

# Government Spending Spree

By [The Mogambo Guru](#)

10/06/08 As Wall Street gets smaller, the government gets bigger. This week, the Mogambo Guru explores the greedy underbelly of government spending...and what you should do about it.

If you want to know the Real, Real Reason (RRR) why we are being subjected to a \$700 billion bailout of the economy, which is just the beginning, it is because the despicable Alan Greenspan, during his foul 18-years as chairman of the loathsome Federal Reserve, created all the money and credit that financed the stock market boom, the bond market boom, the housing boom and (worst of all) the growth-in-government boom.

And now, all those things are bid up waaaAAaaaayyyyy past their real values, and buyers are scarce while sellers are many. So the owners of those depreciating assets suddenly realize that they either have to hold onto them and go bust, or find some moron with a lot of money to buy them. Oops!

Tragically, while stocks can go bust, and bonds can go bust, and houses can go bust (and they are), the growth-in-government boom cannot be allowed to go bankrupt, because half of the people in the country now receive a government check of some kind as their income every month (Social Security, welfare, etc.), AND the governments collectively "employ" half the workers in the country because half the nation's workers have incomes that derive from government spending either directly or indirectly!

So, the real reason is: Governments need the money! It's as simple as that!

I know you find it hard to believe me, since Total Payrolls is officially listed as \$145.5 million, while government payrolls is shown as \$22.5 million – but it's true, nonetheless.

Firstly, these "government payrolls" do not variously count such things as firemen, policemen, teachers or any of myriad "contracted out" services, which means that the contracting private-sector provider is a private company that gets all of its income from government, thus they are indirectly, but totally, employed by government.

Now, add in ALL of those "contracted" services that government buys, such as building maintenance, lawn services, office supplies, equipment providers, equipment servicing contractors, rented office space, security services, pornography downloads, storage space, and parking areas, all of which is counted as being "private employment", when in fact it is Pure Public Payroll (PPP).

Now, we apply the multiplier as these incomes provided by the government are received and then spent, providing another income to someone else, which is also spent, providing another income to someone else, which is also spent, providing another income to someone else, over and over, all the while being whittled down by taxes.

Since all multipliers range between 3 and 7, even a multiplier of 3 will be enough to enlarge the official 22.5 million government employees to 67.5 million, which is almost half of the total 145.5 million employed in the whole freaking country!

As proof, I offer the Energy & Scarcity Investor newsletter, where we get the report that "Last year, the Pentagon spent \$316 billion on contracts with private firms", which is "more than it spends on actual weapons to fight wars."

So, not only do "military contractors account for more than half of all Defense Department spending – 57.6%", but there are a lot of these "private employees" in the "47,000 companies to choose from – running the gamut from blue chips to start-ups" that are getting, and living on, government money.

Ergo, the government desperately needs money, the Federal Reserve will create the money the government wants, the fresh government debt will be bought up, the money supply will increase, the value of the dollar will continue to fall, and gold will rise along with, and almost certainly more than, the rise in all other prices! Whee! This investing stuff is easy!

Until next time,

The Mogambo Guru