

Saturday, July 4, 2009

Cal-Bucks Anyone?

"The Peter G. Peterson Foundation, established by a former commerce secretary and investment banker, argues that the \$11.4 trillion debt figures does not take into account roughly \$45 trillion in unlisted liabilities and unfunded retirement and health care commitments. That would put the nation's full obligations at \$56 trillion, or roughly \$184,000 per American, according to this calculation."-- USA Today



OK, now what about California? At this writing, our golden state is laboring on how to close a \$24 Billion budget shortfall resulting in the need to issue IOU's instead of dollars as proxy payments to vendors and individuals still awaiting tax

refunds. This \$24 Billion deficit comes on top of California's already existing debt of nearly \$70 Billion. The IOU solution is tantamount to printing state issued currency, which, by the way, is prohibited under the federal constitution.

So if you add the woes of California and the twenty or so states in similar messes on top of the federal deficit and debt problems, how do you think that bodes for the future value of the mighty greenback? Let's be realistic. The federal government isn't going to allow California to continue this practice of printing defacto currency. So the only solution will be to load up the federal debt even more to bail out the states.