

# Point the Bony Finger

By [The Mogambo Guru](#)

05/24/04 The angriest man in economics gets drunk – a volatile cocktail indeed. Stir in a dash of Federal dishonesty and you get, well, er, Mogambo on Monday!

We won't have to sit around in some smoky bar getting drunker and drunker waiting for the Producer Price report to come out. It came out. Prying open one eye and inexplicably slurring our words, we complained that the words on the page were swimming around, and now that we mention it, the floor seems to be spinning around, too, but we sobered up plenty quick when we realized it was bad news all around, and after reading it we all decided to crawl back into the bar and have a few more drinks to dull the pain.

With a vicious headache and hangover – which came out of nowhere – I squinted at Bloomberg's report, which declared that "U.S. producer prices rose 0.7 percent in April. Wholesale prices were 3.7 percent higher in April than a year ago. Prices of crude goods, which are used at the earliest stage of production, rose 3 percent. Over the last 12 months, the costs of crude goods jumped 20.4 percent. Energy prices rose 1.6 percent in April after rising 0.6 percent in March. Gasoline prices increased 3.4 percent. The cost of dairy products jumped 10.4 percent, the biggest rise since July 1946. Prices of steel mill products increased 6.3 percent in April, the biggest rise since a 6.8 percent surge in July 1974."

Then, in an odd coincidence that I hope you find as amusing as I did, Federal Reserve Bank of Chicago President Michael Moskow said: "At some point, Federal Reserve policy makers will raise interest rates to ensure inflation doesn't accelerate." Hahahaha! And what point will that be, Mr. Moskow? Prices are rising at alarming, highly inflationary rates everywhere you look, and they are accelerating with every tick of the clock, tick, tock, tick, tock, all the time with the ticking and the tocking! Prices going up click click click with every tick, tock, tick, and so it comes out sounding like tick, click, tock, click, which is driving me crazy! Crazy, I tell ya! Tick, tock, click, clack! Yaaaaaaaah!

## **Michael Moskow: Isn't This the Same Fed?**

The Fed has steadfastly ignored and even lied about inflation, just as they have ignored my calls and letters calling their attention to this fact. But they can't say that I did not warn them, as all my correspondence with them starts off with "Dear Butthead." And yet Mr. Moskow, who would be squirming in his chair like a cornered rat if only the Mogambo could get into his office and confront him face to face, mano a mano, eyeball to eyeball, thinks that: "At some point, Federal Reserve policy makers will raise interest rates to ensure inflation doesn't accelerate." Hahahaha! My laugh is mirthless and scornful, sir! Isn't this the same bunch of Fed – and pardon my French – jackasses who voted unanimously on May 4 to keep the Fed Funds rate at 1%, a 46-year low?

And didn't this same Fed just say that they will raise interest rates at a "measured" pace to head off inflation? And is one percent – a measly one percent, the astonishingly low rate that they just voted to maintain – a "measured rate"?

This is where I hit the "play" button. We hear a clash of symbols and horns blowing fanfares, and I throw off my disguise to reveal – standing before you in all his glory – The Mogambo! The lights dim as the towering figure of immense power and mystery raises an arm and points the Bony Finger Of The Mogambo (BFOTM) at Mr. Moskow, and with a cold voice of thunder that freezes the blood, the MoGu says: "And now, lowly infidel, are you telling me that they will raise rates 'at some point'?"

Stunned, and in silence, the theater is transfixed. Then the Mogambo laughs: "Hahahaha!" The audience is delighted, another masterpiece, clap clap clap, and the curtain falls.

M. Auerback, in that 'never-before-in-any-of-the-annals-of- history-type-of-narrative' that I find so compelling, points out: "The 10-year yield now is higher, in relation to trailing money market rates, than it has ever been prior to a rate hike by the Fed. And not just by an inconsequential amount, but something in the order of 50- 100 basis points."

### **Michael Moskow: Inflation Is Already Accelerating**

So take another look at that list, Mr. Moskow, and then tell me again how the Fed is going to raise interest rates "at some point...to ensure inflation doesn't accelerate." Hell, it is accelerating right now! And they did nothing! Nothing! Not only did they do nothing, but they continued to apply the same insanely low rates to the point that they are inspiring changes that have never happened before, ever, in all of history!

I instantly drop down to a cooler level, and with an oily, treacherous voice – that drips honey to disguise the poison of my innermost demons – I say, "And, by the way, while we are on the subject, Mr. Moskow, perhaps you will be surprised to hear that the Commerce Department said retail sales fell by 0.5% in April. The Labor Department reported initial jobless claims increased to 331,000, up from the 318,000 reported last week." I can see he is staggered at the revelation.

Coldly, I relentlessly continue: "The Labor Department, as we just mentioned, released the Producer Price Index, showing an increase of 0.7% in producer prices, an annualized rate of 8.4%." He collapses to one knee under the onslaught, clutching his chest. With no mercy, my eyes are, by now, mere slits, hiding the steely blue eyes that glint with the gleam of cold ice, I deliver the final punch: "The Consumer Price Index was released on Friday, and it shows the same unhealthy rise in price inflation!" He is now on the floor, gasping for breath! The referee counts him out...8...9...10. The crowd roars its approval! Yayyy! Yayyy! Viva Mogambo!

A normal man would have collected the trophy, picked up the prize money and gone home. But I am The Mogambo! So I reach down, and I pull Mr. Moskow's bloody head closer to me, and I scream in his face: "So let me see if I have this straight, you horrible little twit. Sales are down, people are losing their jobs, and prices are up? And yet nobody sees this as iron-clad evidence

that Alan Greenspan and his cabal of idiots at the Federal Reserve are incompetent boobs and their whole preposterous clot of dimwitted wishful theories are all wrong?"

This only proves what I have been saying all along; Americans ARE morons. All except me. And you. Which is not true, I know, but sometimes it sure FEELS like that.

Regards,

**The Mogambo Guru  
for The Daily Reckoning  
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— Mogambo Sez: I peer through the periscope of the Mogambo Bunker, and I note that things just keep getting more and more weird, and they all see me looking at them through that periscope, and they all think I am getting more and more weird, and I AM getting more and more weird, and so that proves that they are ALSO actually getting more and more weird.

But holding gold in one hand and a powerful handgun in the other seems to calm me down. I am calming down. I am getting calmer and calmer. I am calm. I am perfectly calm. I can make it through another day.