

# Reserved Seats for Big Credit Spenders

By [The Mogambo Guru](#)

10/27/08 When I come to my senses, I find that I am in some dingy little bar on the other side of town, stinking drunk; and the bartender has grabbed me by the front of my shirt to haul me unceremoniously halfway across the bar, and is rudely in my face, telling me through gritted teeth that if I want to stay there, I am going to have to "Shut the hell up about the Federal Reserve creating so much money and credit in the banks, as there is nobody in this whole freaking bar who gives a rat's ass about Total Fed Credit one way or the other."

I look to my left and see a drunken woman named Shirley (I think to myself, "How do you know her name is Shirley?") winking at me and saying, "Give 'em hell, Tiger! Now, let's all have another drinkie-poo! Hic!"

I look around, and I can see that the bartender was right, as there doesn't seem to be anybody here who can even say "Total Fed Credit" without slurring the words and probably getting some of their foul breath on me, stinking of cigarettes and (sniff, sniff) onions and garlic with a hint of pepperoni.

But whether they care or not, the fact is that last week the Federal Reserve boosted Total Fed Credit, namely the amount of fresh credit that appears on the books of the banks, by another staggering \$245.4 billion! In One Freaking Week (OFW)!

And this whopping increase in TFC is just the beginning of the credit-becomes-money-through-debt cycle, where this original \$245.4 billion is multiplied, theoretically, by infinity, as there has not been an increase in Required Reserves in the bank since 1994, and it always hovers around \$43 billion, which is still exactly what Required Reserves is today, too! Hahaha!

You can see how this constant, piddly \$43 billion in reserves is chump change when compared to how Non-Borrowed Reserves in the banks has surprisingly zoomed to a NEGATIVE \$363.1 billion! Hahaha! Hell, Free Reserves, which used to always run about \$1.5 billion or so, is now a NEGATIVE \$407 billion! Hahahaha! We are so freaking doomed!

And, just as you would expect, the Monetary Base has exploded to \$984.717 billion from \$911.454 billion last week, and which is up from \$827.367 billion just 12 months before! Money is being expanded at unbelievable, unbelievable, Freaking Unbelievable Rates (FUR)!

And most of it is being used by the government, as the Treasury Gross National Debt is now \$10.326 trillion, up from \$10.245 trillion the week before, and up by a staggering \$1.271 trillion from the \$9.055 trillion in national debt only 12 months ago! Yikes! We're freaking doomed!

All of this mountain of money and credit will have disastrous consequences, which I was going to turn into a long, eerie wail, like a hungry banshee keening from beyond the dead as a "performance art" thing that I have been working on in my spare time, but instead we have John

Embry of Sprott Asset Management jolting me back to reality, which is the fact that I can't change anything, and so I am only in this to make a lot of money betting on the stupidity and failure of the Federal Reserve and the Congress abusing their stupid fiat currency and stupid central bank to finance some bizarre regime of perpetual deficit-spending.

To this end he succeeded admirably, and he captured my full attention with his essay's title "Rescue Will Send Gold To Surreal Price Level", mostly because I am so familiar with things surreal, like my wife coming home early and yelling, "Why in the hell aren't you at work, and who's been eating all the Girl Scout Thin Mint cookies like the big, fat pig that he is?" which makes it sound like there are two people involved when there is only one! Weird! See what I mean about my experiencing "surreal" first hand?

I noticed that Mr. Embry was appreciably staggered, although it turns out he was not affected by my surreal experience, but about how "The recent events that have occurred on the U.S. financial scene can only be described as mind-boggling."

Such as, perhaps, noting the extreme differentials between the prices of sold and silver futures versus the prices of gold and silver bullion, and in the case of silver, sometimes there's a difference of up to 100%! People are reportedly paying up to \$20 – and more! – for an ounce of silver when the futures price for silver is less than \$10!

Anyway, whatever the reason, Jim Willie of the Hat Trick Letter concludes that we should "Expect defaults in the COMEX with gold & silver, whose prices for paper vastly diverge from physical, to the anger of foreigners watching" because those foreigners "hold massive precious metals assets" which I figure shows just how much smarter they are than we Americans, thus giving me something else to worry about.

He figures that these defaults will constitute a "breath-taking discontinuity event", to which I say, "Whee!" as the result will be a Big, Big, BIG Profit (BBBP) for those who own gold and silver, and this will all happen thanks to the arbitrageurs, who are pouncing all over this huge price disparity by buying in the cheap futures market and simultaneously selling in the expensive bullion market to pocket the difference, and who will make a lot of money, too.

And one of them is Jason Hommel of SilverStockReport.com, who announced that he, too, is starting a new arbitrage business to take advantage of that surprising disparity by buying silver on the Comex at the manipulated low, low price, then taking delivery, having it minted into individual ounces and small bars, and then auctioned off at prices that more approximate supply and demand, making a profit, and everybody is theoretically happy! Perfect! Effortlessly capitalizing on the governments' regulatory corruption and the rules of Comex that apparently allow it! Hahaha! Go silver!

And it will continue until the price disparity disappears to the point where arbitrageurs can no longer make a profit at it, either because the price of bullion went down or the price of a futures contract in silver went up.

I know which way I am betting, and soon, I am wistfully wasting the day away, marveling at the lovely, lovely profits I will make and all the wonderful, wonderful things I will buy, and all the lovely, wonderful things I will do with all that lovely, lovely, wonderful, wonderful money when silver zooms in price as it must. Sigh.

And then, lost in a reverie of such sweetness, secret sins and delicious depravities, nothing seems all that important anymore. Like finishing this stupid column. Sigh.

Until next time,

The Mogambo Guru