

Fed Credit, Inflation and the Idiots in the Middle

By [The Mogambo Guru](#)

06/25/10 Tampa, Florida – A whole series of alarms occurred after I got the news, although I lost the source, that “food stamp usage just soared to a new record high” of 40.2 million persons.

This number is alarming in itself because it means that the economy is so bad that more and more hungry people cannot afford to even feed themselves, sort of like teenagers, but with hopefully better manners and dietary choices.

And also alarming that the number of people needing government assistance to buy food “soared,” which is probably a verb of some kind, which indicates action, which is a signal to me, a real Mogambo Action Hero (MAH) kind of guy, to spring into action with my awesome superhuman power to instantly perceive trends in even random data.

Ergo, it made me shriek alarmingly “We’re freaking doomed!” which alarmed the other diners in the restaurant.

In terms of households, “18.5 million households receive benefits” which means little to me other than the fact that these needy people live in households of about two, which ain’t bad, considering. This low-density housing situation is good news, in that it means that these people have a lot of room for much more suffering, which will surely happen when consumer prices zoom as a result of all of this insane creation of more and more money by the Federal Reserve so that the federal government can borrow and spend it.

Now, people know that I always take the alarmist, doomsday position because I am naturally paranoid and suspicious, and I have learned that I should never trust any creatures on this planet, especially seeing that half of America’s population are Democrats, and as such, they are so demonstrably clueless as to actually declare that it is always the purpose of elected officials to use government money to help more and more people! Even taxing half of all income, and running deficits of trillions of dollars when even that proves insufficient to do it! Wow!

Perhaps I am so dyspeptic about such displays of raw stupidity because I had just found out that the Federal Reserve created another huge \$8.5 billion of new Fed Credit last week, and simultaneously bought up \$7.2 billion in US government securities, which had the effect of removing a nominal \$7.2 billion in crappy assets (actual worth; pennies on the dollar) out of the economy, thus bailing out some halfwit scumbags who owned the toxic assets and would otherwise go bust, and replaced it with cash, recapitalizing the idiots! In One Freaking Week (OFW)!

Nobody can really know how much new money will be made out of this new Fed credit, but I notice that the M2 money supply, which causes inflation in price when it grows, as famously

summarized as “inflation in prices is always and everywhere a monetary phenomenon,” instantly jumped \$80 billion from the previous monthly report, the Treasury Gross Public Debt jumped by \$27 billion in the same week, a towering mountain of government-borrowed debt which is up an outrageous \$1.5 trillion in the last year, and indebting us by a staggering \$13.07 trillion! Yikes!

Perhaps to give you a clue as to why I am so insane with fear that I babble incoherently, and why I am trying to drink myself into blissful inebriation but spilling most of it down my chin and into my lap because my hands are shaking so much and I mindlessly try to babble while I am drinking, for some weird reason that even I don't understand, all of which increases my anger and babbling, this horrifying criminally-insane inflation in the money supply by the Federal Reserve buying up assets with newly-created money has already resulted in an increase of \$888 billion in the last year alone! In One Freaking Year (OFY)!

In desperation, I turned for solace and sobering words to Lew Rockwell of the Mises Institute, thinking that his wisdom would calm me down and show me what I had misunderstood and why people think I am a raving idiot.

Instead, I saw that he wrote about the same thing! He writes, “Fiat paper money is destroying civilization right now. It has fueled the predator state. It has destabilized markets. It has wrecked balance sheets and distorted financial markets. It has wrecked the culture by leading the whole world to believe that prosperity can come as if by magic, that stones can be turned into bread.”

He notes that, in referring to what is popularly referred to as the “Austrian theory of economics,” and that “‘The Austrians were right’ is a phrase we hear often now, and for good reason.”

As for the “good reason,” I say that you can save a lot of time by not reading any further, but just get up, go over to the window and look out at the results of a half century of the absurd neo-Keynesian econometric claptrap that the academic economists and fellow idiot-savants have foisted upon us.

We are, as a result, ruined as a result of their abject stupidity, and now the jobs are gone, the purchasing power of the money is gone, the middle class is almost all gone, and all we have left is bankrupted people, bankrupted governments, bankrupted banks, and bankrupting companies, all because of the despicable Federal Reserve creating too much money and credit, aided and abetted by their loathsome and willing comrades-in-arms, namely the Democrats in the mainstream media and the Democratically-controlled schools, a crime of such monumental stupidity, and of such devastating consequences, that they should all go to prison and stay there until science develops some intelligence-enhancing therapy so that they would not be so stupid and could be trusted to vote intelligently from then on.

Well, Mr. Rockwell is apparently not ready to be dragged into some Hysterical Mogambo Rant (HMR), and instead of saying something like, “Bravo, Mogambo!” or “That’s just what I was thinking, too, Marvelous Mogambo Genius (MMG)!” he sticks to the main fact, which is that “issues concerning fiat money and the business cycle stand out because the Austrians possess unique insight. Only the Austrians have consistently warned that fiat money creates the wrong incentives for the banking industry, that central-bank manipulation of interest rates distorts the

structure of production, that the combination of paper money and central banking leads to economic calamity.”

Exactly! And when that first budget-deficit dollar was, for the first time, financed by the Federal Reserve first creating the credit in the banks, so that the banks could, for the first time, use it to loan out and thus create the first fiat money to pay for, for the first time, that first food stamp, that was issued to that first needy person, it caused the whole “structure of production” to be forever distorted, giving producers the idea that their increasing sales of dietary staples and yummy snack foods were coming from real demand, when in fact it was just fiat money!

Judging by the sudden rash of emails, everybody prefers Mr. Rockwell’s explanation better than mine. Since I seem to be outclassed at every turn, I take a different tack and wonder how many of the non-taxpayer-paid workers in the private economy (and thus the only ones who can generate a profit from their labors with which to pay the taxes with which to support the welfare state that the American system of governments has become), a population of workers currently numbering less than 100 million, can continue to support the food expense of 40 million people or, up close and personal, 5 people paying to feed 2 people.

And since this is just a small part of the pandemic governmental bankruptcies that the neo-Keynesian econometric insanity has caused, as the intractable problems of Medicare and Social Security dwarf those of the food stamp program, it is indeed unfortunate that there is – and you can trust me on this one by merely looking deep into my Bloodshot Mogambo Eyes (BME) to see my total sincerity – no way out of this governmental bankruptcy mess, just like there has never, ever been a way out of governmental bankruptcy in the last 4,500 years, despite innumerable attempts of innumerable idiotic governments trying to do so, desperately trying everything that they can think of, including murdering those considered “non-compliant,” yet consistently failing miserably.

And what were the winners of the last 4,500 years? Simple! Precious metals! Whee! This investing stuff is easy!