

The Mutant Debt that Ate the World

By [The Mogambo Guru](#)

02/21/05 It may be a holiday, but the Mighty Mogambo never rests...at least not when there's something out to destroy the entire world as we know it. No, it's not Godzilla, or little men from outer space...it's much, much scarier. It's...

The problem with raising interest rates to cool inflationary fires is that it can initially cause inflation to accelerate, which seems paradoxical to me. But then again, almost everything seems paradoxical to me, mostly because I am a real stupid guy. But by way of explanation, I ask the rhetorical question, "What price do I have to charge for my widgets if I pay one percent on my financing, and how much I have to charge for my widgets if I have to pay twenty percent on my financing?"

And the reason why this is a rhetorical question, and thus not requiring an answer, is that it ain't my freaking job to figure that crap out, because my job is to be the Big Boss and Capitalist Swine, where I strut around like I'm some kind of hot stuff, and I make everyone work like dogs around the clock, and I underpay them, and I constantly exploit the working proletariat trash, and trick them, and systematically cheat them every chance I get, because every dime I can screw out of those hateful morons, slackers, malingerers and thieves goes right into MY pocket, which only BEGINS to pay me back for the sheer aggravation of having to spend my precious life dealing with human workers, whom I call "trash" behind their backs.

But we were not talking about how The Mogambo Sweatshop (TMS) is turning such fabulous profits by cruelly exploiting the downtrodden proletariat worker as conveniently suggested by Marx. Perhaps this has something to do with Frank Shostak's essay at Mises.com, "The Myth of The Neutral Interest Rate Policy." This is only ONE of the myths of economics, and they all revolve around some weird bastardization of Keynesian economics.

Keynes and Housing: Why I Actually Sorta Kinda Admire Keynes

And although I go to great lengths to demonize Keynes, in my heart of hearts I kind of admire the guy, as he achieved fame and fortune by peddling nonsense as economic fact, and got a lot of people to swallow it, hook, line and sinker. All he said that the government could counteract a contraction of economic activity by deficit spending. Well, duh! It's the same thing that every dirtbag government in all of history tried to do, moron! I mean, what could be more pleasant? You are the government, and you are going to spend more money that you can collect! It's Nirvana, dude! Do you think that only NOW has any government in history tried to spend more that it collected? Hahahaha!

And the reason governments DON'T do that, when they would all simply LOVE to do that, is that when they send the country deeper into debt, it always has in the past and will in the future (and let me re-emphasize that word ALWAYS because it is crucial to comprehend the enormity of this Big Mogambo Lesson In Economics (BMLIE) and the reason that it is crucial is because I

promise you that it is going to be on the Final Exam) fail. And when it fails, the economy is ruined, and there is unimaginable suffering and upheaval. That, and that alone, is why nobody tries that silly freaking crap, dude! I mean, how hard IS this to understand?

The Keynesian theory went on to say that the debt, which is the icky residue after money is borrowed and spent, could be paid back out of the increased tax revenues as the economy began to grow! Wow! Astonishing! It makes you slap your head and say, "Wow! Astonishing!" At the end, Keynes predicted that everything would be back to normal, IF, and I emphasize "if" by capitalizing both letters, which seems to be some kind of weird literary device strangely running through these last couple of paragraphs, IF you use the increased tax revenue to pay back the debt that you incurred for the deficit-spending program.

The problem is that it can't work. The "borrowed and spent money" distorted the economy while it was being spent. And when the economy grew with all of this stimulus, it grew by virtue of increase in businesses that sprang up to sell stuff to government, which was doing all this buying. But if the government stopped buying stuff, and instead used the money to pay back the debt, then the economy would sink and stall, because the economy is now composed of 1) guys who sell stuff to the government, and 2) guys who are making a living by getting money from the government without selling them anything except a sob story! It's a closed circle! Hahahahaha! And then, even worse, they all use their government-money to buy imported goods and services, creating a record trade deficit of \$615 billion last year! Hahahahaha!

Brilliant economic planning, jerks! Hahahahaha! This is your government, and your Federal Reserve central bank, all rolled into one huge, loathsome, corrupt and filthy glob of crap (GOC). The point is NOT that it is, as I say, a GOC, but that there will NEVER be a time when the economy can pay down any of this debt. And that is why no government debt has been repaid for the last forty-five years in a row. So total debt has to just keep getting bigger and bigger and bigger, and then one day you see this thing rising up over the horizon, and it will be the arrival of the Mutant Debt Monster That Ate The World, and if you think that the government is going to save you, then to you I say, "Hahahahaha!"

