

# Fed in the Land of Excess

By [The Mogambo Guru](#)

04/23/07 **The Daily Reckoning PRESENTS:** The Fed doesn't know how to do anything small – and the Mogambo never lets them do it without giving them a piece of his mind. See why this week, he wants to drag them down to The Mogambo Secret Kangaroo Court Of Vengeance (TMSKCOV). Read on...

## FED IN THE LAND OF EXCESS

So Greenspan thinks foreigners will provide us with a “cushion”? Don't make me laugh! Hell, they seem to be suddenly making less money, too, as the Commerce Department said the trade deficit narrowed to \$58.4 billion in February, from \$58.9 billion in the prior month!

But Paul H. figures that this comes to about \$2.086 billion per day, and that's only because February only has 28 days in it. “Had February been a ‘normal month,’” he says, “the trade deficit would have been between \$62.57 billion and \$64.66 billion. ”

Okay, so they are still making more money, and now I look like an idiot. Happy now?

Trying to divert attention from my embarrassment, Paul continues, “Now, if the \$58.4 billion represented a narrowing of 0.7% from January (which was a 31-day month), then using the normalized figure for 31 days indicates that the trade deficit actually widened for February by about 3%!! Holy cow, Batman! We are freakin' doomed (to coin a phrase).” Yep!

And speaking of federal budget deficits, Rep. Ron Paul, who would be the next President of the United States if we weren't a nation of moronic Big Government-loving wankers, writes, “The greatest threat facing America today is the disastrous fiscal policies of our own government, marked by shameless deficit spending and Federal Reserve currency devaluation. It is this one-two punch – Congress spending more than it can tax or borrow, and the Fed printing money to make up the difference – that threatens to impoverish us by further destroying the value of our dollars.”

I leap to my feet and shout, “Bravo! Bravo, Mr. Paul!” with an angry undertone to my voice that clearly indicates that I am astonished that the rest of Congress, our “leaders”, is so completely clueless about this stuff. “Bravo!” I bellow! “Bravo!”

This brings up an excerpt from Lee Iacocca's new book, *Where Have All the Leaders Gone?* that I was sent via a forwarded email, where he purportedly writes, “Had enough? Am I the only guy in this country who's fed up with what's happening? Where the hell is our outrage? We should be screaming bloody murder. We've got a gang of clueless bozos steering our ship of state right over a cliff, we've got corporate gangsters stealing us blind, and we can't even clean up after a hurricane. I'll give you a sound bite: Throw the bums out! I'll go a step further. You can't call yourself a patriot if you're not outraged.”

And I, the Wildly Irrepressible Mogambo (WIM), will bravely go even further than that! I will say that: 1.) Every sentence of that excellent paragraph of Mr. Iacocca's should have concluded with at least one exclamation point to indicate the dramatic emphasis that it clearly deserves, and 2.) If you are not tracking the guilty bums down and dragging them in chains to The Mogambo Secret Kangaroo Court Of Vengeance (TMSKCOV) for a quickie trial, guilty verdict and sentencing, THEN you are not a real patriot!

MarketWatch.com, completely ignoring my clear call to begin The Mogambo's Terrible Revenge Of The Sheep (TMTROTS), instead risked inflaming me even more when they reported that the Treasury Department revealed, "The U.S. federal government spent more money in March than in any other month ever." Ever!

In actual numbers, "The federal budget deficit widened to \$96.3 billion in March, compared with \$85.3 billion last March."

In total, "Excluding the Social Security and other trust funds, the deficit totaled \$108.2 billion in March and \$347.8 billion for the fiscal year so far." That's about \$700 billion!

I assume that inflation helped make government receipts rise, "about 1% year over year in March to \$166.5 billion, while outlays rose about 5% to a record \$262.7 billion", as, "Defense spending totaled \$67.8 billion in March and \$268.3 billion so far for the year," which is up 7%.

