

US Economic Outlook: Default, Hyperinflation or Both

By [The Mogambo Guru](#)

03/18/10 Tampa, Florida – [Bill Bonner](#) here at *The Daily Reckoning* reports that “Even if America taxed 100% of all household wealth, it would not be enough to put its balance sheet in the black”, which I note seems exactly right to me, and I am able to corroborate Mr. Bonner’s analysis because it seems to me that I seem to remember that just the federal budget deficit – alone! – would consume all federal income taxes paid by people and businesses!

Perhaps Mr. Bonner won’t need any testimony from me, and people will accept the things that he says as facts because they trust him. But when I say something like that, even with facts aplenty at my very fingertips, they want to argue with me like, for example, just the other day when I was taking a little walk in the morning and I ran across a group of kids waiting for the school bus, which was just pulling up as I got there.

So I am telling the kids, “You brats might as well quit school right now because there is no future for you since your own federal government has borrowed and spent this country into the ground, made possible by the loathsome Federal Reserve creating all the wildly excessive amounts of dollars that made it all freaking possible, which became, because it is, an inflation in the money supply, which is what will cause terrifying inflations in prices as all this money is used to bid for a relatively static supply of goods and services so that prices will always be going up and up, all your miserable lives, and at the rate that the idiot Leftist Obama government is deficit-spending money by the trillions of dollars, and the rate at which the foul Federal Reserve is creating new money by the trillions of dollars to finance it, prices will rise so high that this Whole Freaking Country (WFC) is doomed to suffer catastrophic inflation! We’re freaking doomed!”

So, instead of everyone just accepting what I said, like they do Mr. Bonner, and maybe patting me on the back and saying something cheery like, “Masterfully said, Brilliant Mogambo Maven (BMM)! Thank you for the good education in bad economic governance!” the school bus driver is yelling at me to shut up and for the cheering kids to get on the bus and quit listening to “that damned crazy man”, but the kids are hesitating, and the driver is frantically calling 9-1-1 on her cell phone to report me to the police as some kind of deviant weirdo, and the kids are dancing around, chanting, “We’re freaking doomed! We’re freaking doomed” and the bus driver is yelling, “No, you’re not! Now get on the bus, kids!” and pretty soon some parents come up to see what all the fuss is about, and they start arguing with me, too!

To the adults who can appreciate adult-level conversation, I say, “If you are not concerned about the destruction of the buying power of the dollar because of the insane trillion-dollar increases in the money supply by the Federal Reserve or the ludicrous Obama deficit-spending trillions of dollars that necessitated it, then you’re an idiot!”

And then, out of nowhere, they start arguing with me about THAT, too!

So you can see the kind of crap I have to put up with all the time around here every time I open my mouth, and I imagine even Mr. Bonner would have trouble with these losers, too.

Apparently, Mr. Bonner has heard my sad, Cassandra-like tale of woe, and has decided not to press his luck in this neighborhood of what appear to be, in a word, idiots, and safely quotes some guys named “Professors Rogoff and Reinhart” who “show that when external debt passes 73% of GDP or 239% of exports, the result is default, hyperinflation, or both.”

At this point, most of us have stopped reading because we have had our fill – “up to here!” – of egghead professors finding some relationships between the horrendous condition of the US and impending calamity, as that is the continual state of the US today, and indeed the world, in terms of increasing human suffering, a terrible economy, a travesty of a monetary policy and flagrant, bizarre irresponsibility in fiscal policy.

And after a full day of reinforcing the Mogambo Bunker Of Desperate Refuge (MBODR) with another layer of aluminum foil just because of the terrors of these kinds of things, I am too tired for more horror, as if I could be more, you know, horrified at this point.

I mean, this is nothing new for a real Junior Mogambo Ranger (JMR), who knows that it is the same impending calamity that has impended every other time in human history after these idiotic kinds of expansionary monetary and fiscal insanities are rampant, and now we JMRs have, with heroic stoicism and serenity, moved away from constantly thinking of certain disaster and have started, instead, thinking about lunch. Or weekend plans. Or, if it is the weekend, lunch.

Fortunately, I was not too far immersed in plan making (other than I was already sure that it was going to involve bacon in some capacity), and so I was taken aback when these two professors said that “IMF data show the US already too far gone on both scores, with external debt at 96% of GDP and 748% of exports.”

I was hoping that someone would raise his or her hand (especially the adorable Peggy who said she would never, ever even be in the same room with me ever again, and now there she is – in the front row! – which only shows what a deceitful, lying, heart-breaking little tramp she is), and ask why we didn’t get “default, hyperinflation or both” when external debt passed 73% of GDP on its way to the current 96%, or after passing the point of 239% of exports growing to today’s 748%.

That way, I could spring to my feet, noisily interrupting, and state my own version of how it is easily possible that the largest economy on the planet, that for decades consumed the majority of the industrial output of the planet so that, at its zenith, our trade deficit was almost a trillion dollars a freaking year, was able to continue such stupidity by being financed, for a long while, by scared vendors frightened of their biggest customers not buying more stuff, all so that the USA could indulge its gluttony, its imperialism and its most far-fetched socialist dreams by being financed by the very people who made the stuff that we bought, using the money that the

Federal Reserve created, that we gave them as a minimum monthly payment for the last batch of stuff that we bought from them on credit! It's recycling, dude! Hahahaha!

Of course, this would lead me directly to a long harangue about how "You would have to be an absolute idiot not to buy gold, silver and energy stocks as an iron-clad defense against the aforementioned 'default, hyperinflation, or both', which, in this case, will be 'both' because the whole financial enchilada is a big leveraged bet where every little change is magnified many-fold into losses, losses, losses as far as the eye can see, growing bigger and bigger, and that our only hope is to riot in the streets, overthrow the current regime and install me – The Mogambo! – as Wonderful Emperor Mogambo (WEM), where I will wage a never-ending battle for truth, justice and the American way, which is (now that you asked), the glories of free enterprise coupled with a fixed money supply.

Before I could even make a pitch for everyone stocking up on Mogambo Enterprises Riot Gear And Supplies (MERGAS) that they will need in their glorious popular rebellion to oust the government and put The Mogambo on the throne of absolute power, or even give me a lousy minute to hand out some brochures, Mr. Bonner, apparently embarrassed to have his presentation hijacked by a megalomaniacal power-hungry lunatic hawking insurrection, shoddy pitchforks and flaming torches, obviously alludes to it and says, "The rioters can go home, in other words. The system will collapse on its own."

Well, if it is going to collapse on its own, then, like everyone else, I sigh, and figure, "Why bother?" So, instead, I take the easy way out because the easy way out is The Real Mogambo Way (TRMW), which, in this case, is to just buy gold, silver and oil because with the ugly, inflationary-collapse way that things are going, and which cannot be stopped, it makes you Giggle With Glee (GWG), "Whee! This investing stuff is easy!"