

# Going from Bad to Worse

By [The Mogambo Guru](#)

01/03/05 With the top-dog slot open at Fannie Mae, there is only one person fit for the job...all we'll say is, "Vote for Mogambo in '05!"

Franklin Raines, disgraced former head of Fannie Mae, proves that perfidy and failure is worth a retirement package measured in tons of money and benefits. Fannie Mae was originally set up to help poor people buy houses. Remember the phrase "poor people" because it is important. Instead, Fannie Mae has grown like the government cancer that it truly is, and is now so big that it is now one of the top two or three biggest corporations in the whole freaking country!

And not only that, but it is an absolute, total, colossal freaking failure at its mission. Their job was, to refresh your memory, to help a few poor people buy some cheap houses, probably something out near where I live, as I seem to depress property values wherever I go and only very poor, very desperate people with literally no place else to go would even think of living near me. Homeownership was supposed to give these poor people a cuddly feeling of security, but which evaporated as soon as they learned that they had to fix anything that broke, and they couldn't just call up the landlord and yell at him to fix things anymore.

Instead, and I say this with that look on my face that means, "I can't believe my freaking ears when I hear it, nor my eyes when I read it," Fannie Mae has actually driven up the price of housing to the point where not only can the POOR not qualify for a loan to buy a house anymore, but in some places not even the freaking middle class can afford to buy a house anymore, either! And why can't these people afford to buy a house? Because housing prices have been going up in price at double-digit inflation rates for years now, thanks to Fannie Mae. And now houses just cost too damn much, and that, and I stretch out my arm and to point at THAT, is the horror of inflation, which is, Number One on The List Of Things That Make The Mogambo Go Out Of His Freaking Mind In Fear (TLOTTMTMGOOHFMIF).

## **Fannie Mae Fraud: A Typical Government Program**

But this is not about me, although I love talking about me, and having people wait on me hand and foot, and cater to my every whim, and if I can't have that, is it too much to ask to be able to go ten lousy minutes without somebody throwing a roll of flaming toilet paper at me? I mean, I'm trying to get some work done here! But we were talking about Fannie Mae and the horrid Franklin Raines, and that whole horrid Fannie Mae bunch, and how they have not only failed at what they were supposed to do, but they actually made the situation much, much worse! And it is worse for many, many more people! Talk about your typical government program, eh?

And yet, here these guys are, getting fired and receiving these enormous retirement packages.

But we were talking about houses and the prices of those houses. And why do they cost too much? Because Franklin Raines and his stinking, grubby friends (which is, of course, Congress,

the courts, the banks, and the powerful friends of either one) at Fannie Mae provided seemingly unlimited funding to buy mortgages. And where did they get all this funding? From investors. And where did the investors get all that the money? From the Federal Reserve, which created it out of thin freaking air and loaned it to the investors. And all this new money increased the money supply as it increased debt loads.

### **Fannie Mae Fraud The Mogambo Axiom of Economics**

And here is where we take a short journey down a pleasant path that I hope will impress you. It is with great pleasure that I present a Mogambo Axiom Of Economics (MAOE) that has a lot of mathematical mumbo-jumbo that I can make up on the spot, mostly long and complicated formulas with all these cool mathematical symbols everywhere, and that rigorously proves: All money must go somewhere. I hope it is more profound that it looks, because it looks like nothing on the page. I originally thought of it at a recent Christmas party, and I admit that I was pretty blasted, and to tell you the truth I am amazed that I remembered it at all because I have apparently forgotten most of everything else that happened at the party, judging by my wife suddenly referring to me as Satan and how she is always making the sign of a cross when she looks at me, which is weird, since she is not Catholic, and a lot of policemen are suddenly asking me some very embarrassing questions. So, do me a favor here: Give it awhile to sort of sit in your brain, and then perhaps you will leap to your feet and say, "The Mogambo is not as stupid as we thought! In fact, it's brilliant! Because if a lot of money flows into one area of the economy, then prices in that area will increase. And then other capitalist entrepreneurs will start moving into that area, attracted, like moths to a flame, to all that lovely, lovely money flowing in, because they also have wives and children and mortgages, and they are also up to their eyeballs in debt, and things aren't going so hot here the last couple of years, and at this point I am pretty much willing to do anything for money, especially try and flip a few houses. And the increase in tax collections is like manna from heaven to stretched local, state and federal governments."

At that, my eyes bug out and I stand back and look at you in absolute awe! I had no idea that you were that educated in economics! And then I remember that, like Buddhism, macroeconomics only takes a few minutes to learn, but a long time to acquire wisdom. I humbly bow to your achievement!

Now, what I want as my reward for coming up with this brilliant new economic verity is to be the new head of Fannie Mae. If all it takes to get fired and received a multi-million dollar annual retirement package is to spend a few years growing into a malignant a cancer and be worse than a total failure, then THAT is the job I want! If there is one thing that I am good at, it is failure. I'm a natural! So now, everywhere you go, I want to hear it loud and clear, "Mogambo for Fannie Mae! Mogambo for Fannie Mae!"

And in a similar vein, Bob and Barb at 321gold.com have a pithy quote from Henry Ford on their site that shows that old Henry knew about more things than cars and assembly lines, and I want to get it into my own stupid newsletter because I take my hat off to old Henry, which is what I call him because he is dead and there is nothing he can do to make me stop calling him by his first name, and in this way maybe somebody will think, "Hey! That Mogambo is quite a fellow!"

He knows lots of important, famous guys!" But Henry said, "It is well that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning."

So here is Fannie Mae providing these selfsame "people of the nation" with a glaring example of the misery of how our government, banking and monetary systems have run amok, and not only is there no freaking revolution, but the guy responsible is going to retire rich as a reward for being a complete failure!

Not only that, but Fannie Mae has a \$2.306 trillion Book of Business, but only \$29 billion in capital. That comes out to a leverage of 80:1! This is the range of leverage that caused Long Term Management to go belly up!

Wasn't it H.L. Mencken who said something like, "The people in a democracy decide the kind of government they want, and they ought to get it good and hard"? Well, we are about to "get it good and hard."

Regards,

**The Mogambo Guru  
for The Daily Reckoning**