

November 07, 2008

The Incredible Growing Government

by The Mogambo Guru

"And now that the governments of America have literally become the economy (and paying themselves handsomely in the process!), there is no way that the government can be allowed to shrink..."

The U.S. Department of Commerce says that, the way it looks to them, even after spending a lot of time adjusting and smoothing and rounding the data so that things look as good as possible, third-quarter Gross Domestic Product is going to be down again - like this is some Big Freaking News (BFN) to us guys out here who are either being laid off, or hearing rumors that we are going to be laid off, or listening to other people yammering about how they were laid off, or being blamed for profit shortfalls and statistically poor performance, but which they calculate without any "smoothing" factors like how the customers are all a bunch of idiots and so are my stupid employees who plot against me behind my back.

I mean, even though I yell at them every day to buy gold, silver and oil, none of them are buying gold, silver or oil, even at these incredible bargains! Just ask them!

Anyway, I hate them all, and one Big Freaking Reason (BFR) why I am so angry is that I can't waste money on fun stuff that I like to do, but instead I am now forced to use all of it paying higher prices for everything, which means that there is less money for the rest of the family to do the kind of fun stuff that they like to do, too, and now we all stay at home, glaring at each other, a powder keg primed to explode, all of them ganging up on me and blaming me for all their stupid problems that all stem, somehow, from a lack of money, which they think is my fault just because I am lazy and I hate to work.

The fact is, as I constantly have to explain to them, that we are ALL having our standards of living cut back, whether we are losing our jobs or not, as evidenced by the simple fact that the Commerce Department report also said that disposable income (what's left of your income after paying taxes) fell 8.7% in the third quarter! Yow-wow-wow!

Paradoxically, the report also showed that consumer spending, which is supposed to be two-thirds of the U.S. economy, "declined 3.1% during the third quarter", which is supposed to be the biggest drop in consumer spending "since 1980" - whatever that means - other than "big and rare", which makes me think of a "Black Swan event", which is not only big and rare, but also catastrophic, and which makes idiots of people who think that you can "game" the bell curve over the long-term.

I can see that the bartender does not want to get into that particular discussion again about bell curves and probability theory, as it has a sobering-yet-disquieting effect on the other patrons of the bar, especially when I inevitably conclude my fabulous performance in a wildly theatrical crescendo, my voice at a stentorian pitch that the damned Supreme Court let the damned Congress create the damned Federal Reserve, which mightily multiplied dollars and credit so that somebody could borrow the money to buy all those new bonds, so that the government could then spend the new money, which is the Fed's way of saying to Congress, "Thanks for giving us the power to create

as much money as we want!" which is equivalent to Groundskeeper Willie's political platform when running for office on The Simpsons, which he summarizes by saying, "The first thing I'm going to do is to kill you all and burn your town to ashes!"

Well, admittedly, it's not quite that bad - but bad enough, as this gigantic 8.7% fall in disposable income is doubly bad news because not only do YOU have less to spend, but the government is taking in less tax revenue, too, and since the huge layers of government (federal, state and local) already constitute the entire economy by spending half the money spent in the economy, this is Bad, Bad News (BBN), indeed!

And now that the governments of America have literally become the economy (and paying themselves handsomely in the process!), there is no way that the government can be allowed to shrink, and it will have a voracious, constant need for more and more money, sucking you dry, sort of like having teenage children, but without the sullen insolence and incessant whining.

One way of solving this is, of course, like Argentina, which just nationalized all private pensions, which is not the whole story, since, according to Mary Anastasia O'Grady in the Wall Street Journal, "By law half of the privately managed pension assets are already allocated to government debt"! Hahaha! If you invest to retire, you must spend half of your investment money on government bonds! Hahahaha! What a scam!

The yield on Argentine government bonds is now 17%, which helps to ameliorate consumer price inflation that is running at a hefty 9%, which translates as "your money buys a lot less this year than it did last year!"

And you might find it instructive that Argentina is taking these steps of desperation even though, unlike us, it has a trade balance surplus and a current account surplus that is almost 3% of their GDP. They have money pouring in!

Ms. O'Grady introduces her article "Argentina Impoverishes Itself Again" with a quote from Frederic Bastiat's famous economics book The Law, published in 1850. He wrote, "It is impossible to introduce into society a greater change and a greater evil than this: the conversion of the law into an instrument of plunder", which she immediately tells us that "Our subject today is not Barack Obama's 'change' plan to 'share the wealth.' But readers who want to know what happens to a nation that legalizes plunder - as the 19th century French economist termed the taking of private property for socialist ends - will want to pay attention just the same."

Naturally, upon learning that I would have to "pay attention", I groaned aloud and was audibly muttering various salty obscenities under my breath about it, although it soon becomes apparent that the lesson is that it was predictable "That revenue would, at some point, fail to meet the rising expenses of the welfare state... The only mystery was when the wall would be hit and how the further plunder to make up the difference would be carried out."

And when that happens, the dollar goes down and gold, silver and oil go up. It's as easy as that! Whee!