

# Intractable Problems

By [The Mogambo Guru](#)

04/25/05 Much to the Mogambo's surprise, more and more people are beginning to realize that something must be done about the U.S.'s economic difficulties, namely the twin deficits...but he also knows that the solutions will be quite costly...

The CBOE Volatility Index (the famous VIX) had a sharp spike two weeks ago, producing the biggest volatility since August of last year. The yield curve also flattened, and the breadth (advancers shares minus decliners on the NYSE) continued to plummet. Somebody is, so it seems, losing confidence.

These things could be just a coincidence, but a lot of people have suddenly decided that something ugly is in the wind. One of them is Alan Abelson, in his Up and Down Wall Street column in Barron's, is also noticing the outbreak of the heebie-jeebies, and notes a "peculiar disquiet" among both some economists and everybody else. A "peculiar disquiet" is such wonderful phrase that it probably reflects the kind of genteel crowd he hangs with, all educated and refined, but who can't be bothered with the likes of me and my hoodlum friends, like it would kill them to give us a couple of bucks, or offer to give us a ride in their fancy cars, or maybe spring for a pizza, or even a lousy can of deodorant, which is something that I obviously need very desperately.

Perhaps this is because The Mogambo and his little crowd of "disquieted people" went waaaayyyy past "disquiet" at ninety miles an hour about three state lines ago, and am now out there on the hysterical fringe with a "Repent! The end is near!" sign around my neck, standing at various four-way stops, yelling to the cars how Alan Greenspan has murdered our money and (as a lesson in how things have far-reaching effects), has also murdered the United States, and, extending that important lesson, their cozy little debt-addled little lifestyles are soon to be toast, too.

## **The Twin Deficits: Our Problems Are Intractable**

After ignoring The Mogambo holding out his little tin cup, he follows this up with a review of a speech that Paul Volcker, the last great Federal Reserve chairman we had, gave, wherein he opines our problems as "intractable," and that we have to do something about (hold onto your hats) the budget deficits and the trade deficits! Hahahaha! Like that's going to happen! Hahahaha! We are not going to consume until our little tummies burst? And Congress is not going to create more entitlements and increase spending and create more programs and spend spend spend? Hahahaha!

Mr. Volcker could have stopped after he told us that our problems were intractable, as they are. There is nothing that can be done, because if there WAS something that could be done, someone would have done it, and nobody in all of recorded history has ever come close. Of course, this does not mean that the Fed and the Congress will not TRY to do something, like all the rest of

the brain-dead bozos in history have tried when their asinine spending excesses got to this point. And what will they try? It will be, as if you had to be told, more of the same thing that got us into this mess! Hahahaha! More money and credit and deficit spending! Hahahaha! What idiots! And we elected them! Hahahaha! So WE'RE the idiots! Hahahaha!

And the mention of idiocy reminds me that it is time to take one of my anti-idiocy pills that don't seem to be working, and that, for reasons that highly-trained psychiatrists don't even want to address, reminds me of a comment by John St. George while he was interviewing me last Friday for the Free Market Network News show. He commented that people around the world do not seem to have as much respect for our money, and I had to laugh (and if you listen to it you will hear me go "Hahaha!" and my wife yelling "Shut up that stupid laughing! I'm watching TV!"). Foreigners are going to respect the money of people who are so blindingly stupid as to get into the humongous mess we are in? Especially when our own vaunted Constitution literally precludes acting this way? Hahahaha!

Hell, I'm from this damn country, and I don't have any respect for our money, either! And then to think that (and if you could see me now you would notice that my eyes have this blank look of stupefaction at the very thought), that MORE creation of money and credit and debt and MORE deficit spending is the freaking CURE for the resultant miseries? Hahahaha! Look! I'm laughing again! Perhaps they think that the productivity miracle of replacing laboriously slow mechanical printing presses to create money with a button that electronically increases credit balances in the banks, so that they can loan it out and create more debt, is our salvation and that makes our money so wonderful. Again the laugh of The Mogambo echoes: "Hahahaha!"

### **The Twin Deficits: "Something BIG Coming Up in the Markets"**

But we had started out talking about how there were suddenly a lot of guys who were saying that something significant has changed. Another one is Doug Noland who wrote in his Credit Bubble Bulletin at PrudentBear.com, "In short, Risk markets are under increasing stress, the goliath leveraged speculating community is not making money – at best – and the derivative players must now be studying their risk exposure and questioning their risk assumptions and models. The Speculative Bubble in Risk has been pierced."

If you want another example, then here is Richard Russell, he of the Dow Theory Letter, who says "There's something BIG coming up in the markets and in the U.S. economy during the months ahead. If you look at the market action, if you listen to 'the language of the market,' you can almost taste it."

Even Paul Krugman, a Leftist Loser with whom I seldom agree, is also growing alarmed. He writes, "What few seem to have noticed, however, is that a mild form of stagflation -rising inflation in an economy still well short of full employment – has already arrived. I shouldn't overstate the case: we're not back to the economic misery of the 1970's. But the fact that we're already experiencing mild stagflation means that there will be no good options if something else goes wrong." If something goes wrong? Hahahaha! See? I told you he was a loser! What in the hell could possibly go right? Name another stagflation episode, anywhere in the world and anytime in history, where things "went right."

He even alludes to the fact that our economic mess is, as he again quotes Paul Volcker, who seems to get a lot of mileage out of his every utterance, that our problems are "intractable." Mr. Krugman says, making a joke of it, "How do we get out of this bind? As the old joke goes, I wouldn't start from here." And so, for once, I DO agree with Mr. Krugman, which just goes to show you how weird things are getting to be! Since there is no escape from our economic problems, the time to "get out of this bind" was a long, long time ago, before it started.

Regards,

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for The Daily Reckoning