

Gold-Flavored Cannibalism

By [The Mogambo Guru](#)

01/08/07 **The Daily Reckoning PRESENTS:** This week, The Angriest Guy in Economics meets up with gold, government blood drinkers, and his counterpart – The Mellowest Guy in Economics. No, it's not a Scooby Doo rerun, it's The Mogambo...

GOLD-FLAVORED CANNIBALISM

For a Christmas present, my wife gave the 17th edition of Bartlett's Familiar Quotations, and I was delighted to see that Ludwig von Mises, the "Father of Austrian Economics", was included, and further surprised to find out that his middle name was Edler, which seems strange to me, and like most people, I don't like strange things because they scare me.

Well, in case you were wondering, there was nothing about how he got the middle name of Edler, but they do have four great quotes from him, including "Everybody thinks of economics whether he is aware of it or not. In joining a political party and in casting his ballot, the citizen implicitly takes a stand upon essential economic theories."

From that, I am sure that Keynes would not be a Democrat, as he says that "Marxian Socialism must always remain a portent to the historians of opinion- how a doctrine so illogical and so dull can have exercised so powerful and enduring an influence over the minds of men, and, through them, the events of history" which, I note with ill-disguised Mogambo contempt, we are, again, having to re-live, in all its ugliness, because we are so laughably stupid as a nation that we cannot learn by merely listening to Mr. Mises, attend to the towering example of all of the world's economic history, or even heed our own Constitution as clearly written.

But in talking about Keynes, as a happenstance, Philip S. sent an email titled "A Wise Insight" from President Gerald Ford, who said "A government big enough to give us everything we want is a government big enough to take from us everything we have."

Keynes himself pointed out how they accomplish this in his "Essay in Persuasion" when he wrote, "By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens."

Mr. Keynes did not explain what he means by "an important part", but I, in my Irrepressible Mogambo Arrogance (IMA), am happy to officially explain that the "important part" that they take from you is the buying-power of your wealth, and you are left with the "unimportant part", which is the paper it was printed on.

And if you want to make a lead-pipe cinch bet, then bet that the government will take everything we have, as they must keep spending more and more, as once you start down that socialist/communist path, there is never a place to ever stop, or even slow down. And the way to do that is to buy gold and silver.

But beyond these interesting tidbits, I am now denouncing the entire 17th edition of Bartlett's because they did not include Mr. Mises' most telling quote, which is how there is no way to prevent the eventual collapse of a sick, twisted and bizarre boom-time economy created with excessive creation of money and credit, and your only choice is to either have it implode either voluntarily (by immediately stopping that horrifying, insane crap right freaking now and voluntarily suffering the pain you deserve, you morons), or involuntarily (when the system collapses after trying to keep things going by creating hugely more excessive amounts of money and credit, making things hugely worse and worse, thus making the eventual pain so exponentially much worse, too). Interesting choice!

But, to add to their infamy, Bartlett's did not have any quote by The Mogambo, including the most famous and true thing I ever said about economics, namely "We're freaking doomed!"

All of which proves, as I have always alleged, they're all trying to keep the brave, noble Mogambo down. I mean, my name is not that long, and the quote is quite short, so how much room could it take in their stupid book? And they couldn't find room for me in 1,430 freaking pages? Give me break!

But while they ignored me completely, I notice that they had plenty of room for quite a few quotes from John Maynard Keynes, and, as is usual with crackpots, he sounds so good (for the most part). And he perfectly describes the state of affairs in the USA back when he was writing, vis-à-vis politics and the economic havoc they cause. The quote is that ignorant politicians and hack economists are, for the most part, "Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back."

You can almost hear the contempt and sarcasm in his voice, echoing my own. Now, fast-forward to today. It is, unbelievably, even worse! Much worse! It is so bad (Audience shouts out "How bad, Mogambo?") that the chairman of the Federal Reserve himself IS a defunct academic scribbler! And the worst kind, too, as he was the head of the economics department of Princeton University, but nevertheless seems to have the insouciant opinion that the horrendous 18-year run of the disastrous, precedent-setting, unfettered monetary policies of the accursed Alan Greenspan is to be faulted only, I guess, in its restraint! Hahaha!

