

Fed Bankers at the J-Hole

By [The Mogambo Guru](#)

09/08/03 Fear and loathing on the Fed trail...The Daily Reckoning's answer to Hunter S. Thompson reports back on the recently held, Fed-sponsored meetings in Jackson Hole, Wyoming.

Greenspan and Bernanke and all the other central bank people and their fellow-traveler economist yahoo buddies went to an annual meeting in Jackson Hole, Wyoming, which I assume is where they go to be by themselves, all secret and conspiratorial, so that they can talk, listen, and confer with one another so as to glean ideas as to how in the hell they can possibly come up with plausible excuses as to why their ridiculous economic ministrations have gone so horribly, horribly wrong.

It reminds me of the Little Rascals, with Spanky and Alfalfa and Buckwheat, who had their "He-Man Women Haters Club." The big difference is that Spanky and Alfalfa had to organize plays and skits and sell goods and services to fund their little club's activities, and they didn't have the advantage of being able to dip into the till where they worked, and just take a few hundreds of thousands of dollars so that these clueless wastrel weasels could provide themselves with a little up-scale R&R at an exclusive ski resort.

How nice for them.

Or maybe they just want to get away and drink some beer and have some fun, and laugh at us fellow Americans for swallowing the ridiculous crap they say. A typical conversation at Jackson Hole must go like this: "Well, the people have not rebelled so far. So our original hypothesis was correct: 'If you studiously do not teach economics in any school, and then speak in confusing mumbo-jumbo, then it IS possible to fool all the people all the time! This is sooOOOooooo cool!'"

Jackson Hole, Wyoming: No Invitation

But no matter why they are there, the last thing they want is to have outraged weirdoes, like me for instance, trying to crash the meeting and making noise and trying to get our pictures on TV by standing in the background of newscasters covering the event, waving our arms and carrying on like the pathetic weenies we are.

But, in an insightful moment that recalls 'the dog that didn't bark' and the best of Sherlock Holmes, notice to whom they did NOT send an invitation! Me! I even promised that if they let me make a simple, dignified statement concerning my objections to the current paradigm being pursued by the Greenspan Fed, I would even take a bath and wear shoes and everything. But, alas, no.

Then I sweetened the deal by promising that I would peacefully turn around and go quietly home, if they let me make a short, reasoned and polite statement. Still, no dice. Then I offered to remain in the confines of my hotel room in Jackson Hole, and not even go to the damn convention hall where they were meeting. This still wasn't good enough for them.

Then I started playing my trump cards, one by one. At the end of what seemed like an interminable series of negotiations, I still do not get an invitation, I still have to stay home, and I promised to look and act normal for 26.67 days.

In return, I get to say whatever I like in my economic commentary, as the ever-humble Mogambo Guru, and they will not use it against me the next time they try and put me away for diminished mental capacity, or that other thing, but let's not get into that right now. But they were quite insistent that they be allowed to put in writing that they were in no way endorsing or stipulating that what I write, or ever wrote, could possibly be considered 'commentary,' as it seems more like the irrational, incoherent ramblings of a brain-damaged, drunken, drug-addicted lunatic that seems to have never grown up for some reason probably too yucky to contemplate. But they also agreed not to send any agents over here to have one of their 'talks' with me, "if you get our drift," they said, and boy, oh boy, I knew EXACTLY what they meant.

Jackson Hole, Wyoming: Acting Like a Central Banker

It's all just as well, because I was lying when I said I would behave myself, as they did not say that all those days of acting and looking normal had to be consecutive days! The loophole! Hahaha! Chumps! Anyway, my plan the whole time was to sneak in.

I planned to dress in a banker's business suit, see, with a nice conservative tie, and a nice haircut. And I have been receiving intensive tutoring to hone my arrogant, condescending attitude, and have new contact lenses that make my eyes appear dull and lifeless, as anybody who actually believes in econometric modeling is obviously brain-dead. So I figured that looking and acting like a real central banker would make it a cinch to actually get to the front door.

So Plan A was to, first, hire a limo and ride to the conference. It pulls up. Then I get out, and swagger to the front door. Anybody who saw my sneer of contempt and my "get out of my way, you worthless peasant trash" attitude wouldn't dare to stand in my way as I merely walked to the entrance like I belonged there.

Then, when the security crew guarding the door asked me for my invitation, this was going to be my Big Mogambo Moment! "My invitation?" I would say in a loud, rising voice that conveyed surprise and anger at even being challenged by such a low-life. "You want to see my (pause for effect) invitation, you little proletariat pip-squeak?" my voice rising to Wagnerian power and volume.

