

# Uncomprehending Disbelief

By [The Mogambo Guru](#)

12/01/03 Deeper and deeper in debt, the U.S. founders...as the straw approaches the camel's back...

The Fed, the Treasury and their willing co-conspirators have all suddenly waded much deeper into the swamp of monetary irresponsibility. The latest reports indicate that they are still there, wading around in fetid and feculent water up to their noses, but seem to be enjoying themselves immensely.

For example, let's saunter over to the government debt area and ponder the news that John Snow's Treasury borrowed another \$38 billion in one lousy freaking week! One week! One! That's thirty billion, plus another eight billion, for a total of thirty-eight billion dollars, in five business days! If I was a Southern Belle instead of the Manly Mogambo, I would surely catch the vapors at the news, and would raise the back of my hand to my forehead as I gently swooned, crying "Ooooooh! Surely we are undone!" with a voice that dripped honey, with an accent thick as molasses and twice as sweet. But, of course, being the Mogambo, I stomp around the house fully armed in a state of terror mixed with anger, and just a touch of vengeful hatred for piquancy, dressed in full-body armor, psyching myself up for the assault by the government goon squad, which I figure is probably pulling up in the driveway right about, oh, now.

Like a little kid with a new toy, I think that I am getting the hang of using a calculator and would like to, you know, show off a little bit, so I had an interesting session with a calculator. But for some strange reason, whenever I multiplied \$38 billion a week times 52 weeks in a year, I got a wrong answer. Guess what I got? I know you are going to laugh when you see it, and remember that the calculator was obviously broken, as I kept getting the answer \$1.976 trillion!

## **Monetary irresponsibility: A Sledgehammer to the Skull**

Seeing a number that huge is like getting hit with a sledgehammer to the skull, as you realize that no sane person would voluntarily plunge his own country farther into debt at that rate – and I am talking about amassing debt to the tune of 20% of GDP here! – so that is when I realized that the calculator was obviously broken.

And then, and this is the really weird part, not wanting to waste this opportunity for fame and glory, and maybe a little interest from pretty girls would be a nice touch, but I get up and start rummaging around in the house for another calculator, and whenever I found one, I would, with a single-mindedness and focus rarely found outside of the chronically mentally ill, again enter those same two numbers, and I would always get that same wrong number! After this happened four times in a row, a little light bulb went on over my head, and I said to myself "Hey, doofus! All the calculators in the house are broken!" All of them! I mean, don't you think this is weird, weird, weird?

Anyway, the point is that all those calculators broke the exact same way, and at the exact same time, and whenever you multiply \$38 billion dollars in one week times 52 weeks in a year, every last one of those calculators all give the ridiculous answer of \$1,976 billion, which is \$1.976 trillion. Dollars! In one year! Hahahaha!

And that comes to \$7,057 for every man, woman and child in the country. Every living being in the nation is being plunged into more debt at an annual rate of \$7,057. So if you are a family of four, meaning you, your spouse and your two charming children, then your total indebtedness is increasing at a rate that would equal \$28,228 a year. Nice going!

But, and I find this hard to believe, no matter how hard I rub my eyes, it never goes away, the really interesting part is that the Congress, and this is one for the books, just passed the Prescription Drug Welfare Plan, or whatever it is called. Which is not even a temporary stimulus bill in the usual sense, but a gigantic new permanent entitlement, described by some as "the most sweeping expansion of the Medicare system since its inception." Hell, even the most wild-eyed, goofy optimists admit it will cost \$40 billion a year forever! And by "forever" I mean "never," as this is just the start of a long, long and expensive, expensive road, and we have many, many layers of hell to transcend before we reach The Final Cost. And then I look at the short one-year time frame wherein all this borrowing would be taking place. And then I look at the \$7,057 per man, woman and child in the country. And then I look at the one-year time frame. And then I look at the money. And then at the time. The money. The time. Money. Time. Money. Time.

### **Monetary Irresponsibility: Making a Huge Mistake**

Suddenly overcome by a dizziness that appeared out of nowhere, I try and gather my senses, and I happen to notice that a nice chunk of the money, which bought all that new debt, came from foreigners with deposits at the Fed. And when I try and imagine who the people are that decided to buy that much U.S. debt, and who were so confident in themselves that they are apparently not the least bit timid or embarrassed to use \$12 billion of their valuable money to buy U.S. debt, which is denominated in the dollar, which is a depreciating currency, meaning that it is not as valuable as it was yesterday, and one that will be even less valuable tomorrow and for many, many more tomorrows, I am struck by the realization that these self-same foreign morons are making a huge, I mean huuuuuuuge, mistake.

Imagine that we turn on the TV, snuggling down in the sofa, and are looking in on an episode of Jackie Gleason and the Honeymooners. The scene opens with Ralph Kramden, entering stage left, who just came home from his job of driving a city bus. Throwing his jacket on the chair, he announces to his wife Alice, played by Jerry Mathers, oops, I mean Audrey Meadows, "Well, dear, I made a gigantic investment in a debt asset today! I am proud to say that it is one that is grossly overpriced, and so it already yields less than the rate of inflation, which is good, because I want to get away from that inflation stuff! And it is denominated in a currency that is going down in relation to ours, which I am told is a really classy move! So that in the future when we cash it in to pay for golden years, we will almost certainly get back less than we put in, in terms of purchasing power!"

Now, being a real stupid guy myself, I am very familiar with the scent of stupidity, and my sensitive nose – sniff, sniff! – detects one that is particularly ripe. But it is the look of stupefied, uncomprehending disbelief in Alice's face that gets all the laughs.

Regards,

The Mogambo Guru  
For the Daily Reckoning

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P.S. As Doug Noland reports, "foreign issuers of dollar- denominated debt continue to revel in unprecedented global dollar liquidity." Hey! Maybe those doofus foreigners are smarter than we thought! Borrow valuable dollars, with the promise to pay back worthless dollars in the future!

But foreigners are not the only ones at that game. Bloomberg figures almost \$23 billion of corporate bonds were issued this week, "one of the strongest weeks of the year and the most in two months." Not to be outdone, "Year- to-date junk bond flows of \$25 billion are easily a new record." And we already looked into the Treasury doing it, too.

—Mogambo Sez: This is all insane, as I have read many things about economics off and on through the years, and a program to print money to finance borrow-and-spend consumerism is pure lunacy.

And just because I can't remember the last time that I ever heard of a lunatic's ideas working out, doesn't mean that lunatics don't have a contribution to make on the altar of diversity-for-diversity's sake. But, and you can't help but notice, that they were also the ones who said that gold was a barbarous relic, and which had no value. And now gold is the best-performing asset for the last five years running! Makes you scratch your chin and say "hmmmm" about all the other things that they say, doesn't it?