

The National Debt and the U.S. Selling Spree

By [The Mogambo Guru](#)

04/16/09 Tampa Bay, Florida From Agora Financial's 5-Minute Forecast we learn that "According to the Chinese central bank this morning, China's foreign reserves grew 'only' \$7.7 billion in the first quarter – the slowest pace in eight years."

Being kind of naturally stupid, it's hard for me to grasp the total significance of that, but the specifics are that "During the first quarter of 2008, the Chinese bank bought \$153 billion in FX reserves – more than 21 times what they've bought over the last three months", the upshot being that the Chinese government "sold more U.S. debt in the first two months of 2009 than they bought."

The kicker is that "In March, they about-faced and bought it all back...presumably once bond yields returned to less ridiculous levels."

In short, it seems to me that they have "sold high" and then, after bond prices came back down a little as interest rates went up a little from "ridiculous levels" they "bought low" perhaps pocketing some multiple of the difference if they used some derivatives, like options and futures to bet on what they knew they were going to do!

Now, being a naturally Paranoid Little Rat (PLR) like I am, who is sure that everyone is a crooked, thieving, lying bastard and is out to get me, I am instantly suspicious of this fabulous "market timing" trick, especially when these Chinese guys (who are always speaking Chinese when I am around so that I can't understand what in the hell they are saying) obviously have a willing co-conspirator in the U.S. government and Federal Reserve, who need to sell lots and lots of bonds, with "lots and lots" being a polite euphemism for the more precise, "Borrowing and spending more freaking money than you can imagine, meaning that the Federal Reserve will have to create more freaking money than you can imagine, so that somebody can buy more freaking bonds than you can imagine, which will produce more freaking inflation and misery than you can imagine!" over the coming years and decades!

The problem is that we are going to need these Chinese, or somebody with a lot of money, to buy our bonds, as Reuters.com had the frightening headline: "U.S. budget gap soars in first half of fiscal 2009."

The news is that "The United States posted a record \$956.8 billion budget deficit for the first half of fiscal 2009, more than triple the year ago shortfall." Yikes! Triple!

The culprit is, apparently, not that the idiot Congress is in Full Panic Mode (FPM) and are spending, spending, spending unprecedented amounts of money, but that "March receipts fell sharply as a rapidly deteriorating economy dried up tax revenue from individuals and businesses."

The actual numbers are actually terrifying, as, “Receipts for the month fell 28 percent to \$128.96 billion from \$178.82 billion a year earlier”! Tax revenues fell 28%? Yow!

This can only mean that people are spending less money, and that means that they are borrowing less money, which makes the “deflation problem” worse, which means that the Congress and the Fed will doubtlessly redouble their efforts to kill us with inflation in the money supply which creates inflation in prices and inflation in the size of government! Gaaaahhhh! We’re freaking doomed!

My involuntary screams of terror seemed so long and loud that I quickly realized that I was not properly anesthetized to be looking at such horrifying statistics. So, after a couple of long, thirsty pulls on a bottle of bourbon with a beer back, I soon felt I was ready to look at that again. Maybe kick some butt this time!

Squaring my shoulders, I soon saw that I was right; my eyes were now crossed and everything was blurry and spinning around! Much better! Hahaha!

So, instead of looking at this inflationary horror and getting “the spins”, I instead hear James Turk of the Freemarket Gold & Money Report apparently poking fun at me for being concerned about ordinary inflation, saying, “hyperinflation does not arise from banks lending too much money. Rather, hyperinflation invariably occurs for only one reason – too much government spending that leads to too much government borrowing and these debts are then turned into currency by the government’s captive central bank. And that scenario describes exactly what is happening in the United States today.” Exactly!

Well, as you would expect from all of this deficit-spending stuff, the national debt is now past \$11.45 trillion, up from \$9.44 trillion one year ago, which means an increase of \$2.01 trillion in the past 12 months, which is a percentage increase of 21.3% in One Freaking Year (OFY)! One!

It all relates, of course, to the federal government and their unprecedented deficit-spending, as the March budget deficit came in at a heart-stopping \$192 billion, and the deficit for the first six months of this fiscal year is a reported \$956.8 billion! Almost a trillion in half a year! Half A Freaking Year (HAFY)!

Merely looking at the expression of profound disbelief on my Disbelieving Mogambo Face (DMF) and the sheer terror shining in my eyes lets you know that something is seriously, seriously wrong, and what is wrong is that this \$956.8 billion half-year federal financial deficit – alone! – is more than the entire monetary base of the United States of one year ago (\$826.9 billion)!!!

It doesn’t take a Serious Mogambo Scholar (SMS), looking for subtle economic clues scattered amongst the seemingly-endless Stupid Mogambo Crap (SMC) that constitutes the overwhelming bulk of the execrable Mogambo Guru newsletter, to understand the significance of the three exclamation points appearing at the end of the sentence about the sheer insanity of what in the hell is going on with the money!!

Hell, it is so significant that (audience shouts out “How significant, oh, Wise And Wonderful Mogambo (WAWM)?”) the freaking sentence that merely explains the punctuation of the sentence that introduced the subject got two exclamation points itself! THAT’S how important it is!

All of this monetary insanity brings us, as it always does, to the important point, which is to nervously buy gold; and although you may not completely understand “why” right now, one day you will!

Whee! This investing stuff is easy!