

Something Ugly This Way Comes

By [The Mogambo Guru](#)

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Watching Greenspan addressing the Congressional Joint Economic Committee, I constantly interrupt myself by vacillating between gagging in revulsion and laughing hysterically at what is being said.

Nevertheless, it is a real pleasure to know that Ron Paul is alive and well. Actually, this past session the questions by the group did not seem as insipid as usual, so that was nice, too.

There was one interesting spectacle, where some bozo, I forget who, wanted to allow Afghanistan or Iraq or something the contract to print our money and let them keep the seignorage. "Seignorage" is the mark-up between what it costs to print a twenty-dollar bill (a few cents) and what they get, namely twenty dollars of spending power.

The idea, I guess, is that Afghanistan or whoever would exchange the dollars they print up by buying, at full value, American-made goods and services, and thus everybody would win, in the big scheme of things or something, and Iraqis would end up with brand-new SUV's, and American auto companies would book sales and pay sales taxes and remit taxes on the profits to the government and everybody would be happy, happy, happy.

Alan Greenspan: Greenspan's Muck

He was ignored. But it shows the unbelievable degree of stupidity and commie/socialist/fascist redistribution schemes that run rampant in Congress. Well, let's don our waterproof boots and wade through the muck of Greenspan's prepared remarks. "Incoming data on labor markets and production have been disappointing. Payrolls fell further in April, and industrial production declined as well." I was not expecting him to be so candid and refreshingly accurate, even though the second sentence is completely redundant to the first, but sometimes us old guys repeat ourselves repeat ourselves repeat ourselves. "Businesses are apparently continuing to discover un-exploited areas of cost reduction that had accumulated." First, let me stick my big fat nose in here and say that your "cost reduction" is my sales shortfall. It forces me to reduce my prices to clear inventory. So that's another economic bummer. But it also says something verrrrryyy ugly about the general competence of these high-paid executives, now that more "un-exploited areas of cost reduction" are revealed. How much are we paying these jackass executives, who are just now discovering more and more "un-exploited areas of cost reduction"? And when did these "accumulated" costs accrue, if not right under their noses?

Where have these guys been all this time, other than at the bank, cashing their outsized and obviously undeserved paychecks? Now, this next part here is where I got so shook up that trained scientists think they detected a seismic tremor that coincided with my reading it. He says, "In recent months, inflation has dropped to very low levels. As I noted earlier, energy prices

already are reacting to the decline in crude oil prices, and core consumer price inflation has been minimal. Inflation is now sufficiently low that it no longer appears to be much of a factor in the economic calculations of households and businesses. Indeed, we have reached a point at which, in the judgment of the Federal Open Market Committee, the probability of an unwelcome substantial fall in inflation over the next few quarters, though minor, exceeds that of a pickup in inflation.” Now, I don’t know where to start! Let’s start at the top with, “In recent months, inflation has dropped to very low levels.” Low compared to what? Prices are SUPPOSED to be slightly falling! That is how you increase standards of living! Falling prices and an expanding economy is the Promised Miracle of Productivity Made Manifest, for crying out loud! Okay, inflation has not been as bad as it has been in the past, considering that the Fed is the root cause of decades of persistent price inflation, which is also one of my big beefs, and speaking of beefs, as in juicy and delicious hamburgers, all this talking about beef has made me somewhat peckish, but the point is that not only am I getting more and more hungry by the minute, but that inflation is still running at well over 2% a year!

This is intolerable!

Alan Greenspan: More Freaking Inflation

And yet, here is not just a Fed-weenie, but THE Fed-weenie, saying that inflation is too low at 2.5%, that they want MORE freaking inflation! I wish you could see me now, because I am sure that it is quite entertaining to see me writhing on the floor in some weird fit of convulsions, my brain cooking in its own juices, and my hair literally standing on end. It kind of tingles, too! Like when lightning is getting ready to strike. Which may be a very profound analogy when talking about trying to ignite inflation. And, anyway, this lowball 2.5% inflation is the inflation figure that emerges from the government AFTER they drag it into the basement and, umm, massage it with blunt instruments and jabs to the kidneys, as they manipulate the poor little raw-inflation number to seasonally-adjust down, substitution-effect adjust down, income-effect adjust down, adjust adjust adjust down down down. And even after all that, allowing the poor old inflation number to stagger to its feet, it is so bloodied and smashed that it can’t even recognize itself in a mirror, and it is STILL not a good inflation reading! 2.5% inflation is still a BAD inflation number! Bad!

Watch my lips! Baaaaddddd! Now, let’s examine the exquisite phrase “Energy prices already are reacting to the decline in crude oil prices.” How about re-wording that to “With thanks to the idiot exporters of crude oil, they have not increased the price of a barrel of oil to reflect the drop in the value of the dollars they are getting in payment. Hahaha! Almost nobody here at the Fed expects those morons to keep THAT up for much longer, but we are not going to mention that inconvenient fact. Except Eddie, the cloakroom attendant, who is not a team player, and who will probably blab it all over town.” Now, we move to, “Inflation is now sufficiently low that it no longer appears to be much of a factor in the economic calculations of households and businesses.”

Man, I heard that!

