

# Lost in the Zeroes of Government Finance

By [The Mogambo Guru](#)

05/04/10 Tampa, Florida – Henry CK Liu, writing at [atimes.com](#), has, unlike the Securities and Exchange Commission, apparently not been spending his days downloading pornography on his computer, and instead has looked at the sheer amount of money that was lost worldwide since October 31, 2007, when “the total market value of publicly traded companies around the world reached a high of \$63 trillion. A year and four months later, by early March 2009, the value had dropped more than half to \$28.6 trillion.”

To add a little perspective, “The lost \$34.4 trillion in wealth is more than the 2008 annual gross domestic product (GDP) of the US, the European Union and Japan combined.”

The upshot is that this money ain’t never comin’ back, as “This wealth deficit effect would take at least a decade to replenish, even if these advanced economies were to grow at mid-single digit rates after inflation and only if no double-dip materialized in the markets.”

He goes on that “At an optimistic compounded annual growth rate of 5%, it would take more than 10 years to replenish the lost wealth in the US economy”, which, I assume, is an inflation-adjusted 5% growth, although since John Williams at [shadowstats.com](#) has calculated that actual inflation in prices is a terrifying 9.5%, this means that we “advanced” economies must grow at 13.5% for more than a decade for the losers to break even! Hahahaha!

As for just us Americans, “US households lost almost \$8 trillion of wealth in the stock market on top of the \$6 trillion loss in the market value of their homes,” which is so much money that “The total wealth loss of \$14 trillion by US households in 2009 was equal to the entire 2008 US GDP.”

And, worse, I remember that money comes into existence by borrowing money (to buy stuff), and so all that money is still owed, but it won’t be repaid, because it can’t be repaid, because it is just So Freaking Much Money (SFMM).

This means that a lot of guys are going to take a lot of losses, which means a drop in capital gains taxes paid, and so a lot of capital gains tax revenue will not be coming into the IRS for the next (looking at my watch for the correct time) a hundred years or so.

And since the maximum loss tax write-off is \$3,000 per year, and neither will the government get the income tax on the \$3,000 of deductions!

And none of this mentions the economy-killing general grumpiness that losses and bankruptcy and unemployment create.

In response, the morons in the Federal Reserve think that if they can keep creating more and more money, and using some of it to meddle in the markets by actually buying stocks and bonds,

then people will be happy, and profits will still be made because prices of everything will be going up! Hahaha!

I looked up from my laughter to see that Junior Mogambo Ranger (JMR) Terry L. sent an essay by Randall Hoven, where we learn the news that “The CBO reports that total (federal government) revenues in 2009 and 2010 were \$4.28 trillion. But outlays were \$7.042 trillion”, which seems odd since this is only April of 2010.

Immediately, figuring that I had merely gone through a normal space-time continuum and was in the future, I reached for my calculator to determine the government’s shortfall, which looked like a deceptively easy subtraction problem, which was not the case, what with all those zeroes everywhere, and I was soon lost, but it looks somewhere in the neighborhood of \$2.8 trillion. In Two Freaking Years (TFY)!

Whatever the exact result, Mr. Hoven figures that “Revenues are paying only 61% of our bills; the rest is borrowed. On the other hand, entitlements plus interest on the debt accounted for 65% of spending in 2009 and 61% in 2010. In short, every bit, and then some, of current revenues is totally used up by entitlements and interest. Every dollar spent on national defense, highways, courts, veterans, energy, education, etc., etc. is 100% borrowed.”

And when looking at such exponentially-rising money creation by the Federal Reserve with which to finance such massive, exponentially-rising borrowing by the federal government, one’s mind immediately goes into Mogambo Panic Mode (MPM) at the stark terror of such massive inflation in prices, resulting in a frenzy to buy more gold, silver and oil.

At least mine does, anyway! And yours should, too, if you know what is good for you.