

Delusions of Endless Credit

By [The Mogambo Guru](#)

05/19/09 Tampa Bay, Florida James Howard Kunstler, famous author and speaker, opines, “For now, the ‘bottom’ is in” which took me completely by surprise! I mean, how could anybody in their Right Freaking Mind (RFM) think that “the bottom is in” as far as the economy is concerned?

Of course, there may be lots of things that have seen their “bottom”... Like crime, which is destined to soar as desperate people resort to desperate measures, in a kind of “win-win situation,” where the person either gets away with the crime, or he doesn’t, and if he doesn’t, then he gets sentenced by a judge to a bed, clean sheets, a communal crapper and three FDA-approved meals a day, free.

But most things have NOT seen their bottom yet, and are still falling, falling, falling, like the economy, my pathetic career, my income, my hair, my teeth, and my ability to control myself from screaming in Loud Mogambo Outrage (LMO) at the economic insanity that has gripped the world, which has NOT bottomed!

Naturally, I was just getting ready to fire up a scathing LMO missive to Mr. Kunstler to inform him of the Facts According To The Mogambo (FATTM), which are that some hypothetical “bottom” is years, if not decades, away, which assumes that the economy survives that long after being beset by outrageous fiscal insanities from an idiotic Congress and a Federal Reserve that creates the outrageous piles of money that finances it all, which, in a just world would mean prison and utter ruination for them all. A pox on all their houses!

You can see how I was getting myself worked up, and so it was a big letdown when I quickly learned, after I read further, that I had made a mistake! Oops! He did NOT say the economy had bottomed, but “the bottom of this society’s ability to process reality.”

Well said! And as a guy who seems to have a problem processing reality, I am paradoxically Very, Very Happy (VVH) to hear this! Hooray!

I soon realized that he was not predicting some “miracle cure,” whereby I suddenly get along with family, neighbors, coworkers and Democrats, when he went on to explain that “We’re done doing business” like we did up to now, and as one of the profound things that he calls “epochal discontinuities” for starters he says that “The revolving credit economy is over.”

This seems to go along with a recent report from Bloomberg.com that “Consumer credit in the U.S. contracted by a record in March after the jobless rate reached its highest level in a quarter century and banks made it harder to get loans in an effort to buttress their balance sheets.”

So, how far did consumer credit fall? It fell by “\$11.1 billion, almost three times more than forecast and the most since records began in 1943” which is not only a long time ago, but is also

chickenfeed when you compare it to the remaining \$2.55 trillion in outstanding consumer credit! Hahaha! We're freaking doomed!

And the news just keeps getting incredibly worse, as Old Bad News (OBN) is made into Fresh Bad News (FBN) with the, ummm, news that "Credit also decreased by \$8.1 billion in February, more than previously estimated."

Oddly enough, consumer spending, which "accounts for about 70 percent of the economy, rose at a 2.2 percent annual rate in the first quarter, the most in two years." Hmmm!

That "Hmmm!" at the end of the previous sentence can be interpreted various ways, but in this case it simply means, "What in the hell is going on when consumer credit fell by an astonishing \$20 billion in the last Two Freaking Months (TFM), and yet consumer spending went up?"

Bloomberg does not mention my clever use of "Hmmm!" or mention me at all, actually, but goes blithely on that the \$11.1 billion in decreased credit sales was derived from adding "Revolving debt such as credit cards [which] decreased by \$5.41 billion in March" to "Non-revolving debt, including auto loans and mobile-home loans" which "fell by \$5.69 billion."

"Six of one, half dozen of the other," as far as I can see!

But with the staggering avalanche of money being poured into the world's economies by central banks and deficit-spending governments, a Something Very Bad (SVB) event is going to happen to a lot of prices, which will in turn cause a lot of other SVB events until, well, just say it is ugly.

Thankfully, owning gold, silver and oil will make every day a beautiful day for you if you, too, buy gold, silver and oil.

And if you don't, then it's back to SVB events for you, chump! Hahaha!

Whee! This investing stuff is easy!