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## Howling at the Moon

by The Mogambo Guru

*"You invested \$100 in 2002 buying power to get back, after five years, \$76 in 2002 buying power! Hahaha! Your 'fabulous' investment made a paper gain, but produced a real, inflation-adjusted loss of 25% of your money! Hahaha!"*

I am not the only guy who knows that it is impossible for the vast majority of people to make a long-term profit in the stock market, and in fact the majority of people must show a loss, which I infer from Howard S. Katz of thegoldbug.net, who handily calculates the proof, in that "From 1966 to 1982, the DJI dropped 22% in nominal terms, but correcting for the depreciation of the currency, this was a drop of 74%." Yikes!

In fact, he says that "if you took the establishment's advice and bought 'good, sound stocks for the long pull' in February 1966, then you had to wait until 1995 to get back even in real terms, and today you have a miniscule average annual profit." Hahaha!

It took 29 years, and all that inflation, before you broke even? And this does not even account for the expenses or taxes you have to pay? Hahaha! So, tell me: How many people financed their retirement on that that kind of gain? Hahahaha!

Mr. Katz's title was, "Why I Am a GoldBug", and towards that he writes, "The 10 year commodity upswing of the 1970s was preceded by a (much milder) easing of money and credit from 1963 to 1971", which comes out to 8 years, but now "the current commodity pendulum was preceded by a 20+ year easing of money and credit"!

He concludes that the new commodity bull market "therefore has the power to go twice as long. If we date it from 2001, then we can be looking for the ultimate commodity top around 2021." That's 13 years from now! [A 13-year bull market!](#) Whee!

I can sense that you are wondering "What does this have to do with gold and how I can make a lot of money in gold?", which is what I was wondering, too. It turns out to be easy; since [gold is expected to again be the numero uno commodity](#) in a commodity bull market of 13 more years, he says, "So I plan to be a gold bug until approximately that date"!

Junior Mogambo Ranger (JMR) Jeffrey M. says that since we are talking about gold, in a manner of speaking, the U.S. economy has been in a recession since 2002, since "GDP as measured in gold has dropped from 33.8 billion ounces of gold in 2002 to 19.9 billion ounces of gold in 2007," which is about a 41% decline! Yikes! That's a big drop in GDP!

But this makes perfect sense if you are unlucky enough to listen to The Loudly Irritating Mogambo (TLIM) droning on and on, relentlessly pounding, pounding, pounding the same belabored point, which is that "gold rises in value to the extent of the [devaluation of the currency](#) in which it is priced," which has a big, fat QED at the end because this rise in gold that produced the 41% drop in GDP when measured in gold, is perfectly reflected by the 40% drop in the exchange value of the dollar (as measured by the dollar index), which has recently broken below the 72 level, down a similar 40% from

about 120 in 2002!

It's almost magical! I waited and waited for the applause that never, alas, came, and everyone else in class was looking at me with this look of ill-concealed contempt on their stupid faces, which is distinguished from their usual disrespect for me and my Fabulous Mogambo Ideas (FMI), which in turn explains my self-righteous vengeful hostility to them all, which is another, more disturbing, subject entirely, so let's not go there.

I soon learned why they were so unusually antagonistic to me; I had not read the homework assignment like I was supposed to, and they had. Big deal! They did not know that I had to spend a lot of time last night arguing with the wife and kids about the financial benefits of them eating what appears to be a really, really cheap canned dog food imported from some weird country, with a label written in a language nobody even recognizes, thus generating real savings in the food budget! It seemed like a no-brainer to me!

Their ears were, unfortunately, rudely deaf to my helpfully translating the label to prove to them that it will provide adequate nutrition to their stupid lives, especially considering that they don't need a whole lot of energy to just sit around on their fat butts all day, watching TV and playing video games, talking on the phone with their stupid friends, yak yak yak, about (I suspect) what a horrible father I am, and how much they hate me, and how they are going to kill me by putting poison in my food. You know - the usual.

But I did not have to read the stupid assignment to know that BEA.gov says that in 2002, GDP was \$10.5 trillion, while in 2007 it was \$13.8 trillion, for an economic gain of 31%, but the punch line is "But you're a big fat loser (BFL) because the dollar's buying power went down by 40%! Hahahaha! Loser!"

The class is quiet, too stunned and bewildered to respond. Seizing the initiative, I explain, "Okay. Putting your petty little Earthling grievances and stupid ideas aside for one moment, if you can, imagine that you invested one hundred dollars in the stock market in 2002."

Most of the class was already bored and confused, and I hated them all the more for it, but I relentlessly droned on, "Now, fast forward 5 years, and I laugh when I notice that the passage of time has not been kind to you! Hahahaha!"

"But I laugh even harder to see that you are still stupid, as you happily drool on your brokerage account statement when you notice that you 'made' a \$32 gain on that original \$100 investment, notwithstanding all the money which you had to pay in expenses (of at least 2% a year on ALL the money you have invested, in order to have your account 'managed'), for a total of about 3.2% of your money, but you also have to pay 15% of the long-term capital gain as a deduction from the \$32 'gain', or \$4.80!"

By this time, even I was getting pretty confused, but I managed to bluff my way through a little more by saying, "And it doesn't take a smart-mouth accountant rudely telling you that your records are a 'mess', because you are an incompetent boob about accounting, to make you realize that you netted, after all is said and done, a lousy \$27.20 on the original \$100 investment after five years!"

There were a few impatient calls from the audience to "Shut the hell up! A 27% gain is

pretty good!" and "Is there a point to any of this, you Revolting Mogambo Halfwit (RMH)?" To this kind of rude audience response I rudely say, "I laugh uproariously, 'Hahahahaha!', at you and your stupidity! But I already knew you were all stupid, or else you would have realized what a warm, charming, and perfectly delightful person I am, a real peach of a guy, a 'darling' some would say, but none of you did! Proving that you are all stupid, stupid, stupid! Hahahaha! Stupid!"

Judging by an onslaught of spit and obscenities hurled at me, I knew I had hit a nerve with them, so I helpfully went on, "And to show you the price of your stupidity, the buying power of the whole \$127.20 wad, including both the original \$100 investment and the \$27.20 net gain, has lost 40% of it's buying power! This leaves you, the idiot 'investor', with a measly, pathetic \$76.32 in real, inflation-adjusted 2002 buying power! Less than you invested!"

They all inexplicably shut up, obviously confused, which made me laugh all the louder. I patiently explained, "You invested \$100 in 2002 buying power to get back, after five years, \$76 in 2002 buying power! Hahaha! Your 'fabulous' investment made a paper gain, but produced a real, inflation-adjusted loss of 25% of your money! Hahaha!"

My voice dripping with acid and sarcasm, I smile and say, "Nice investing there, Mister and Ms. America! You can fund a REALLY nice retirement by losing 25% of your buying power every 5 years! Hahaha!"

Well, JMR Jeffrey was apparently not ready for my scathing criticism, biting humor, witty asides, clever rejoinder, or Raw, Seething Mogambo Hatred (RSMH). Trying to quickly defuse the situation, he adds that "The situation is even worse in terms of silver", in that GDP measured in ounces of silver went from 2276.5 in 2002 to 1034.2 in 2007. A 54% fall in GDP in 5 years! GDP declined by over half!

I howl in fear! I howl in dismay! I howl in outrage! OwwwWWWWWwww!