

Standing at the Gates of Economic Hell

By [The Mogambo Guru](#)

06/10/09 Tampa Bay, Florida I look out of the periscope of the Mogambo Bunker Of Security (MBOS), and when I see my neighbor crying, and I remember that the new estimate of real unemployment is almost 20%, which comes out to one person unemployed out of every five people who need a job, which they need so that they can pay some bills and maybe have enough left over to have a little fun for a change, like maybe having a few drinks and a few laughs with my barstool buddies, just to get away from the wife and kids for just a few precious hours so that I don't Freaking Lose It (FLI).

Then I swing the periscope around and see another neighbor getting yelled at by his wife, who keeps shaking some papers in his face as she is screaming, which makes me think it's some kind of a bill, which makes me think of the amount of debt that is being carried today by public and private entities that totals more than 350% of GDP, a new, all-time record of irresponsible stupidity.

Then I make a final sweep of the perimeter, secure from the "Battle Stations" and settle down to await a reply from Xxanthaan, new Supreme Overlord of this sector of the galaxy, who had emailed me to find out what was going on here.

I already told him that the economy is crappy; nobody has any money with which to buy things because all of their money is being used to service a backbreaking load of debt that was accumulated to fuel the booming bubbles in the stock market, the bond market, the housing market and the growth in the size of government that are all bursting, all thanks to Alan Greenspan and the Federal Reserve creating so, so, so much money and credit, leading us to here, a place I lovingly call "The gates of economic hell!"

I had previously explained the idea of an afterlife in heaven to him, which is kind of like Arthgenoor, but without the glammglobs or smarmies, to which he said, "What? No glammglobs in their afterlife? Then who in the hell would want to go there? Hahaha!" which showed he already knew about economic hell, as the Laws of Economics are universal, as is the hell that results from violating them.

And it is going to get worse, as Charles Duhigg of the New York Times reports that the problems of the credit card business – made worse by renewed meddling of Congress – are such that they "are expected to withdraw \$2.7 trillion of credit by the end of 2010."

Since being recently stung by my own poor research, bad work habits, a faltering memory and a complete lack of concern, I feebly try to make amends by precisely looking at a \$2.7 trillion contraction in available credit, and then mentally comparing that to the \$14 trillion in total GDP of the Whole Freaking Country (WFC) and saying, with Typical Mogambo Inexactitude (TMI), "That's a lot!"

And how much “a lot” is, depends on whether this \$2.7 trillion is unused credit, in which case it will not make any difference, or if this \$2.7 trillion is to be a reduction in currently outstanding credit, which would be calamitous.

But it could be made worse if the money was used to buy stocks in the S&P 500 index, and I was telling the Emergency Medical Technician that the last thing I remember is that I was eating a piece of pizza that had been warmed up perfectly in the microwave, a Mozart piano concerto was playing on the stereo, and one of the kids was predictably whining, “Give me back my pizza! Mom! Dad stole my pizza!” which would normally have prompted a rude response from me had I not, just at that very moment, seen that the earnings of the S&P 500 went down to an astonishing \$7.21 last week, having lost \$7.67 from the month before when earnings were \$14.88, which is down by half in One Freaking Month (OFM)!

And this last batch of Bad News On The Earnings Front (BNOTEF) is at the tail end of a long string of lower and lower earnings since the end of 2007, and this latest drop in earnings is down from January, when earnings were \$45.95, which were down from this time last year when earnings of the S&P 500 were \$62.28, which is down from September 2007 when the earnings of the S&P500 were over \$85.00!

The really eye-popping result is that with the S&P 500 selling at 940, this means that the index has an astonishing price-to-earnings ratio of 130! Hahaha! Insane!

If you are not laughing in total disbelief, then an instructive way of looking at a P/E ratio of 130 is that if the company pays you all of the money it earns for the next 130 years, you will break even! Hahaha! 130 years to break even! Hahaha! Now you know why the laughter!

But, then again, maybe gold, silver and oil stocks would be a good idea, since they must rise in price in response to all this new money that is being poured into the economy, and they sell at P/E ratios far less than this! Whee! This investing stuff is easy!