Dumb, Dumber and Dumbest
April 12, 2011
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The two stupidest characters ever to grace the big screen – Lloyd Christmas and Harry Dunne – were first introduced to the world in Jim Carrey’s 1994 movie, Dumb and Dumber. If that movie were made today, its leading characters could easily be our government and the supposedly independent Federal Reserve Bank. Both of these institutions have foisted their misguided policies on the American public, who, in their passive acceptance, have proven themselves to be the dumbest of all.

While our government has the general citizenry pretty well hoodwinked, there are times when those of us who know better must speak out. I am referring to the plunder of public treasuries and enrichment of banking cartels that has been the inevitable consequence of every calamity in modern times. The big banks get rich and the rest of us pay for it.

We willingly allow such pilfering as long as the stock market goes up, the singular goal of everything central banks do. An earthquake and tsunami struck Japan on March 11, 2011. The yen appreciated and their stock market fell. The central banks of the G-7 intervened to sell trillions in yen to stem the market plunge.

The insanity is this: Why can’t the market decide where the yen or the stock market should be priced? The people of Japan needed help. A nuclear power facility threatened to melt down. Yet the Bank of Japan could only support the stock market. The US central bank has been no different. Every disaster is a license to manipulate.

Allow me to shed some light on the absurdity of intervention so we can decide if it is helpful.

Dumb and dumber’s latest overture to the dumbest occurred on Tuesday, March 22, 2011. The Federal Reserve announced to the public on that day that 2010 brought forth record profits. Not for us, though – for the Fed. The Fed made a record $81.7 billion in 2010 ‘largely on investments made to help the economy and banks weather the 2007 - 2009 financial crisis.’ As per their mandate, they turned over the bulk of the loot to the US Treasury – some $79.3 billion. This added to the $47.4 billion the Fed transferred to the Treasury in 2009.
The Fed would like us to believe that this transfer of $126.7 billion to the Treasury over the past two years is a wonderful development. But how again did the Fed earn $87.7 billion in a year? The Fed is, of course, a market-manipulation machine, and it is indeed a bank that makes money by lending money. Trading securities and derivatives is also profitable if you have all the inside information. The Fed has an advantage in that it can simply conjure money out of thin air if it wishes to lend.

On all the money the Fed creates out of thin air, it charges interest! Could there be a better business model for pure profits? Now, think for a moment. Wouldn’t a profound financial crisis present an opportunity to lend huge sums of money and exercise vast power? Think a little harder. Name a company that profited more from the financial meltdown of the last decade than the Federal Reserve. For perspective, Exxon made an estimated $30 billion for the year 2010. Yet, somehow, the hoodwinked public maligns companies like Exxon as corporate pigs. These people think companies that make tens of billions of dollars in profits are obscene and should be subjected to windfall taxation. The Fed beat Exxon by a factor of three! Do we hear any complaining? The Federal Reserve, based on its earnings, is the largest company operating in the US. What’s more, the Fed is a private corporation feeding on the US taxpayer. How did they make their money again? Oh yeah, they were ‘helping’ their banking friends through a crisis. Please, tell that to Lloyd Christmas!

The real question is, are we now better off for all the Fed’s intervention? After all, the Fed gave the Treasury $126.7 billion in windfall earnings over the last two years. I decided to make like Jethro Bodine of the Beverly Hillbillies and “commenced to do a little ciphering.”

Setting aside the forfeiture of capitalism, freedom, and sovereignty, how much did this $126.7 billion cost us? From the end of 2008 to the end of 2010, the national debt grew $3.3 trillion from $10.7 trillion to $14 trillion. That was the capital the Fed used to help the banks through the financial disaster that they helped to create. That $3.3 trillion was borrowed at an average interest rate of 3.1% (according to the Fed’s own numbers), resulting in $102 billion in interest. $126.7 billion minus the $102 billion netted the Treasury about $24 billion on the deal. That is, until we have to roll the debt over in another seven to ten years, at which point this borrowing will cost the taxpayers another $102 billion, or whatever the prevailing interest rates might dictate then. Now the whole deal will be a loser to the tune of hundreds of billions on top of the tens of trillions in debt that the country already cannot repay.

So the Federal Reserve rakes in record profits while the taxpayers accumulate record debt. But let’s not forget that none of this was the Fed’s core intent. The most important thing to the Fed is that CEOs like Jamie Dimon of J.P. Morgan and Bryan Moynihan of Bank of America got their $20 million dollar compensation packages.

