

# The Well-Traveled Funds of Fed Money Creation

By [The Mogambo Guru](#)

02/25/11 Tampa, Florida – Someone named Denis wrote to Mish Shedlock of [globaleconomicanalysis.blogspot.com](http://globaleconomicanalysis.blogspot.com) and asked, “I read many times on your blog how bubbles created by the Fed led to the overpricing of assets such as real estate and stocks. Someone paid those overpriced valuations.”

The question is, “So, where is the money? At some point will that money be used to mitigate the economic doom?”

Before I could interrupt, Mr. Shedlock himself answers, “Most of the money went to ‘money heaven’ which is to say nowhere at all.”

Of course, I am delighted at the clever turn of phrase, even though I am not sure I understand it unless loans have defaulted, making money disappear.

So unless it is actual currency that is physically lost or destroyed, money lives eternal unless the debt, from which the money sprang, is not paid back, and some debtor is saying to some creditor, “Hey! Screw you, you crooked bastard bankers that caused all this economic mess by creating So Damned Much Money (SDMM) over the decades that it produced bubbles in the stock market, the bond market, the housing market, a gigantic financial services industry, an enormous derivatives market and a monstrous, suffocating increase in the size and oppressiveness of local, state and federal governments!

“Now it’s my turn to screw you in a fit of Unthinking Mogambo Revenge (UMR)! I ain’t paying you back the money I borrowed! Thus, your fiat money literally disappears! This is why, if you will remember, I said ‘screw you!’ at the beginning of my harangue! Hahahaha!”

Well, this, despite its terrific sense of catharsis and vengeance, does not answer the original question, which is, “Where does the money go?”

The answer is that the money goes (and you can quote me on this) everywhere! Hahahaha!

I can see by the bored look on your face that you do not understand my glib explanation, you do not see what is so funny that I would laugh about it, you think I am an idiot and you are wondering why you are wasting your life listening to a moron like me.

Well, to be completely honest, I personally have no idea why you are wasting your life, although I can tell you, in case you are interested, that if you are NOT buying gold, silver and oil stocks in response to the Federal Reserve constantly creating so unbelievably much money that it will cause inflationary catastrophe for the economy, then you will soon not HAVE any life worth

living when inflation in prices destroys you and everything you love, and you will be forced down, down, down to nasty subsistence living, checking the garbage cans and dumpsters behind restaurants for food during the day, and sleeping in them after closing time to keep out the rats.

You can tell by my use of terms like “garbage” and “rats” that I am obviously sinking into a Big Mogambo Funk (BMF) about the whole mess caused by the Federal Reserve creating so much money.

But when I say the money “goes everywhere,” that is exactly what I mean.

Perhaps a simplified illustration will help. Suppose I borrow a dollar to buy something from you for \$1. You pay the government (at a 25% tax rate) 25 cents, leaving you with 75 cents.

Now you spend your 75 cents buying something from Amy, whereupon Amy pays the government's 25%, or 19 cents, leaving her with 56 cents.

Amy spends her 56 cents by buying something from Bob, who pays the government 25%, leaving him with 42 cents.

Extrapolate this out, and after awhile you can see that the whole dollar eventually goes into the coffers of the government, which spends the money everywhere!

Therefore, the money goes everywhere! Just like I said!

And that is why creating excess money causes inflation in prices, and that is why you should be buying gold, silver and oil, running around like a hyperactive lunatic buzzing your brains out on crystal meth, because when the Federal Reserve is creating so much money, gold, silver and oil will go up in price, which is such a deceptively simple investing scheme that you marvel at it and exclaim, “Whee! This investing stuff is easy!”