

Fiscal Drops in the Bucket Deficit

By [The Mogambo Guru](#)

07/28/09 Tampa Bay, Florida I had just finished Final Lockdown Mode (FLM) here at Rancho Mogambo Bunker (RMB) and was starting to relax, or as much as a guy can relax when a guy is naturally skittish, paranoid and fearful and whose symptoms include rabidly obsessive total denunciation of the disastrous Federal Reserve for creating so much money, the traitorous Congress that allowed it so that it could deficit-spend the money, and the moron American voters that elected and re-elected and re-elected such loathsome, incompetent people to Congress.

I could see by the way I was getting worked up into another hissy-fit that I had not taken my medications as prescribed, a realization probably prompted by the way my wife was insistently banging on the door of the bunker and shouting, "Did you remember to take your pills like you promised?"

I was shouting back, "Yes!", which was, of course, a lie, but for which I atoned by immediately taking the damned things, so from then on, it was her word against mine! Stalemate! Hahaha!

I was muttering under my breath, "Now, nothing can be proved except that I took the pills somewhere around that time, if you want to go to that extreme, and otherwise, just shut up about the pills! Hahahaha!" which showed that they were already working, as normally I would have said (and a lot louder), "So shut up, shut up, shut up about the pills or I'll cram them down YOUR throat and see how YOU like taking your damned pills! Grrrrr!"

I knew then that I was probably becalmed enough to take a look at the change in Total Fed Credit, that miracle stuff that can magically appear on the books of the banks and which, if loaned, becomes money and debt which, particularly if it is excessive, causes higher prices, which is Bad, Bad News (BBN). I thought I was ready.

I was, alas, wrong.

Instead, my eyes were scorched when I read that TFC increased \$34 billion in the last week! Gaaahhh! And as staggering as this is, the Fed itself bought up a whopping \$37 billion in government, agency and toxic debt! The Fed monetized \$37 billion in One Freaking Week (OFW)!

You will be "happy to know" that Ben Bernanke is absolutely right when he says that even buying up \$300 of government debt by this Fall, on top of the \$1.275 trillion that the Fed already owns, will just mean that Fed assets, as a percentage of total government debt issued, will be the smallest percentage in decades! It's just a drop in the bucket compared to what is coming! Hahaha!

Now you know why I say, "We are freaking doomed!"

Almost predictably, the monetary base jumped by about \$55 billion as a whopping \$60 billion poured back into bank reserves. All in One Freaking Week (OFW), too! Yikes!

I know what you are thinking. You are saying to yourself, “Oh, shut up, Loud Yet Stupid Mogambo (LYSM)! The lunatics of the Obama administration have already budgeted a \$1.8 trillion budget deficit, so where did you think the money was going to come from, you loser halfwit scumbag that nobody ever liked?” which is a statement where the first part is true, in that the lunatics of the Obama administration have already budgeted a staggering \$1.8 trillion budget deficit for this year, so it must follow that the second part of the equation must also be true, namely that I am a loser halfwit scumbag that nobody ever liked, which I don’t think is true, but it sure would explain a lot of things!

Anyway, it is not just money being created, but the effect it has on prices, which go up, which people can’t pay because they are already spending all the money they have, and they get angry, like the 1-out-of-5 Americans that smoke cigarettes and how Florida, along with lots of other taxing entities, increased the tax on cigarettes by \$1 per pack or more!

While this may make some people quit smoking (to their benefit), for the most part it means that the average pack-a-day smoker is going to curtail other spending to the tune of another \$7 per week, worsening the recession/depression: If there are 160 million adults, and a fifth of adults smoke, then that’s another \$224 million a week in lost private spending, \$11.6 billion a year, which will not be spent by private citizens buying what they want and creating a real economy out of real supply and real demand, but will, instead, be spent by government buying what IT wants.

And while I could go on for hour after dreary hour that what the government wants distorts the economy, it is what we get in return that matters, and what we get from such massive expansions of the money supply is inflation in prices and a destroyed economy, which is why gold, silver and oil are the only obvious investment choices! Whee! This investing stuff is easy!