We are supposed to believe that the Fed has our best interest at heart, that it is working hard to revive the economy and restore our portfolios. We would have to be dumber than the dumbest person on earth to believe that! Let’s look at how dumb the Fed thinks we are by examining a report the Fed produces on the fiscal condition of the U.S. citizenry.

From 2008 to 2010, according to page 118 of this report, “assets” held by households and nonprofit organizations grew from $65.5 trillion to $70.7 trillion. Over the same period, however, “tangible
assets” fell from $24.3 trillion to $23.1 trillion. Where did the “asset” increase come from? “Equity shares at market value” rose from $12.4 trillion to $18.1 trillion at the same time “net worth” rose from $51.3 trillion to $56.8 trillion. Net worth increases were a function of the stock market only. Real assets like real estate continued to contract.

The Fed used market manipulation to fool its audience. After all, the top 10% of income earners own 90% of all stocks. Less than 50% of the US populace owns mutual funds. The “net worth” increase was confined to stock-owners and even then, to large stock-owners. The ever-widening gap between rich and poor corroborates this idea. Modern economic improvement only benefits a slim minority of already-very-wealthy friends of the Fed.

What is the fiscal condition of the US government?

Same report, page 68:– The “total financial assets” of the federal government grew from $1.268 trillion to $1.650 trillion. That roughly $400 billion dollar gain came from two areas. One, “agency- and GSE-backed securities” grew from $54 billion to $225 billion and two, “consumer credit” grew from $111 billion to $317 billion. The “agency” stuff is bad mortgage paper held by Fannie and Freddie and “consumer credit” is actually student loans. The Fed uses the term ‘consumer credit’ with a footnote. The footnote defines consumer credit as ‘student loans’. Student loans are counted as an asset despite their high default rates.

This information allows me to expand my thesis. The student loan default rate reported by the government is currently 7%. Of course, since this is a government number, I did a little reading. An article by Mark Kantrowitz of FinAid stated there is about $730 billion in outstanding federal and private student loan debt, only 40% of which is actively being repaid. You can do your own math on the real default rate, but I’ll give you a hint: 7% isn’t the right answer. Sallie Mae accounts for half of the total student loan debt outstanding and new government regulations now give Sallie a virtual monopoly in student loans.

Two last points. First, this student loan debt cannot be washed away by bankruptcy and can therefore be carried on the government’s books regardless of potential collectability. That makes the assets of the government seem larger than they are in reality.

Here, again, there are traces of the government and banks collaborating to dupe the public. One of the players in the student loan world is a company named Student Loan Corp. They are a division of Citigroup. Citi makes money servicing the loans, and the taxpayer is on the hook for defaults.

So what, by the way, accounts for the government’s low published default rate? With the default numbers as bad as they are, student loans that experience a stoppage of payment within two years of commencement are no longer statistically considered. Those loan defaults are not counted. That’s why the 7% government number is so ridiculously low.

Federal liabilities grew in 2010 by a little over $3 trillion, and almost all of that was Treasury securities. The Fed wants us to believe that government assets are growing and total $1.650 trillion. But the Federal Reserve now boasts of assets totaling over $2.4 trillion!
So, the Fed has assets of $2.4 trillion and no debt (everything it has is guaranteed by the taxpayers and everything it buys comes from money it prints from our Treasury), and the US government has assets of $1.6 trillion with $14 trillion in debt. It should be apparent to even the dumbest of dumb that we have been swindled. I have written more about this particular shell game of the Fed’s in a previous article.

But there’s more.

All this manipulation and stimulation and intervention has pumped a ton of money into the hands of the big bank cartel, more often referred to as the “financial system.” And yes, a lot of that money has made its way into rallying the stock market.

On March 22, Dallas Federal Reserve Bank President Richard Fisher said he is “beginning to see the signs of speculative excess” in the US. He added, “There’s a lot of liquidity sloshing around the US financial system.” Did he go on to share his sudden realization that the Earth is not really flat?

What finally opened Mr. Fisher’s eyes to the “speculative excess” that has been a defining feature of our banking system and stock market for years? Sadly, Fisher also thinks that the economy is improving, even though official government-reported unemployment is 8.9% and the number of under-employed exceeds 20%.

Why do we accept so many lies? Why do we tolerate such government mendacity? How has a country conceived by geniuses like Jefferson and Madison (who framed a constitution to greatly limit the powers of the federal government) and guided by the indomitable courage of Andrew Jackson (who vetoed the charter of the central bank of his time) fallen so far? Why has surrender to these evils of government and central banking come so easily? Our country is led by the Lloyd Christmases and Harry Dunnes of the world, if only those beloved characters lacked any conscience, and yet we go along with it all. Dumb, dumber and dumbest indeed!

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