

February 19, 2008

"Everybody Hurts" - Inflation's Theme Song

by The Mogambo Guru

"The apparently salubrious result is that the money is created out of thin air, and nobody has so much as a dime taken away from them, dorkface! In fact, everybody involved has the same or more money!"

I was idly going through the pile of mail where I put miscellaneous overdue bills, anything containing the words "Last Notice", random death threats and print copies of economic things I want to put in the MoGu newsletter, usually to be hateful and hypercritical for no reason other than it pleases me greatly to mete-out ridicule to people who so richly deserve it because they are ignorant, stupid, greedy, or corrupt, or all three at once, or more.

This is one of those rare moments, a time when I serendipitously run across one of these economic pieces and wonder, "Why in the hell did I cut this out? Is there a picture of a naked chick on the back or something?" After quickly examining the other side of the piece of paper and, as usual, being greatly disappointed, I am forced to read the damn thing until I come to the part that I thought important for some reason.

Quickly I found it; The Wall Street Journal, in an editorial on Friday, January 25, 2008, laughably and ridiculously wrote, concerning the "tax rebate" checks that the government is going to send out, "The money to pay for these rebates has to come from somewhere, which means from other taxpayers or from bond holders who lend money to the Treasury", which is true enough, but that, "Either way, Congress and the White House are taking money from someone to pass out to someone else." Hahaha! Wrong, moron!

This is where I rejoice in the fact that I get to call the editors of The Wall Street Journal a bunch of ignorant wankers who have no business commenting on economics, as I gratuitously throw in a lot of vicious innuendo and outright lies about rumored incest in their families and resultant mutant children who drool and write editorials for The Wall Street Journal, which is the kind of all-out frontal attack without mercy that actually defines the Ultimate Mogambo Way (UMW) of critique.

I sum up with, "That may be the way it USED to be, fella, back in the dinosaur days and then up until the 1980s; but in the last 28 years things have changed a LOT, and you would think you would have noticed it sometime along the way, but these days the way it works is that the Federal Reserve creates credit in the banks, somebody borrows money from the banks (and thus turns the credit into new money and new debt), with which the borrower buys the new government debt. No muss! No fuss!"

Then I say, (using the word "salubrious" to show them that I know what the word "salubrious" means and am therefore worthy of respect), "The apparently salubrious result is that the money is created out of thin air, and nobody has so much as a dime taken away from them, dorkface! In fact, everybody involved has the same or more money!"

Okay, I got away from myself there, but their rebuttal would doubtlessly be that if I had

any professional courtesy at all, I would have called them up to ask about getting some clarification as to exactly what the writer meant. A good point, but then I would have to admit that I am not a professional, and so I don't have any idea what in the hell "professionalism" means.

And anyway, I don't even care because, like the various government goon squads all around us, I have a badge - in fact, a Junior Mogambo Ranger (JMR) badge - and then they would say they don't believe me, and while I am fumbling with my wallet to get my badge to show them, my Concealed Weapons Permit would "accidentally" fly out of my wallet and into their lap, and then I would laugh and laugh and laugh when their eyes opened wide in gradual comprehension of why I wear this huge coat all the time, and why I seem to clank when I walk.

But they could counterattack by explaining that what they really, really, REALLY meant was that the resultant inflation in consumer prices, as a result of all of this monetary inflation, would (as they said), make the statement true that, "Congress and the White House are taking money from someone to pass out to someone else", because it means that inflation hurts everyone (inflation = "taking money from someone"), even while they are giving out actual money to the guys who loaned money to the government!

In short, the rich get richer, because they end up with the extra money, and the poor get poorer, as the extra money pushed up prices, making them pay extra money for everything, making them more angry than usual. I want to laugh, "Hahahaha!" at such a ludicrous idea as a way to run an economy, but my heart isn't in it. Ugh.

The Mogambo Sez: If you have ever been caught in a short squeeze and got your financial legs broken off, and you swore bloody revenge for weeks afterwards, and even now, after all this time, you are still angry about it, then you will certainly appreciate the chance to be on the long side, the money-making side, the ruthlessly squeezing side for a change, laughing mercilessly as the shorts are frantically buying to cover their short positions, increasing the price, worsening their losses, making even more frantic people buy to cover, making you rich at their expense as is implied by John Embry of Sprott Asset Management, who says, "It is worth noting that the BIS triennial survey on gold derivatives highlighted a near tripling in the notional value to over \$1 trillion (roughly 50,000 tonnes, or about one-third of all the gold ever mined), in the past three years."

Wow! The derivatives alone represent claims on a third of all the gold ever freaking mined? Wow! Beyond wow! Talk about a huge, huge, monstrously huge short position!

Mr. Sprott says that such a ridiculous scheme, "will inevitably fail due to an acute shortage of physical gold stemming from exploding investment demand, shrinking mine supply and diminishing western central-bank reserves", and that, "As a result, somebody is going to take a terrible hosing on the short side of the market. The antidote to the upcoming financial debacle is to own as much physical gold as you can procure."

I couldn't have said it better myself! And if you are, indeed, buying gold, then I could not have done that better myself, either!