

The Other Federal Budget

By [The Mogambo Guru](#)

10/13/03 Heed the words of the Mighty Mogambo! \$843 billion is "a gigantically, unimaginably huge freaking wad of money" for U.S. citizens to have to pay for federal regulatory compliance. Result: stagflation.

Now, I know that YOU, fabulously up-to-date on all this stuff, probably know of a report called "The Impact of Regulatory Costs on Small Firms," by W. Mark Crain and Thomas D. Hopkins, prepared for the Small Business Administration, October 2001. In fact, I'm sure you know it by heart, and are probably sick and tired of hearing about it. But, I am sorry to say, this is the first time I ever heard of it. (I've probably been spending too much time tuning in to the music of the cosmos or something, because you know how we gurus are, all the time meditating and attaining transcendent enlightenment. Ommmmmm.)

But according to Ashlea Ebeling, writing in a Forbes.com article entitled "The Other Federal Budget," "a widely cited study says that Americans actually spent \$843 billion to comply with federal regulations in 2000," citing the aforementioned report.

"Huh?" I thought when I read the \$843 billion figure. It's not that we peons out here did not already know that the costs of the regulatory burden were significant. We did. But \$843 billion is a lot of money. Better known as "a lot of money," or perhaps it should now be known as "a gigantically, unimaginably huge freaking wad of money."

Of course, the World Bank has also issued a report that details how regulation by government is a killer of economies. And the economist Hernando de Soto has written a whole book on the subject, identifying all the money being wrapped up in regulatory compliance the world over as "dead capital."

So, in light of the massive evidence, it is amazing that government continues to pile on regulations to kill the economy.

Stagflation: Ten Thousand Commandments

In a report called "Ten Thousand Commandments: An Annual Snapshot of the Federal Regulatory State," Wayne Crews, the director of technology policy at the Cato Institute, argues with unstoppable, iron logic, striding like a Colossus across the intellectual landscape because there is no way to argue the opposite, that "regulation is like an off-budget, hidden tax....State and local governments, businesses and consumers have to pay – even though it doesn't appear in the federal budget."

Well, I got some good news and some bad news for Mr. Crews.

The good news is that is that neither the state, nor the local governments, nor businesses have to permanently pay the hidden tax. They get all that money back. The bad news is that the consumers always pay the full cost of everything, eventually, as the state government, and the local government, and the businesses always get their money back, and more, through taxes and higher prices. Always higher prices. The August CPI, for example, is up 2.2% from a year ago. This follows the rise of 2.1% in June and the 2.1% in July.

The goal of Fed policy "ought to" be zero inflation. But now, looking nervously up at the gauge on the wall, I note with alarm that the needle has climbed, and is now quivering at 70% of red-line, which is 3% price inflation.

Dark, moody music fills the soundtrack, and the camera comes in for a close up, where the twitching of my eyebrows and barely perceptible tics of my handsome leading-man face betray my rising nervousness, as evidenced by the little beads of sweat that suddenly glisten on my manly brow. So we are in the 'yellow zone,' which is entirely appropriate, because the color so perfectly matches that wide streak up my back, as concerns inflation. Price inflation, even after the intense and fraudulent massaging of the raw data to subtract quality improvement and the other hedonic devices, is running at two-thirds of red-line!

Stagflation: "Heed the Words of Mogambo!"

You can tell by the way that the rest of the audience is moaning and groaning that they are less than overjoyed to see me raising my hand in the air, saying, "Excuse me please! I'd like to be recognized to speak!"

But, rising to my feet, I refuse to acknowledge the fact that everyone on the dais and everyone in the audience are all yelling and pleading with me to shut up and sit down. Undaunted, my voice rises to a commanding pitch that causes even rabid dogs to cower in the corner, and delivered in that hypnotically sing-song way that top evangelists have, I remind everyone to heed the words of Mogambo: "Friends and neighbors, heed the words of Mogambo! Heed, heed, heed the words of the Mighty Mogambo! The Mogambo speaks, and says thus: The regulatory burden is ultimately income to some of our citizens, but like slugging back one shot of good liquor makes all women pretty, makes me witty and eases the horror of actually interacting with any of you morons in person, chugging down an entire bottle of liquor will kill you. Therefore, beyond an absolute minimum, regulatory burden is completely contrary to the Darwinian imperative that you do not go around inventing ways of harming yourself."

