

June 06, 2008

Economic Lessons from Alexander Pope

by The Mogambo Guru

"Luckily, I had been transferring lots of money from the operating account at the bank into cash in the office safe in case of some kind of emergency. And sure enough, here's an emergency! Who says I don't know how to plan ahead? Hahaha!"

As the economy goes down, I can see that my poor work performance and lack of competence means that I will soon be laid off again ("Scram! You're fired!"), and so I naturally figured that I would go back to someplace where I was fired so long ago that my previous supervisors had all, hopefully, retired.

But I soon find that their snotty attitude is akin to the respect that they may have for a doctor who's killed every one of his patients, and who thus never gets to go back on the staff of a medical school, and if he did, you would know all you needed to know about that medical school. Ergo, no dice on the job. Or even an interview. Just a phone slammed into my ear.

Perhaps similarly you know all you need to know about Columbia University and their Graduate School of Business when you learn, to your complete surprise, that they hiring back Frederic Mishkin, another lackluster, failed and disgraced member of the Federal Reserve that for the last 20 years has been the biggest, most tragic, most colossal, most horrific failure this country has ever seen, in that the Federal Reserve created so much money and credit that it financed enough inflation in asset prices that it created four huge bubbles: stock, bond, housing and government! And now a fifth: [food and energy!](#)

Darryl Schoon of drschoon.com obviously agrees with my crude denunciation of Mr. Mishkin and the Fed, even though he doesn't say so directly, but says, "While central bankers and governments do not intend to cause hyperinflation anymore than drunk drivers intend to crash, they are nonetheless responsible for the decisions that lead to hyperinflation and deflationary depressions."

Naturally, the mention of drunk drivers makes me ashamed to realize what a big hypocrite I am, as I can easily identify with him, as I, too, am both a loser and a coward, always ready to slink out of town in the middle of the night with the petty cash and a lot of loose office supplies, too embarrassed to show my face after screwing everything up and then facing the certain humiliation of getting fired anyway.

Luckily, I had been transferring lots of money from the operating account at the bank into cash in the office safe in case of some kind of emergency. And sure enough, here's an emergency! Who says I don't know how to plan ahead? Hahaha!

But since I can never go back to any of the companies that I almost destroyed and get my job back, I can still be outraged that anyone would hire this total failure to teach impressionable kids about economics, when it is obvious that he has no freaking idea what in the hell he is talking about. I mean, go over to the damned window and look out to see what the Fed and Frederic Mishkin have done to the economy! Does that look like the handiwork of someone who has even a clue as to the basics of economics? Hell, no!

But corruption is always at its height at the end of long economic booms, so almost anything slimy can be expected, which brings up a poem by Alexander Pope, writing about the South Seas Bubble of the early 1700s which he saw with his own eyes, which opens:

*"At length corruption, like a general flood,
Did deluge all, and avarice creeping on,
Spread, like a low-born mist, and hid the sun."*

After listing a representative few of the statesmen and patriots, peeresses and butlers, judges and bishops, and even "mighty dukes" who were corrupted, the poem ends with the line "Britain was sunk in lucre's sordid charms." Now it's our turn, I guess.

And speaking of the corruption of being "sunk in lucre's sordid charms", here comes the Bloomberg.com headline "Wall Street may get permanent credit line at Fed". Yikes! Hahaha! How ridiculous!

The article says "Federal Reserve Board Vice Chairman Donald Kohn raised the possibility of giving Wall Street securities firms permanent access to loans from the central bank, as long as regulators tighten oversight of the companies." Hahahaha! Oversight of an incestuous ménage à trois relationship like Wall Street, government and the Fed? Hahahaha! It worked like a charm to prevent the housing crisis, didn't it? Hahaha!

No one paid any attention to my rude laughing and asking Mr. Kohn in a loud voice, "Are you some kind of idiot that you think we would go along with this engraved invitation to commit fraud and market manipulation?" Instead, Mr. Kohn skirted the issue entirely by answering another question, saying that a shortage of Treasury securities is "not one of the things I'm worried about", which is Fed-speak for "The federal government has no option but to borrow and spend ever-increasing amounts of money until the whole concept of the dollar disappears into nothingness, and the taunting Voice Of The Transcendental Mogambo (VOTTM) echoes across this vast void, laughing 'Hahahahahaha! I told you so, you morons!'"

Even funnier, "Kohn also advocated continuing Fed auctions of funds to commercial banks and loans of Treasuries to Wall Street dealers even after markets stabilize", and that these sources of credit would stay open "either on a standby basis or operating at a very low level"! Free money forever! Hahaha! This is insane! We're freaking doomed!

Laughing until I am coughing up blood and (seemingly) just about everything I had eaten for a week, it took me over the edge when the article bizarrely goes on to say that Kohn thinks "The Fed could limit borrowing to times when the central bank deems financial-system stability to be at risk"! Hahahaha! Tell me a time in the last decade when the Fed thinks that financial system stability is NOT at risk! Hahahaha!

For another example of sheer government corruption and how corruption of every kind is always highest at the ends of booms, it seems appropriate at this time to introduce the Lighthouse newsletter, published by The Independent Institute, which summarizes the new grotesque farm bill from Congress as "New U.S. Farm Subsidies Are Pure Pork", which immediately makes you daydream of a nice pork barbeque, or maybe a nice grilled pork chop, or even (dare we dream?) some fried pork chops! Yum! Or some

bacon!

Alas, my dreams of pork-product Nirvana were in vain, and soon they were back to being about farm bill, which Rep. Ron Paul says "features brand new federal programs, expansion of existing subsidies, more food stamps and more foreign food aid", which means that over the next few years, hundreds of billions of dollars are to be literally given out, mostly to farmers, most of them rich, and who will get richer, because "Rather than limiting government subsidies to farmers with adjusted gross incomes of \$200,000 or less, the Senate raised that limit to \$750,000." Hahaha! Let's have another look at that Alexander Pope poem! Hahaha!

To make sure that nobody squawks too loudly, there is money for more food stamps for the poor, too, which (in government thinking) makes it alright! Hahaha!

The article opines that Pope's "sunk in lucre's sordid charms" is alive and well, and "Today's federal farm programs are a textbook example of pork-barrel spending running amok. First created to support farmers - temporarily - during the Great Depression, they have long been an 'entitlement' for the politically connected. In 2006, the average household income of farmers (\$77,654) was about 17 percent above the U.S. average. It is expected to reach \$90,000 this year."

Fortunately, the only thing that saved us from a lengthy and loud Predictable Mogambo Outrage (PMO) at this blatant fraud was Independent Institute Senior Fellow William F. Shughart II jumping in to defuse the situation by telling the old joke about "how to starve a farmer - weld his mailbox shut so he can't collect his government checks." Hahaha!

Naturally, I practically bust a gut laughing, but Mr. Shughart is not laughing. He says that it is "no laughing matter." I could tell by the look on his face that he was serious, and when I thought about it, I realized he was right.

We're freaking doomed, and that's serious!