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Nightmares of Financial Misery

by The Mogambo Guru

"But this monetary expansion thing is the stuff of nightmares, too, and one day soon you will wake up screaming in the middle of the night, bathed in sweat, jolted out of a nightmare of financial misery and suffering that is all but unimaginable..."

The astonishing news to me was that the Fed has pledged to plow \$540 billion into the money market, which is composed of very short-term debt, which is, as I already said, pretty astonishing since the total money market is about \$3.5 trillion, and which has had (according to Doug Noland in his Credit Bubble Bulletin) "a y-t-d expansion of \$423bn, or 16.8% annualized". And in an odd bit of symmetry to the just-pledged \$540 billion, he goes on to report that "Money Fund assets have posted a one-year increase of \$566bn (19.1%)." And now they need half a trillion dollars? Half a freaking trillion?

And since we are talking about things that are astonishing, get this: Total Fed Credit jumped by another \$63.2 billion last week! I was going to try and add up the astonishing amounts of credit that the Fed has cooked up in the past month or so, but I am so Scared Out Of My Freaking Mind (SOOMFM) at what I might find that my hands are shaking too much to handle a calculator. That's my excuse, anyway, and it's a lot of work, besides.

Naturally, being the lazy little coward that I am, I decide to simply abandon the task and instead run like a scared little rabbit to the Mogambo Bunker Of Invincibility (MBOI) while I still have enough coordination in my hands to lock and bolt the door, adjust the Security Settings to "Repel Boarders" and put a slice of pizza in the microwave with which to calm my Frazzled Freaking Nerves (FFN) at all this monetary expansion.

Afterward, I remembered that I had intended to add up all the credit that those filthy bastards at the Federal Reserve have created lately, and I shuddered anew at the prospect of the work involved, and of what I would find.

But there is something in the Cosmic Force that wants me to see this, as Doug Noland's Credit Bubble Bulletin was still on my computer, and there, big as life, I read not only that "Federal Reserve Credit expanded another \$63.2bn to a record \$1,803bn", but that this latest whopping glop of credit from the Fed has reached "a historic 6-wk increase of \$915bn." Yow!

Almost a trillion dollars of new credit in 6 weeks! Gaaaahhhh! My hands now mysteriously clenched into Mogambo Fists Of Outrage (MFOO), I am forced to clutch a pencil between my teeth and try to laboriously calculate that if \$1,803 billion in Federal Reserve credit is up \$915 billion in 6 weeks, then the percentage change is, ummm, wait a minute, ummm, carry the one, ummmmm, well, the percentage change is, ummm, well, who the hell cares what the damned stupid exact percentage is when you can just freaking LOOK at the problem to see that TFC has about doubled? Yow! A 100% gain! In 6 weeks!

My brain is staggered! In 6 lousy weeks, all of the total credit in the banking system created by the Fed since 1913 was almost instantly (poof!) doubled! Gaaaahhhh! We're

freaking doomed!

This is the second worst news possible, right behind finding out that getting married and registering your marriage at the county clerk's office makes it some kind of a binding deal that has ramifications and duties far, far beyond what I was prepared for, and I thought she would work and I would stay at home and watch TV all day. Maybe play a little golf and do some "social" drinking. That kind of thing.

It sure as hell didn't work out that way, and when the kids started coming it got a lot worse, which is ALSO something that nobody tells you about beforehand!

But this monetary expansion thing is the stuff of nightmares, too, and one day soon you will wake up screaming in the middle of the night, bathed in sweat, jolted out of a nightmare of financial misery and suffering that is all but unimaginable even to Dante, and you finally realize, "Hey! These morons at the Fed and Congress with their ridiculous neo-Keynesian, permanent-stimulus theories and econometric stupidities are killing me by killing my money by creating so much of it! What is the only correct economic theory and who can I sue to get my money back?"

The correct theory is, since you asked, the Austrian Business Cycle Theory, as perfectly explained at Mises.org, and reinforced by Milton Friedman who perfectly explained that "Inflation is always and everywhere a monetary phenomenon", which means that you, as the citizen who is forced to use an abused fiat currency, is doubly screwed; prices are going up faster than wages, particularly food, and you can't sue anyone.

In fact, an argument can be made that inflation in food prices is already here, as from Florida we get the news that the Department of Families and Children handled 1.3 million calls about getting food stamps last year, and already this year the number of calls has doubled!

And don't get me started on foreclosures, falling earnings, falling employment, insane levels of money and credit creation, or the horrors of inflation, because then I will also get started yammering about how gold, silver and oil have got to be the biggest bargains out there right now, and trust me when I tell you that you do not want to get me started!