

Weekly Posting of the Conservative Cow Doctor

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A Keynesian Look at Dog Poop

“Will stomach acid digest money?” Robert asked me on a typical Monday morning at Beartooth Veterinary Service.

“Coins usually pass through,” I stammered. “Hey, wait a minute, what’s the rest of the story?”

“My grandson’s dog, Gunner, jumped up on the counter and ate 600 dollars in cash,” he replied.

“We could induce vomiting,” I offered. “When did he swallow the money?”

“Three days ago,” Robert fired back. “We’re digging through the droppings right now.” Suddenly Robert’s dilemma became an intriguing question of digestive physiology combined with economics—the perfect storm for a veterinarian needing an analogy about monetary policy and the true value of 600 US dollars in August of 2011. As a point of reference, today’s column will make the outrageous assumption the dollar is actually based on the gold standard. (Obviously, this is pure fantasy.)

Robert was born in 1943 when gold was trading at \$33.85 per ounce. Had Gunner eaten 600 dollars then, his three day accumulation of droppings could have purchased 17.75 ounces of gold. By the year 2000, with gold at \$279.11, the cash meal was worth 2.15 ounces. When Senator Obama was elected president gold hit \$871.96, so Gunner’s poop could only be exchanged for 0.68 ounces of gold. Today, with gold at \$1740.21 per ounce, Robert could clean his entire yard with a fine tooth comb and only collect enough dung to purchase a measly 0.34 ounces—not an acceptable rate of return given the working conditions.

Since this rambling is fantasy, let’s look at Robert’s yard from the perspective Gunner’s droppings are conversely a mixture of gold which can be converted to dollars. Suddenly, magically, and mathematically had the 17.75 ounces of gold Gunner produced over three days in 1943 been kept on the shelf, it would be worth \$30,888.73 today—not a bad return for five minutes of labor with a shovel and bucket.

How did this happen? Why does three day’s worth of dog droppings not have the purchase power today as it did in 1943? Mostly, the devaluation of the dollar can be attributed to John Maynard Keynes, a British economist who died in 1946. Mr. Keynes founded the macroeconomic theory where government manipulation of the money supply should be used to flatten out the boom-and-bust cycle inherent in free market capitalism.

Followed to the extreme, every citizen in a Keynesian model country would suffer the same amount of poverty, drive the same type of automobile, eat the same food, live in the same type of house, and receive identical healthcare. Unfortunately, but predictably, lacking the incentive to be anything but average, Keynesian citizens soon become fat and lazy feeding upon the labors of others. When the stream of freebies dries to a trickle, and it always does, citizens rape, rob and pillage the property of others—all things they have been indoctrinated to feel entitled to. The flash mob riots in Greece, London, Philadelphia, Washington DC, and Kansas City are a preview of the new normal in a Keynes society.

Our dollars are losing their value due to the Keynes technique of “quantitative easing” (QE); the reckless flooding of our economy with electronically created money. When banana republics can no longer stimulate their economies by artificially lowering interest rates, they default to this last ditch effort of devaluing their currency. Under President Obama the Federal Reserve has used QE to electronically introduce 2.3 trillion new dollars into the American economy (QE1 and QE2). On Tuesday, August 9th, the Federal Reserve suggested there will likely be a QE3. (Obviously if something isn’t working; doing more of it makes perfect sense to Keynesians.) America will soon suffer tremendous inflation and the purchasing power of our dollars will plummet even further—Gunner’s droppings will not be worth sh**.

To close the loop, I thought I knew two people tight enough to squeeze a nickel from a pile of dog poop—Robert and my father-in-law. Apparently I was mistaken. Robert’s search yielded no cash, so it appears my father-in-law single handedly holds that title.