Most people I know are wondering how to cut costs, how to scratch up a few extra bucks, how to sell one or more of the kids to slave traders for a little ready cash, and they spend hours upon hours pacing back and forth wondering how in the hell they can pay down a few of the bills that seem to be getting bigger and more numerous by the day. When I bring up the fact that inflation is still a problem, they act like I'm not even there. In fact, most of the time they are acting like THEY aren't even there, like when they tell me to answer the ringing telephone and tell whoever is calling that they are not there, so I tell the guy on the end of the phone that he is not there, and he gets all flustered and huffy and says that he certainly IS there and he wants to talk to you, and then I tell him that you are standing right there in front of me, and you just told me to tell the guy at the other end of the phone that he is not there, and then I scream "And that means you aren't there! And if you aren't there, then you can't possibly talk to anybody, you dumb jackass!"

Alan Greenspan: Inflation Good

And then I slam down the phone. And then we all have a cold, frosty brewski and get back to wondering what in the hell we are going to do about these bills. Finally, he puts us out of our misery by saying, "Indeed, we have reached a point at which, in the judgment of the Federal Open Market Committee, the probability of an unwelcome substantial fall in inflation over the next few quarters, though minor, exceeds that of a pickup in inflation." So now we are quoting probabilities, are we? Something in the fifty-fifty range? The sixty-forty range?

Seventy-thirty? And, yes, he is correct that there will be some falling of some prices, thanks to cutting prices in a desperate last-ditch attempt to at least clear out some inventory, because people just do not have the wherewithal to keep buying and buying and accumulating more and more debt. But a fall in inflation is "unwelcome"? That shows you he is a real supply-side kind of guy! From us drooling, debt-besotted consumers out here on the demand side, a FALL in inflation would be wonderful news! And rises in inflation are NOT good news at all. So you can see whose team Alan Greenspan is on. Alan also continues to weasel that he doesn't want to talk about the dollar.

He retains the right to destroy the dollar by his serial episodes of profligate excesses, but the result of those excesses on the dollar is something that he doesn't want to talk about! He does, to his credit, admit that neither he nor the Fed have any idea about how to deal with deflation. This is manifestly true, as most of the time the whole purpose of central banking is dealing with putting out the fires caused by their own mismanagement.

In most cases, we are talking about inflation that they fostered by one of their recurrent episodes of money and credit-creation, because one of the unwholesome by-products of the sin of having a central bank is constant, persistent inflation and boom-bust misery. So, I call out, "Take a memo to Alan Greenspan!" Oblivious to the fact that absolutely nobody is paying the least attention to me, I begin.

Alan Greenspan: A Demand-Side Thing

Leaning back in my chair, I assume a pose of contemplation, tent my fingers and close my eyes for a moment, and mentally compose the message. I decide to start out with a standard salutation,

“Dear Alan.” I suspect that when I used to send him memos and letters addressed as “Dear Dimwitted Jackass” that he never even read them. Anyway, continuing past the opening of “Dear Alan,” we move directly to a new paragraph, which will introduce “the body” of the letter, wherein we state the problem and the facts. “People are not buying things because they have no money left at the end of the month. It’s not a supply-side thing, Alan. It is a demand-side thing. We Americans are sitting on new, huge mortgage payments, big gas-guzzling SUV’s with huge zero-interest car loans, being saddled with more and more taxes and fees, and having more and more very expensive benefit costs passed onto us. In short, the problem is that after-tax wages are not going up as fast as prices. And for the non-workers who live on their savings, the after-tax yield on saved and invested money, thanks to your meddling in the economy, is less than the rate of inflation, so these people have less money to spend, too.” Next we move to a “summary paragraph” section, in which I state, “And if people are not in possession of more money, then obviously money does not get spent.” And then I get to the part I like the best, I guess because this is the part of Modern Literary and Communication Theory and Practice that I personally invented! My momentous achievement, however, is never mentioned in the history books, probably because the government is out to get me, as I have been saying all these years. Anyway, this section of the letter is the part that I used to call “the action section,” where I proceed to insult the recipient mercilessly.

To wit, “And yet, somehow, all this is some big freaking surprise to you, Mister Big Shot Alan Greenspan and your jackass buddies, you know who I am talking about, that Bernanke guy for instance, because you are all idiots and morons, and you all smell funny, and your butts stick out when you walk.” This is not “the action section” of yore, since the original version also contained an escalating verbal abuse clause, where opprobrium was piled onto opprobrium until it reached the glorious Crescendo Phase of story and song, which was defined as using gratuitous profanity to issue vague, violent death threats and place nonsensical gypsy curses on them and their whole nasty families for seven generations as punishment for their daring to Piss Me Off, also known as PMO.

I used to tell them, “Don’t PMO the Mogambo!” but of course they did not listen. But I don’t do that anymore, since copping a homicidal attitude these days may give John Ashcroft the idea to send Janet Reno, who now has a lot of time on her hands, over here to my house to give me a little Waco-style “talking to.”

Nowadays, I merely paraphrase one of my favorite quotes from Marlon Brando in “The Mutiny on the Bounty,” and I now conclude my letters with the line, “And you can thank whatever pig-god that you pray to that I can’t overtly threaten to come over there and strangle you with my bare hands, you slimy little bastard!”

Thank you,

The Mogambo Guru,
for The Daily Reckoning
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P.S. Mogambo Sez: The time remaining before zero-hour is tick, tick, ticking away. Exactly when this dreaded zero- hour is, I have no idea. But I am sure that there are no examples in all of history where such a grotesque, gargantuan, misshapen monstrosity of an economic system did NOT experience a zero-hour.