

April 02, 2008

Financial Humor isn't Funny

by The Mogambo Guru

"Mr. Dunkelberg is more direct, and says that people who depend on their little bits of interest that they make on their saved money (like the elderly) 'are being screwed by the Fed'..."

Llewellyn H. Rockwell, Jr. president of the [Ludwig von Mises Institute](#), writes, "All this nonsense about digging ourselves out of recession through government intervention began with the New Deal", when FDR "used the economic downturn as the great excuse to make himself the economic führer of America."

But this, thankfully, is not about history or about how I did not do last night's homework, but that Mr. Rockwell noted that "here is the amazing fact: not once has this strategy worked. Not in the New Deal. Not in the 1970s. Not in the 1980s. Not in the 1990s. Not once has government done anything to restore prosperity during a slump. What happens again and again is that government spends, the Fed inflates, the regulators punish, there is wailing and gnashing of teeth, and then, at some point, we hit bottom, and normalcy begins to return again. The most government can do is prolong the period at the bottom. Otherwise, it is just wasting resources."

Like what? Well, when the Fed cut interest rates from 3% to 2.25%, it not only hacked the hell out of interest rates by a whopping quarter in a huge "25% off sale!" on money, but in the process took the Fed Funds rate to a real (inflation-adjusted) rate of less than zero, even if one takes the "official" rate of inflation of 4%! Negative real interest rates!

But, hell; the 2-year bond is yielding a nominal 1.3% a year (a loss of 2.7% in buying power), the 10-note year is yielding 3.3% (a loss of 0.7%), and some "investor" morons are buying 30-year bonds at prices so high that they are yielding barely 4%! All of this at the same time as the money supply is growing at 17% a year! Yow! Un-freaking-believable!

So if you want to know why we are in such big trouble and why people who try and save a little money have to be crushed, why your grandparents and your parents are going to be calling you up wanting to borrow some money, and why my new Mogambo Instructional Booklet (MIB) "50 ways to say 'No! And never call me again'" will be such a smash hit, it is because we are obviously idiots, thanks to a ruinously incompetent education system, for which Ben Bernanke (erstwhile head of Princeton University's economics department) is living proof.

I mean, 3-month T-bills are now yielding 0.5%, which is one-half of one percent, which is also the lowest level in 50 years! This low rate may be expected in such short-term paper when the Fed is pounding more and more money into the economy, but it takes a real idiot to see that, and yet turn right around to buy a 10-year government bond to yield, for every day of the coming 10-years, 3.33%! On which tax is due! Hahaha!

This brings up Tim McTague saying, in his "D.C. Current" column in Barron's, that Bill Dunkelberg, of Liberty Bell Bank, "opposes recent rate cuts, which he says are punishing smaller financial institutions like his and legions of elderly people who depend on savings

for income."

Mr. McTague notes that the rate for a 5-year certificate of deposit is now paying a piddly 3.37% interest, while "The headline rate of inflation which includes food and fuel, exceeds 4%. In essence, savers are losing money to prop up the big Wall Street brokerage houses" and other financial institutions.

Mr. Dunkelberg is more direct, and says that people who depend on their little bits of interest that they make on their saved money (like the elderly) "are being screwed by the Fed", which has a little more of that raw disdain and contempt that the Fed so clearly deserves.

And where is the Congress in all of this? Helping! Like the old joke goes, "We're from the government, and we're here to help you", which explicitly means that you will soon suffer, as we learn from Bloomberg.com; "The U.S. may pay a steep price to free itself of its economic and financial travails: bigger government, faster inflation and a poorer country." Gaahhhh!

To relieve the tension, I made up a new joke. A guy walks into a bar and the place is full of beautiful young ladies. They say, "Mogambo! We love you and you make us so hot! Let's celebrate with some of your hot monkey love!" And the guy says to the bartender, "I have some good news and some bad news! The U.S. may pay a steep price to free itself of its economic and financial travails: bigger government, faster inflation and a poorer country."

The bartender says, "My God! That's the price? What's the good news?", and the stranger says, "That IS the good news!" Hahahahaha!

I hope this little humor comforts you as you suffer a falling standard of living for the rest of your life! Too bad it's not funny.