Then, as the TV cameras and various passerby look up in rapt fascination at the noisy tableaux, I would half-turn to the crowd, grasp my groin like Michael Jackson, and yell out, "Hey! I got your invitation right here, pal!"

Jackson Hole, Wyoming: Idiot Savants

Then I'd dash through the door before they had a chance to recover from that surprising and shocking development, and run up and down the halls laughing hysterically and yelling obscenities, and screaming that they were all a bunch of idiot-savants who comprehended mathematical models, big deal, but were totally clueless about economics, and that is why our economy bites the big one, and other obscenity- laden things about how we are all doomed, and how the end of the world is here, and how fractional-reserve banking and a fiat currency are the kiss of death and blah blah blah.

You know. The same stuff I have been screeching about for years.

Of course, this is just the clean part of the plan that me and my hoodlum friends came up with, and to tell you the truth, most of the time we spent discussing Jackson Hole activities amounted to ruminations on a wide assortment of things you'd rather not hear about. But anyway, we cannot resist snickering and poking at each other and laughing about "The A-holes being in the J-Hole," which we think is hilarious.

Down at the far end of the playground we pretend that we are at this Jackson Hole powwow, and we have a little pantomime where Beaver, played by Jerry Mathers, is Alan Greenspan. "Hey, Alan, old buddy! Long time, no see! How ya doing, dude?" and then while we are shaking hands with him, we are sticking a sign on his back that says "Kick me hard." So we're all laughing and snickering and poking at each other and then, of course, Miss Landers comes over and wants to know what we are laughing about, and Lumpy and Eddie Haskel and I keep trying not to laugh and are looking at Beaver, and so she figures that Eddie is up to something and hauls him off to the Principal's office.

But the best part is that this playground experiment proves that popular demand can alter monetary policy, because before the day was over everybody was laughing and kicking poor Beaver, who is, as I already noted, played by Jerry Mathers in case you forgot, and he finally broke down in tears and he promised to alter monetary policy! And the kicking had him promising to give us his lunch money for a week, so you can see how this thing could really work out swell.

I am not sure if my constant, irritating harping at the incompetence of Alan Greenspan is the literary equivalent of putting a "Kick me hard" sign on his back, but he did come out and intimate that he will no longer follow the failure-prone dictates of his ridiculous econometric models. Of course, it was only a matter of time before he had to eschew those econometric models, seeing as how they are never right, and as proof all you have to do is look around you at the USA and the world, and sooner or later people were going to talk. No, he says that from now on he will be using his personal judgment. I am still pondering whether this is an improvement or not, although I quickly realize that things can hardly get any worse.

Jackson Hole, Wyoming: The Fed Has No Idea What It's Doing

But that is not how others would play it. For example, the Economist magazine is certainly a class act, and I am obviously not a class act. And that is why their magazine is sold at real newsstands, and I have to resort to sneaking out late at night and sticking my worthless rag under the windshield wipers of cars parked in various supermarket parking lots. But we both come to the same conclusion, namely that the Fed has no idea what it is doing. For example, in the August 23 issue of the Economist magazine, there is a sidebar entitled "Jackson Poll" where the reporter recounts how he asked previous grande attendees of this Jackson Hole thing whether or not we were in a recession (they all said no, but we were), whether or not we would go into a recession (they all said no, but we did) and at the top of the stock market bubble whether or not the stock market was a bubble (and they all said no, and it was).

Me and Wally and Lumpy and Eddie are all laughing our little butts off at this proof of their supreme incompetence, and we are all yelling "A-holes at the J- Hole! A-holes at the J-hole! Hahahaha!" But the Economist magazine, demonstrating their British penchant for understatement, shows their superior yet subtle manner and merely says, "Given this remarkable record, it would be remiss not to poll our elite group once again this year – and then bet on the exact opposite."

And then they note that all these hotshots, which I again note for the record are spending untold hundreds of thousands of dollars of other people's money to loll around having a wonderful time, and this is the part that I find so hard to believe, are still writing papers about Ricardian Equivalence! I figure that this is another subtle Economist magazine jab at the conferees. Ricardian Equivalence is the preposterous idea that deficits do not matter, and that the only thing that really matters is production and consumption. The way they figure it works is like this; if people started saving instead of spending money, then the government could take up the spending slack, and issue debt to get the money to spend, since the core idea is that only consumption and production matter. Either you spend, or the government spends.