Which brings me to one of the idiotic sponsors of National Public Radio, whose motto apparently involves "solving the problem of homelessness," which always give me a big laugh, and not the good kind of laugh where joy and happiness are infectious and pretty soon everybody around you is smiling and laughing, too, but the OTHER kind of laugh, an evil, dry, mirthless and sinister half-laugh, half-sneer, as if Satan himself was mocking you.

Keynes and Housing: The Two Main Reasons (Some) People Are Homeless

So, as my charitable contribution this week, as part of the philanthropic Mogambo Charity (MC) which distributes, free of charge, slaps to the faces of people who are acting really, really, really stupid, and by really, really, really stupid you know that I mean the Federal Reserve, as I would never forgive myself if I accidentally passed up an opportunity to heap a big ol' stinking pile of Mogambo Sneering Contempt (MSC) on the Federal Reserve, there are two main reasons why some people are homeless. 1) They can't afford to pay rent, or 2) they don't want to own a house. As for Reason Number Two on our Hit Parade of Reasons For Homelessness, to tell you

the truth, I own a house, and I have learned the hard way that don't want to own a house because it is a responsibility, by which I mean that it is a big, time-consuming hassle, and an expensive one, too! And when it comes time to disappear in the middle of the night, beating it out of town one step ahead of the police after getting the maximum cash advance form each of my wife's credit cards, what are ya gonna do with a house THEN? Take it with you? Hahahahaha!

So that leaves Reason Number One as the reason, namely that they can't afford it. And why can't they afford it? Because prices of housing, and the electricity, and the utilities, and the furnishings, and the bullet-proof doors with the little peepholes that let you see who is out there and lets you decide whether or not you should try and make a break for it with guns blazing, or stay inside and lash out, like the cornered little rat that I am, with a hail of hot lead, and go down in glory, yelling, "Here's little present for Alan Greenspan and the rest of his Federal Reserve bastards from The Mogambo, boys!" and then unleash a firestorm of high-powered weaponry that exploits little-known loopholes in the Second Amendment. Hopefully, Alan Greenspan will read the story in the paper, and is so moved by it that he resigns and appoints me as the new chairman of the Federal Reserve, which would suit me fine!

After a little butt-kicking (to get it out of my system) and a little hounding people and ruining their lives (to get the revenge out of my system) and a cheeseburger and fries (to get something INTO the system), I will soon show your children how a gold standard guarantees happiness and prosperity. It is too late for you, as a lot of sins must be washed away in the Great Washing Machine Of Economics (GWMOE). But in another twenty or thirty years of life under the gold standard, grateful people of the world will probably all name their children Mogambo, or Golden Mogambo, or (my personal favorite) Mogambo, The Macho Stud Muffin.

And why did prices of housing go up? Because of the same reason that is ALWAYS the reason for everything bad happening: A meddling government, with financing provided courtesy of the damn Federal Reserve! The banks are ALWAYS at the source of economic problems, just as I am always at the source of neighborhood problems, but they always start it, sort of like France kept picking on poor old Germany in 1939, and although they initiated the hostilities, I am determined to show these so-called "friends and neighbors" just who in the hell they are messing with here, now that pre-emptive strikes are part of the American credo.

So good luck, charitable foundation, on "curing" homelessness. If you really want to cure homelessness, get the damn government out of the economy, especially that part which relates to houses. But even if you can't do that, at least get rid of the Federal Reserve, which is creating more and more money and credit to be used to drive prices higher and higher. Only when you solve the problem of monetary inflation will you solve the problem of price inflation, which will solve the problem of homelessness. And even then there will always be guys who, because of Reason Number Two, don't want to paint the damn house, or mow the damn lawn, or pay the damn electric bill. Especially the electric bill, when, for the cost of a fifty-foot extension cord, I can plug into my neighbor's house and get free electricity! All I want for free! Hahahahaha! He was warned to watch me every second, and now it is MY fault that he stopped paying attention?

Regards,

The Mogambo Guru
for The Daily Reckoning