

Financial Earthquakes

By [The Mogambo Guru](#)

04/09/07 **The Daily Reckoning PRESENTS:** If preventing inflation and boom/bust cycles is the reason the Fed took over the power of America's money supply, why are we currently experiencing the negative effects of each of these economic phenomenon? Is there no one who will stand up and point out this injustice? The Mogambo Guru, ladies and gentlemen...

FINANCIAL EARTHQUAKES

To tell you the truth, I disagree with the idea that only the rich can buy gold. When I see the enormous amounts of money the middleclass and the poor spend on pure trash every year, I say, "And you want me to believe that out of all that money, they can't manage to buy a stinking half-ounce of gold a year? Or some silver? Hahaha! Don't hand me that crap!"

I think that the important point is that gold is a "rich man's escape", which, by definition, means that rich people will be buying gold to effect their escape! And given the staggeringly huge amounts of money now in the world (mostly owned by the rich!), versus the pitifully small amount of gold in the world, this could be Really Big Time Stuff (RBTS) indeed, because 1.) History has shown that rich people always take their money and rush to the safety of gold at the inflationary ends of booms (like this one), 2.) Gold is essentially (like all markets) an auction market, and 3.) Rich people bidding against other rich people for a finite supply of gold, with unimaginable amounts of money, is the stuff of which auction history, and newspaper headlines, is made!

And the good news, the better news, the best possible news, is that gold is still selling at only about \$660 a lousy ounce! What a screaming bargain when viewed against what is surely coming, just like it has always come! Unbelievable! But, "Whee!"

To a suspicious little creep like me, I naturally connect Mr. Embry's point that there may not be enough central-bank gold to satisfy demand, to Bill Murphy of Le Metropole Café citing a Dow Jones report that "The International Monetary Fund has proposed to increase transparency in the gold market by publishing statistics that reveal the amount of gold loaned and swapped into the market by central banks."

What? This surprises the hell out of me! Then I remember (and make some rude, disparaging noises) that the IMF has mismanaged itself, which comes mostly from the fact that no country needs to borrow any money from the IMF these days, as the entire world has long since gone completely freaking insane with creating all this excess money and credit in which the world is currently sloshing greedily around.

Now, with the slowdown in the "bail-out-and-meddle-in-your-sovereign-affairs" business, the IMF desperately needs more money with which to overpay themselves and maintain their expensive little lifestyles, empires and power, to which end they recently actually proposed to

sell the gold (their capital) that the United States loaned them to fund the damned IMF in the first place! What thieving arrogance!

Rebuffed, I guess, this proposed new disclosure rule by the IMF to reveal the actual gold holdings of central banks is, I figure, just the usual slimy blackmail. “Give us more money, or we will tell what you did!” (Which is sort of how I ended up getting married, but that’s another ugly story, which I don’t want to get into because I will cry like a baby and get all embarrassed. And then angry. Very angry. And nobody wants that!)

Exactly what the central banks did (but not how much) is hinted at by the news that “Although they provide regular reports of their gold purchases and sales, central banks don’t currently reveal how much gold is loaned and swapped.”

But there are just too many tremors, and tremors in central bankers everywhere, not to think about predicting earthquakes in the gold market, and getting long gold.

And speaking of central bankers, from Bloomberg we read, “Federal Reserve Chairman Ben S. Bernanke said monetary policy is still aimed at combating inflation even though risks to economic growth are multiplying. ‘Our policy is still oriented towards control of inflation, which we consider to be at this time to be the greater risk,’ he told the Joint Economic Committee of Congress in Washington.”

Bernanke is reported to have said, with no hint of embarrassment, “uncertainties have risen, and therefore a little more flexibility might be desirable.” The Mogambo is also reported to have said “Hahaha!” in snarling disdain, and if you didn’t read or hear about it, it obviously means that this highly-illuminating Mogambo Editorial Comment (MEC) was censored by government goons, which that proves they’re all out to get me. And it also proves that snooping government agents and spies are prowling around in my bushes, probably right now, and thus I am fully justified in ruthlessly hosing down the shrubbery with withering machinegun fire until I feel safe again (or until I run out of bullets, whichever comes first).

Okay, well, maybe it doesn’t actually mean all that, but it DOES mean that the Fed wants to ignore inflation, although preventing inflation and attendant boom/bust cycles is the reason that power over America’s money was given to the Fed in the first damned place! They obviously haven’t done their damned jobs – I mean, look at the record! They’ve failed miserably! And now, they still don’t want to do their damned job; they want “more flexibility” to give us more of the same! This is insane! And yet Congress does nothing! Nothing! I am incensed!

But wait! I may be too hasty! With a sudden, powerful insight, I realize that I could use this unusual stalling technique to my own advantage: Since my Annual Employee Evaluation is coming up soon, I evilly twirl my mustache as I scheme to myself, “This ‘more flexibility’ thing could come in very, very handy indeed!”

Goals not met? I cry out “I need more flexibility!” Losses mounting? I wail, “I need more flexibility!” Employees and customers in open revolt at my arrogance and incompetence? With a tone of voice that speaks volumes about what I am going to do to my boss’s car if this Evaluation

thing doesn't work out for me the way I want, I say, through clenched teeth, "I need more flexibility!"

Another way of looking at it was provided by Bloomberg: "Bernanke said the central bank last week dropped its stated tilt toward higher borrowing costs because policy makers wanted more room to maneuver." Thanks! Now I realize I need more room to maneuver, too! I need room to maneuver! For God's sake, give me room to maneuver!

The message is clear; my boss now hates and fears me more than ever, and the Fed is clearly signaling that lots of inflation is in our future, as it is the price we must pay to bail out the blinding, incandescent incompetence of the Federal Reserve under Alan Greenspan, who created the housing bubble, which was created to bail out the busted stock market bubble, and the bond market bubble, and the size-of-government bubble that he also created. Grrrr!

Until next week,

The Mogambo Guru
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**** Mogambo sez: If GATA is right, and the gold market is being manipulated with the collusion of the central banks (and I have absolutely no doubt that it is, and would be stunned, absolutely stunned, to learn that it wasn't), I again think of John Embry and his phrase, "the gold price is going to go ballistic" when central banks can't meet demand.

My Mogambo Profit-Sensing Gland (MPSG) recognizes the screamingly obvious profit that will come when this kind of manipulation ends (as it must), and it squirts a jolt of "greed hormone" into my bloodstream. In response, I look at my pitiful stash of gold and silver, and I compare that to how freaking much wealth I want to have when the inevitable explosion in gold finally happens, and I wonder "Do I have enough?" which is Polite And Genteel Mogambo-Speak (PAGMS) for "Has my embarrassing, gluttonous greed and unspeakable depths of avarice been satisfied with this pathetic little pile of gold and silver?" Upon reflection, I find the answer is, of course, "no".

Then I wonder, "Should I get a job, to earn some money with which to buy more gold and silver?" Again, upon reflection, the answer is, of course, "no".

Then I wonder, "Should I make the wife and kids drop out of school, get second jobs so that they can buy their own food and clothes (saving me a bundle!), and maybe pay a little room and board around here (the little worthless, parasite freeloaders!), and then use the money to buy more gold and silver?" At last, I arrive at a solution I can live with. Even optimal, in its own way!

So while I don't know how it works out for you, and you'll do what you do, but whatever you do, you'll find that you are usually better off if you do what you know you should do, as this gold and silver thing is "do it or it's doo-doo!"