

Mister, Can You Loan Me A Buck?

By [The Mogambo Guru](#)

02/06/06 The Daily Reckoning PRESENTS: Spending money, borrowing money, investing money and loaning money...that's what makes the economy go 'round. So what happens when none of the above is occurring? The Masked Economist sends his answer from deep in the Mogambo Bunker of Ultimate Defense...

MISTER, CAN YOU LOAN ME A BUCK?

I am having a hard time believing that the Federal Reserve is not expanding Total Fed Credit. In fact, it went down last week by \$4 billion. Even currency in circulation is down. For a bunch of guys who are so hell-bent on flooding the world with money and destroying the United States with inflation, the Federal Reserve is suddenly doing a very poor job of it!

It's almost as if they woke up one morning and had the sudden revelation: "My God! The Mogambo was right! We are a bunch of idiots, and our stupid New-Age, warmed-over, half-Keynesian-half-stupid monetary policy, combined with an asinine fascist/socialist/communist political hodgepodge, means we are really doomed!" And then they all jumped up and ran to work, and immediately started acting like competent grownups for a change. They immediately stopped that suicidal excessive creation of money and credit, which eventually drives up prices so high that people can't afford to loan me twenty lousy bucks.

The real reason, I suspect, is much more prosaic; people have started stopping (as strange as that sounds) and borrowing money, as suggested by a report on CNNMoney.com. The report states, "Americans are among the world's most cash-strapped people, according to the latest semi-annual survey from AC Nielsen. Nearly a quarter (22 percent) of Americans have no money left once they've paid for their essential living expenses and spent their discretionary dollars. That puts the United States at the top of a list of 42 countries for saving futility."

I am going to gloss over the part where they seem to be saying how we ignorant wastrels out here have paid for "essential living expenses" and have also spent our "discretionary dollars," too! So, is the survey merely finding out who just got tired of spending money before it was all gone?

I just don't know.

Anyway, this goes along with the facts that about a quarter of the people have no health insurance because they can't afford it, and a quarter of homeowners have no homeowner's insurance because they can't afford it. It also mentions that about a quarter of the drivers on the road have no automobile insurance because they cannot afford it, and 100% of the people I personally know cannot loan me any more money because they, so they claim, "can't afford it."

But life is not all bad, I am supposed to surmise, as CNNMoney go on to say, “Some good news for Americans – the results were an improvement from six months earlier, when 28 percent of those surveyed had nothing left at the end of the month.” Well, it may be good news for “some” Americans, but it is bad for America, as this means that at the end of the month there is a lot of money left over that was not spent on goods and services. The change may be due, Nielsen suggests, to “an attitude change – 42 percent of Americans (up from 33 percent) now list debt repayment as their first priority for spare cash.”

If my voice seems muffled at this point, it is because I am speaking to you via the cheap speakerphone in the Mogambo Bunker Of Ultimate Defense (MBOUD), and I am locked in here shaking in fear, because this lack of spending is bad news for the economy. Spending is what makes an economy! An economy requires that people have to be out spending money, making money, borrowing money, investing money, and loaning money, all of which it takes to make an economy go. And suddenly, we are “None Of The Above.”

Well, at this point I need a heavy medication regimen to control my fear, and am typing this with my nose because my hands are clenched in useless fists, as I am so freaked out, and so, without further ado, we’ll return to this very scary CNN report as they say, “Americans are saving more cash by curtailing some of their discretionary spending. Nielsen reports that 66 percent of those surveyed said they have cut down on take-away meals; 61 percent have turned down the thermostat to save on gas and electricity; 61 percent have cut back on home entertainment; 54 percent on new clothes; and 47 percent do less driving.” Yikes! Yikes! Yikes, yikes, yikes!

So, if your fabulous, high-paying job is overseeing some vast global empire having anything to do with drive-through restaurants, gigawatt utilities, catering services, fabrics and/or petroleum, then your business is in a slump. And you are in a slump because of all us over-stretched, over-indebted, over-leveraged people out here have been forced to “cut down” on buying your goods and services. And then one morning, you get to work and you learn that the board of directors has decided to make cuts in staff. One of the cuts is either you or The Mogambo, and then one Friday, when I am taking another of my famous three-day weekends that my stupid boss is always yammering about, I’m fired! For no reason! This is how recessions really hurt!

And now, what’s even worse, houses in some areas are suddenly not selling, or inventories of homes for sale is rising to historic records, or mortgage applications and originations are falling or something, and the global bubble in housing also seems to be cooling dramatically.

But this is all about economic collapse and blah, blah, blah, while it is price inflation that really concerns me. And along this line of thought, comes Doug Noland and his famous Bubble Watch column at PrudentBear.com, where he writes, “The CRB index closed at another all-time high. This week saw copper, platinum and zinc all trade at new record highs. For the week, the CRB index added 0.5%, increasing y-t-d gains to 4.6%. The Goldman Sachs Commodities index declined 1.2% this week, with a y-t-d gain of 4.0%.”

Now let’s get up, whining and complaining about having to get up, and walk over to the Economist magazine and take a gander at what they show prices are doing, according to their “The Economist Commodity Price Index.” Hmmm! I see that, in the dollar index, over the past

12 months, we have “all items” up 21.6%! Food up 13.5%! “All industrials” up 30.7%! Non-food agriculturals are up 18.6% and metals are up 36.5%! Oil is up 33.0%! Gold, precious, lovely, value-protecting, wealth-conserving gold is up 31.5%!

And inflation is everywhere, too! The Yen Index of “all items” has inflation at 34%, the Euro Index is up 28% and the Sterling Index is up 27%!

My God! If this ain't price inflation, then what is it? And if we are not, as The Mogambo says, freaking doomed, then what is going to happen? What else could possibly happen? Things will magically get better? Hahaha! Let the Hollow Scornful Laugh Of The Mogambo (HSLOTM) ring in your ears!

Regards,

The Mogambo Guru
for The Daily Reckoning
February 6, 2006

P.S. If, in the face of all of this, you are not buying gold, silver, palladium, oil and commodities of any kind, then you deserve what is going to happen to you! There's still time...check out how you can make money hand over fist- by just dedicating four minutes a week on natural resources.