

# Total Fed Credit: A Credit to Fed Stupidity

By [The Mogambo Guru](#)

04/08/10 Tampa, Florida – I was rudely awakened by the Mogambo Fed Credit Alarm (MFCA) ringing its little heart out, as it does a lot these days, and sure enough, the monthly increases in Total Fed Credit are still rising as smartly as they have for the past 12 (pause) freaking (pause) months, and it has now reached a staggering \$2.3 trillion.

Fed Credit is, in case you forgot, the stuff that the Federal Reserve creates out of, literally, thin air and, again literally, puts into the books of the banks and the Fed itself, and which, again literally, becomes money when (and if!) somebody walks up (literally or figuratively) to a bank and wants to (and does) borrow the money that can be made out of this new credit. That's how money is created these days! Just like that! Easy!

If you are like my wife or children, you don't care about where money ultimately comes from, and the only money in which they are interested is the kind that you get as payment for working, which they want me to do, but I don't want to do, or at least look for a job like they want me to do, but I don't want to do, either, and it's a constant sore point around here because the wife and kids just won't freaking shut up about it.

I see you are quizzical at this apparent news, whereupon I, in turn, am quizzical as to why you are quizzical when I have always made it perfectly clear, in words and deeds, that I am a lazy, undependable guy who doesn't give a crap anymore, and so for you to think that I would want to work or even look for a job lest I find one, seems kind of, ummm, stupid of you, if you don't mind my saying so.

What? You were only wondering why I bring this up? Oops! Sorry!

I see that my mistake was that I should have introduced the subject with narrowed eyes, gritted teeth and hands clenched into Fists Of Mogambo Rage (FOMR) with which to set the "tone" of the conversation, which I happily do now (Grrrr!) when I note that last April, which was only 12 (pause) freaking (pause) months ago, Total Fed Credit was \$1.9 trillion, and now it has increased by \$400 billion, whereas 12 (pause) freaking (pause) years ago, Alan Greenspan, who was the odious former chairman of the Federal Reserve, started destroying the economy with his insane multiplications of the money supply when Total Fed Credit was a piddly (in comparison) \$450 billion. Now it is \$2.3 trillion! Grrrr!

And remember, this original \$450 billion was enough to have powered 97 years of economic growth despite the persistent inflation you unfortunately get, which means this new astounding level of Fed Credit is an unbelievable, in comparison, increase of \$1.497 trillion, up over 500% in 12 (pause) freaking (pause) years!

This rate of increase comes out to an increase of 14.5% per year, all of which was multiplied many, many times over by an insanely-generous fractional-reserve requirement in the banking

system where the corrupt, greedy banks did not even have the decency to keep any new reserves against losses in new assets and new liabilities!! Hahaha! Not a penny!

Hell, even today total bank reserves are still a laughable \$66 billion, which are admittedly suddenly up from the average of about \$42 billion of the last decade! The funny part is that bank losses have busted the FDIC, but the banks were, and are, holding, almost literally, the same bit of nothing in reserves! Hahaha!

In this case, it is worse than it looks, even though it looks like the worst: monetizing debt by printing the money to buy it up. And sure enough, most of the new money being created by the Federal Reserve is actually being borrowed by the Federal Reserve to buy some of the avalanche of government bonds (paying full book price, of course), and miscellaneous toxic private-sector securities (again at full book price, but which are probably less than worthless, in that revealing their real, market value would cause more collapses, cascading through the economy, in other toxic securities!), judging by the phenomenal increases in their “Securities owned outright” account, which is now up to \$2.01 trillion, whereas last April the Fed had just a little more than \$513 billion, which is about the same amount that the Fed has had in this “Securities bought outright” account for years and years, which is significant, not in the \$513 billion, or that it has usually run at about this level, but that it was, perhaps coincidentally, in April of last year that the Federal Reserve really Lost Its Freaking Mind (LIFM) and got cranking on a rabidly stupid plan to desperately create money and use it to buy up this kind of crap!

The Fed now has a whopping \$2.01 trillion of this garbage sequestered away from prying eyes who will look at it and whose mouths will ask, “What in the hell is going on here? You are destroying the dollar with over-issuance and killing the American people with a horrendous, ruinous inflation in prices that will match the horrendous, ruinous inflation in the money supply so that a bunch of investing moron hotshots won’t lose their nasty, stupid butts like they are supposed to when they acted so stupidly? What in the hell is going on here?”

You can check the math if you want, but the way I figure it is that in 12 (pause) freaking (pause) months, the Fed has, with this one move, removed “\$1.497 trillion” of assets (actual value: zero) from the economy and replaced it with \$1.497 trillion in cash (actual value: \$1.497 trillion), which seems an irreconcilable imbalance until you remember that everybody is a lying sack of crap.

Oddly enough, the change in the money supply is, now that you mention it, only up about \$500 billion in the selfsame 12 (pause) freaking (pause) months. Hmmm!

Adding to the mystery is the story of what happened to the money raised with the sale of \$1.7 trillion in bonds that has been added to the national debt in the last 12 (pause) freaking (pause) months, thanks to Congress borrowing and spending it like the desperate little pea-brained corrupt rats they are.

I assume all this is as confusing and incomprehensible to you as it is to me, and that you don’t know what to do, either, except panic.

Thrillingly and just in time, heroically in the face of such chaos, onto the scene bursts The Mogambo to tell you what to do, which is to buy gold, silver and oil, because precious metals and a source of energy have always proven to be the only things that will survive the terrifying evils of a long series of corrupt Congresses, moronic local and state governments, the despicable neo-Keynesian econometric halfwits infesting Federal Reserve and the majority of the nation's universities, who have destroyed us with an avalanche of excess money because their precious little computer models have been tortured into telling them it was OK! Hahahaha!

A computer model that they made let them act like idiots and do economic things that have always failed every time one of them was used in the last 4,500 year, a degree of stupidity that rates at least a "Hahahaha!"

Fortunately, the best part – the wonderful, fabulous, glorious best part! – is that buying gold, silver and oil is still so easy, and at such bargain prices, which means that, again, if you are like me, then you like this because you like things that are so easy that you squeal with delight "Whee! This investing stuff is easy!"