

Let's Schmooze

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That Dragon's Here

... and it's hungry and it wants to be fed! Oil, gas, steel, timber, etc. You name it ~ the Dragon wants it ~ unlimited raw resources for an eager, booming economic machine.

Asleep for so many centuries, the Chinese dragon is awakening. It's not mean spirited or evil. It's just like any other living thing. It wants to fill its belly. It's been famished for a long time. And now, its appetite is insatiable.

And that's where trouble looms on the horizon ~ for us.

America has been living off the fat of the land for a long time, a just reward for saving the world from the horrors of the would-be dictators of World War II. However, now that the Chinese dragon is awake, it wants some of that "fat of the land" too. And of course, so do India and a host of other countries hungry to share the golden American lifestyle.

The Chinese dragon is not just sitting on its haunches, either. It's busy making lots of consumer goods and selling them to the voracious American consumer economy. (Remember trinkets for the natives of Manhattan?) And, making tons of dollars in the process.

So much money, that the Chinese now have roughly a trillion dollars parked in good ole U.S. Treasuries, which they can call on anytime they feel like it.

It's that trillion plus dollars of Chinese money still sitting in Fort Knox that is keeping our interest rates down in the basement!

So, what does the future hold for domestic interest rates? Anybody cares to read the Chinese tea leaves?

My guess is that the Chinese will be slowing down on U.S. Treasuries because of the shenanigans going on in Washington, D.C. ~ where politicians are so busy fighting each other that they can't agree on anything. Sooner or later, our Chinese friends will stop soaking up dollars, and then when they want to show everybody who really is boss, they'll start dumping dollars.

It could be that if the American dream is politically taken over by the Chinese dragon, it won't be at the point of a gun, but more so at the point of a creditor's accounting pen? Once we collectively owe that dragon trillions of dollars, we aren't going to have much to say on the global stage. It's creditors that usually do the talking and set the game rules, not debtors. We'll just have to keep our mouths shut while we figure out how to pay the Chinese their money. In the meantime, they'll take over running the globe.

Anybody ready for some more inexpensive Chinese goods? Mass merchandisers have lots of that stuff. Watch out, though. It's cheap today, but quite expensive down the road when it's time to pay the piper!

The good people of New Orleans had a saying, "Let the good times roll!" You know the rest of that story. Sooner or later, the party has to come to an end, usually when the party favors run out!

We don't want to repeat the same mistake. And, right now we are drowning in a flood of intoxicatingly cheap, Chinese credit.

The Dragon has baited its trap! Why are we walking in with our eyes wide open?

~ *'til we meet again* ~