

The Sunny Optimism of Youth

By [The Mogambo Guru](#)

12/22/03 Mogambo on Monday! In today's episode, our hero works his way into a frenzy over the op-ed pages of the Wall Street Journal. [Warning for children: there may be violent scenes involving Russian-made automatic weapons in the following drama.]

"Economists expect the economy to grow a healthy 4.4% next year."

- The Wall Street Journal

Let's do the math.

A 4.4% growth in the economy at the same time that the government is running a 4.9% (as a percentage of GDP) budget deficit is NOT healthy by any stretch of the imagination. And believe me when I say that. My imagination is so huge (right off the bat, the audience shouts out "How huge, Mogambo?") that I can imagine women actually spitting on me, kicking me in the groin, and spraying Mace in my eyes, are really just flirting with me in the cute way that they do... (at least as is alleged in official court documents).

I don't know who these people are that are being called "economists," but I say that anybody who thinks that the economy will grow "a healthy" 4.4% is a world-class idiot. As a world-class idiot myself, I am in a position to know.

These "economists," I assume, are the same lackluster dimwits as the "they" in this follow-up sentence: "They also expect inflation excluding food and energy to rise half a percentage point, to 1.8%." This proves two things at once, showing a huge increase in productivity, because most of us can only prove one thing at once. One is that inflation, which is already higher than 1.8%, cannot "rise" to 1.8%, by mathematical imperative. And the other follows naturally, namely that American economists are obviously numerically illiterate.

Inflation Creation: Holding Interest Rates Down

"Remember Inflation?" asks John Lipsky, chief economist for JP Morgan, on the op-ed page of the same edition of the WSJ. "The Fed is going to wait longer than investors currently anticipate before raising rates. But once inflation risks begin to rise, the Fed will act quickly to withdraw the existing stimulus." Hahaha! Every single indicator of inflation is rising, and HAS been rising, and yet the Fed is still holding interest rates to absurd lows!

As I write, the Reuters CRB Index, an indicator that tracks 17 different commodities, from live cattle to crude oil, has risen 11 percent this year. Gold is \$407 an ounce, up 17 percent over the past year. Copper is up 39 percent, oil 31 percent, and natural gas prices are 51 percent higher than at the end of October. In addition, the dollar has dropped to record after record low against the euro and has fallen to its lowest in more than a decade versus the British pound. "The fall of

the dollar," adds Bloomberg, "helps boost the price of gold and other dollar-priced commodities on international markets and also makes imported goods more costly."

So...what kind of jerk does this Lipsky character think I am that I would believe that the Fed would act with any haste, at ANY level of inflation, when they are already proving that they have absolutely no interest in inflation, OR its deleterious effects, whatsoever, and in fact, and this is the important point, they are doing everything they can to create MORE inflation?

At that I abruptly stop laughing.

"Central bankers became convinced that maintaining low and stable inflation produces the best possible outcomes," Mr. Lipsky writes. Huh? I mean, what planet am I on? Is this still early twenty-first century Earth or not? If so, then the damnable Fed is on record, Greenspan is on record, Bernanke is on record, and I assume that even the mailroom clerks at the Fed are on record as saying that they WANT higher inflation! They are screaming loud and clear that they do NOT want, as Mr. Lipsky says, "low and stable inflation!" That is the whole freaking point of their monetary insanity!

Inflation Creation: Goodbye, Cruel World

And yet, here is this Lipsky fella telling me the exact opposite? The mind reels, and I stagger and collapse into a chair, clutching my chest and gasping for air! I sense the world fading to black, as black as my mood, and as I mouth the words "Goodbye, cruel world!" I suddenly remember, and am cheered, that I don't have any money under management at JP Morgan.

While us bozos out here in the real world still live in our fantasy world, where rising prices are evidence of inflation, the Fed says "no". They figure that productivity, output per hour of labor, is rising, offsetting the rise in raw materials. "While the supply of some commodities may be temporarily scarce, raising their price," writes Lipsky, "the supply – and price – of workers is not. That enables companies to absorb the commodity price increases without passing price increases on to consumers."

To which I say, hahahahaha! You crack me up! Hahahaha!

I am already laughing like a hyena, when I spy, right there below Lipsky's effluence, on the same page, another piece of ridiculous fluff, this time by Joshua B. Bolten, who is the director the Office of Management and Budget, which is apparently an office of government wonks that employs mental defectives as another affirmative action-type thing. His asinine screed is entitled, "We Can Cut the Deficit in Half."

First off, Mr. Bolten traces the "roots of today's deficits" to the economic slowdown as Bush took office, three freaking years ago. Next, he implies that deficits are not as important as Bush's policies, namely national security. Wow! Talk about your government-speak! Fiscal rectitude is not as important as policy!

Mr. Bolten is clearly a government spin-meister. Of course, deficits don't matter as long as they pay for something nifty and wonderful. We are doofuses for sure, if we can't see that. Mr. Bolten goes on to explain how three-quarters of the deficits are directly related to the post 9/11 "enhanced homeland security and the global war on terror" as if, somehow this justifies immense budget deficits. As if this bottomless pit of spending madness will somehow metamorphose into healthy economic growth...or something.

