

Friday Pearls of Folly Nov 9

The yield on high yield bonds is not very high.

The ability of an insolvent concern to raise debt can stave off insolvency.

- I'm sorry, I can't pay you in silver or gold, will you take an IOU?
- But that's what you said last time. Can you pay off the last IOU?
- Will you take paper money?

- Who is going to lend us money?
- Well, we are.
- What? We are going to lend us money? Why? How?
- Its simple really. You ask for a loan and we will give you one.
- With what money?
- With the money you borrowed from us.
- I see. Quite elegant if I may say so. How will we repay it?
- You're going to have to balance the budget.
- That's problematic. We can't raise taxes.
- We don't want you to. Can you spend less?
- We could but if we did I'm afraid that apart from healthcare being completely underfunded, unemployment benefits and other social welfare costs are not likely to abate.
- In that case you'll need to raise taxes.
- We can't. If we did the drag on the economy would put us back in recession. And tax receipts might fall. As it is we have cash flow problems. That's why we need to borrow some money. The problem is no one will lend us any.
- Don't worry, we will. But you will have to balance the budget.
- That's problematic...

The better game show host won.