



MONETARY & ECONOMIC REVIEW

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Special Alert

This alert covers several issues that are popping up on the economic and political landscape.

Counterfeiting Problems

The *London Telegraph* headlines on September 6, 2009, read, “China Alarmed by U.S. Money Printing,” with Chinese officials stating, “The U.S. Federal Reserve’s policy of printing money to buy U.S. Treasury debt threatens to set off a serious decline of the dollar and compel China to redesign its foreign reserve policy.” Yes, they are concerned about fiat (nothing) currency. Meanwhile, the coin collecting industry and, more specifically, rare coin collectors are alarmed at the quantity of “rare” coins being counterfeited by the Chinese and ‘salted’ into the U.S. rare coin market. Most of these are copper, nickel and some rare date silver and gold coins. Our suggestion is, do not buy “rare” coins online or at flea markets. Use a reputable third party grading service to authenticate if you are serious about collecting rare coins. This is one of the reason we are not keen on rare coins, as their value depends on authenticity of a date and condition. We continue to stress common date gold and silver coins in AU (almost uncirculated) condition with pricing closer to bullion prices, but with enough premium on the gold coins to exempt them from confiscation.

Commercial Real Estate

Las issue, we estimated the loans outstanding on commercial real estate coming due in 2020 to be at \$3.5 trillion. Recently, a board member of the National Association of Realtors advised us we were wrong and that the figure is more the \$6.5 trillion. Properties securing these loans include hotels, office buildings, shopping centers, apartment buildings, and even parking garages. The major problem is lack of equity by the borrowers; many of these properties will enter foreclosure and the lenders will take a financial “haircut.” This will further dampen any recovery. We are even seeing a worldwide problem in this area that has begun in Dubai.

Debt Shock

Many are shocked that the Democrat-controlled Congress and White House are in the process of raising the debt ceiling of the U.S. Government by \$2 trillion. The problem is, there is not \$2 trillion in savings of the American people to fund such borrowing. If foreign buyers cannot be found, the U.S. Federal Reserve will print the money to fund the government borrowing that will result in the continued depreciation of the U.S. dollar.

Federal Reserve Image

Due to a more informed public, the U.S. Federal Reserve (a private bank owned by member banks) is not very popular these days. U.S. Senator Jim Bunning (R-KY) even called the Federal Reserve “the creature from Jekyll Island” – an obvious reference to the book by the same title by G. Edward Griffin (MER readers may order the book by calling 800-336-7000.) To counter the tide of negative opinion, the Fed is running a 60-second public service announcement to be run in movie theaters just before the movie previews. Go figure that one out. Maybe they are figuring the masses will flock to holiday movies and new releases after the first of the year.