Inflation Creation: Restraint?

Then Bolten, and notice that I have dropped the "Mr." because I am obviously working myself into one of my foul moods and I am this far away (let the record show that I am holding up my thumb and forefinger, and that they are almost touching each other) from calling him a lowlife insect, probably something that crawls around in sewers, then says that the budget deficit is "entirely manageable, if we continue the president's strong pro-growth economic policies and sound fiscal restraint."

The audience spontaneously laughs at my exaggerated double- take, my head snapping around comically and my hair standing straight up into the air – fweep! – as I perfectly portray a man who cannot believe what he just heard.

"Restraint"?!?

This is the same guy who has run up the national debt by \$1.3 trillion dollars in three short years! This is the same guy who is running a budget deficit of 4.9% of GDP! This is the same guy who has not vetoed a single spending bill in the entire three years of his administration! "Not one?" you ask in that darling and delightful way that melts my heart. "Not one lousy veto of any spending bill?" Nope!

And this is, and you would laugh if you saw me because I am comically rubbing my bloodshot eyes in stunned disbelief at what I am hearing, what the author calls "fiscal restraint?"

Huh? Did he say "fiscal restraint?" Did he really say "fiscal restraint?" And right around in here someplace is where court-appointed experts figure that I was overcome with emotion, and, compelled by forces that I could neither comprehend nor control, was propelled to action. I grab a fully loaded AK-47 that just, you know, happened to be leaning against the desk, and jump up on that selfsame desk and scream at the top of my lungs, "Did he say fiscal freaking RESTRAINT? I can't believe my ears! But I thought he said that the President of the United States is showing fiscal freaking restraint! RESTRAINT? You want restraint? I'll show you a little dang-blang restraint!" I proceed to throw that rifle into full-automatic mode and, holding it down low against my hip like John Wayne storming a machine- gun nest on some God-forsaken Pacific island in WWII, proceed to empty an entire banana clip of full-metal jacketed mayhem, shooting out all the lights in the place, plaster exploding off the walls and ceiling, framed pictures shattering in a hail of glass splinters, passersby and process servers ducking for cover, a cascade of smoking empty shell casings beating a tattoo of tinkling sounds as they hit the floor.

Well, at last, the fusillade of gunfire is finished, and the silence that follows is punctuated only by the ringing in my ears and the sound of approaching sirens, and I sink to the floor, spent and exhausted, too weary to even reach for another full clip of ammo. But it isn't really needed, as I am sure that you get my point, which is to demonstrate "restraint."

But the next day, Friday, the Wall Street Journal had an op-ed piece by Brian S. Weebury, entitled "Keeping the Bush Boom Alive." In it, he owns up to the horrific state of the economic world, and says, "Nonetheless, beneath the surface problems are brewing. Government spending is soaring, business regulation is on the rise, and protectionism is gathering some momentum. At the same time, excessively accommodative monetary policy threatens an increase in inflation." Later he reprises that with "Big government and easy money is the perfect recipe for inflation."

And he has some suggestions on how to make this all work out, as if there is anything anyone can do to make it all work out, and I am charmed by his brave self-confidence, and the Mogambo smiles to himself, as if to say, "Ahh, little grasshopper! The sunny optimism of youth! To hear you is to make me remember my own youth, and I smile."

Sincerely,

The Mogambo Guru
for The Daily Reckoning

December 22, 2003

— Mogambo Sez: We are getting to the end of the portfolio fraud season, where the accounts are totaled up, losers are sold and the winners accumulated, and blame and losses are shifted to somebody else, and things are done and mistakes are made, and all of the other slimy things that occur whenever huge amounts of money are involved, because if there are huge amounts of money involved, then the government is not far away, and that is the path to utter ruin, QED.

But soon it will be the new year and a new game, and it will get worse and worse in every material respect, day after day, until some unforeseen event causes the whole thing to just, one day out of the blue, go "bang!" And that, and I am talking about at that exact moment, when you fully comprehend, in a flash of incandescent, total enlightenment, the real value of gold.

And soon after that you will have another epiphany, in which you will comprehend the great value of cannons, and guns, and bows and arrows, and knives, and pitchforks, and machetes, and axes, and slingshots, and clubs, and sharp sticks with which to fend off the mobs of suddenly impoverished people who ALSO have suddenly comprehended the real value of gold, and they don't have any, and in fact they don't have anything anymore, except debts and creditors hounding them day and night, and then after a while you get tired of answering the phone and trying to explain to one collection agency after another that if I had any money then I would certainly be happy to send it to them, but as it turns out I don't have any money and so why don't they just stop calling, but they never do, and then I finally just stop answering the phone, and turn off the lights and cower in the corner behind the sofa and use some throw pillows to cover my ears to try and muffle the sound of the phone as it rings and rings and rings and rings...