

Worthless Money, Worthless Economy

By [The Mogambo Guru](#)

08/25/08 Frequent readers of The Mogambo Guru will note his distinct Mogambo Laugh Of The Damned (MLOTD), and how it is usually followed by the words "We're freaking doomed!" Well, this week, he comes across something so terrible, he can't even muster a chuckle, let alone an MLOTD.

There comes that "Kodak moment" (elsewhere referred to as that "Wile E. Coyote moment" when he has run off the cliff and is surprised to see himself momentarily suspended in mid-air) when burgeoning governments and the dysfunctional economies that grow up around them have grown and evolved into their final, grotesque, bloated maximum by constantly expanding their spending via debt and taxes to the maximum, and then one day they suddenly cannot do that silly crap anymore.

I know that the audience is dying to ask, "Why not, oh Wonderful Mogambo Master (WMM), when it is you who counsels that with a fiat currency, it will always be possible to finance infinite amounts of spending?"

I look at them with pity, as the answer is simplicity itself; they literally run out of money because money is being lost so fast! Unfortunately, I can't say anything, as my guts are churning so badly at the prospect of universal bankruptcy that it is all I can do NOT to puke my guts out in fear, which I prevent only with Heroic Mogambo Control (HMC) so that I will not get a lot of angry people demanding their money back, which they paid for this stupid seminar, as I already lost most of it in a crap game with the kitchen staff before we even got started. Oops! Damn!

So I say nothing, but smile hopefully enigmatically and point them to Bloomberg.com, where they can read for themselves the horrible news that "Wall Street's mortgage losses have grown so large that some firms may pay little or no taxes for years, widening New York City and state deficits and challenging their ability to provide services, Mayor Michael Bloomberg said." Gaaaaahhhh!

The one industry that makes most of the money, the financial services industry, will pay no taxes! And even worse, "Some companies are seeking refunds from the city on taxes they prepaid, saying losses have cut their tax liability to zero."

So not only are they not going to pay any taxes, but they want the city to send them some money back! They can do this because they already paid too much, as, "The banks pay tax on 110% of earnings in advance as a 'safe harbor,' protecting against penalties for underpayment."

The mayor dryly admitted, "I think it will be a number of years before Wall Street starts paying taxes again" because "They will carry forward all of those losses" and not pay any tax for a long, long time.

And, as if you need something else to worry about, ditto federal tax revenues going down because massive losses will result in zero tax due. No wonder Obama is proposing all these higher tax rates!

And if you think it won't happen, then I laugh in scorn at your misplaced optimism, because it is already happening! The federal budget deficit tripled in July to a record \$102 billion, taking government spending up by a massive 27% from this time last year, which is bad enough, but then everything is made Much, Much Worse (MMW) by the stunning news that revenue was down 6%! Gaahhhh!

After \$150 billion borrowed, put into stimulus checks, sent and spent, tax revenue was still down 6%? Staggering! The economy is so bloated, indebted and dysfunctional that \$150 billion of additional raw spending produces 6% less taxable income? Hahaha! We are so freaking doomed!

And it is not just here, either, as Peter Schiff of Euro Pacific Capital reports that we Americans are "defaulting on hundreds of billions of dollars of existing loans underwritten by lenders around the world."

This may have something to do with the Wilshire Trust Universe Comparison Service reporting that, according to Bloomberg.com, "The return for all institutional investment portfolios turned negative for the 12 months ended June 30", and "the median contraction for master trusts, which includes pension plans, foundations and endowments, was 4.49% during the year."

And you still think that you can fund a retirement by investing all your money into the stock market? Hahaha!

And this does not even take into account, according to Agora Financial's 5-Minute Forecast, that the Federal Reserve opening the bank to any and all borrowers resulted in the eye-popping news that the "Fed's TAFs and TSLFs have now dedicated over \$1.6 trillion to quelling the credit crunch"! \$1.6 trillion dollars! My God! We are freaking doomed!

Perhaps Junior Mogambo Ranger (JMR) Len M. sums it up best when he says, "Honest government, honest money. Dishonest government, dishonest money. Worthless government, worthless money."

The worst part is that this is also true: worthless money, worthless economy. I wish I could find a laugh in there, but I can't. Plenty to weep about, though! And plenty of time to repent at leisure, too!

Unless you have gold, silver and oil, of course, but don't get me started on their virtues or how obnoxious I will be when I am rich, rich, rich from owning them and how far, far, far away the kids will be in some boarding school, and how much fun, fun, fun life can be again, as I never tire of thinking about it and I have far, far, far too much work to do.

Thanks.

Until next time,

The Mogambo Guru