

Credit-Based Money System and the Plight of Un-rich Peons

By [The Mogambo Guru](#)

03/31/09 Tampa Bay, Florida George Ure of UrbanSurvival.com writes that the magic of just pounding money into the economy doesn't seem to be working this time, and it reminds him of "the old engineering/design flow-chart joke that went around about 20-years back that had a place in the engineering process labeled 'Insert Miracle Here'." Hahaha! Good one!

Well, apparently he is not here to talk about what makes me laugh or how I pretend that I know anything about engineering, and says, "the Big Picture is that a huge concentration of wealth has been going on for decades, and the people at the top have stretched greed about as far as can be done before things blow up" which is about as pithy as you can get about the terrors of mal-distribution of wealth, a cancerous condition that comes from a huge, decades-long monetary and fiscal boom where all the money filters up the food chain because the wealthy are the ones who have the wherewithal to borrow all the money to buy all the government debt so that the government funnels more and more money to the rich via increasing interest payments because the government has to borrow more and more money just to offset the inflation in prices that the new money created, and why deflation of financial assets, in a big bust like right now, has, among its other beauties, the ability to correct this unhealthy imbalance.

I am sure that there are many of those who say, "What in the hell are you yammering about, you Stupid Mogambo Halfwit (SMH)?" which makes me realize that I need to make a quick notation in my notes that you called me an SMH, which will come in handy when computing your Final Grade and compiling the next volume in the "Official Mogambo Enemies List" series.

But in answer to your question, regardless of the rude way you phrased it that is going to cost you, the problem of mal-distribution of wealth is not just that a few very rich people own the vast majority of everything and the many, many of us in the grubby multitudes of common-clay peasant scum whose lot in life is to make scumbags and government scumbags (like Christopher Dodd from Connecticut – the state that keeps electing this horrid little corrupt mental pipsqueak, and which makes me figure that "Connecticut" must be an Indian word that means "unable to feel shame") rich and make the other rich richer, too, while we "un-rich" own virtually nothing.

In case you were wondering, the multitudes of the un-rich include you, me, and everyone we know.

The kicker that makes it all so funny is that it is us un-rich peons that still owe all the money that the rich now own! Hahaha! That is the result of having a credit-based money; money only comes into existence if somebody borrows it, and money goes out of existence when the debt is paid, so that if the debt that created the money in the first place was repaid, there would be no money for the rich to have! Hahaha! WoooOOooo! Makes your head spin! Hahaha!

And what was bought, and is being bought, with all this money that the government is spending? Well, after decades of Congress spending its time finding ways of permanently compensating everyone who suffered either real or imagined hardship, or even inconvenience, through the simple expedient of borrowing the money and giving it away, a task made easy by the Federal Reserve creating the mountains of money and credit to make such reckless, insane government borrowing possible, it is not surprising, then, that Junior Mogambo Ranger (JMR) R. A. M. notes that, after looking at the budget of \$3 trillion in budgeted federal spending for the next year, “almost 50% is entitlements and interest on our debt. Defense spending [is] almost 25%.”

Of course, 50% of the budget for entitlement spending plus 25% for military spending means that “everything else” must be 25%.

Desperate for some relief, I was at the SteveQuayle.com site when I idly clicked on one of their “Story of the Day” pieces, which linked to Marketskeptics.com. While I was waiting for my computer to load, the title came up on the bar of my browser, a feature that I apparently never noticed before, since as a husband, father and paranoid citizen afraid of the idiotic, homicidal, corrupt and criminal government, I take every opportunity like this to check what’s happening behind my back and sweep the perimeter for hostile threats of some kind to make sure something isn’t sneaking up on me, particularly the kids, who seem to understand (and understand a little too well to suit me) the significance of still being legally too young to be charged as an adult, if you catch my drift.

But it is not just the kids, wife, family, neighbors, government officials, random passersby and sometimes complete strangers who are openly hostile to me, but I blame the Federal Reserve for being the cause of all of our problems because it is the Fed that created too much money and credit, which financed the inflations and booms in the prices of stocks, bonds, houses and size of government, and thus they are my enemy, too, and I blame the despicable Congress for consistently allowing them to do it, and thus they are my enemy, too, and I particularly loathe the Supreme Court for allowing Congress to do it by, astonishingly, ruling, and then upholding that ruling time after time, to negate that whole part of the actual Constitution of the United States, Article One, Section 10, that requires that no state allow anything other than silver and gold to be payment of a debt, a simple-yet-effective circumscription which would have completely prevented all of the economic problems we have today, illustrating the genius of the Founding Fathers and the completely and utterly treacherous and traitorous idiocy of Congress and the Supreme Court today, a pox on all their houses!

Anyway, as I am waiting and pondering writing some hate mail to the Fed, Congress and the Supreme Court (“Dear Morons: Drop dead! Sincerely, Angry Man In Florida (AMIF)”), the title of the article came up on my browser bar, and I saw, with alarm, “Fed Planning 15-Fold Increase In US Monetary Base”, by Eric deCarbonnel which was so horrifying that I immediately thought it must be some kind of a joke, an outlandish editorial cartoon, or something equally fanciful.

Well, it wasn’t, and he calculates from official reports that if you define “cash” as the real monetary base of the USA available to the USA, then as of September 2008, it was a paltry \$262 billion (30% of the Fed’s published \$833 billion in actual cash, which is what you have left after subtracting the value of 70% of U.S. currency that is being held abroad).

This is pretty scary stuff, and I don't understand any of it, but he goes on, "Now compare that to the projected US domestic monetary base for September 2009 which is \$3,818 billion (\$4,500 billion – \$583 billion dollars circulating abroad) – \$99 billion (other fed liabilities not part of the money supply)."

He says, "The fed's planned balance sheet expansion results in a 15-fold increase in the base money supply" calculated as " $\$3,818 \text{ billion} / \$262 \text{ billion} = 15\text{-Fold increase in US monetary base.}$ "

You can probably tell by the way my face is contorted in fear and how I keep nervously glancing out of the window at the Fabulous Mogambo Bunker (FMB) in seeming preparation of sprinting towards it in terror that this is the time to be buying gold, silver and oil with both hands, and if you are not, then, brothers and sisters, you soon will wish you had!

And that is what makes investing so easy! Whee!