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Double-Count Accounting Magic

by The Mogambo Guru

"The bad news is that their money is all gone, but the good news is that I have effectively doubled our family income if one is allowed (like the government and Social Security) to double-count the money I borrowed from them as still being in their accounts, although I spent it! Accounting magic!"

The dollar, to my utter astonishment, has been strengthening lately, when it should be collapsing, as befits the currency of the biggest debtor nation in the world that has borrowed so damned much money, for so many decades, and which now has an economy comprised mainly of shuffling financial assets about, growing a huge, suffocating, labyrinthine system of spend-o-holic governments supporting an entire parasite class, and paying for it all with the aforementioned debt and lots and lots of taxes. Whew!

But this could all be ending soon, as I noticed that the S&P500 index went up to 1298, even as the earnings of the S&P500 dropped to \$51.83 from \$60.39! Earnings went down but the stocks went up! Weird!

And this is a goodly drop in earnings, which seems a little goodlier when you remember that twelve months ago the damned S&P500 index was at 1445.94 when earnings were \$85.11, resulting in a price-to-earnings ratio of 17!

And don't get me started about how the venerable Dow Jones Industrial Average has negative earnings and thus a negative P/E ratio. How much is a damned index worth that is losing more and more money? Apparently, a lot! Hahahaha!

And since the price of that index was mysteriously up a little bit last week, even as their earnings went down, this means that the price-to-earnings ratio of the S&P500 is (hold onto your hat to keep it from shooting right up off of your astonished head) an astounding 25! Those stocks are so grossly, ludicrously, hilariously over-priced to produce a P/E of 256 that my eyes bug out in stunned disbelief at the sheer stupidity of anybody buying a stock at that multiple, but fortunately I had a good hold on my hat!

Then, out of morbid curiosity, I go and look at Total Fed Credit, which is credit created at the whim of the Federal Reserve at the mere pushing of a button, making credit appear in the banks, ready to be loaned out, which turns it into money. Well, TFC was down by an also-goodly \$6.1 billion last week! Oops!

This is Unalloyed Bad News (UBN) because when you have a monetary system where money is created from debt that was created from credit that springs into being at the mere whim of a bank, as it means that more money is always owed than was originally borrowed, which means that there must always be more and more money and credit created, always more and more, literally forever, just to stay even! Which you can't because you are borrowing more money!

And if not, then somebody ain't a-gonna get paid. It's as simple as that!

I instantly think back to this morning, when the family and I were all sitting around the breakfast table. The kids were, as usual, complaining about how I get bacon and eggs with fresh-squeezed orange juice, but they have to eat plain, pasty gruel, and how that was so unfair to them. I was explaining to them for the thousandth time that life is unfair, but that if one is big enough, powerful enough, mean enough and enough of a thieving little bastard (like me, the federal government and the Federal Reserve), one can sometimes tip the playing field so it is a little fairer to me, and if they don't believe me, then consider that all the money in their college funds and piggy banks has all been replaced by IOUs from me.

The bad news is that their money is all gone, but the good news is that I have effectively doubled our family income if one is allowed (like the government and Social Security) to double-count the money I borrowed from them as still being in their accounts, although I spent it! Accounting magic!

And speaking of accounting magic, I laugh when I look at the banks and notice that "non-borrowed reserves" is still a negative \$123.3 billion! Hahaha!

I mean, their total reserves are a paltry \$44.4 billion, and of that, they borrowed \$123.3 billion! Hahahaha! Creative accounting at its finest! Hahaha!

And this laughable \$44 billion that they call their "reserves" is their "cushion" against about \$6.8 trillion in deposits! Hahahaha!

And deposit insurance? Hahaha! Forget it; the charade of FDIC as "insurance" is exposed when one learns that the FDIC has only \$53 billion to cover \$6.84 trillion of bank deposits! And what about reserves against the other \$7 trillion or so of bank loans and assets, mostly leveraged to preposterous levels? Hahaha! Nothing! Nothing at all! Hahahaha!

And to make sure I got this straight; you are NOT buying gold, silver and oil in self-defense? Hahaha!