Like I said (and if you are from Bartlett's, please pay particular attention here) "We're freaking doomed (WFD)!"

The main reason why China does not really want a strong currency right now is analogous to the situation in Thailand, as MoneyMorning.com remarks "a strong currency carries its own problems – particularly when your economy still has a significant export sector."

If you are an American, then you are understandably clueless as to what the phrase "significant export sector" means, since we don't export much of anything anymore except weapons, things that can carry weapons, things that design weapons, things that can make, or be made into, weapons, and some of the best frozen pizza on the planet.

But MoneyMorning.com is apparently not interested in either blowing people to smithereens or tasty culinary delights (but what else is there?), but expertly continues to the point, which I had missed completely, which was that the importing nations (us Americans, for example) would experience higher and continually rising prices as the American dollar weakened against the foreign currency. They write “As Andrew Drummond says in The Times, ‘successful exporting companies were already starting to lay off workers as prices exceeded what Western buyers were willing to pay. Even the country’s rice market was in danger.’”

Being the end of the calendar year, Bill M, who bills himself as The Mellowest Guy in Economics, says ” I suggest you award first prize in the Moggie Competition (Mogambo Guru Great Idiocy in Economics) to the Bank of Japan for its outstanding effort in debasing not only the yen, but the fiat currencies of all countries with electronic means of communication with Tokyo.”

An excellent suggestion, Mr. Bill! My congratulations to the winners, and I proudly present it to them on behalf of all of us proletariat trash out here in the real world who will be ground up in the machinery of the government/central bank linkage, lubricating it with our blood, paying the agonizing inflationary price for such stupid monetary arrogance in order to pay for stupid collectivist extravagance!

Of course, the government drinking our blood brings us naturally to gold, and David F. particularly liked the essay by Gene Arensberg at ResourceInvestor.com, as he thought that it summed it up the bullish case for gold particularly well. I agree. It reads “A secular bullish perfect storm trend for precious metals continues. Rapidly escalating global investor demand, easier participation by investors via ETFs, conversion of Middle East petroleum dollars to gold, rising new demand from Asia, possible central bank buying partially offsetting central bank selling, conversion from dollars to gold by large U.S. dollar denominated foreign exchange reserves, declining gold production, increased political and NGO interference to bring new sources on line, rapidly escalating costs to produce, delays and shortages of equipment and manpower, previous two-decade bear-market-induced shortage of intellectual capital for miners, safe-haven buying to hedge strong, reckless, competitive dilution of under-backed fiat paper currencies, probably continued de-hedging and continued troubling global political and religious tensions are just some of the factors contributing to the long-term bullish winds now blowing.”

Him saying this means that “In real terms, gold remains undervalued versus nearly all other commodities and strongly undervalued as measured by the world’s fiat paper promises.”

In short, one more reason to buy gold. Now. Today.

And, I hasten to add lest I be remiss, even more so for silver.

Until next week,

The Mogambo Guru
for The Daily Reckoning
January 8, 2007

Mogambo Sez: Since it is customary at the end of the calendar year to toot one's investing horn, The Mogambo Portfolio (TMP) is up there with big dogs, sporting a 24% gain, as being almost 100% in precious metals, precious metals mining stocks, precious metals-oriented mutual funds, precious metals ETFs, and a small percent in oil, paid off like freaking gangbusters again this year like it has for the last five years in a row.

Trained professionals and ordinary people, who know me for the complete idiot that I am, obviously realize that I just got lucky again. But other people, who do not know of my pathetic intellectual incapacity, are sometimes fatally curious to hear a Little Mogambo Investment Tip (LMIT) after learning of such seemingly stellar returns.

To those naïve, foolishly trusting people, The Mogambo smiles beatifically, and although the Mighty Mogambo Heart (MMH) is breaking at such pathetic financial desperation that you would feel a need to hear the stupid opinions of a certified bonehead like me, I say "I expect 2007 to show similarly hefty results, only more so."

I pause for dramatic effect, and then add "Maybe a LOT more so! And wouldn't that be nice for the people smart enough to have bought gold and silver at these low levels?"

They nod. I nod.

They smile. I smile.

They go home to buy gold and silver as a way of making a wise investment. I go to a cheap restaurant to buy a pizza as a way of having dinner while making a pig of myself.