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The Fresh But Ephemeral Hell of the U.S. Economy

by The Mogambo Guru

"Not only have bank reserves not gone up in 10 years by so much as a dime, but the Treasury bonds that the Fed bought, by creating the money to buy them, are also disappearing! As Dorothy Parker so famously said, 'What fresh hell is this?'"

I was in the Mogambo Bunker, leisurely calculating the risk-reward ratio between trying to stuff the last, lingering piece of that huge pizza down into my gorged stomach and maybe throwing up, versus putting it in the refrigerator and having somebody in the family take it and eat it, which they will do even if I leave a note on it saying that it is mine, and that if anybody takes it, I will track them down and kick some serious butt.

But my ruminations were put aside when I saw that in the banks, the results of their stupidity is seemingly made suddenly, terrifyingly manifest in that non-borrowed reserves in the banks collapsed by -\$8.751 billion, which is a huge negative number, meaning that bank capital is going up in smoke as a lot of the crappy, stupid, insane loans they made go bad! I want to laugh, "Hahahaha!" at the banks, as being busted out has never been more deserved, and ditto the stupid investors who looked at all those annual reports from all those banks but never said, "Whoa! This is freaking insane! Let me sell that stupid bank stock before everybody else finds out what in the hell is going on!"

Of course, there is no end to duplicity and corruption in the banks anymore, and so it is but child's play to diddle with numbers in accounts and ledger entries to get Total Reserves back up to its \$41.639 billion more-or-less average by doing something tricky, like letting banks move losses off their balance sheets into Special Purpose Investment Vehicles or something in, say, an off-shore account in a related subsidiary in which they have a 0.0001% stake or more, or changing what is counted as reserves ("You could sell the building and all future cash flows, so that should count as reserves!"), or using a 15-year moving average of past reserve balances as "reserves".

John Williams at Shadowstats.com had noticed it, too, and says, "In December 2007, total borrowings from the Fed topped 36% of total reserves, then the highest proportion seen since 46% in March 1933, when President Franklin Roosevelt declared a 'bank holiday' and closed the banks."

Who knows what in the hell is going on? It's bad, it's blatant corruption, and it will not help in the long run, anyway, sort of like an idiot psychiatrist saying, "Those new pills seem to be helping you!", when, in fact, the only thing that re-connecting with reality has done for me is to be confronted with a truer, starker, uglier reality of the Federal Reserve destroying my money and my country, which makes me MORE fearful and angry!

Well, to be fair, I also no longer feel compelled to jump to my feet, run to the window, and shout, "We're freaking doomed, you morons! Your stupid, un-Constitutional fiat money and unlimited fractional-reserve banking in the hands of an intellectually corrupt Federal Reserve and a willing accomplice in the Congress (except Ron Paul) will destroy you with inflation in prices, just like it has destroyed every other stupid country that has

ever dared commit such halfwitted folly!"

But you are not interested in my medication regimen or its efficaciousness, although you will need some heavy medications yourself when I give you another interesting bit of news, which is that the Fed's stash of U.S. Securities Owned Outright dropped again, by \$4.9 billion last week, which takes their stash down \$60.5 billion from levels a year ago!

My God! This is the dropping of the last pretense of the Fed. Not only have bank reserves not gone up in 10 years by so much as a dime, but the Treasury bonds that the Fed bought, by creating the money to buy them, are also disappearing! As Dorothy Parker so famously said, "What fresh hell is this?"

Well, to be fair, it will theoretically not be a "fresh hell" soon, as the Fed cut its Fed Funds rate (the rate at which banks have to lend to each other) by another 0.50%, taking that rate down to 3%. That's a drop of 1.25 percentage points in a week or so, down from 4.25%, which is slashing interest rates by (astonishingly) about a third! It is said to be, by people who actually look these things up instead of just pulling facts and figures out of thin air like I do, the biggest plunge in 20 years! Wow!

Things are getting Very, Very Serious (VVS) when the Fed is slashing interest rates with abandon and the government is literally sending out money to people, which is the predictable end-game panic of a bizarre economic theory propounded by a ridiculous Federal Reserve and the majority of morons who teach and comment upon economics.

But before I get into a real Honking Mogambo Snit (HMS) about it, perhaps I could take the easy way out, thanks to Junior Mogambo Ranger (JMR) Tom D., who sent a link to "Jim Miles: House of Cards" at Palestinechronicle.com, whose subhead says it all for me; "Perhaps it is just all numbers and the economy can once again go percolating along as the economists juggle their statistics and print more money and everyone believes that the financial house is stronger than a house of cards."

He goes on to calmly imply that I am right that the sublime idiocy of modern econometric, neo-Keynesian economics is beyond farce when he writes, "Economists do use mathematics a lot, especially statistics, but there is no scientific method of experimental deconstruction that relates to what they do, which is mostly talk about the wonderful statistics they create. Statistics, for those who have studied them without delving into the details, can be used for both sides of many arguments, according to the manner in which a phrase is turned around that statistic and what supporting data are included or left out." Exactly!

For example, Larry Kudlow, strident CNBC market shill, says he does not care about a \$400 billion deficit because he looks at it as a small percentage of GDP! Hahaha! \$400 billion is about \$4,000 for every non-government worker in the country, you moron! And this is just one year's freaking deficit!

In fact, the \$3.1 trillion federal budget, even without the \$600 billion or so that will be added to Congressional spending through "supplemental appropriations" during the year, this means that the federal government alone is budgeting itself to spend, this year alone, \$31,000 per non-government worker in the country! Hahaha! This is truly insane!

But lunacy about economics is not confined to CNBC, and in fact, Mr. Miles notes that, the study of money and economics was, "Coined at a time when economics was encountering emancipation," and that is the beginning of when economics gave (as he quotes from Levy, David M. and Peart, Sandra J. "The Secret History of the Dismal Science: Economics, Religion and Race in the 19th Century"), "birth to progenies and prodigies; dark extensive moon-calves, unnameable abortions, wide-coiled monstrosities, such as the world has not seen hitherto!", which certainly pertains to the current neo-Keynesian econometric abomination holding sway in America and, I shudder to say, the world.

Now that last piece of pizza is cold. Damn! Is there no end to the miseries inflicted upon us by the Federal Reserve?