

# True Fiscal Insanity: Creating Money to Buy Government Debt

By [The Mogambo Guru](#)

02/26/10 Tampa Bay, Florida – I knew that something was amiss when I woke up and the house was quiet. Having the benefit of seeing a lot of movies where things were “too quiet”, I instantly knew that things being “too quiet!” meant that Indians were going to be attacking, or the Japanese attacking, or the Germans attacking, sometimes government goons rushing the place, or zombies, or the police. I dunno who, but you get the point.

Grabbing the bare necessities (a couple of pistols, a few Uzi submachine guns, a rocket-propelled grenade launcher and a lot of spare ammunition) I rolled off the bed onto the floor with the idea of scuttling into the closet to cringe in a defensive posture, bristling with weapons, making my enemies stop and think before killing me, giving me, I figure, a additional three more seconds to live!

Unfortunately, all those armaments were heavy, and it was pretty stupid of me to carry so much weight, now that I think about it, and I fell on the floor with a big clanking noise.

Still, nothing!

Then I saw why: it wasn't attackers at all! The family had cleared out because my Mogambo Machine To Measure Magical Money (MMTMMM) was going nuts, banging and beeping, and clanging and cleeping, which is not even a real word, which only shows you how freaked out I still am when I instantly saw why: Federal Reserve Credit (the magical “money out of thin air” of story and song, which the gold standard would prevent), jumped a massive \$31 billion last week – \$31 billion in One Freaking Week (OFW)! – taking the total to a record \$2.264 trillion.

The banks, for their part, can take this new credit that has appeared, as if by magic, on their books, and loan out Huge Freaking Multiples (HFM) of this \$31 billion, according to the Fed's preposterously-low required fractional-reserve ratio which is (and has been for almost two full decades) almost a zillion-to-one, which (multiplying a zillion times \$31 billion) is slightly more than, as I understand it, a freaking gazillion.

Well, apparently, none of this reached the banks, as the Fed bought up, for itself in a disgusting orgy of monetization of government debt, in One Freaking Week (OFW), a massive \$53.6 billion of “Securities bought outright”! The Fed created the money to buy government debt!  
Gaaaaagakkk!

That last word, properly pronounced with a guttural ending, was to indicate another in a series of Timeless Mogambo Truths (TMT), which, in this case, is don't eat a burrito while you are reading Bad, Bad News (BBN) because you will gag and choke, mostly because it makes a big mess all over everything and the guy in the next cubicle starts whining, “Hey! Stop spitting on

me!", but also because transcripts of the people bugging your office will read it as "unintelligible, followed by gagging and choking", which proves my point about eating burritos while reading BBN, although I am not sure if it works with, for example, tacos, so they are still OK as far as I am concerned.

In case you were wondering how much credit the Federal Reserve has made, so that it can use up some of it to buy, for itself in a loathsome fraud known as "monetizing the debt", government debt, that particular horrific total comes to a record of \$1.967 trillion, which is an astonishing \$1.397 trillion higher than this time last year!!

As you would expect, the money supply is still rising, and the monetary base rose a whopping \$56 billion in the last week, which is more than \$560 for everybody in the Whole Freaking Country (WFC) that has a non-government job! In One Freaking Week (OFW)!

As Junior Mogambo Rangers (JMRs) know, perhaps intuitively or perhaps because I (as a proxy for the Austrian school of economics but who, if you call them up and ask them, say, "We never heard of this Mogambo person you speak of! Goodbye!", but you can tell by their suspicious change of mood that they have) never seem to shut up about inflation being properly defined as an increase in the money supply and that inflation in consumer prices is a result of that, and here it is!

This increase in the money supply usually, firstly, has a stimulating effect or, in our case, prevention of the Big Freaking Bust (BFB) and economic devastation that we so richly deserve for a ridiculous, laughable half century of experimental socialist governmental deficit-spending and "putting every leveraged dollar to work!", and the abysmal, total failure of the loathsome Federal Reserve to control the money supply so that the damned government couldn't do crap like that without entering the money marketplace and bidding for the funds, like any other borrower, thus driving up interest rates, which made the economy slow down, which infuriated worker/voters, and the government would stop doing that fiscal incompetence immediately, or as soon as the next election rolled around, ignoring the possibility of a recall election in the interim, or even a general insurrection and revolution, perhaps ending with the people carrying me on their shoulders, a hero to rule the country as Emperor Mogambo (EM) who immediately installs a gold standard to protect the people's money from inflation (which keeps from making the poor poorer because of the inevitable higher prices that the additional money causes), and, also as a treat for all my adult loyal subjects, dovetailing the arrival of 3-D TV with hearty encouragement to develop, at great speed, a brave, new world of 3-D pornography, leading America to a new golden age in many, many, many ways! I can hardly wait!

In the meantime, however, accumulate gold, silver and oil, especially using some kind of Dollar-Cost Averaging scheme, which has not been improved upon, either in its simplicity (you spend the same number of dollars per month, month after month) or its efficacy; it kicks butt over a long trend, as you are always buying more when they are cheap, and you buy less when they are more expensive.

Or, if you are like most people, you are an impatient, greedy little bastard who wants to make the biggest, most maximum profit possible, as soon as possible, by taking maximum risk that gold,

silver and oil will never be cheaper than they are now, then you should rush out and buy as much gold, silver and oil as possible Right Freaking Now (RFN), exhausting every source of credit you can get your clutching, grasping little hands on, and then selling the kid's stuff and buying more gold, silver and oil with that money, too!

Somewhere in between these extremes you will find yourself, my budding Junior Mogambo Ranger (JMR)! The effects of massive increases in the money supply (horrifying inflation) will lead you to True Mogambo Enlightenment (TME) about how economics really, really works, and in a blazing moment of incandescent, transcendent clarity, you will suddenly realize you have to buy gold, silver and oil, right away, because, "Whee! This investing stuff is easy!"