Of course, I think that this is as profound as all get-out, of course, and I search for a way to provide a boffo ending. But the best I can come up with is that chestnut, my old boilerplate speech that I carry around on a 3X5 card, the old "Now you are going to die speech," which is as hoary as Martin Luther King's "I have a dream" speech: "And now you are all going to die! Hahahaha!" I scream, "You have economically killed yourselves, and now you are going to die! And you have economically killed your children, and you have economically killed your grandchildren! And grandchildren! Hahahaha! You have murdered all the seeds of your own loins! Your names shall forever be as the name of serpents, and you will be forever vilified, condemned as vile, a Biblical seven times over, for your sin of (insert economic sin here)."

Of course, I inserted "increased regulatory burden" there at the end, since that is what we were talking about, and I wanted to kind of tie it all up.

Stagflation: Malevolent Stagflation

James Cook at Investment Rarities is one of those guys who has taken a look at things and is justifiably alarmed about, and here I reproduce his exact list, the lack of savings, inflation, over-consumption, debt, deficits, the trade deficit, asset inflation and speculation. And then, I add one of my own: the aforementioned "increased regulatory burden". The difference between Mr. Cook and me is that I take a look at these things and see death and destruction descending on us, which I can only try and forestall by clutching my ratty blue flannel security blanket to my chest and screaming in hysterical fear for extended periods of time, while he remains curiously calm and still in possession of his faculties.

"We don't know the future or the precise timing of the things we warn about," Cook writes. "But, at the very least, it seems certain that, in the near term, a malevolent form of stagflation is inevitable with much worse to follow."

Now, for those of you who are not familiar with the term "stagflation," it is a word that combines stagnant, as in "a foul smell emanated from the fetid, feculent swamp of stinking, stagnant water," and inflation, which means that prices of things are rising, as in "a foul smell emanated from the swamp of prices that rose above your knees, and then above your hips, and then above your chest, and then above your neck, and then above your head, and you suddenly found yourself drowning in higher prices."

You see, today we are on a fiat currency, and there is nothing to stop the government from merely printing up all the dollars it needs! Print them up and just hand them out! Of course, all that extra money suddenly coursing through the veins of the economy is going to cause the general price level to rise to hyper-inflationary rates, but who the hell cares anymore? Certainly not John Snow. Certainly not the Fed. Certainly not the President. Certainly not the rest of the government. Certainly not the lackluster university-trained economists that like to demonstrate their profound ignorance of economics. Certainly not the blowhard stock touts on TV.

So why should YOU care?

As a nice lesson in why you should care, the recent Zimbabwe experiment in this area has now so devalued their currency that toilet paper, per sheet, or per square, or whatever you call each little piece of toilet paper, is now more valuable than the money it takes to buy it! In practical terms, toilet paper costs over a thousand Zimbabwe dollars per roll, and so it is cheaper to wipe your funky behind with Zimbabwe ten-dollar bills than it is to use a thousand Zimbabwe dollars to buy actual toilet paper!

And now, for your optional essay question, how much is a Zimbabwe 401(k) retirement plan worth?

Regards,

The Mobambo Guru, for The Daily Reckoning

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P.S. And, parenthetically, if you want to be richer in the future, you had better be moving into gold, too, because the un-holy monetary and fiscal insanity that got us to where we are today is getting exponentially worse with every passing moment in time. And with each new passing of each moment in time, when very bad things are growing exponentially, this is where the smart guys got out of Pompeii when the volcano starting rumbling, and they got a good price for their house, too, unlike the guys who ignored the rumbling, and whose real estate holdings are, even to this day, centuries and centuries later, still worthless, as they are still encased in mountains of rock-like volcanic ash.

Mogambo Sez: Judd W. Patton, PhD, a professor of economics, enumerated the "Seven Economic Laws," and the fifth law is "Law of the Quantity of Money: there is no economic benefit from increasing the quantity of money. Prices and costs adjust to the available supply. More money means higher prices and less money means lower prices."

Today, and all the yesterdays for the last decade or so, the money supply of the USA and the world is boosted to levels only dreamt of in the nightmares of real economists. Now you don't have to wait in suspense to find out if you will really spend the rest of your life slowly starving for goods and services. You will.