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## **Mr. Foreign Investor's Neighborhood**

by The Mogambo Guru

*"Perhaps the reason that Treasury Secretary Paulson wants to bail out Government Sponsored Entities (GSEs) like Fannie Mae and Freddy Mac is because of who owns the shares of the companies, which will go to zero if Fannie and Freddie are allowed to fail like they deserve to do."*

I was looking at how Treasury Gross Public Debt is now officially over \$9.5 trillion, and was thinking of using that particular bit of terrifying insanity as an excuse to get really hammered, when I suddenly remembered that I didn't have any money or credit with which to buy inexpensive but tasty alcoholic beverages, or even a burrito to get that subtle taste of anti-freeze out of my mouth. Damn!

Recently, I had already forged a lot of IOUs in my kids' names at various bars around town, and already people were getting suspicious about them, unduly limiting my subsequent issuances of more IOUs, and I was out of ideas for a new scam.

So it was somewhat coincidental and startling that at the very next moment I read where Gary North in his Reality Check newsletter at garynorth.com wrote, "Americans would regard the son's inheritance of a father's debt as tyrannical. But, with the help of Congress, Americans have adopted the same system, but on a far larger scale. We have passed our IOUs on to the children of our neighbors' children."

This brings up one of the points of disagreement between Mr. North and me, as he thinks of these creditors as "neighbors", while I refer to them as "vicious foreign devils", and not just because I am a xenophobic, fearful, hateful, paranoid whack-job, but because every lynch mob I have ever seen in the movies or heard about in real life is always comprised of somebody's "neighbors".

In fact, these "neighbors" to which he refers are actually foreigners, who actually live in some foreign country, and who actually speak some stupid foreign languages whenever I am around so that I can't understand the words, but I know what they are plotting! I know EXACTLY what they are plotting! And that is why I hate them as much as they hate me!

Apparently, I made my point, as Mr. North immediately admits that I was right, and that these "neighbors" are actually foreigners, and that "Today, the Treasury sells its IOUs to foreign investors, especially foreign central banks. Something in the range of 40% of the on-budget Federal debt of \$9 trillion is held by foreigners."

Notice the part about "on-budget" federal debt, which implies that there is an "off-budget" federal debt, too, which is so corrupt that it is amazing that it is allowed to even exist! This is where you find the secret money that government goon squads use to harass me, like last week when the air conditioner started acting weird! For five years it has worked perfectly, and now suddenly it doesn't, and I am supposed to think that government agents/saboteurs are NOT involved? Ha! As Jim Rockford, private investigator in The Rockford Files, would say, "My coincidence meter is red-lined!"

Perhaps the reason that Treasury Secretary Paulson wants to bail out Government Sponsored Entities (GSEs) like Fannie Mae and Freddy Mac is because of who owns the shares of the companies, which will go to zero if Fannie and Freddie are allowed to fail like they deserve to do.

It's something to think about when gangsters own your "paper", as I infer from Bill Bonner here at [The Daily Reckoning](#) writing, "Today, fully 21% of Russia's monetary reserves are invested in the obligations of Fannie, Freddie and the Home Loan Banks. And the largest holder of Fannie and Freddie debt is another friendly foreigner, China", which he says, "owns \$376 billion worth of U.S. agency bonds. Altogether, foreigners hold \$1.3 trillion of them."

In fact, it is said that purchases of Fannie/Freddie debt by foreigners covered a third of the U.S. current account deficit of \$700 billion over the last year! Hahahaha!

And anyway, this \$9.5 trillion dollar national debt is pretty much chickenfeed when looking at bigger intractable problems, as we gather from a speech given by Richard Fisher, the head of the Dallas Federal Reserve Bank, who said, "Add together the unfunded liabilities from Medicare and Social Security, and it comes to \$99.2 trillion over the infinite horizon."

First off, he is wrong; it comes to infinity at the infinite horizon, not some piddly \$99.2 trillion, and you would think that the president of the Dallas Federal Reserve Bank would know such a thing. And then you realize that total Gross Domestic Product (GDP) of the USA is only about \$13 trillion, and suddenly this seems like a lot more than is even comprehensible! Your brain whirls! Income that is 0.013% the size of liabilities!

Naturally, the mind cries out in its anguish, "No! No! No!" as it is staggered by the sheer enormity of \$100 trillion of liabilities, and you wonder aloud, "Has there been a mistake in addition?"

Apparently not, as the total breaks down as, "Traditional Medicare composes about 69 percent, the new drug benefit roughly 17 percent and Social Security the remaining 14 percent." What? The prescription drug benefit is now going to cost more than Social Security itself? Yikes!

Apparently, he does not want to get into a discussion about that, and tried to impress me by correctly saying, "We know from centuries of evidence in countless economies, from ancient Rome to today's Zimbabwe, that running the printing press to pay off today's bills leads to much worse problems later on. The inflation that results from the flood of money into the economy turns out to be far worse than the fiscal pain those countries hoped to avoid", which is exactly true and I am surprised to hear him say that!

And it almost makes you proud when he says, "Purging rampant inflation and a debased currency requires administering a harsh medicine. Even the perception that the Fed is pursuing a cheap-money strategy to accommodate fiscal burdens, should it take root, is a paramount risk to the long-term welfare of the U.S. economy. The Federal Reserve will never let this happen. It is not an option. Ever. Period."

Then you are driven to ask, "If so, then why in the hell are we here, you lying, complicit, moron Federal Reserve bastard?" He never answered me, which is all the answer I need,

and it is all the justification you need to [buy as much gold](#) and silver as you can.

It is going to be bad. Very bad. Very, very bad. Ugh.