

# Paying More to Get Less

By [The Mogambo Guru](#)

08/22/05 Total Fed credit fell a good amount – which can only mean one thing: in a country that thrives off of people borrowing themselves into debt, "free money" is suddenly not looking so tempting to the citizens of Squanderville. The Mogambo explains...

I remember that I was still trying to shake a killer hangover when I read that Total Fed Credit abruptly fell by \$7.4 billion last week, taking the total back down to \$792 billion. The next thing I knew, I was in the emergency room and doctors were trying to re-start my heart while trying to restrain my wife, who is screaming, "Let him die! He wants to die with dignity!"

But it wasn't my heart causing the initial distress. It was my brain, which interpreted this fall in Total Fed Credit as meaning one of two things; either the Fed is finally trying to curtail the decades-long explosion of money and credit, or there are not as many people wanting to borrow money, and so they don't need to expand money and credit to accommodate them. Either way, this is what we in the Mogambo Economics Biz (MEB) officially call The Big Freaking Bell Going Clang Clang Clang (TBFBGCCC).

Ours is a country that does nothing but spend every dime it makes, and which continuously borrows more money. Historically, this is a recipe for disaster. Nobody wants to hear this, especially my family, who think that money grows on trees, and I keep telling them that money does not go to all the hassle of growing on trees, which involves fertilizing and pruning and weeding and applying pesticides and picking, and then some drunken, stoned-out illegal alien migrant worker falls out of a tree and sues the hell out of you, and then they find out how you have been stealing them blind and selling them substandard food at premium prices, and you don't have a prayer in court and you know it. Brrrrr. Gives me the chills just to think about it!

## **The Fall of Federal Reserve Credit: Making Life Miserable for Many**

But this is not about how Mogambo International Exploitative Enterprises (MIEE) is screwing over the poor wretches, just as the government and the Fed are screwing the poor by destroying the purchasing power of the little bit of money they get per month. It's just that MIEE, as a prototypical capitalist-pig company with no scruples or ethics in my mindless quest to secure profits, demeans the people directly, and they suffer because they get less. The government does it indirectly, making them get less by destroying the purchasing power of their money. But my whole case rests on the fact that, in the end, we both make life miserable for lots and lots of people because they must pay more and get less.

And the only reason that we have anything going for us at all is because we spend every dime, which makes and economy go, to indulge in an orgasmic orgy of glorious, greedy, gluttonous over-consumption, and simultaneously grow the size, the grasp, and the bankrupting expense of a huge, suffocating, inter-locking structure of governments that has, to use a phrase used in the Declaration of Independence "erected a large multitude of new offices, and sent hither swarms of

officers to harass our people, and eat out their substance." By which they mean, in Mogamboese, "The government sucking you dry through your wallet to give total strangers money and services for the rest of their lives."

The joke goes, "I spent my entire million-dollar inheritance. Most of it I spent on women, fast cars, booze and drugs. The rest I spent foolishly." In our case, the rest we spent foolishly to party party party (PPP).

Recognizing that this sudden slowdown in the growth of money and credit would mean the total collapse of the United States, you will, I hope, forgive me for jumping up, running in panic, pushing my wife and children out of my way as I run, as fast as I could, to try and lock myself inside the heavily-fortified Mogambo bunker (HFMB), which would, theoretically, protect me from the hordes of scared, angry and desperate people whose lives are being destroyed as the economy is being destroyed, including my family, who were already scared and angry about being related to me in the first place because I seemingly will never die.

### **The fall of Federal Reserve Credit: Rising Inventories**

And this slowdown may be showing up in the way that inventories are sort of building. I would assume that inventories are increasing because people are not buying as much, which would explain why they are not borrowing as much, although the producers and retailers are still stocking as much. Trying to be as philosophical as I can (and you can tell I am being philosophical by the way I wipe the drool off of my chin and try to act dignified for a change), this had to happen sooner or later, as every schoolchild knows that you cannot continually go farther and farther into debt forever. I, personally, learned this valuable Mogambo lesson (VML) rather early in life, and I remember it like it was yesterday, when I went to my dad and asked to have another advance on my allowance, and how he laughed, and with acid in his voice asked, "Do you think you can perpetually bring forward future consumption into today?" Maybe it was HOW he said it, but I never forgot the lesson about over-consumption via debt, and I hope you don't either.

But this is not about my cruel life of pain and anguish that I mostly brought on myself for acting like such a jerk all the time, but about money and the spending thereof and how rising prices are no fun. Like gasoline prices. And with gasoline rising dangerously in price, people do not have as much money to spend on the rest of the silly crap that we love to indulge in, making things worse.

The proof of this is demonstrated by the fact that people are going to the movies less, and all kinds of businesses that depended on the flow of all this frivolous discretionary spending are finding that sales are down dramatically. This is another Mogambo Sign That Things Are Not As Good As They Say (MSTTANAGATS) that highly-trained market technicians use to chart the markets.

For you who believe that "the trend is your friend", I will note that the Fed has had this mindless expansion of credit going gangbusters since 1997. So, all this sudden and surprising absence of growth in money and credit is, in a word, ominous. But you probably already gathered that from

the spooky soundtrack, which is all low, wailing horns in ugly disharmonies that sound like banshees wailing. Or, if you are deaf, then you can also figure it out from the graph of Total Fed Credit, which has been growing like a huge, malignant cancer since 1997, pausing only in early 2000, whereupon the stock market fell like a stone, which put the Fed back in credit-expansion mode ever since. Until the last couple of months. Listen to the soundtrack, which is telling all that you need to know. OooooOOOoooo!

You're going to love the way I end this! Slowly fade in from black, see? An indistinct, fuzzy form appears out of the gloom. What could it be? Soon, it looks like a – what is that? A hand? Yes, it's a hand holding something. As the lighting continues to come up, we see that it is indeed a hand, a hand holding a revolver, and it is pointing right (pause) at (pause) you. Slowly, the thumb reaches up and cocks the gun, and you can hear it going "click click click" as the hammer is drawn back. Then the clicking stops. The thumb returns to its place on the butt of the gun. The forefinger moves to the trigger. And as the camera pans in closer and closer and closer, we plainly see that the finger is beginning to flatten as it begins to pull on the trigger. Of the gun. That is pointed right (pause) between (pause) your (pause) eyes.

One of the reasons that I use this gun metaphor is that the latest reports shows that inflation is running at 0.5% for July, and when you multiply that by twelve months in a year, you come up with (and you can check me on this) 6%. Inflation, even after all the massaging and tweaking by the government to make things look good, is running at 6%! This is terrible, terrible, terrible news! It was within living memory that Nixon (as I recall) seized dictatorial power and imposed wage and price controls on the entire economy because inflation was at an intolerable 4%! So this 6% thing is terrible, terrible, terrible news! And it demonstrates, one more time, the utter, utter failure of the Federal Reserve.

Regards,

The Mogambo Guru  
for The Daily Reckoning

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The Mogambo Sez: Repeat after me: Oil. Gold. Silver. Ommmm. This is the sound of cosmic salvation. Ommmmm.