

# A Slap in the Face

By [The Mogambo Guru](#)

07/12/04 Debt to Mogambo is like salt to a slug...it makes him froth and bulge until eventually his brain explodes. It just happened...again. We catch up with the MoGu from intensive care...

"The total US credit market debt expanded at a seasonally adjusted \$2.733 trillion (in one year) to \$34.625 trillion," points out Bill Buckler of The Privateer.

Stupefied by such an impossibly large number, I grab the calculator – in stunned incoherence – and I punch in...let me check that figure again...2.733.

Notice that I am NOT talking about \$2.73. No, I am not even talking about \$2.73 million. Nor am I even talking about \$2.73 billion. No, I am tossing around trillions of dollars here! Trillions!

So, for every dude and dudette in the country that has a non-farm job – all 131 million of us – this increase in debt comes to an astounding \$20,865 each. Each! And that's just the damn increase!

Now, if we take GDP to be \$11 trillion, and divide it by the \$2.73 trillion 1-year increase in debt, we come up with...my guts twist into a knot as I look at the calculator...0.248. After a few moments spent in some form of suspended animation, it finally impresses onto my tiny little brain that this increase in debt is equal to a quarter of GDP! A fourth of total annual income is borrowed and spent! In one year! One! Year! In one lousy freaking year! My mouth goes dry with panic.

Now I find myself lying in my bed in the hospital, IV lines dripping clear fluids into each arm, and a snotty little doctor is looking at my chart and telling me that my abnormally small brain has, according to the X-rays, exploded again. This must be it – the last time – I will never be able to work in economics again. Then the phone rings. Straining against the straps that tie me to the bed, I do a McGyver trick...with one foot I kick the plastic water pitcher against the wall, which ricochets across the room, hits the phone, and knocks the receiver up onto the pillow and right next to my ear.

## **Bill Buckler: 302% of the GDP**

"Hello?" I answer feebly. Imagine my surprise to find Bill Buckler on the other end of the line. You see, he spoke to my wife at home and she told him how much I would love it if he would call me up and finish talking about the increase in debt. I look at the doctor. I think about what he said. I look at the phone. And then I say to Bill, "Sure! I'd love to hear more about it!" And so, continuing his nice little bedtime story, he tells me, "Since the beginning of 1998, total U.S. borrowings have climbed from about 255% of U.S. GDP to 302%!"

302% of GDP! My puny little brain is suddenly kicked into action, as it suddenly occurs to me that this is a new record.

Notice that this is higher than the 260% of GDP recorded at the height of the bull market in 1929, and we all know how well THAT turned out! This is really scaring the bejesus out of me, and not just because I am a scaredy-cat little coward with a yellow streak down his back.

Suddenly, I feel all woozy again, and I begin to feel my brain pressure increasing; I need to lie down...

But Bill Buckler is not done with us yet. No sooner have I closed my eyes and gotten my snoring machinery back into gear, than he comes charging across the ward, and smacks me with a rolled up newspaper. He orders me to stop making such an obnoxious noise and get up off the floor. Staggering to my feet, he gives me one more slap across the face and reports, "Total U.S. mortgage debt now stands at \$9.618 trillion."

### **Bill Buckler: Everything We Make, We Owe**

I stagger and I swoon, but I do not fall. Using the best Rocky impersonation I can muster, I still come out slugging – animated by sheer instinct – despite the double vision and the dribble. My brain swirls with the nagging notion that there is something vaguely familiar about that number. \$9.618 trillion. Hmmm. What is it? Then it hits me. This is almost as much as total Personal Income! So I turn around and pick up Bill's copy of Barron's from the floor, and I discover that total Personal Income is \$9.686 trillion! So, in mortgage debt alone, we owe everything we make!

What to do? What to do? I suggest that we all should run around screaming, "the sky is falling, the sky is falling" while loading up with large-caliber weapons. Then, when fully stocked up, I suggest you head for the hills because we are all doomed, doomed, doomed, as that is what I typically do. But Mr. Buckler has also looked at things, as I have, and has concluded, as I have, that, "there is no 'solution' to this dilemma, just as there is no 'solution' for a man who finds himself in a barrel on the lip of Niagara Falls."

The same fatal inevitability that exists for the guy in the barrel going over the waterfall also exists for the economy that allows the central bank to create excess money and credit. That is why it is imperative that you don't get your economy into trouble to start with, and why it is important that you don't get into a barrel and float downstream to a waterfall. There are some situations where you get to a point where there are no solutions.

But, then again, we are talking about the Federal Reserve, and the Federal Reserve is seemingly always happy to commit any kind of monetary fraud you can name.

And meanwhile, all we can do is stand around shaking our heads in bewilderment and wondering what in the hell went wrong to get us to where we are now, and at the same time expecting these idiot-savant simpletons to fashion a marvelous solution, which involves simply doing more of the same thing that got us here in the first place, only more so. Ugh.

This will soon change. Welcome to hell.

Regards,

**The Mogambo Guru  
for The Daily Reckoning  
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—Mogambo Sez: In keeping with consistent historical precedent, I will not try to summarize with some witty epigram, because I grow weary of having people e-mail me with their snotty observations, as if I have never come up with anything original in my whole life, like this is some big news to me or something.

So it is my pleasure to quote one of the guys at the Daily Reckoning, I don't know who exactly. But all of them can write better than me, except when they are busy squabbling good-naturedly amongst themselves about things like who has the better taste in wine, or who's the better writer, or who is better looking, or who seems to write in these long, continuous, stupid run-on sentences that never seem to get to the point, or who was the darling little rascal that cleverly took the last six donuts and stuffed them all into their mouth at one time so that his cheeks were puffed out like a chipmunk and there were crumbs all down their chin and staining the front of their shirt.

So it is my pleasure to immortalize one of their most profound phrases. "Mother Nature is a hanging judge." And you can take it from me, the Mogambo, that no truer words were ever spoken.

Florida is everything Nova Scotia is not. Nova Scotia was cloudy and cold when we left on Saturday; Florida was hot and sunny. There were few people in Nova Scotia – even in the height of the tourist season; Florida was full of them. In Nova Scotia, people have white skin and wear plaid shirts; in Florida, they are invariably tanned and wear little of anything. In Nova Scotia, the people are modest and the scenery is striking; in Florida the people are extravagant and the scenery is modest. Nova Scotia revealed no trace of a credit bubble; here in Tampa, the skin of the credit bubble seems so taut, it may explode at any minute.

We have never seen so many auto dealers. Or so many new cars. Why do people need so many cars? So they can drive somewhere and spend money. What can they buy? A new car!

Or a new house. Or just about anything else – so long as it is tacky enough to appeal to a mass market. It's amazing what you can buy just by driving down the main roads. Dozens of stores offer cars and things for cars – mufflers, tires, and so forth. Dozens more offer things for the house – windows, doors, carpeting, kitchens, you name it. There are also a fair number of art galleries offering a wide range of beach scenes that all look alike.

But that is what people come here for: to feel as though they are on vacation, whether or not they are. They let themselves go, in other words. Gone are the neckties, the dresses, the suits, the

forbearance, the discipline, the vegetable gardens, the woodpiles, the modesty, the uptight, worried, critical nags of the North.

In their place, a fleshy lassitude reigns.