Now, when it comes time to repay the debts, according to the theory, the people will have saved up the money, because the people see this repayment thing coming, and so they save up their money to pay the damn anticipated taxes!

Therefore, there is a Ricardian Equivalence; in either event, spending is done and taxes are raised!

The bottom line is that you are, and when I say "you," I mean "us," and that includes you, but it also includes me, which is the opposite of what is implied when I say "you," but I just say "you" because I want you to feel a part of this whole thing and be a participant instead of sitting there like a bump on a log, but you ARE, watch my lips, you ARE going to have your taxes raised! This is the whole freaking point. It is implicit in the definition. It's just a matter of when!

Jackson Hole, Wyoming: Future Taxes Don't Matter?

And this is all supposed to be all okay – because, and this is the whole freaking premise of this stupid Ricardian Equivalence thing – they say that deficits do not matter, and, by extension,

future taxes do not matter either! They think that people love to pay taxes! They think that raising taxes has no effect on anything! They think that only production and consumption matter!

This, THIS, is the kind of silly crap that they argue at Jackson Hole! And now you get a better idea why me and my hoodlum friends are calling them the "A-holes at the J- hole!"

And we, meaning you AND me, since I am not going to go through that definition of "you" again, are the guys who they have graciously nominated to pay this higher debt one day through the simple expedient of us sitting here like little lumps while they levy higher taxes on us! All this while studiously ignoring the fact that the world's economies are erupting in flames, thanks to their own egregious incompetence! Now you have a better idea why I want to run off screaming "A-holes at the J-Hole!"

I would normally use this as a springboard to say very nasty things about the Fed people and the economists who attend the J-Hole conference, with lots of screeching and drops of spittle flying through the air. But I want to get back to Alan Greenspan and the Fed and the J-Hole thing, and I am not sure how we got off the point or where we went, but I remember that there was spittle flying, so I am not in any hurry to go back and see what happened. But continuing on like nothing happened, I want to demonstrate the severe panic of Alan Greenspan and the Fed, and I can do that by noting that Bloomberg reports that Greenspan got up in front of his buddies and said, "The U.S. economy is too complex to reduce monetary policy to a rule-based model. Instead, central bankers benefit from a 'risk management' approach to setting interest rates that allows officials to use their own judgment in assessing the effects of policy options."

So there you have it in a nutshell. There are no criteria that you can use to criticize the Fed's actions, and we have to rely on Greenspan's personal judgment. Prices rising so high that you cannot afford to buy food? Don't worry! Greenspan is going to use his personal judgment to decide whether or not price inflation is good or bad for you.

The Bloomberg report goes on to say, in their way of shining a little illuminating light on the significance of this: "Inflation targeting, where a central bank names a numerical goal for inflation and tries to achieve it over a specified period of time, is used by the Bank of England, the European Central Bank, the Bank of New Zealand, the Bank of Mexico, and at least a half-dozen other central banks around the world."

In short, everybody else worries about the effects of inflation on the citizens of their countries, as they should, since the whole purpose of the central banks is to insure that financial calamities don't befall the citizens, as regards calamities like inflation. All except, I am profoundly sorry to say, the USA. We have the horrible Alan Greenspan, who is now officially on record as saying that the devastating effects of inflationary prices are of no interest to him whatsoever. You, and by this time you know who I am talking about, are worthless peasant trash, and he is willing to sacrifice you, and me, and everything we love so that he can exercise awesome discretionary power in an irresponsible manner.

But beyond the foreign central banks that don't agree with this line of reasoning, Greenspan is also in thin domestic company in this regard. As Bloomberg notes, "Some Fed policy makers,

including Philadelphia Fed Bank President Anthony Santomero and St. Louis Fed Bank President William Poole, have advocated that the U.S. central bank adopt an inflation target as well. Fed Governor Ben Bernanke also is an advocate of announcing inflation goals."

This is Greenspan, the worst central banker in the history of the Fed, in the throes of absolute panic. "Everybody is wrong except me, and everybody's ideas about monetary policy are wrong except mine. Rules? I don't need no steenking rules!"

Regards,

The Mogambo Guru,
for The Daily Reckoning

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Mogambo sez: It's September, traditionally a very, very dangerous month for stocks. And with stocks being so preposterously overvalued as they are, let me change my assessment to read: It's September, traditionally a very, very, VERY dangerous month for stocks.