

# The Federal Reserve and the Nebulon Five Galaxy

By [The Mogambo Guru](#)

03/13/06 The Daily Reckoning PRESENTS: The Mogambo is grumpy... really, really grumpy. While we all know that's nothing new, this time he has a valid reason – and, you guessed it – it has to do with (among other things) Bernanke and Total Fed Credit. Read on...

## THE FEDERAL RESERVE AND THE NEBULON FIVE GALAXY

The next time you hear anyone say something like: “Ben Bernanke, the new chairman of the Federal Reserve, wants to be known as an inflation fighter,” you have my permission to walk up to them, flash your Mogambo Junior Ranger badge (demonstrating your authority), slap their face hard, and say, with a voice dripping with caustic, contemptuous tones, “Ha! In the name of The Mogambo, I officially laugh at you and punish your stupidity, sir or madam!”

The reason for such drastic measures is, one that I am really grumpy, and, two, Mr. Bernanke has never actually said that he has any interest in being known as someone who controlled inflation. Thus, your victim's remark comes at the same time as official inflation (thus, manipulated into a soothing lie) hits 4%, at the same time as the global money supply is surging at 300-400% of the growth in GDP. It is also at the same time houses are appreciating at 12%, year after year and at the same time as the national debt is at \$8.27 trillion dollars!

I know what you are thinking. You roll your eyes and think, “What does this idiot Mogambo think this old history stuff has to do with anything?” In response, I swallow my rage and immediately go on to note that more recently (last week) we have Bernanke himself goosing Total Fed Credit another \$4.95 billion. This is the famous “money out of thin air” that we have all heard about. That was last week alone. So, are you happy now? Huh? Are you? Is that recent enough for you, punk? Is it? Look at me when I am yelling at you! Good. I'm glad we got that cleared up. See? I told you I was grumpy.

Anyway, to make matters worse, the Fed bought up, for itself, \$2.2 billion in government debt. Hahaha! What a scam! The Fed snaps its fingers and creates \$2.2 billion, and then uses it to buy \$2.2 billion in government debt! Hahaha! What can you do but laugh at the sheer audacity! Somehow, a government creating more and more money and spending it is not, for the first time in history, going to turn out to be a bad thing? And especially one where the money is just paper and computer blips that they can create on a whim? Hahaha!

Of course, I sigh wearily as I note that the banks themselves are in on the scam, and they bought up another \$13 billion in government debt last week, too. And foreign central banks continue to soak up government debt. They swallowed another \$7.6 billion last week, too.

But, all that economic fraud is getting to be old hat by this time. What is tragically new is that if you are familiar with the George Orwell novel “1984,” then you are familiar with concepts such as NewSpeak and NewThink, which are twisted lies and frauds with the authority of law. Along those same lines comes, except in real life and not in some terrifying novel of a fascist government gone berserk, NewBank.

Alert reader Joe S. sent notice of a NY Times article that read: “A bank created to provide emergency backup for the Treasury market will be ready to operate in the next 18 months, a bond industry group is set to announce today.” The so-called NewBank exists largely on paper, but like a superhero on standby, it can spring into action to stabilize the government securities market if a legal or financial disaster strikes.

“It will be set up as a limited-purpose trust company under the New York state banking laws and will also be regulated by the Federal Reserve.” Anyone familiar with my extensive clinical record is not surprised that I had a “spell” when I read that, and I was soon holed up, cowering like a frightened (and raving) paranoid lunatic. I mean, this just gets weirder and weirder!

And it’s all in the “I Can’t Freaking Believe I Am Seeing This (ICFBIAST)” category, because this is monetary corruption at its absolute worst! The government sells debt to get money to spend on their deficits, and the bank creates the money to buy the debt. Debt and money supply both expand, and it expands to create a bigger and more expensive government and higher prices! This is economic suicide!

Now, I am not coming out of my Little Mogambo Rat Hole In The Backyard (LMRHITB), and they can’t just come out of their precious little Federal Reserve offices and say, with a serious, deadpan expression, “The Mogambo is right. This really is economic suicide!” They have to come up with something better than that! And they did. The article goes on to say, “The bank is a result of a five-year effort by government and banking officials to draw up plans in the unlikely event that either J. P. Morgan Chase or the Bank of New York, the only existing clearing banks in the Treasury market, are suddenly unable to operate. The two clearing banks play an obscure but crucial role in the government securities market, processing more than \$1.9 trillion of very short-term trades each day.”

Hahaha! I think there was a line in a Monty Python sketch where the guy, incredulous at being told something preposterous, sticks out his leg and says, “Go on! Pull the other one!”

But this is the Federal Reserve we are talking about, and so, nothing is beneath their dignity, especially now that they are getting very, very, very, very desperate. Joe relates this new, umm, government debt banker’s bank of last resort to the incredible announcement that the Federal Reserve would mysteriously (and some say sinisterly) stop reporting the M3 money supply figure this month. M3, if you remember, is the most inclusive of all the measurements of money, and it also includes the figures in the banks’ repurchase agreement (repo) market, where the action really is.

I bring this up because I am trying to get Joe S. into “Ripley’s Believe It Or Not,” and maybe we can both make a couple of bucks if I can get him into a freak show, as this guy has actually

comprehended the enormity of the horrific ramifications of creating so much money. I can document the exact moment in time when it destroyed his brain. It was the next sentence he wrote: “They create it/then they but it?”

This is insane! I cannot wait to inform the Intergalactic Economic Council as to how this works out, as they are constantly asking me, “Has the Earth economy collapsed yet?” Every month I report back, “No, but it is getting closer!”

And for you intergalactic fans, as an example of how economics influences popular culture, our own Federal Reserve has become popularly immortalized in the Nebulon Five galaxy, as the vulgar phrase “act Fed” has replaced the long-time favorite expression, “He’s got his grumkin up his gorfhole.”

Until next week,

The Mogambo Guru  
for The Daily Reckoning  
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Mogambo Sez: I cannot believe that gold is not soaring, and all I can conclude is that Lady Fate is waiting for somebody out there in Mogambo-land to load up on gold and silver before she lets it rip. That person will be famous as “The person who bought precious metals the day before the price soared!” Maybe that is you! And if not you, then send your money to me so that I can buy some gold and silver, because I would love for it to be me...or if you don’t trust me – you could send your money to these guys – they seem to know what they’re doing.