

Morons, Dimwits & Symmetrical Yin-Yang Banking

By [The Mogambo Guru](#)

04/12/04 Mogambo on Monday! Stream of consciousness banter on the ill effects of government intervention in the free market...

For the first time in a long time, two things happened at the same time. First, I wasn't lashing out at a cruel world when I woke up, and the second thing is that Foreign Custody Holdings at the Fed decreased last week. In fact, it went down by a whopping \$16.8 billion. I will pause a minute while you rub your eyes in disbelief at both of these revelations, as I think I speak for us all when I say that we are all dumbfounded that the Mogambo even HAS any mood other than "bad" or that foreign central banks would not want to continue to fund the appetites of a consumption-addled bunch of financial and economic dimwits like us Americans. What in the hell could they have been thinking?

The banks, since we are speaking of a real dimwitted bunch of losers, soaked up \$18.2 billion of government debt in the same week, taking their holdings of that toxic asset to a new, all-time record, which indicates that their supply of smarts has hit a new all-time low, in a kind of symmetrical yin-yang banking thing. But then again, I am sure that you remember that the whole history of macroeconomic crises is always the result of banks acting like greedy morons, and that this sordid history lesson goes all the way back to caveman days, when the First National Bank of Og financed the Great Depression of the Thirteenth Year of the Rule of King Ga the Merciless, and I am sure that I do not have to recount for you the terrible aftermath, wherein all the mastodons, well, why go into that unpleasantness all over again?

Buying Long-Term Debt: Banks Increasing Reserves

And, for reasons that will probably become clear very soon, and as soon as it does please let me know what it means because you know how-thickheaded I am, and I will need to have it explained me over and over about a dozen times or so, but the banks have suddenly increased their reserves! Of course, I see this as proof, from the perspective of the paranoid whacko, that they, too, are seeing the light at the end of the tunnel, and it is the headlight of speeding train that is barreling down upon us at full speed, and we poor schnooks are tied to the tracks, and pretty soon now that train is going to get here, and there aren't any Canadian Mounties within miles, and it is only the Mogambo who is watching this happening, and he screaming and yelling, and making what are supposed to be merely threatening phone calls, but which always end up as long strings of obscenities being screamed into the phone at the top of my lungs, and then they always just rudely hang up and report the Mogambo to the authorities, and then those dour sourpusses come knocking on my door, flashing their little badges and waving their court orders, and then I have to deal with THEM, too, as if I didn't have enough hassle in my life already! I mean, where is the justice?

And since we are speaking of dimwitted losers, it certainly behooves us to include the Treasury Department, which kept on chugging down the road to bankruptcy and ruination, and who is actually rumored to be one of the engineers on the train that is about to run us over, spent their week issuing another big clot of debt, to yet – need I say it? – another new record of \$1.132 trillion! Another, as I said, new record! This is to fund the raft of idiocies that the government loves rolling around in. But remember that doing that is what government does, and when the government gets to be this big, here at the end of the massive boom, the sheer size, scope and cost of government is the biggest since, and I throw this out as my candidate for the worst year in the history of America, 1913. Why 1913? The Fed was established in 1913, Woodrow Wilson was elected in 1913, and the Sixteenth Amendment was passed in 1913, and the seventeenth, too, and it has a 13 in it, which has that sinister feel to it, and if you don't think so, then go rent "Friday the 13th" and see how much fun THAT was!

Morons, which we were talking about before I digressed into another of my ranting hissy-fits – as I am doing again right now! – which should PROVE that I am very disabled in a weird, mental way, but that is STILL not enough to get a lousy handicapped parking sticker for my car. But anyway, the morons of the world, and you can tell who they are by noting who is buying long-term debt to garner yields that are actually less than inflation, knowing that bond prices will fall one day, handing them a big ol' loss that will easily swamp the paltry yields that they are getting on the bonds, which were, if you have been paying attention, already returning a real, after-inflation yield of less than zero, allow, and actually encourage all the other morons. In the long run, this group of bond-buying bozos will take many, many whacks to the head before this is all over. It's called "Getting what they richly deserve."

Buying Long-Term Debt: Constantly Fed Bad Ideas

My God! Do I really have to tell you to look at what the government doing to us?

For one thing, I have not noticed any "price stability" for the last ninety years, as the dollar has depreciated over 95% of its value in that time, and here lately it has really gotten bad. And for another, we are constantly being fed the idea, probably by having the bloodthirsty Janet Reno and a team of armed thugs with uniforms and badges come to our houses and smash down our doors and kill us in cold blood or something, that money and capital are to be "managed " As, I suppose, all things are supposed to be managed by the government. And that 1) people with money to lend are to be required to achieve only a standstill against loss of purchasing power, and that 2) borrowers are not to be allowed to overbid for money, and that 3) the Fed – the Fed of all people! – should be empowered to enforce such a foul philosophy! My mouth is filled with the taste of bile, or maybe it is just a taco that has gone bad. But it looked good and it didn't smell too bad. The taco, I mean.

And when the government, let me change that to "the damned government," or better yet let me change that to "The damned government that is bound and determined to destroy us and everything we care about," increases its size and scope to monitor and dispense this increase in money flowing through its hands, then you will get another burst of malignant growth in the cancerous tumor, aka government, that ends up killing economies, all economies, even our economy.

Regards,

**The Mogambo Guru,
For the Daily Reckoning
April 12, 2004**

The Mogambo Sez: As Larry Edelson of The Real Wealth Report puts it, "I'm more excited about gold now than I have been in nearly three decades." So that is the asset I recommend most highly, and now all we need to do is determine a dollar figure to put into that asset that I, you know, recommend most highly. Or, as Tom Webber, a loyal reader, asks, "How much gold is enough gold?" My answer is poetry itself when I reply "You'll know when you get enough."