

Private Debt Decline: Good For US Bad for the Economy

By [The Mogambo Guru](#)

03/16/10 Tampa, Florida – I got a disturbing email from Bianco Research which showed a chart of “Private Credit Market Debt” which they say shows “Total credit market creation not including Treasury Debt, Municipal Debt and Agency Debt”.

It is actually a horror that the level of private debt peaked last year at about \$36 trillion, which is certainly a lot of money, especially since total GDP of the Whole Freaking Country (WFC) is only \$14 trillion (and falling!).

In some kind of bizarre “good news/bad news” joke, total private debt has now actually fallen by a couple of trillion dollars to \$34 trillion, which is bad news for an economy that depends on consumption, but is good news in that people have lighter debt burdens.

David Stevenson of the *Money Morning* newsletter at moneyweek.com notes that it’s not just us, but “private borrowing is slowing everywhere” and that “US consumer credit has shrunk for a record 11 months in a row.”

The interesting thing is that the Bianco chart goes back to 1952, and there has never, ever been a time when private credit market debt fell by as much as a dime! Although it, sometimes, did not go up for short periods, nevertheless, it has never gone down. Never!

Until now. Oops!

Note that the soundtrack has gotten all gloomy, which makes sense, because if total private debt has – gasp! – gone down, then the money supply is not expanding because people are not borrowing to buy and invest. Oops!

Parenthetically, the money supply is not actually shrinking that much, as you would expect, because the asinine neo-Keynesian theory says that the government should replace private spending with deficit-spending, which they do, thanks to the Federal Reserve creating the money, which is another whole subject about which usually results in a loud Mogambo Scream Of Outrage (MSOO), which is, I think, more of a wail of anguish and crushing despair than a scream, although it usually concludes with me howling, wolf-like, “We’re freaking doooooooooooooommmmed!”

That’s, unfortunately, the bad thing that happens at the end of long booms produced by constant monetary stupidity, especially of the kind of stupidity found at the Federal Reserve, which explains why I say, with a loud, irritating repetitiveness that makes people run screaming from the room every time I open my mouth, to buy gold, silver and oil as your only defense against

rampant government stupidity and insane levels of monetary over-creation of money and credit, as redundant as that actually is because of how incestuous they are.

I assume that you now understand the depth of the ignorance, stupidity and depravity of the government and the Federal Reserve (and, indeed, all the central governments and central banks of the world), and you are saying to yourself, “Hey! The Loud Mogambo Idiot (LMI) is right! Maybe he is not as stupid as everyone says!”

Fortunately, that knowledge is all that is required to be a Junior Mogambo Ranger (JMR), and now that you have begun on your path to economic enlightenment, I can let you in on a little secret; it’s going to get worse. Much worse. Much, much worse. Worse than anything, even that time when your First True Love (FTL) dumped you and started going out with that jerk from the baseball team, and how you still hate him for it, even after all this time, and you still love her in spite of it, even after all this time.

But you are not here to listen to my tale of love gone wrong, desperately loving someone who doesn’t love you, and rejects your aching heart over and over, and when you call her on the phone, her father answers and says, “My daughter says you are a creepy little rat-faced creep, so why don’t you just give up, kid?”

And so I did, on the spot, saying a final goodbye to her, through him, and with a tearful, heart-broken voice, and I told him to tell that scheming little lying two-faced cheating slut he calls his daughter, as a parting gift of wisdom from me, to “Buy gold, silver and oil when your idiotic government allows unrestrained creating of money and credit, and especially when the government deficit-spends said money to expand itself”, thinking, you know, that I would leave her with a fabulous piece of advice by which she could always remember me fondly.

Instead of him saying, “Well said, intelligent young man! I shall be honored to relay your wise advice to my daughter, and I shall act upon it at once myself!” he said, “What in the hell is that supposed to mean, you little punk?”

So I told him that he was obviously a moron about monetary policy, fiscal policy and raising demonic daughters and, judging by his reaction, burned another bridge behind me.

But I won’t need it! Hahaha! I have gold, silver and oil, and with them I can build all the new bridges I want, with riches untold, when his precious dollars and dollar-denominated assets turn into the crap that fiat currencies always become.

And his daughter, the tramp Carol? Now it shall be I who says, “Scram! Ya creep me out, loser weirdo!” Hahahaha!