

Economic Spaghetti

By [The Mogambo Guru](#)

11/06/06 **The Daily Reckoning PRESENTS:** Like most economic systems, everything is seemingly fine until, without warning, some errant combination of unseen forces shake your happy little world to the core. And of course, the Mogambo has a theory based on this. Read on...

ECONOMIC SPAGHETTI

I am proud to announce my fabulous new Mogambo Theory, which I call the Mogambo Theory Of Economic Spaghetti (MTOES). The best way to explain it is to imagine that you are sitting at the table, having dinner with your in-laws, in your new clothes, and you are eating spaghetti. Being the careful little person that you are, you put on a bib to protect your clothes, and you position your napkin in your lap just perfectly so, and you try to eat very carefully and slowly, instead of wallowing in your food and gobbling it down with your bare hands like you do at home, making those disgusting, pig-like slobbering sounds and listening to your family yelling, "Ewww, Dad! Gross!" In short, you have taken every possible, prissy precaution to protect yourself.

Like most economic systems, the situation is usually in hand, bite after bite, and everything is fine, even when her dad asks about my "intentions" and "future plans" concerning his daughter, since we seem to survive by borrowing money from him, and I almost choke to death on a meatball as I angrily think to myself, "You want the truth, old man? You can't handle the truth!"

Then "it" happens! Without warning, some errant combination of unseen forces, some remarkable coincidence of unpredictable vectors, occurs, and a tiny, little, eensy-weensy drop of red sauce is suddenly, and mysteriously, propelled up, up, up in a perfect parabolic trajectory, vastly exceeding the statistical averages of "droplet splatter dispersion", and, arcing up and out, lands (blip!) on the sleeve of my, I mean your, shirt – one, single, tiny red dot of marinara sauce in an ocean of crisp whiteness and starch.

This, then, is the fabled chaotic and destructive "fat tail" of probability distributions, and it is the random, improbable, wildly-chaotic event that causes the messing of a shirt, the failure of Long Term Capital Management, and all of the other systems based on probability that exclude the guaranteed statistical certainty of a catastrophic event of some kind, especially ones with so infinitely many variables.

The only other 100% sure-fire thing in economics is the probability that an economic system based on the over-creation of fiat currency and/or insane levels of fractional-reserve banking credit, will implode; just as they have imploded every time in history that they have ever been tried by a government that is so brain dead, or so ignorant, or so insane, or so corrupt as to try it, given the absolute, provable certainty that trying it is guaranteed to fail and cause, as it always seemed at the time, unimaginable suffering, ruination and misery.

From Bloomberg.com we learn that the Commerce Department reported, "disposable income, or the money left over after taxes, rose 0.5 percent for a second month. The gain left disposable income up 5.9 percent from the same month last year. Adjusted for inflation, last month's 0.8 percent jump in disposable income was the biggest in a year."

I guess it all depends on how you define "income", because the people I know who have only earned income to live on are telling me that they don't see any increases in their wages, which sounds ominous, until you realize that the only people I know are the ones I met in a holding cell or one stupid court-ordered therapy group or another, and so these people are, like me, anti-social scumbag pieces of human trash with paranoid tendencies and multiple personalities (three, if you count Invisible Dave), so it's not surprising that we are not getting raises, and, indeed, the surprising thing is that we have jobs at all!

But if you include as income the income from governments increasing spending, and governments paying more interest dollars because they have been issuing more debt, and if you include the increase in incomes by CEO's making insanely huge salaries, involving hundreds of millions, if not more than a billion, in salary and benefits and options and outright gifts...then okay, incomes are going up.

But the Commerce Department is not interested in my choice of friends, probably because every secret-police government agency already has all that information on file. They just go on to say that there was a 0.1% rise in spending, and that incomes were up 0.5 percent.

That all sounds nice, but alarmingly, "the report's price gauge tied to spending patterns and excluding food and energy costs, the Fed's preferred measure, was up 2.4 percent from September 2005, down from a 2.5 percent year-over-year increase a month earlier."

John Williams, of shadowstats.com says "The 'improvement' all was tied to year-ago CPI comparisons that were distorted by the effects of Hurricane Katrina. Those effects and distortions will reverse in the months ahead."

If you have still not moved into gold, perhaps you will reevaluate your position when erudite reader David W. says that you can extract some very good advice from the movie "A Beautiful Mind." He writes, "The fact is that the spontaneous re-monetization of the precious metals is a Nash equilibrium. What this means in English is that an ideal financial strategy for everyone on Earth is to buy as much gold and silver as they can, as soon as possible."

Or if you don't want to steadily, and boringly, increase your wealth, but just want to know how to trade gold with technical analysis, then the Aden sisters at AdenForecast.com have just what you need, although they do not have, I am sorry to report, what I need, which is free calendars with pictures of pretty ladies in skimpy bathing suits smiling at me with that wicked "come hither" look in their eyes.

I was kind of surprised, too, since they were ladies themselves, and so it seemed kind of a natural for them to innately understand what creepy degenerates like me are looking for in a quality investment advisory service.

But they don't even talk about the calendar thing or how they called the cops on me because they were "creeped out" by my innocent inquiry, but instead get right to the lesson when they say that "gold's 65-week moving average is the most important indicator to follow. It's been excellent in identifying gold's major trends."

As proof, they report that "gold has been above this moving average since 2001 and it's kept us on the right side of the major rise since then. As long as gold stays above this average at \$549, it'll continue signaling to stay with gold."

Jealous that these ladies are getting all the attention in spite of that whole calendar fiasco, I suddenly jump in to interrupt them so that I can glory in a little attention for a while. I pipe up, "And if you are using the technique of dollar-cost-averaging, whereby you invest the same dollar amount each month, then you are consistently buying more when it is cheap and buying less when it is more dear, as long as the trend continues."

I look over and I can see them standing there dumbfounded, their mouths hanging open in astonishment at my rude and completely unexpected interruption. Interpreting that to mean "Fascinating, Mr. Mogambo! Please tell us more!" I happily go on to my conclusion. "And that, my Darling Mogambo Cherubs (DMC), is how successful investing is done over the long haul, whether in gold or anything else!"

Until next we meet,

The Mogambo Guru
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Mogambo sez: Scared? Tired? Tired and being scared? If so, then buy more gold and silver bullion. If not, then you will be, so buy some gold and silver. Either way, I think you get the message.