

Losing Faith in Paper Money

By [The Mogambo Guru](#)

02/11/11 Tampa, Florida – I was planning to go into a bizarre and irrational rant against JP Morgan for its obvious scam of manipulating the silver market by massive naked-short positions, and including in my Loud Mogambo Diatribe (LMD) the scumbag government and “regulators” who are supposed to keep this kind of fraud out of the commodities markets.

Preparing myself by taking a long pull on a bottle of tequila, rehearsing every curse word I could remember and loosening up the vocal cords (“Mi mi miiiiii! Get out of my yard, you stupid kids! Yo, Adrian!”), I was almost ready when I got a copy of an email from David Bond, in his role as First Lord of the Treasury for the Island Kingdom of Colemania, who reports the news that JP Morgan has announced that they will accept gold as collateral for margin loans.

The part that saved me from denouncing JP Morgan is when he went on that “Whilst JP Morgan is pleased to now to accept physical gold as collateral for credit, it will NOT ACCEPT equivalent value (or any value) of shares in its own gold ETF in lieu thereof.”

Even I, jaded and cynical after a lifetime of watching one thieving bastard after another foist a screw-job on me, and watching one incompetent, corrupt government moron after another let them, I think that it is all encapsulated in his sentence that the lesson is that “Ergo (or is it ipso facto?) JP Morgan has great faith in physical gold, but concurrently has no faith in its own gold-backed paper.”

Its own ETF! JP Morgan runs an Exchange Traded Fund for gold, giving it complete control over the gold deposited there, and yet doesn't trust its own fund? Has JP Morgan actually sold the gold that the ETF buyers were told was in there? Hmmm! That would make ME lose faith in it paper, too!

And as far as depositing gold with JP Morgan, Chris Powell of the Gold Anti-Trust Action Committee seems as cynical as I when he says, “Good luck getting it back.”

But suddenly everybody wants gold, especially as the Federal Reserve created more credit (which turns into money when somebody borrows it) last week, and Total Fed Credit went up last week by \$19 billion. As to how much actual money this turned into is anybody's guess since the fractional-reserve multiplier used by banks ranges from here to, literally, infinity.

But \$18.4 billion of it turned into cash! I know this because the Fed used \$18.4 billion of it to buy government securities to fund the loathsome Obama administration's deficit-spending insanity!

And, in December, more money was created when revolving debt climbed by \$3.5 billion.

And more money was created to allow total personal debt to shoot up \$6.1 billion in December, too.

All in all, seemingly impossible amounts of money are being created, which means seemingly impossible amounts of inflation, which means seemingly impossible amounts of capital gains from buying gold and silver rising in price, which seemingly explains why I am seemingly always saying, “Whee! This investing stuff is easy!”