

# Private Sector to Play “Atlas” in “The Debt Repayment Story”

By [The Mogambo Guru](#)

09/16/10 Tampa, Florida – One of the Big Freaking Problems (BFP) created when the treacherous Federal Reserve creates So Freaking Much Money (SFMM), so that the despicable Congress can borrow that SFMM and deficit-spend that selfsame SFMM, is that after awhile you get a serious mal-distribution of wealth: a very few people who are very rich, and a very huge majority of people who are very poor, with everyone who is not rich getting poorer.

LewRockwell.com posted an essay by the Economic Collapse Blog which notes that, astonishingly, “Today, 10,000 people get 30% of the total income in the United States”! Wow! Talk about mal-distribution of wealth!

Not to be outdone, I find in my notes that Emmanuel Saez, an economic professor at Berkeley, concluded that “The top 1 percent incomes captured half of the overall economic growth over the period 1993-2007,” and, between 2002 and 2007, “the top 1 percent captured two thirds of income growth.”

And all that glorious, wonderful money accumulated by the rich came from the twin idiocies of massive, long-term government deficit-spending and the almost-universal assumption of more and more debt to finance raw, mindless consumption, which, in turn, were only possible in the first place because the despicable Federal Reserve, first under the demonic Alan Greenspan and now by the cracked-egghead Ben Bernanke, created, and are still creating, the money to make it possible!

Eventually, of course, we ended up here; everyone is up to their ears in debt, consumer prices are rising as the buying power of the dollar falls, the economy is collapsing, with me screaming about how the Federal Reserve killed us and calling for sweet, sweet revenge!

And now it is, surprisingly, for the first time in decades, true that people are paying down some of their debts, as for example, Consumer Installment Debt, which is essentially credit cards. This debt has actually gone down by \$56 billion the last year, dropping that particular indebtedness to a still-massive \$2.418 trillion from an even-more massive \$2.474 trillion at this time last year.

Caution: The statistic to keep in mind is that there are less than 100 million American workers in the private sector, and these are the only people who can make a profit from their labor with which to pay, out of profits, all this debt.

If you are, as cautioned in the previous paragraph, paying attention, then you know that \$2.418 trillion in credit card debt is \$24,418 in credit card debt for each of the 100 million private-sector workers.

Since the average interest rate on credit cards is 16%, making a lot of simplifying assumptions, these statistics would indicate that consumers paid \$391 billion in interest charges, which is the 16% interest on the average balance of \$2.446 trillion, plus another \$59 billion to pay down the debt a little bit.

When you add this \$391 billion in interest charges to the \$56 billion consumers paid on their balances, you get a statistic that is probably meaningless except that 1). Credit card use to finance consumption is going down, which is bad news for an economy dependent on consumption, and 2). It seems like A Lot Of Money (ALOM).

Parenthetically, at this \$56 billion-a-year rate, debtors will pay off their credit cards in 43 years, assuming they never borrow another dime for the rest of their lives.

The Astonishingly Worse News (AWN) is that this crushing weight of \$2.418 trillion of credit card debt is only a tiny 6% of all the \$11.7 trillion in private debt!

And, since you are now paying attention to the fact that there are less than 100 million workers in the private sector and who are the only people who can produce enough profits with which to pay all of this private debt, you instantly calculate that this is \$117,000 per worker! Yow!

In case you were wondering, as I wondered, the \$11.7 trillion in total private debt (according to the Federal Reserve Bank of New York) is composed of 74% mortgage debt, 6% of the debt is from a revolving line of Home Equity credit, 7% of total debt is auto loans, 4% is student loans and 3% is classified as “other” debt! Wow! That’s a lot of debt!

Here is where it gets hard not to laugh; When you add another \$13.5 trillion in national debt, each private sector worker is supposed to make enough in profits to pay off \$252,000, and pay interest on the balance until he or she does, which will be many, many times the original \$252,000! Hahaha! Hahahaha! Hahahaha! I’m laughing like a hyena here! Hahahaha!

Wiping the tears of laughter from my eyes, I say, “Thanks for the laugh! I sure as hell needed one right about now! Hahahaha!”

So, regaining my composure, I am serious again, calmly discussing the point that if consumption is down because incomes are down, then that is truly the terrifying Death Knell From Hell (DKFH) for an economy that is bizarrely dependent on consumption financed by an expanding fiat currency that is created out of the debt incurred to consume! Most of which is now government borrowing to finance deficit spending! Hahaha!

Sorry, but I can’t help but start laughing again, as it’s astonishing that anyone ever thought such stupidity would turn out okay! Hahaha!

And what’s the government’s next brilliant move? The Economic Collapse Blog notes that “Approximately 57 percent of Barack Obama’s 3.8 trillion dollar budget for 2011 consists of direct payments to individual Americans or is money that is spent on their behalf,” which is the kind of massive spending you are going to need when “one out of every eight Americans” is now

enrolled in the food stamp program, and “one out of every six Americans is now being served by at least one government anti-poverty program,” which I am sure doesn’t even mention the 50 million people receiving Social Security checks! Wow!

No wonder we are broke! We spent all our money on free lunches for ourselves, and now we are spending it on delivering “free lunches” to more than half of the population!

And it is this bizarrely socialist/communist governmental “free lunch” program that causes mal-distribution of wealth, as the Sorry Dismal Fact (SDF) is that people with money are the only ones who have the collateral necessary to borrow money to loan to the government so that the government can deficit-spend to provide all these free lunches.

So, the government must borrow from the rich, see, and then the government repays, over time, both principal and interest to the rich, leaving the rich with even more money, making the rich richer. It’s just that simple!

And, even worse, the Worst Part Of The Whole Mess (WPOTWM) is that the extra money created by the foul Federal Reserve, to finance both governmental and private over-consumption, ends up making prices higher! Prices go higher and higher, all the time higher and higher, as all that new money works its way into prices (since there is nowhere else for money to go!), which actually worsens the plight of the poor and exacerbates the mal-distribution of wealth! Insanity!

About the only thing that is not insanity these days is the Magnificent Mogambo Portfolio Theory (MMPT), which (sanely) says to buy nothing but gold, silver and [oil stocks](#) when the government is spending insanely, and insane, incomprehensible amounts of new money will be created by the insane Federal Reserve to fund the insanity.

And the best part of the MMPT is that it is so easy that you cannot stop yourself from happily exclaiming, “Whee! This investing stuff is easy!”