Continuing, "Spending on Medicare and Medicaid totaled \$83.4 billion in March and \$418.4 billion for the year," up a huge 15.6%. "Spending on the Medicare drug benefit" is up a staggering 144%. "Social Security tallied \$55.5 billion in March spending and \$306.8 billion for the year", up about a whopping 6%. "Spending on interest on the public debt totaled \$21.3 billion in March and \$202.1 billion for the year", up a terrifying 4%!

And all of this excessive spending, made possible by the excessive creation of money and credit by the Federal Reserve, means that prices will go up excessively. And sure enough, from Bloomberg.com we read that the Labor Department released the nightmarish news that that U.S. consumer prices, as measured by the Consumer Price Index, rose 0.6% (including food and energy prices) in March, which is even higher than February's 0.4% increase.

And "Producer prices rose 3.2 percent from March 2006, compared with a 2.5 percent gain in the 12 months ended in February. Prices excluding food and energy rose 1.7 percent from a year earlier, compared with a 1.8 percent gain in the 12 months ended in February." Yikes!

It's a good thing that they are excluding energy costs in reporting inflation, as "Energy prices jumped 3.6 percent last month after increasing 3.5 percent the prior month. The price of gasoline rose 8.7 percent, the most since November, and natural gas costs increased 3.3 percent"! Yikes and yikes again!

And let's not forget food! Luscious, delicious food that is sometimes fried, often crunchy and/or chocolate covered, and then eaten a hell of a lot more often than I should (but a lot less than I want) which results in a big deficit in the Total Mogambo Food-Oriented Hedonism Quotient

(TMFOHQ), for which I angrily blame a cruel, uncaring world, and thus proceed to make everyone's life a living hell with my righteous revenge.

Now, unfortunately, things are getting worse, as the new report, "showed food prices rose 1.4 percent in March, after the previous month's 1.9 percent increase that was the most since October 2003."

Well, judging by the lack of frightened wailing and screams of outrage, apparently I am the only guy in town who can multiply the 0.6% rise in the CPI times twelve months to get a terrifying annual inflation rate of 7.2%, or who can add March's 0.6% inflation in prices to February's 0.4% inflation in prices to get an average of 0.5% inflation in prices, and then multiplying THAT by twelve months to get an annual price inflation of 6.0%, which is still horrifying enough to make you whimper and cringe in terror if you have any tiny little bit of a hint of comprehension of the enormity of what this means!

Or maybe everyone else is so gullible, non-thinking, childishly trusting, ignorant, stupid and easily-led that they are falling for the Fed's trick of making you pay attention only to "core consumer price inflation", which EXCLUDES food and energy prices, but is still hedonically adjusted to make it look better than it is. When you do that, "core consumer prices" are, magically, up only 0.1%! Hahaha! What a scam!

Until next week,

The Mogambo Guru  
for The Daily Reckoning  
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\*\*\*\* Mogambo sez: For those that say to me, "Hey! Loudmouth Fathead Mogambo (LFM)! Hey! Yeah, I'm talking to you, creep! How much gold and/or silver should I have?" I can now offer both the customary rude hand gesture and this interesting metric from Rhody. He writes that his brother had the opinion that 10,000 ounces of silver would ensure "financial security" through old age.

Unfortunately, the brother "did not explain how he obtained this figure." So the clever Rhody did some research and found that "in 1900, one ounce of silver was a professional class daily wage. If one retires, one can expect a life expectancy of 30 years, which is about 10,000 days. At one ounce per day, this is how much silver one should have."

And I seem to remember something about the historical averages of the value of silver through the ages, when measured against a day's wage for a professional class worker, being around here someplace.

All of this immediately says two things to me. First, I need 9,999 more ounces of silver! And second, silver should be selling for (since the average working-class wage is now almost \$15 an hour) at least \$120 an ounce. It's actually selling at \$14 an ounce.

So is silver a compelling buy at these prices? You do the math!

And when you do, and you factor in various estimates of inflation that are coming down the line, don't be surprised if the answer screams, "Buy as much as you can possibly buy, chump!"