

# [A New Era of Profligacy](#)

By [The Mogambo Guru](#)

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Mogambo on Monday returns! Below, our favorite Guru reviles the ever-growing and still-too-often-unrecognized licentiousness of our monetary administrators...

We have entered a new era, my grasshopper. A glorious era of prosperity and plenty – funded by as many free dollars as the U.S. Treasury can manage to pawn off on any poor schmuck deluded enough to take them.

Yet the International Monetary Fund, and I will refrain from calling them a bunch of low-IQ commies only because I have said it so many times before, does not seem to grasp this verity. Instead, they have waded into the financial state of the U.S., and, of course, have had advice to generously dole out to us. Apparently they figure that we are too stupid to notice the parlous effects of their advice to other countries all these years, and that we will sit still for them lecturing to us, the guys who are the primary funding source of the IMF.

Anyway, it only goes to show that the IMF losers are seriously behind the times, as they are still wailing about how high government borrowing needs will "crowd out" private borrowing and drive interest rates up and blah blah blah. This logical argument had some validity back in the olden days when the U.S. dollar was gold, or backed by gold, or had some relationship to gold, and so therefore the money supply was more or less fixed. So, therefore, higher borrowing by government meant that there was, ipso facto, less money available to be borrowed by everyone else.

## **Lowering Interest Rates: What Firm Hand?**

Those days are long gone, and Ben Bernanke and his printing press can merely print up as many dollars as anybody wants. Therefore, there can never again be such a phenomenon as the dreaded "crowding out effect."

The Wall Street Journal is no big fan of the IMF either, although their economic acumen is highly suspect, as when they write in the January 9 editorial "The IMF Votes Dean" that "As long as the Federal Reserve maintains a firm hand on the monetary tiller and a watch on the dollar's value...then the earnings from U.S. growth and investment should be more than able to repay any accumulating debt." Huh? What in the hell is THAT supposed to mean?

For one thing, right off the bat, the Fed does NOT have a "firm hand on the monetary tiller," and are instead are recklessly producing money and credit at breakneck speed to keep all the bubbles from popping. Secondly, they are obviously NOT keeping "a watch on the dollar's value," either, as hardly a day goes by that the dollar is not worth less and less.

And even if the Fed WAS doing both of these things, what have they got to do with "earnings from U.S. growth and investment" that are supposed to produce some glut of money to "repay any accumulating debt?" One does not necessarily follow another.

This particular idiocy is an extension of the New Age fallacy that all that matters is interest rates, interest rates, interest rates, and the logical extension that if interest rates are low enough then economic vigor always follows, as night follows day, and as insults predictably follow my pathetic attempts to be clever. The WSJ may believe it, and the Fed may believe it, and the economic twits at Princeton may believe it, and all the economists in the USA that you can gather together into a gaggle may believe it, and if you are familiar with geese and geese-related terms you will no doubt notice that "gaggle" refers to geese, which are renowned for their group herding behavior, and I use this goose-related metaphor to characterize the stupefying uniformity, and even more stupefyingly wrongness, of the laughable opinions of economists in the USA, but economic growth and economic health does NOT automatically flow from lower interest rates.

### **Lowering Interest Rates: No Beneficial Effect**

Although one would think that at least once in the last fourteen years, maybe out of sheer boredom or something, that somebody at the WSJ, or someone at the Fed, or maybe one pinhead graduate student at Princeton, or any thousands of so-called economists wandering aimlessly around the halls and offices of America, dazed and drooling on themselves in contemplation of the basic fact that they have no idea what they are talking about as evidenced by their egregious performance, would have noticed that Japan has exposed that lie, as they have kept interest rates at almost zero the whole time, and without any apparent beneficial effect.

And here in the good old USA, interest rates have been pounded down and down and down for year after year after year, to levels seen only a few times in the last century and always then in response to emergency situations, to little effect, except to 1) make debt levels monstrously bigger to prevent 2) the debt bubble from imploding until some later date. Ugh.

And the result is that the national debt has now officially soared over \$7 gazillion, I mean trillion, but when you are talking about money in mountains that big it really makes no difference whether it is gazillions or trillions, as numbers that big are too huge to be comprehensible, and when you think about them you get dizzy, and then you get a headache, and pretty soon you're real grouchy, and then your conversational skills subset is reduced to snarling "What in the hell are YOU looking at, scumbag?" But either way, seven gazillion or seven trillion, it is a lot of money, roughly comparable to what it would take in plastic surgery and personality transplants to make me appear to be almost human, and then paying somebody to be nice to me so that I could get used to how that feels.

To help us out, foreign central banks, of course, continue to underwrite the profligacy of we Americans, or us Americans, I'm not sure which, and they salted away at the Fed another \$6 billion in the latest week, roughly twenty billion in the last month. And those are, lest we forget, dollars. Lots and lots of dollars.

As I say, my grasshopper, welcome to the "new era"...of stupendous, mind-boggling dollar profligacy.

Regards,

**The Mogambo Guru  
for the Daily Reckoning  
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P.S. Foreign nationals, as compared to their central banks, must be a little more on the ball, as up until recently the dollar has been selling off like hotcakes, and it has been doing so for quite a while now, which obviously means foreign nationals are not interested in owning dollars or things that dollars can buy. Those foreign guys are such sneaky little copycats, and that is why we sneer in contempt and disrespect for all foreigners and their strange ideas and odd habits and bizarre customs and incomprehensible laws and the funny way they dress and their stupid little accents when they comically try and speak English. And as for getting out of dollars and dollar assets, I again snort in contempt at them, both collectively and individually, as we genius Americans have been waaayyyyy ahead of them in that regard, because we don't care about the dollar either, and are only interested in shiny baubles and fattening foods and things that make us feel good, and that is why we are up to our fat ears in them, and why we happily give them every dollar we can get our hands on in exchange for amusing doodads, and that also explains why the aforementioned foreigners are up to their ears in dollars, as that is what we use to pay for the shiny baubles. And now who are the big chumps? They are! I laugh at those snotty foreign devils – Hahahaha! – who all smell funny, who actually live in foreign countries, and talk in some strange foreign language or another that I can't understand a word they say, and they often wear funny hats, too.