

Intellectual Depravity

By [The Mogambo Guru](#)

06/27/05 Our Mighty Masked Economist (MME) is confused...why are Americans so simple-minded and trusting that they are willing to let the banks create money out of thin air – without worrying about the consequences? Never fear, he'll do all the worrying for you...

China's government is, so I read, mulling plans to prop up their fallen stock market by buying shares, which is such a bad idea that I am surprised that they are even thinking of something so stupid.

Now, there are a lot of people in the United States, namely me, who are so naturally distrustful and paranoid that they believe the worst in everybody. And we, mostly me, is are am absolutely convinced that the Fed would happily create tons and tons of money to buy stocks, bonds, houses, raw land, real estate on the moon, perpetual motion machines, Elvis collectibles, and anything else you can name in their desperation to get more money pumped into the economy. And the reason that we, meaning I, is are am so convinced is that the Fed is already on record as saying that they are not only willing to do any of those very things, anytime that they want, but they have literally given themselves that option! In effect, the banks will create money and buy up everything for themselves!

I used to think that we Americans are a real stupid bunch of people, but for us to allow this blatant ripoff and fraud really takes the cake for me.

So your term paper assignment is to research the entire economic and financial history of all the countries in the world, and all the countries that ever existed in the world, and find an example of where the banking industry could, for free, buy up the assets of the country, and keep them for themselves, and thus the banks get richer and richer and richer, until, one day, they will own everything. Your task will be difficult, young grasshopper, because I have never heard of a nation so stupid that they would allow the banks (and the stockholders who own them), to do such a thing.

If my eyeballs are bugging out and I am running gracefully berserk through town wearing this adorable pink tutu and snazzy matching handgun and holster set, you gotta remember that if we simply allow the banks to just take stuff for free, then nothing makes sense anymore! So of course I look insane! But I am obviously not insane, as I prove by being upset as hell about this!

Fiat Currency: The Words of Thomas Jefferson

This, of course, brings to mind the words of Thomas Jefferson, one of the most remarkable men America has ever produced (and who is, parenthetically, my entry as "The Greatest American"), who was ALSO not insane. He said, "If the American people ever allow private banks to control the issue of currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children will wake up

homeless on the continent their fathers conquered." And where will their homes be? Owned by the banks, along with everything else!

So that is what China is getting ready to do, and I suspect that that is what our central bank, the Fed, is already doing, too. We are so trusting and simple-minded that we are letting the banks create money out of thin air to buy stocks and bonds, thus transferring assets into their own hands? Yow! Banks are getting our stuff for free? Double-yow!

The ugly reality is that all that additional money flooding into the economy will make inflation soar. But, and this is the crucial "but," if you do not care about inflation, then everything is okay! If you don't mind seeing millions of people suffering from the ravages of inflation, then you are going to love this! Stocks will go up, making people who own stocks richer! Bonds will go up, making people who own bonds richer! Houses will go up, making people who own houses richer! The people who do not own any of these things will be poorer. Lots poorer. Lots and lots poorer.

And given the depths of moral and intellectual depravity that is the norm these days, that is why I am getting more and more cautious about predicting the eminent doom of stocks and bonds and houses. The Fed, which has spent the last eight years doing this silly expansionist crap, may just be getting warmed up! So stocks and bonds and houses may continue to go up for a long, long time. Weird. And scary

But there is nothing to stop them, since the Congress is a spineless bunch of socialist, Big Government buttheads (SBGB), and especially now that our money has been ruined by the Supreme Court, which means it is time to again bring up the fact that the Supreme Court is directly responsible for the huge, suicidal error of allowing a fiat currency in America. With this one monstrous, colossal blunder, our money can literally be the one thing that money was not ever, ever, EVER supposed to be! Namely, a damned fiat currency! Money made out of nothing but printed paper and electronic digits!

But don't get me started on the lying hypocrites that have comprised our Supreme Courts since the infamous traitorous commie bastard FDR extorted their compliance with his un-Constitutional scam of confiscating gold and the rest of that un-Constitutional crap, because it usually ends up with me going ballistic and then waking up weeks from now in a straitjacket, screaming, "Oh, noooooo! Not again!"

Fiat Currency: The Price of Rising Prices

But creating more money will make prices rise. But people don't like paying higher prices, and it causes anger. And so I am telling Bettie, according to her name tag, that I am personally outraged at being charged \$1.27 for a single damn tomato that is smaller than a baseball, and she is telling me to take a hike, and walk my nasty little butt back to the end of the long line of other customers complaining about the prices.

So (and I am sure that you will agree with me here), my quality of life is falling, as I have to pay higher prices for things AND the quality of my "shopping experience" is adversely impacted,

too! So the question springs to mind, "Is that decline in the value of my shopping experience adequately reflected in the Consumer Price Index?" Hahahaha! I doubt it very much! Rising prices is extracting a price from me in more ways than one! And a high price at that, dammit!

And so, follow my reasoning here, if my quality of life is a price I pay, and then if I pay more money but get less value, then it should be included as a rise in the Consumer Price Index. But it is not! So inflation is understated! And so inflation is again proved by The Mogambo to be actually higher – a lot higher! – than what the government tells us it is! The bastards!

But Mr. Puplava of FinancialSense.com is not interested in my tomato problems, but instead harks back to my earlier remarks about fiat currencies, and notes wryly, "Ironically, it was the abuse of the gold standard, the Fed's credit-creating habits of the 1920s, and its subsequent mischief in the 1930s, that not only gave us the Great Depression, but also prolonged it. When the government can replicate the monetary unit at will without regard to cost, whether it's paper currency or a computer entry, it's morally identical to the counterfeiter who illegally prints currency. Both ways, it's fraud."

And how does this all fit into my screeching denunciation of the banks? Easy! As I get ready to launch into one of my famous Mogambo diatribes, Mr. Puplava sees what is happening, and frantically jumps in and takes over for me. He says, "A fiat monetary system allows power and influence to fall into the hands of those who control the creation of new money, and to those who get to use the money or credit early in its circulation."

Well, the obvious question is, "If power, influence and money accrue to those who create fiat money (the banks), who pays the cost?" I threw myself that softball question so that I can get a few words in, but before I can answer that question, Mr. Puplava again beats me to the punch with the answer, "The insidious and eventual cost falls on unidentified victims who are usually oblivious to the cause of their plight. An actual transfer of wealth goes from the poor and the middle class to those in privileged financial positions."

And if you think that Greenspan and his horrible, dimwitted cronies at the Federal Reserve are so much smarter than all the other countries in all of history who have tried this crap and failed, then guess again. Mr. Puplava reports, "In many societies the middle class has actually been wiped out by monetary inflation, which always accompanies fiat money."

Well, if this is true, why doesn't anybody try and stop it? Again, he has an answer ready. "In the early stages of inflation, the business class actually benefits from the easy credit. An astute stock investor or home builder can make millions in the boom phase of the business cycle." That is why they call it a boom. And to make sure that you understand the ramifications of this insidious inflation, he adds, "The poor and those dependent on fixed incomes can't keep up with the rising cost of living."

Well, perhaps this explains why the use of credit cards to buy fast food is gaining so much ground. According to CardWeb.com, in the first quarter of the calendar year, Americans charged \$6.6 billion in fast-food restaurants. For the full year, they project that consumers will charge more than \$30 billion on fast food. This enormous sum of money, representing an even more

enormous load of delicious, fat-filled calories, equals about 21 percent of annual sales at these restaurants!

Regards,

The Mogambo Guru
for The Daily Reckoning