

The Half and Half in your Economic Coffee

By [The Mogambo Guru](#)

08/04/08 If the economy were a cup of coffee, the mortgage market would be the half and half. Unfortunately, the mortgage market is passed its expiration date. Good thing the Mogambo drinks his coffee black, eh?

Peter Schiff of Euro Pacific Capital writes, "The grim reality is that trillions of dollars were borrowed and spent that will never be repaid. No government program can alter that fact. Someone is going to have to pay the piper for all those granite counter tops and plasma TVs. The price tag is staggering and for all the bailouts and stimulus packages, all the government can do is exacerbate the losses and shift the burden through inflation. Nor can the government resurrect bubble home prices and the fantasy of real estate riches that went along with them. One way or another, rational home prices will be restored and the myths of our asset-based, consumption-dependent economy will be finally discredited."

If that wasn't enough, as a long-time homeowner, I can tell you that buying the house is just the beginning of house-induced-bankruptcy, as staggering property taxes and homeowner insurance are major recurring items, but which doesn't even begin to address the fact that you need to paint the damned thing every ten years or so – costing many thousands of dollars – and replace the roof about every 15 years – costing many more thousands of dollars – and replace every damned thing in it (air conditioner/heater, dishwasher, water heater, televisions, video players, furniture, carpets, etc) in the thing every 7 years or so, costing umpteen MORE thousands of dollars, not to mention all the front doors you knock down and have to replace when your family locks you out as part of some doofus "tough love" thing, like I'm going to put up with that crap even if I was sober!

So, it seems little wonder that so many people are allowing themselves to go into foreclosure. Nobody told them about that part!

And given that banks, when selling foreclosed houses, actually net about half the price of the mortgage, that means to me that houses are, by extension, overpriced by half, and as such will surely not be rising in price for a long, long time to come.

The businessspectator.com is not interested in how I am trying to unload my own eyesore of a house at a seeming top in the market, or how I am holding the dishwasher together with duct tape until then, but says that that National Australia Bank has made a "decision to write off 90 per cent of its US conduit loans", which apparently comes out to a tidy \$830 million dollars! Wow! Talk about biting a bullet!

They go on, "A US recession is now locked in, but more alarmingly, 55 per cent loan losses point to the possibility of a depression."

Possibility? Hahaha! The essay "Dead Cat Bounce" by Edgar J. Steele at conspiracypenpal.com hits the nail on the head when he says, "Not only is something wrong with the dollar, the banking system and the economy, there almost literally is nothing right with any of them. Truth is, that whistling noise you hear is the air streaming past your ears as we all plummet into the deepest economic abyss ever seen by mankind."

So why haven't things collapsed? The answer is simplicity itself: Desperate actions by desperate people in Congress and the Federal Reserve, who are using every slimy trick they can think of, as I gather from Michael S. Rozeff, a retired professor of finance and writing at LewRockwell.com, who asks, "What do our officials most fear? They fear the public's loss of confidence. Events are driving their improvised attempts to stem a general loss of confidence in the dollar, in them, the financial and monetary system, and the government as a whole".

The motivation, I assume, is because the November elections are just around the corner, where all the House of Representatives and a third of the Senate are up for re-election! Hahaha! Now you know how things work!

And they may be onto something there, as the latest Gallup poll has Congress receiving its lowest approval rating ever. Only 14%! And when 6 out of 7 people think you are doing a bad job, you become desperate people doing desperate things, too.

Some will be desperate enough to buy gold and silver. They will almost certainly prosper, if history repeats itself as it always has.

Others will be desperate enough to invest in other things. They will almost certainly not prosper, if history repeats itself as it always has.

So it comes down to a bet on a 100% long-term probability, which makes me go "Whee!"

Until next time,

The Mogambo Guru