

June 24, 2008

Economic Egomaniacs

by The Mogambo Guru

"Now, total government taxation consumes half of all incomes, all of which goes around and around until my head is spinning and I wonder how it is possible that any country with as many schools, colleges and universities as we have can be so freakishly, perversely, brain-dead as to believe that such idiocy was even freaking possible?"

Goldnews.Bullionvault.com notes that Henry Hazlitt, economist extraordinaire and erstwhile Newsweek and New York Times editor, categorically stated that "The word 'inflation' originally applied solely to the quantity of money. It meant that the volume of money was inflated, blown up, overextended."

Mr. Hazlitt went on to say that "To use the word 'inflation' to mean 'a rise in prices' is to deflect attention away from the real cause of inflation and the real cure for it."

This reminded me that it was time to wade through the piles of potato chip bags, empty pizza boxes and beer bottles all over the floor and go over to the Mogambo Economic Detector Unit (MEDU) and see what happened with Total Fed Credit last week, as TFC is, literally, the money from thin air to which Mr. Hazlitt was referring in his classy, educated way, and which The Mogambo screeches and wails about in terror in his Loud Mogambo Way (LMW), which is neither classy nor educated, but it gets the point across via volume.

Anyway, Total Fed Credit was actually down by \$4.2 billion last week, which is good news and bad news, all in one, as it means that the Fed is not inflating the money supply (and thus creating price inflation) for one damned, lousy week, which is good news; but it also means that the Fed is not inflating the money supply to finance buying and selling to make undeserved profits, which is bad news.

This brings up John Mauldin of Frontlinethoughts.com, who writes, "I remember in the summer of 2006 I would face my blank computer screen on a Friday and wonder, what I could write about?"

Immediately, I started thinking about my own "Summer of 2006", and then I remember that's when I started drinking heavily to forget the summer of 2006, when you-know-who found out about you-know-what, and now that I think about it, I realize I never did get my barbeque tongs or rubber handcuffs back, either, which made everything worse! Damn! See the kind of crap I have to put up with around here all the damned time?

But this is not about me or some stupid ancient scandals with a troupe of traveling acrobats from Romania, but about how in 2006 it was, as he says, "Goldilocks, all the time. Today, there is such a target-rich environment. The problem today is trying to decide what not to write about"! Exactly!

In 2006, for me, there was always Alan Greenspan to write about, making a fool of myself in print and in line at the grocery store when I loudly and indignantly denounce that worthless, corrupt egomaniacal bastard as the, well, worthless, corrupt egomaniacal bastard that he is, and I could, and did, go on for pages and pages about how he and

the Federal Reserve [destroyed the dollar](#) by creating so damned much of them, about \$10 billion of them every freaking month, month after month, year after year, since 1997!

I know that you are sick of hearing me talk about it, but all this new money is the classical definition of inflation, which immediately shows up as a rise in some prices (usually stocks and bonds), and later shows up as a rise in more prices, and then more prices, until it has shown up as rises in all prices for everything, which is also popularly called inflation, but it isn't, as Mr. Hazlitt explained in the '60s.

And this doesn't even mention the cancerous growth in the size of government, which grew by borrowing a big chunk of all the money that the Fed created, and taxing the profits everybody else made with what was left, and the government used it to create incomes for more and more people, until the federal government now supports half of the population, all of whom unfortunately need more money because of the higher prices.

Now, total government taxation consumes half of all incomes, all of which goes around and around until my head is spinning and I wonder how it is possible that any country with as many schools, colleges and universities as we have can be so freakishly, perversely, brain-dead as to believe that such idiocy was even freaking possible?

Then there was, and still is, Ben Bernanke to write about, another worthless corrupt piece of Federal Reserve arrogance with blind allegiance to a laughable academic econometric theory of one bizarre kind or another, which is peculiar because even a complete idiot like me can look at the economic landscape it has engendered and immediately recognize the importance of [getting gold](#) and silver immediately, because this is truly economic stupidity on a grand scale!

I thought that maybe Mr. Mauldin would want to add a few remarks along those lines, but he says the more immediate evidence is that nobody has a damned job with which to make money with which to buy gold and silver, as the latest news is that unemployment rose to 5.5%, and "we probably saw a decrease in jobs of at least 100,000. The market was upset with 40,000."

Then he ominously asks, "What will it do when the monthly number prints 100,000 later this year? And it likely will." Yow!

Naturally, I want to know how he knows that, and I raised my hand to ask the question. Apparently he was ready for me, and says that "The Federal Reserve projects that unemployment will rise to 6%. That means there are a lot more jobs to be lost."

Since he did not say HOW many jobs would be lost, I figure that a civil labor force of 145 million means that another 725,000 jobs will be lost. Suddenly my life flashed before my eyes, as I see the ax coming, and once again I will be tossed out onto the street, rudely advised by in-house counsel and stupid co-workers to "never come back."

And my slim, slim chances of surviving a corporate cutback grew even more bleak when he said, "And that is if unemployment stops at 6%, which would be a very mild recession indeed." At this, I gave out an involuntary little yelp.

I could see that he was tired of dealing with me, so he turns me over to The Liscio Report for the next part of my flogging, which immediately said the employment figure for "March was revised down by 7,000, and April by 8,000. We've now had four consecutive months of downward first revisions, and also four consecutive downward second revisions - unusual strings that support the picture of a weakening employment trend."

If you are like me, then your sensitive Mogambo Economic Senses (MES) are tingling at the news of "unusual things", like "unusual strings of downward second revisions" of unemployment estimates, and suddenly you are bathed in a cold sweat of fear as you again think of being fired from your stupid job just because you made a few mistakes, goofed off most of the time, and you took a lot of "sick time" to go off playing golf and bar-hopping with your hoodlum friends.

That is why I was cheered when Mr. Mauldin revealed the technical analysis gem that "One of the best indicators of the direction of employment is temporary employment. If the workload is shrinking, the first thing you do is lay off your temporary help, or simply do not hire them."

Sure enough, he says, "Temporary employment is down 5.7% year over year and is showing continued monthly deterioration with each passing month since last October."

I think to myself, "Terrific news! Maybe they will lay off the temps, and keep me!"

Especially if I start the rumors that I have incriminating photos of everybody doing something illegal or kinky, which has just recently become the cornerstone of my new Save My Freaking Job (SMFJ) campaign! Here's hoping!