

# Calm in the Face of Fiscal Insanity

By [The Mogambo Guru](#)

02/19/10 Tampa Bay, Florida – [Eric Fry](#) here at *The Daily Reckoning* is “reporting from the Golden State with the tarnished finances”, which was a riddle that I instantly knew was, of course, California. But, for some reason, I never get asked a question when I know the answer. I usually get asked, instead, something like, “For 40% of your final grade, what is the principal export of California and total tonnage exported, expressed in kilograms per fortnight?”

Well, as much as I have enjoyed this jaunt down memory lane, the fact is, [as Mr. Fry points out](#), that California “is facing a budget deficit this year of about \$40 billion, which is roughly equivalent to 2% of the state’s \$2 trillion economy (GSP). That’s”, he says, “dismal.”

At that display of stoic calmness, I held aloft a shot of tequila and toasted his amazing serenity in labeling California’s \$40 billion budget deficit to be merely “dismal”, mostly because there are less than 100 million workers in the entire private sector of the US, and this \$40 billion represents \$400 for each and every one of us private-sector workers in the Whole Freaking Country (WFC)!

My voice a sudden peal of thunder, I shout, “In the Whole Freaking Country (WFC)!”

Immediately, I thought Mr. Fry’s eyes would glaze over in one of those, “Oh, hell! The Mogambo is yammering about something and he never shuts up!” expressions of disrespect and outright loathing, but instead he decided to just change the subject, and with that, he left this global hemisphere, and went to Greece, completely on the other side of the globe!

As my brain skidded to a shuddering stop at the sudden change of vector, he went on, “But over on the Mediterranean, Greece’s budget deficit is on track to hit \$50 billion, which is a very big number for an economy that is one fifth the size of California’s. In fact, that’s a horrific number.”

At this point, I think that vomit, tinged with blood, coming out of my mouth and crapping all over myself in pure terror about such financial calamity speaks more eloquently than mere words allow, and Mr. Fry filled the sudden void with, “What’s more, Greece’s accumulated debt totals \$443 billion – a whopping 113% of GDP.” Gaaaahhhh!

So, to distract both you and me from any acts of hysteria caused by such fiscal insanity, I ask you the following question, that will constitute 40% of your final grade: “If you were the prancing, preening, know-nothing, government-leech blowhard who wanted a shot at fame and glory by fixing what cannot be fixed, with lots and lots of other people’s money, while paying yourself and your friends handsomely, what would you do?”

Well, since this constitutes 40% of your final grade, I decided to get a little help to make sure I knew the answer, and I emailed Mr. Fry this very question. Either he did not know, or he just

rudely decided not to answer either my original email or the follow-up phone call where his stupid answering machine said that he was “not available” and that I could leave a message “at the beep” and that he would call me back, which I did, and where I said, quite plainly, so there would be no mistake, “Call me back, and if I am not here, keep calling me and leaving messages proving that you called, or I’ll kick your butt, Fry! I’m not kidding!”

Well, whether or not this means anything, he does seemingly answer the question when he writes, “Well, the correct answer is the pricing of credit default swaps (CDS) on 5-year bonds from California and Greece. (Simply stated, a CDS is an insurance policy against default. The higher the CDS price, the higher the cost of the insurance).”

Of course, I understand none of this because I am tragically stupid, pathetically ignorant, am too lazy to do anything about it, and thus totally disinterested in the whole concept, which means that it all sounds like gibberish to me, especially since the bottom line is always the same; losses are on the books, somebody is going to have to take the hit.

Fortunately, mastery of such complexity is unnecessary for me, as I just buy gold, silver and oil, which will benefit mightily as the government and the Fed ruin everything with their deficit-spending of more and more fiat money. Whee! This investing stuff is easy!