

Drinking Until the Economy Looks Good

By [The Mogambo Guru](#)

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I have, as part of my Official Mogambo Duties (OMD), spent many an evening at local bars, sampling various beverages and making goo-goo eyes at the barmaids while waxing loud and lyrical about the ludicrous extremes of fractional-reserve banking extant in the world today, a device where banks can loan out huge multiples of any money deposited, keeping only a fraction of the original deposit as reserves to insure against loans not being repaid.

As you may not know and about which I have a hard time believing myself, offering free economic education to stupid drunken people has not made me very popular at these establishments, and I am starting to think I have wasted a lot of my Precious Mogambo Time (PMT) with those losers.

I say this because I just got back from visiting one of my favorite hangouts where I entered the place and asked, "Is everybody here upset at the degree of fractional-reserve banking that the stinking Federal Reserve has allowed in the banks, and how it is bankrupting banks all over the country?" where I expected them to say, "Yes, we are worried sick about it, Glorious And Wonderful Mogambo (GAWM), thanks to you educating about it! Let us buy you drink after drink until you are really loaded as a way of showing our everlasting appreciation!"

Alas, I was disappointed when they all shouted back, "No! Now shut up and go away!"

I'll bet they would not be so rude to [Chris Mayer](#) of *Capital and Crisis* newsletter, as he has the exact facts and figures that could educate those lowlife drunken morons and, perhaps, break through to them and make them realize the dangers!

Alas, I have tried and, obviously, failed, even though I did exit gracefully by yelling, "You're all a bunch of stupid lowlife drunken morons, just like my mother warned me about and my wife warns me about to this day!"

I can only imagine with a sense of joy the look of Total Mogambo Enlightenment (TME) on their faces if I had shown those losers his newsletter where he wrote, "The typical bank has only 4 cents of tangible equity for every dollar of assets. That means a 4% drop in asset value wipes out the equity – making the bank insolvent."

A drop of a lousy 4% will wipe them out! No wonder the Federal Reserve pumped about \$60 billion into reserves at the banks last week, bringing the total to a whopping \$805.772 billion in Total Reserves, and it added about \$76 billion in Non-borrowed Reserves, bringing that total to \$417.9 billion, last week alone!

This seems like a lot of money when you realize Required Reserves, the money held in cash by the bank as an insurance cushion against many trillions of dollars in loans and deposits, is still only a laughably pitiful \$61.9 billion, although up from the ridiculous less-than-\$50-billion in reserves that prevailed since 2000! Hahaha!

It has all resulted in total, unmitigated failure (just like it always has, in all the monetary booms, in all of history!), which I easily prove by merely standing up, going over to the window, whereupon to look out upon the landscape and, in a breathtaking performance of the story of Man, his spirit broken by looking into the future, who is despondent to the point of crying the heartbreaking Tears Of The Mogambo (TOTM) at the sight of such suffering and bankrupting misery as it unfolds anew through the window!

Obviously, it is enough to thrill and chill even the most jaded theatergoer with a blazing performance of theatrical incandescence of despair and anger that should, in a just world, win a prestigious award of some kind just for the way I melodramatically and memorably scream, “Noooooooooooo!” as if my very soul was in mortal torment at the prospect of the disaster of inflation in consumer prices that will result from such insane amounts of Fed-created money, if nothing else.

As fabulous as it is to see such a terrific performance in the category of a short informational or educational film concerning an economic, social, religious, race or other cult subject in a primarily-documentary format, the point is that this is all especially bad news, including anyone wanting a job in the future, as new jobs come from expanded reserves, which come from expanded deposits and expanded loans, expanded business investment and expanded consumption.

As if to prove me right, although nobody can quite remember what I was talking about, for some reason it led to [Byron King](#) writing at [Whiskey and Gunpowder](#) that, last week, “the Fed made a shocking prediction. It forecasted that the U.S. economy would add NO NET NEW JOBS over the next five years!”

[Dan Amoss](#) of the *Strategic Short Report* newsletter reports that BusinessWeek magazine found that “the public sector of the U.S. economy created 2.4 million jobs over the past decade – twice as many as the private sector.”

Being the gentleman that he is, Mr. King does not say something Mogambo-like, such as, “We’re freaking doomed, and you are doomed, too, you moron, unless you are building bunkers in the backyard and buying gold, silver and oil with every dollar you can get your filthy hands on, because the dirtbag government is going to use this lack of gains in employment as an excuse to act even MORE insane with deficit-spending, and the Federal Reserve will, in turn, use it as an excuse to print up the excessive amounts of fiat money and credit necessary to pay for it all, meaning that inflation in consumer prices will destroy us all!”

I would have ended the outburst by dramatically proving my point, repeating, “Print up all of the fiat money and credit to pay for it all, meaning that inflation in consumer prices will destroy us

all! It's not only Completely Freaking True (CFT), but it even rhymes, as if to prove it all over again! Can't you see that? Don't you see the obvious connection, you morons?"

Mr. King chooses, instead, to say merely, "Whoa!"

"No net new jobs?" he asks. "That ought to scare you. The Census Bureau predicts that the US population will grow over five years. But the numbers of new jobs will remain static. That is, for every job gain there will be a loss."

I am particularly sensitive to losses in total jobs, having lost my own job so many times, and ALMOST lost it many times before that, since I seem to always get jobs with anal-retentive perfectionist Stalinists who want me to show up at the job every day, like it is some kind of "crime" to stay up too late drinking and partying with my hoodlum friends, and thus accidentally oversleep by a few hours every few days.

Instead, they wanted me to get to work at the same time every morning with all the "little people" who, herd-like, shuffle and moo as they pass the time clock. How degrading!

And then – get this! – my bosses get all upset when I do manage to get to work on time, and use it as an perfect opportunity to greet my fellow employees merrily clocking in and give them – absolutely free! – the Best Financial Advice (BFA) they ever got by telling them to buy gold, silver and oil because their stupid government is allowing the creation of excess money and credit, which is doing exactly what they should NOT be doing, which is why the Founding Fathers, who were men who had the wherewithal and inclination to look into history to discover that a fiat currency in the hands of a government determined to spend more than it should got destroyed Every Freaking Time (EFT).

Like most employees everywhere, they all just looked at me with that stupid, uncomprehending bovine expression on their stupid cow-like faces, which explains why, from then on, I always called them "moo people", which was a lot more clever than what they called ME in return, which was simply "jerk", which shows a serious lack of imagination in selecting nicknames.

But it takes no imagination, or even smarts, to quickly see that history is full of examples of governments with a fiat currency getting into trouble by creating too much of it, which always makes gold go up when priced in a fiat currency in trouble, which makes me exclaim with undisguised glee, "Whee! This investing stuff is easy!"