

The Voyages of the Economic Enterprise

By [The Mogambo Guru](#)

03/31/08 This week, The Mogambo leads his intergalactic spaceship and eerily Star Trek-like crew around the economic cosmos. They eventually land on planet 'Freaking Doom' where our fearless leader courageously kills off the extras, before inflation has a chance to do it first. What will happen next?

To get a "feel" for how crazy things got, Ambrose Evans-Pritchard at The Telegraph reports that "Bear Stearns had total positions of \$13.4 trillion. This is greater than the U.S. national income, or equal to a quarter of world GDP – at least in 'notional terms.'"

If you are like me, you gulped in horror at the revelation that this one bunch of people had made that kind of a huge, humongous, staggering load of un-imaginable, un-payable commitments! More than the total income of everybody in the country! These are huge commitments, sort of like the kind you find out about, but only AFTER you say "I do" and sign the marriage license, which is when you start to find out that "commitments" in marriage entails getting a job and keeping it! No matter how much you hate it! Which you do, because your bosses and co-workers are all idiots (and don't get me started on the idiocy of the customers!) then you come home after hours and hours of that boring crap with your stupid, pathetic little paycheck in your hand, and at the end of the month you still have no money left over because your wife spent it on the kids and herself, and then one day, prices have risen so high that you run out of money before payday comes around again, and you discover that you have maxed out all your credit cards, and you have borrowed against all your equity in your house, and you have borrowed money from all of your friends, and now you find it was all for nothing and you have wasted your life with the empty promises of "family, friends, faith and community", and you want your youth back! I was cheated out of my life!

So you can see how big commitments like this are dangerous, but Mr. Evans-Pritchard ignores me and my penetrating, poignant analogy, and says that the problem at Bear Stearns was that through using "'swaps', 'swaptions', 'caps,' collars,' and 'floors'", they were able to float \$13.4 trillion of this weird financial derivatives crap, and that "this heady edifice of newfangled instruments was built on an asset base of \$80 billion at best."

\$13,400 billion was what was leveraged on a measly \$80 billion? Leveraged 167 times? Bear Stearns had less than 1% in the pot? Hahahaha!

This reminds me of Alan Stang at AlanStang.com, who writes that "Banking is one of the few businesses in which crime is rewarded; and the bigger the crime, the greater the reward. The perpetrators take down millions in bonuses and do not go to prison."

Perhaps because he knew I was watching and he wanted to get on my good side, he added a nice swipe at Alan Greenspan, whom he describes as "former top Fed swindler," and then went on

about how this little Greenspan creep “more than any other man got us into this mess; now he is telling clients in the Middle East to dump the ‘dollar’ and go to the Euro.”

And speaking of Alan Greenspan and how I hate his guts for what he has done to my country, Bill Fleckenstein of Fleckenstein Capital, author of the new book Greenspan’s Bubbles: The Age of Ignorance at the Federal Reserve reminds us that “Greenspan bailed out the world’s largest equity bubble with the world’s largest real-estate bubble. That combination easily equates to the biggest orgy of speculation and debt creation the United States (and the world) has ever seen.”

And if you want to see the significance of that, let’s take a little tour through interstellar history! In my best “Captain Kirk of the Starship Enterprise” voice, I say, “Computer on! Computer, research the economic history of the planet Earth and all the planets in this galaxy, and find any instance of a healthy economic boom that started after ‘the biggest orgy of speculation and debt creation’ the planet had ever seen!”

I note for the log book that an eerie silence overtook the bridge. Everyone noticed the complete silence from the computer, which could only mean one thing; there is not one example from anywhere in the whole freaking galaxy where some dirtbag economy escaped collapse after an “orgy of speculation and debt creation.”

I will not ask the computer to look for examples of economies that WERE destroyed by such idiocy as engaging in “orgies of speculation”, because it is, essentially, all of them. In fact, there are so many idiotic economies that experimented with fiat currencies and wild multiplications of debt by the banking system that merely listing them ties up the computer so long that Mr. Spock comes over and tells me, with that damned, dry “logical” voice of his that sets my teeth on edge, that I am hogging all of the computer’s time, and how he needs it to plot some stupid course to slingshot us through a wormhole or something to get us out of the Neutral Zone that I accidentally wandered into because I was distracted by my duties as captain of this starship.

It could have happened to anybody! And it has nothing to do with the fact that I had ordered all the “good-looking chicks in the quartermaster section to report to the bridge”, and now Mr. Spock is acting like our predicament is all my fault, and I am really, really getting so sick of his snotty Vulcan attitude and his stupid reports to Starfleet Command.

The point is we are indeed screwed because we engaged in what Mr. Fleckenstein calls an “orgy of speculation and debt creation” of world-record proportions, and since the pain is usually proportional to the gain, get ready to say “ouch!” in a really, really loud voice to give Mr. Spock’s stupid big ears something to listen to!

Until next time,

The Mogambo Guru
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The Mogambo Sez: For this week's pep rally, the cheerleaders will leap about and chant "Gold and silver, that's for us! Everything else is a big fat bust!" Since everyone has their eyes glued on the cheerleaders prancing about in their tiny little costumes, there is no point in my saying anything more. You got an important message and a nice show, which is more than you usually get from a Broadway play!