

Debt, The Dollar, and Snakes

By [The Mogambo Guru](#)

10/16/06 **The Daily Reckoning PRESENTS:** There is nothing funny about debt. But as the Mogambo explains, laughter may be a viable path to True Mogambo Enlightenment...

DEBT, THE DOLLAR, AND SNAKES

I have a Hot Mogambo Tip (HMT) for this Bernanke birdbrain: How about not constantly increasing money and credit, which makes the monetary aggregates go up, which makes prices go up, which strains the family budget so that they have to spend more and more (and thus can save less and less) just to stay at a standard-of-living standstill? How about trying that for a change, you Fed morons?

And as if to underscore my fear, consumers now owe so much money that they are even having a hard time going deeper into debt! As astonishing as that sounds, News@yahoo.com reports “consumer borrowing rose at an annual rate of 2.6 percent in August, compared to a 4.3 percent rate of increase in July. Borrowing in the category that includes credit cards rose at an annual rate of 4.2 percent in August, following a gain of 4.7 percent in July.” Nevertheless, “Total consumer debt rose by \$4.99 billion at an annual rate to an all-time high of \$2.35 trillion in August.”

As proof, all you have to do is stand around my living room for a few minutes and listen to the family whining about how they are hungry and cold because I can't afford food or electricity this week since I went into debt to get a new set of golf clubs. They say they can't understand my “selfishness”, and my “conceit”, and blah blah blah. In response, I patiently tell them that I did it because, as Russ Winter's xanga.com quotes Gustave Le Bon from his 1896 book “The Crowd”, “The masses have never thirsted after truth. Whoever can supply them with illusions is easily their master; whoever attempts to destroy their illusions is always their victim.” I am sure that my poor golf scores have nothing to do with me, a lack of talent or “complete inability to learn”, which is the stupid opinion of so many stupid golf teachers. It is all just a matter of having (pay attention here) the correct equipment, as the salesman assured me with his awesome and convincing sincerity.

If you are not into hearing loud whining and crying about my sick, self-absorbed obsession with my personal wants and needs at the expense of my family, then you can just read about the general obsession with wants and needs in the essay “America...Please Keep Spending” by Joe Average at LifeToday.com.au site. He reports that “ACNielsen recently released the results of their internet survey (of 21,000 people in 40 countries) and announced that Americans had topped the list of ‘cash-strapped’ consumers who ‘Have No Spare Cash’...a whopping 28%! Brazil came 3rd at 23%, Canada came 6th at 19%, and Greece came 10th at 17%.”

One reason that these foreigners are in the debt soup is because prices are up, which is because, as Jim Willie CB of the Hat Trick Letter newsletter reports, “Central banks worldwide have

grown the money supply in reckless fashion in the last year. The pace ranges from a seemingly modest 8.5% in [the] European Union, a modest 7.5% in Australia, and roughly 9% in the United States. Check this! Money supply growth is up to 18.4% in China, 19.1% in India, and a whopping 23.2% in South Africa. These are staggering numbers. Without fanfare, Russia has increased its money supply by almost 45%.”

And why is this happening? Perhaps Bill Bonner at DailyReckoning.com has hit the proverbial “nail on the head” when he notes, “We did not expect the market to hold up as long as it has. Our error was one of over-estimating the good sense of our fellow man. He is a bigger blockhead than we ever thought. Given the lure of easy credit, ARMs, and ‘stated income’ lending – he took the bait greedily. Now, he’s on the line for more money than any man in history...with no greater income than he had before to pay it off.”

He goes on to say that “poor Mr. Typical has not had a wage increase since 1972, according to the U.S. Department of Labor’s website. He earned the equivalent of \$334.60 a week back 24 years ago. Now, the figure is just \$277.96.” Hahaha! Welcome to the world of inflation, Mr. and Ms. Typical! What do you think of the Federal Reserve now? Hahahaha! I thought so! Now you are on the path to achieving True Mogambo Enlightenment (TME)!

And when you are paying those outrageous credit-card bills and higher taxes with less real (inflation-adjusted) income, you will more completely understand it when reader Ed informs us that “the word ‘usury’ in the Hebrew concordance means ‘the sting of the serpent’ or ‘snakebite.’” Thus, he says, “The interest on our national debt, our mortgages, and our credit cards are killing us.”

Of course, we were not talking about debt or snakes, but about Ben Bernanke and his bizarre economic theories. Yet, perhaps in another manner of speaking, we ARE talking about debt and snakes. For example, when Axel Merk, of the Merk Hard Currency Fund, writes “In his research about the Great Depression before becoming Fed Chairman, Bernanke identified the strong dollar as one of the culprits that made the Depression more severe.” Hahahaha!

The dollar was gold back then, dork! The inflationary stock market excesses were NOT because of an inflation in a fiat currency, but were, instead, 100% a product of the damnable Federal Reserve, creating outrageous amounts of money and credit, and the attendant outrageous amounts of debt, financing outrageous inflation in the stock market and debt markets during the 1920s, which went bust, which created the Great Depression, which came after only 17 years since the creation of the Federal Reserve!

Or am I supposed to take from this that if only those stupid foreigners had not made the mistake of destroying their entire infrastructure during WWI, and then compounded their folly by not letting a bunch of arrogant central bank weenies go crazy with creating excess money and explosive credit to produce their own inflationary “roaring twenties” to bail us out, then everything would have been okay? Hahaha!

But either damned way, this ridiculous bonehead is saying that if the Federal Reserve had been allowed to produce more excess money and credit (to drive the dollar down), to produce even

more inflation in the stock market and in the prices of everything else, too, then everything would have been okay, and that the Great Depression would never have happened! I leap to my feet and exclaim, “This is insaaaaaaaane! People should be rioting in the streets!”

Well, I thought that was pretty clever (and a fair bit of theatre) but Mr. Merk was not amused by my antics, and simply said, “He has also praised the Japanese ultra-loose monetary policy to fight deflation.” Hahahaha! Another good one! I guess that the dim bulbs in the Japanese central bank are every bit as stupid as our own central bank in believing this monetary-excess stupidity. And so it is no wonder that the Japanese people have not prospered for 15 straight years, that their stock market is still down about 50% from the peak, and real estate is way down, too.

And it is also no wonder that I have as little respect for Japanese morons as I have for us American morons, and for the same reason: Economic stupidity on a grand scale.

Until next week,

The Mogambo Guru
for The Daily Reckoning

Mogambo sez: If you have gold already, you will be fine. If you don't own gold already, you will, perhaps soon, and then you will be fine, too. If you don't own gold already, you will, and if not soon, then you will be fine, but not as fine. If you don't own gold already, and you never do, then you are, on the other hand, screwed. It's as simple as that. And that's 6,000 years of history talking.

If anything I've said has sunk in, and you decide that, 'hey, maybe that freak isn't completely nuts...maybe gold is a good investment,' you would be right on one account.