

# Unconventional Methods

By [The Mogambo Guru](#)

11/10/03 We may or may not have real growth, dear reader, but we are certainly paying a hefty price for it...

I can't let the 7% rise in GDP, annualized, pass without comment. To wit; how much is 7% of GDP in dollars and cents? Well, the usual figure for GDP is ten trillion dollars. So 7% growth in GDP is, by mathematical imperative, a \$700 billion dollar growth in GDP. The economy, in other words, grew by \$700 billion. Sounds kind of impressive. But, and you knew there was going to be a "but," the federal government has borrowed and spent \$600 billion in the last year, and doofus Americans increased personal debt, mostly mortgage refinancing, to borrow and spend at least another \$800 billion in the year. And when you add in mortgage refinancing, then the amount borrowed and spent easily surpasses a trillion dollars.

And let's not forget all the corporate debt that has been floated, so that corporations could borrow and spend. And the states and municipalities also borrowed and spent a load of cash, too. And out of all this borrowing and spending, which totals almost certainly near \$3 trillion, the damn GDP only expanded by \$700 billion? You spend four bucks to get one buck of growth? GDP grew at about a lousy fourth – a fourth! – of all the money that has been borrowed and spent? So why in hell am I supposed to get all worked up about a lousy 7%? Jeez!

What was missed by most people is, of course, the predicted inflation, as the price index for personal consumption rose at a 2.4% rate, which is up dramatically from 0.8% in the second quarter. As the WSJ put it, "In addition to the climb in...consumer prices, other familiar signposts, such as rising commodity prices and a depreciating dollar seem to indicate brewing inflation."

## **Hyperinflation: A Whole Different Ball game**

I cannot keep my eyeballs from rolling back in their sockets whenever I hear that inflation is low. But apparently I am the only guy in the whole freaking country that is watching the prices of insurances, cable TV bills, telephone bills, commodities, houses, taxes, fees, and damn near everything else I consume going up at double-digit rates. So for YOU maybe this is some wonderful world of low inflation, but for me it is a whole different ball game.

And I note with a certain shudder that I am reading more and more references to economics-forecasting people starting to predict HYPER inflation. Not ordinary inflation. But the real thing, the big thing, the old Reichmark thing, where it took a wheelbarrow of money to buy a loaf of bread and caused the absolute collapse of the German currency. It is not inconceivable to me. Perhaps it isn't on its way yet, but it will be soon enough.

In the meantime, debt continues to explode. Hans Sennholz, the god-father of the Austrian school of economics here in the USA, writes, "In just five years, total financial as well as non-

financial American debt has surged by 51 percent or \$10.9 trillion to more than \$32 trillion, three times the annual Gross National Product. During the last quarter alone American households added \$397.6 billion in mortgage debt and another \$40 billion in credit card debt."

And all this at the same time as Saturday morning as I drove to the store, and happened to hear two stock market jackasses talking about their theory of why the economy showed such growth in the last quarter. They were all a-tingle about the tax cuts and the rebates, and how things are just peachy. I didn't catch the names of those two doofuses, but that is not important, because they are all that way.

### **Hyperinflation: Morons Borrowing Money**

And in case you are wondering, the gigantic increase in GDP was the result of morons, like you and me, but not you and me, and not nearly as good looking as us, well, you anyway, borrowing money that they cannot pay back to buy things they cannot afford and should not be buying. It is just that simple.

And now that these ugly morons have spent the money, the other doofuses in charge of businesses all decided that the one-off increase in sales is some permanent thing, and so they borrowed to ramp up production to meet the anticipated demand! How in the hell we got to be the number-one superpower in the world is beyond me, unless the rest of the world has more idiocy per capita, or IPC, than we do. Which is truly horrifying in itself.

There is one capita in particular upon which I am sorely tempted to lay all the blame for everything. It belongs to a certain gentleman who is willing to make every economic mistake in the book if he thinks it will make the economy go. He is, of course, none other than Mr. Ben Bernanke of the Fed – otherwise known as Printing Press Ben.

I have been busy coming up with yet more "unconventional methods" for Ben. Just to help him out a little. So, if you are willing to accept horrific results down the road, then I have a solution to the big debt problem today.

All Congress has to do is do two ridiculous things. The first one is to order the Treasury to print up \$10 trillion in cash and simply buy up all the Treasury debt. It's as simple as that. At the end of the day, we will have no sovereign debt. Zero! Zip! And we will have about \$3 trillion left over after doing it! And we can use the money to fully fund Social Security! And Medicare! And Medicaid! And full prescription-drug benefits for everybody!

And for the private debt in this country, simply let everybody declare a special bankruptcy, which I suggest they call Jubilee Bankruptcy, and pass a new tax law that says you can claim a juicy Tax Credit for every dime that went bad because the guy you loaned it to went bankrupt in the big Jubilee! And then Congress can just print more money to send everybody their tax refund checks! Suddenly, no more consumer debt! We have wiped all of the slates clean, and are ready to start again!

I mean, if you are going to have a fiat currency, then how come we aren't enjoying the fruits of it? If not, then what is the point of even HAVING a fiat currency if you are not busy having fun with it, by destroying it by printing up too much of it? As Richard Benson of Bensons' Economic Trends says, "A few months' growth can be purchased if the authorities are willing to pay any price." The 7% rise in GDP does not come at any price – it comes at an astronomical price. And we, that is, you and me, are paying very, very dearly for it.

Regards,

The Mogambo Guru  
For the Daily Reckoning

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—Mogambo Sez: The recent pullback in gold is another buying opportunity, as the government continues printing money and thus debasing it. This is one of the Iron Laws of Economics in action.