

US Debt: A Fist Full of Trillions

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Bill Bonner here at The Daily Reckoning pretty much nailed the problem when he said that “During the 2001-2007 period, credit in the United States increased by \$22 trillion. The nation’s GDP increased only by \$4 trillion.”

The ugly result was that, dividing one into the other, “For every extra dollar of output, Americans took on \$5.50 of debt” which is the same as me stupidly taking a part-time job in addition to my regular job when I hate working my regular job because I hate working, just to make a few extra dollars because all of my income from my regular job (which, if you remember, I hate) is already used to pay debts, and then I used this “extra income” to borrow 550% of the extra income! Hahaha!

Now, I admit that “total national credit” and “Gross Domestic Product” are pretty difficult concepts of the kind that have no meaning to a guy like me just trying to get enough money together to buy some gasoline and maybe a couple of tacos, a fact made more difficult by the fact that GDP is now, in July 2009, stuck at \$14 trillion, and which now supports total debt of around 300% of GDP, which means that total public and private debt is a staggering \$42 trillion, almost doubled from 2007!

And in the meantime, non-farm payrolls have been stuck at 131 million the whole time since 2001!

As I am finishing pumping the gasoline into my car, I notice that he is only talking about a 6-year period, yet in that time, this means that 140 million total workers in this country took on ANOTHER \$157,142.87 in debt! Each! EACH!

My trembling hand gingerly shook the last few precious drops of gas from the nozzle into my tank, like some bizarre scene from the movie Mad Max, as some economic facts flashed into my mind, and I mused out loud, “You know, the national debt on January 1 of 2001 stood at \$5.663 trillion, whereas on January 8, 2007 it stood at \$8.667 trillion. So only \$3 trillion of that \$22 trillion in additional credit came from the profligate deficit-spending federal government in those 6 years! Yow!”

My wife, waiting in the car, suddenly wants to know how come I can remember those old facts and figures, but yet I can’t ever seem to remember the dates of our wedding anniversary or the kids’ birthdays?

The answer, of course, instantly flashed into my mind, and I thought to myself, “The reason, you old bat, is that such crushing federal debt, especially now that it is being monetized by the filthy Federal Reserve creating the money and credit to buy the gobs of government debt, is Very, Very

Important (VVI), and if you had any idea what that kind of rampant money creation is going to do to ruinous inflation in consumer prices, and thus do this country, and do to you and those bratty kids you are always yammering about, then you would not compare such monetary and fiscal stupidities to the scant importance of the birthdates of some idiot kids that nobody ever heard about and who will probably end up marrying badly and living their entire lives in some incomprehensible, hellish Theater of the Absurd, just like their cursed father! Oh, Death, where is thy sting?"

But, older and wiser, I did not say that out loud, and I just pretended that I didn't hear her, continuing ominously, "If the socialist/commie-think federal government only borrowed and spent \$3 trillion in those 6 years, who borrowed and spent the other \$18 trillion?"

My thinking was that this question would generate some thoughtful discussion about the Austrian school of economics, which agrees that massive increases in the money supply is a Bad, Bad Thing (BBT), or maybe bring up a reference to Milton Friedman, who correctly said that "Inflation is always and everywhere a monetary phenomenon" upon which she which would contemplate and come to the correct conclusion, which is that we need to buy as much gold and silver as we can, to protect ourselves against the guaranteed damage to the buying power of the dollar from all of this monetary and fiscal malfeasance and malversation, and to hell with the kids and their damned birthdays!

Alas, it was not to be. Instead, it only generated a lot of yelling about how I am the worst husband and father in the whole world, which then generated a lot of other voices in my head screaming, "We're freaking doomed!" because I know for a fact that the national debt is now, a lousy two and a half years later, over a whopping \$11.600 trillion, which is a few trillions more! Trillions!

Like I said, we need to buy as much gold, silver and oil as we can, and doing anything else would be another Big Stupid Mistake (BSM), a phenomenon which most of us have made too many times already, making the buying of gold, silver and oil that much sweeter.

Whee! This investing stuff is easy!