

# TABOO OPINIONS #93

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## **3-15-07 REPENT NOW! THE END IS NEAR! DOOM APPROACHES ON SILENT, SPIKE-SOLED FEET!**

Yes, yes, I speak of the process of the collapsing debt structure, that vast, in fact triple vast, layered mountain of varieties of debt which we have borrowed ourselves in up to our eyeballs ... nay, over our heads beyond any measure.

Currently we've got this headline-making subprime mortgage fiasco going on, as millions of stupid loans (made by greedy idiots with no sense) go belly up because idiots with no money and no sense were given \$200,000-and-up mortgages and now *cannot even make the first payment!* on what the media say are 'their' homes. Oh, sob, these poor victims of their delusions and others' greed are going to lose their homes!

And already politicians are calling for new laws to bail out these morons!

Thing is, these subprime mortgages [promises to pay with not a snowball's chance in Hell of being paid] were then used as collateral to make new loans [more snowballs in hell] from increasingly stupid banks and other sources, said new money then used to buy, oh, stocks, land, to finance the building of more houses-to-be-mortgaged! ... and the newly bought stocks, land, and houses a-building were then used to leverage *more* loans ...

See how the debts can be borrowed-on and then the new debts and mortgages and loans can in turn be used as collateral to borrow even more money ...

Now this ten story edifice of owing seems to be depending on those millions of first-time idiot "buyers" of houses who won't be able to keep up their obligation of paying off the 30-year mortgage. So these 'buyers' will/are saying, "Here's the keys to the house. Maggie got sick and lost her job, so we can't make it. We're moving into my mom's house. Sorry."

'Mom', being of sound mind, owns her house free-and-clear, and has for forty years.

And so begins the cycle of failure-to-pay on debts which will (is!) grinding its way through the world debt structure. ["oh, but these debts are *insured!*" Yeah? Who insures the insurance companies?]

Because, what happens when a loan is never repaid? In finance that money disappears. It no longer exists. Its absence shrinks the money supply. If and when this destruction of money exceeds the creation of new money by means of government deficits or new loans -- - then we have that dreaded fate-worse-than-death, DEFLATION.

In deflation, money is tight, hard to get, wages go down, profits go down, and prices go down. Note that the housing bubble's collapse is forcing house prices down now, and as foreclosed-upon houses come back onto the market, increased supply and lower demand will force prices even lower. That's the birth cry of deflation.

Deflation is a condition governments HATE! Better, they all think, to have a 'benign', low inflation policy, which is a stimulate-the-economy policy --- but is actually a devalue-the-currency policy, but don't let the common people learn this!

So, with the first can't-avoid-it knowledge that the debt structure is coming apart and dissolving before their horrified eyes, monetary authorities will desperately lower bank lending rates to encourage borrowing by all and sundry. "More loans!" they'll cry to each other, *never* to the public. "We must keep inflating the money supply!"

[But at the same time they'll tighten loan requirements and rule out easy loans to poor idiots, thus defeating their purpose, because the supply of qualified idiots will be near zero, and banks will be prohibited from making loans to anyone they aren't positive will be able to pay it back! Ah, irony, ah, human nature! This 'tightening' process is going on now.]

Yes, yes, prices will keep going up due to this inflation/devaluation policy (it takes years for all that "money"/debt to creak and groan and melt into nothingness), but the authorities have a neat semantic trick going on to keep the stupid lower classes ignorant of the real system of money manipulation...and thus they avoid blame!

Over the past fifty years the word 'inflation' has been warped to mean the rate of price increases, not the policy of excess money creation. {People used to be wise to this game. They used to have a discipline called the Gold Standard.} Nowadays inflation is treated as a mysterious financial disease no one seems to understand. Inflation,

above all, isn't the government's fault! It's the fault (they say) of workers demanding higher pay! and it's the fault of consumers going too far into debt! [But woe to the economy if consumers stop going deeper into debt!]

Note that the national saving rate is -1%. "Normal" is +3-4%. So the current negative saving rate means that the rich are still saving, but the lower classes are desperately going deeper and faster into debts than ever before.

So, anyway, right now the money-destruction virus is on the loose as debts are not paid and classes of sequential debt 'derivatives' become weaker and chancier, and more and more investors change from suckers into scared rabbits and try to cash out --- There will sooner or later be a rolling panic of selling to save what can be saved from the stock market, from houses-bought-for-speculation (o where is that greater fool now?), from that second car, from the family jewelry ...

Thus terrifying, unstoppable deflation begins and that's how very traumatic, society-warping depressions happen, and it's all because of undisciplined greed, and thus inevitable as Good Times, almost-free money, and "This Time It's Different" permeates the country and the world until underlying forces come into greater and greater play.

The cycle never stops.

**Have a good day.**

**On a personal note ---** My standing-up leg paralysis and pain is increasing, which means resorting to my wheeled chair for trips with others in their cars if the destination requires me to walk or stand very long. A walker so far is barely okay for short trips --- into a restaurant, into a small store, into the post office or bank .... I have been adept at carrying my walker in the big basket of my three-wheeled "senior" bike. But walking a city block or standing up for more than a few minutes is too much.

And I note a progressive deterioration in my legs, hips, back.

Why not a fifth spine operation? I lack optimism that it would help. And I fancy being mostly house-bound and/or room-bound, and/or bed-bound, served by others, pitied ... Hmm. Is there such a thing as pity sex?

**END TABOO OPINIONS #93**