

G20 – Lies, damned lies and Gordon Brown lies

written by Egon von Greyerz | April 3, 2009

Gordon Brown has really surpassed himself in creative alchemy. He has turned \$100 billion of G20 new commitments into \$5 trillion of air!

Take \$100 billion of committed new money, add \$500 billion of already committed money, add non-committed but discussed amounts of \$500 billion and you present a headline lie of \$1.1 trillion. But it gets worse, Gordon Brown then claims the largest fiscal stimulus in history of \$5 trillion. This is another lie. The \$5 trillion contains no new funds but only the IMF's estimate of the rise in the G20's government borrowings between 2008 and 2010.

Poor Benjamin Disraeli is turning in his grave when he hears these lies. (The phrase, "lies damned lies and statistics" originates from the former UK prime minister).

No real solution as predicted

As we predicted in our last Commentary, the G20 meeting did not reach any concrete agreements but focused on concocted headline figures. Even if the headline figure of \$1.1 trillion had been real, it is a drop in the ocean in relation to the real requirements. The US has already spent or committed \$13, trillion which is virtually equal to 2009 GDP. In relation to a world GDP of \$50 trillion, the figure of \$1.1 trillion is totally insignificant.

More importantly the G20 reached no agreement on what should be their only priority, namely toxic financial assets and derivatives. This is a \$1 quadrillion problem, with potential losses of tens of trillions of dollars. The reason why this was not discussed is of course that there is no solution except for printing unlimited amounts of money.

Investors beware – physical gold is your only protection.