

When the Government Demands More Debt

By [The Mogambo Guru](#)

12/10/10 Tampa, Florida – I always like the name Minyanville because it sounds so soothing, and it makes me think of some peaceful, beautiful little town of my childhood dreams, where everything is always nice and everybody is happy, where wishes come true for good little boys, and there are no angry fathers literally throwing you out of his stupid house and yelling after you, “And stay away from my daughter, you worthless piece of teenaged hoodlum trash!”

Of course, life wasn't like that back then, and it is apparently not like that in [Minyanville.com](#), either, as it is there that I ran across Dan Cofall of NorAm Capital Holdings, Inc, and also the host of the radio show “[The Wall Street Shuffle](#)”, who is, perhaps without realizing it, summing up my horror of the gigantic increases in the money supply by the horrid Federal Reserve announcing a six month-long \$600 billion creation of new money, and thus I fearlessly forecast them to create at least \$1.2 trillion in the whole year!

The GDP, the total of all the goods and services produced in the Whole Freaking Country (WFC), is only \$14 trillion, and yet here are these Federal Reserve weenies printing up a massive, monstrous \$1.2 trillion in new money! This is an unbelievable 9% of GDP, for crying out loud!

And that's just the amount This Freaking Year (TFY)! This doesn't include even more money next year! And more the year after that! And more the year after that, on and on, more and more until, as Ludwig von Mises of the Austrian school of economics so famously said, the economy cracks up.

And now, thanks to Mr. Cofall, we know that it is worse than the astounding \$1.2 trillion, as, “The Fed granted \$9 trillion (that's right, trillion) dollars of loans to countries, central banks, companies, and banks in the fall of 2008,” which leads to the terrifying fact that the money supply has taken a big boost, as he notes when he says, “This \$9 trillion did not exist the day before the loans were made.”

If you remember that changes in price always equilibrate supply and demand, this is \$9 trillion of new demand, which becomes significant when followed up by the obvious fact that supply did not increase, as, as he says, “The world did not create \$9 trillion of goods and services in one day.”

Ergo, demand swamping supply means that prices must go up to clear the market!

Of course, Junior Mogambo Rangers (JMRs) look at the gigantic increase in the amount of money used to buy things, compared to the static sameness of the amount of things that can be bought, and come to the only possible conclusion, namely, “Forget that formation of Klingon battle-cruisers passing Saturn on their way here! We're freaking doomed to die of inflation in prices! Buy gold, silver and oil, and lots of arms and armaments against the coming horde of

desperate, angry people who do not want to die of exposure and starvation because of high prices that keep going higher and higher, and they want to kill you and steal all your stuff! And if not them, then the government wants to kill you and steal your stuff! Or the Klingons!”

The problem boils down to, as he succinctly puts it, that we “have long since passed the point of the world’s debts exceeding our assets,” and that, even worse, “Our debts far exceed our ability to repay those debts or, often, even service the debts.”

I figure that this “drowning in debt” scenario explains why people are not borrowing more money to buy more things to go farther in debt, and it is this lack of sales that explains why businesses are not going farther into debt to invest and expand to create more things for people to buy by going farther into debt, and why businesses are not hiring new workers, which explains why unemployment is so high, which explains why workers are being fired, and which explains why I will probably be “let go” in the next round of “restructuring” as people much less incompetent than I am have been fired already.

Unfortunately, the Excellent Mogambo Investment Plan (EMIP) dictates that I buy gold, silver and oil when the government is acting so bizarrely, and whether I have a job or not, which may make a mockery of the EMIP slogan, “Whee! This investing stuff is easy!”