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Government Spending Burns the Toast

by The Mogambo Guru

"This same bankrupt America is getting ready to send out \$160 billion in 'economic stimulus' checks, where the government is literally giving people free money even though the government is borrowing like crazy just to keep afloat, which means that we that are truly, truly toast."

Probably because I am a paranoid, suspicious, hateful cynic who thinks that governments are all lying, corrupt scumbags, I am sure that this whole "economic emergency" thing is not about saving the financial system, but about the government's tax revenues. When you add up the taxes from the federal, state and local governments, they take about half of the nation's income, and thus they also spend about half of the nation's income.

And the rest of the economy was in, as I gather from Bill Bonner here at [The Daily Reckoning](#), the financial services industry, as, "Finance, as a percentage of total business earnings, went from 10% at the beginning of the boom in '80 to 40% last year." So there you go The economy consists 100% on government spending and the financial markets!

Now that you know what is REALLY at stake, the news becomes grim, indeed, when Bloomberg.com reports, "The federal government budget deficit widened to a record \$175.6 billion in February as a weakening U.S. economy reduced tax revenue for a second consecutive month."

The actual terrible news in dollars and cents is that "Revenue last month fell 12.1 percent, while spending increased 17.1 percent." This compares to the previous record of a monthly \$120 billion deficit set last year! Wow! Big stuff!

This helps explain why the National Debt jumped \$60.6 billion last week. A week! As a little exercise, why don't you multiply \$60.1 billion in one week by 52 weeks to get a nice annualized figure for the increase in the national debt at this rate? I would do it myself, you understand, but my nerves are pretty shot from all the upheaval of late, and my fingers are mostly clenched into painful tight knots of fear.

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And not the good kind of toast where the edges of the crust are just starting to turn dark brown and the whole slice is a uniform, golden color, but the other kind of toast when every crumb of bread is burnt black, little flames are licking up at the edges, and all the smoke alarms in the whole freaking house are blaring "Bleeeep! Bleeeep! Bleeeep!"

Reuters rejects the delicious toast metaphor, which I was hoping that they would LOVE, and then I could use that to springboard to a job with them as a cub reporter, sort of

like Jimmy Olsen in Superman. Instead, they ignored my resume and stuck with the facts by noting that "The February gap marked a 46.3 percent increase over the previous all-time single-month deficit of \$119.99 billion in February 2007", because this time, "February receipts fell to \$105.72 billion from \$120.31 billion in February 2007."

As would be expected, "both corporate and individual income tax payments slowed", while "February outlays grew 17.1 percent to \$281.29 billion, a record for February, from \$240.30 billion in February 2007."

The result of getting less and spending more? Hahaha! I thought you'd never ask! In total, the terrifying news is that "For the first five months of fiscal 2008, which began last Oct. 1, the deficit reached a record \$263.26 billion, up 62.3 percent from the \$162.16 billion for the same period of fiscal 2007." That comes to the federal government borrowing another \$631 billion this fiscal year! About 4% of GDP! This is terrible news!

And it is not like the USA is offering stellar yields on its debt or assets, as would be expected from the offerings of a brain-dead bunch of deadbeat bankrupted [fiat-currency yahoos](#), which might have prompted Kenneth Rogoff writing at [sundaytimes.lk](#) about the dollar ("[Goodbye to the Dollar?](#)") as the world's reserve currency, to ask "after so many years of miserable returns on dollar assets, will global investors really be willing to absorb another trillion dollars in U.S. debt at anything near current interest rates and exchange rates?"

Well, they had better, because we sure as hell need the money, as he figures that not only will we "almost certainly see a massive rise in US corporate defaults" next year, "even though many firms entered the recession with relatively strong balance sheets", but that "State and municipal finances are in even worse shape. With tax revenues collapsing due to [falling home prices](#) and incomes, dozens of US municipalities could well go into receivership, as New York City did in the 1970's. US municipal bonds are already trading at huge risk premia, and the first big government default hasn't even hit yet."

My brain slows to a crawl as the blood flow is reduced since my heart is in spasm mode, and I am on the verge of blacking out at the gloomy prospects for the dollar, and in turn the prices of imports, which makes in prices of everything go up. The phrase "We're freaking doomed!" keeps reverberating in my head.

Darkness descends.