

# Surprised by Money Destruction

By [The Mogambo Guru](#)

05/06/09 Tampa Bay, Florida I was pretty surprised that Total Fed Credit fell by a gigantic \$81.5 billion last week, taking the total down to \$2.088 trillion – but not THAT surprised, since the Federal Reserve has acted so despicably that I am hardly surprised at anything they do anymore, including a huge drop in Fed Credit, even though the Federal Reserve itself bought up \$22 billion in various crap last week!

Those Fed weenies are despicable, like when they stooped so low as to tamper with my lawn sprinkler so that when I picked it up yesterday – snap! – it breaks off in my hand! Ruined! I look around, but I don't see them, but is it really a coincidence? I think not!

To refresh your memory, this kind of “sprinkler assault” is probably just the kind of lowlife thing that the despicable Federal Reserve does when it gets bored with tampering with our money so that its purchasing power, too, breaks in your hand. So you can see where they get the idea!

Of course, the real terror is that this decrease in Fed Credit is the magical “money-from-thin-air” that the horrible Federal Reserve literally creates at their filthy whim, which banks use to make more loans, which literally creates the money on the spot.

Most people are surprised to learn that the making of new loans is how money is created these days, and all of it belongs to the banks. Those who are NOT surprised have lots of gold and know exactly what is going to happen to this idiot country for allowing something so stupid.

And most people are equally surprised to learn that defaults on debts are how money is destroyed, too! And all of those losses belong to the banks, too, which explains why the corrupt, filthy Federal Reserve is so insistent on bailing out the corrupt, filthy banks! Hahaha! What a blatant, insane fraud!

And it is going to get MORE insane, as I gather from Krishna Guha writing in the Financial Times, that “according to internal analysis prepared for the Federal Reserve’s last policy meeting,” all these idiots were, apparently, sitting around a table, playing with the pencils and having farting contests (apparently Ben Bernanke lit one! A good one, too!), all the while wondering what in the hell happened to the economy because, again apparently, none of them is even remotely familiar with the Austrian school of economics (the only true economic theory!), even though Mises.org is free to anybody who correctly suspects that the bizarre neo-Keynesian econometric economic stupidities taught in this country, and practiced by the Federal Reserve and central banks around the world, is a Laughable Load Of Loser Leftist Hooey (LLOLLH).

Simply stated, for half a century, and especially since 1997, Congress allowed the Federal Reserve to create insanely too much money and credit, which created huge inflationary booms in stocks, bonds, houses and size of government, and now the booms have ended and the busts begin. Simple!

Now, since there was no mention of it anywhere in the news release, I guess the Federal Reserve did not show any real smarts by saying something smart, like maybe, “We are obviously incompetent losers whose sheer stupidity has destroyed 97% of the purchasing power of the dollar since we took over in 1913, and now we have delivered unto the world the biggest economic calamity in a century. Maybe we just ought to all quit looking like morons and go back to a gold standard, which we all now know is the only true money and secure economic system.”

Instead, the Fed decided that it would – heroically and to the last man! – fight! Fight the busts! Fight the busts in stocks, bonds, houses and size of government caused by the booms! Fight the busts in stocks, bonds, houses and size of government caused by the booms caused by the Federal Reserve creating too much money and credit, by having the Federal Reserve ludicrously create even MORE money and credit to restore an inflationary boom in stocks, bonds, houses and size of government! Hahahaha!

Well, they did not say any of this, naturally, but they did decide that “The ideal interest rate for the US economy in current conditions would be minus 5%,” which implies that you get paid for borrowing money, which is Pretty Damned Bizarre (PDB)!

Well, nobody is paying attention to my laughing as my clever way of showing disrespect and contempt, probably because they were listening to the explanation. “The analysis,” the article went on to say, “was based on a so-called Taylor-rule approach that estimates an appropriate interest rate based on unemployment and inflation.”

Actually, although they never mention it, there is a third approach, namely “letting the freaking market itself decide the appropriate level of interest rates by making the damnable Federal Reserve stop their insane, irresponsible over-creations of money and credit that distorts everything.”

Did anyone thank me for my valuable input? No! Not only was my additional option of trusting the free-market completely ignored, but now the tradeoff is back to being only one of either higher unemployment or higher inflation because “A central bank cannot cut interest rates below zero”?

So what to do when interest rates ARE zero? They say that “the staff research suggests the Fed should maintain unconventional policies that provide stimulus roughly equivalent to an interest rate of minus 5%,” which translates as prices rising 5% when interest rates are zero! Gaaaahhh!

This desire for 5% inflation is so horrific, and so monstrously insane for anyone to even attempt, that I leap atop my chair with the supple grace of a leopard, and indignantly shout with every ounce of contempt I can conjure up, “It means buy gold right now, you Stupid Freaking Morons (SFM) because these people are truly, truly insane (TTI)!”

Which translates as, of course, “Whee! This investing stuff is easy!”