

No Soothing Salve for Economic Ills

By [The Mogambo Guru](#)

11/03/08 All fiat currency is essentially worthless. Why then, are some people touting the idea that gold – tangible money – is too volatile to back this cash? Apparently flooding the markets with more worthless paper is a better solution. The Mighty Mogambo expounds...

Information Clearing House started off a recent issue with quote from Kenneth Gerbino, who is referred to as "former chairman of the American Economic Council", who notes, "Historically, the United States has been a hard money country. Only [since 1913] has the United States operated on a fiat money system. During this period, paper money has depreciated over 87%."

In contrast, when the dollar was gold and gold was the dollar, "During the preceding 140 year period, the hard currency of the United States had actually maintained its value. Wholesale prices in 1913 were the same as in 1787."

I thought that this would have ended the discussion, and thus our work was done and we could call it a day, go out for pizza and beer and maybe hit a few strip clubs, but suddenly at Bloomberg.com I read, "Gold Standard Is Wrong Salve for Global Ills".

I agree with this only because there IS no soothing salve for the globe's economic ill with which to effect a cure, which means that there is no economic "solution" to over-indebtedness and governmental stupidity that does not involve incredible pain, herein defined as incredible inflation in the necessities of life and the incredible deflation of everything that is not.

I am pretty smug about this because I already know that every other government in the Whole Freaking History Of The World (WFHOTW) wanted to spend more money than it could take in through taxes and plunder, and the ones that tried to use a fake, fatuous, foolhardy fiat currency made only of paper and promises ended up destroying themselves and ruining their people by creating so much money and credit, which is why the Founding Fathers, who knew this first-hand, wrote into the Constitution that the dollar shall only be of silver and gold, which is the only thing that can prevent the government from destroying the USA by the over-creation of money and credit!

And now the Fed and the Treasury are doing that very thing right now, creating money at rates that are completely unprecedented in American history and, probably, the history of the world!

Tragically, all of this money supply inflation will, as it must, result in consumer price inflation, which is the bane of all economies, although you would not know it from the deplorable Fredric Mishkin, whom the Bloomberg article refers to as "an economics professor at Columbia University's Graduate School of Business and a former Federal Reserve governor."

He says that with the price of gold futures fluctuating from \$253 to \$1,034 an ounce during the past nine years, this automatically means that pegging currencies to bullion "would probably not produce the price stability that the advocates of the gold standard seek." Hahahaha!

The dollar goes to (in the original Spanish) El Grande Squatto Mundo because Mishkin and his brain-dead econometric cronies at the Fed and most of the nation's universities keep encouraging interest rates to be constantly lower than the rate of inflation, which increases borrowing, which further inflates the money supply, which makes the prices of the assets go up a lot, and the prices of everything else to drift upward, too, in response to all of this new money and credit; so when gold goes up in response to the Fed's irresponsible creation of money and credit creating inflation in prices by reducing the buying power of the dollar, Mishkin says that this means that gold is not stable! Hahaha! Too much! Hahahaha!

In fact, "hahaha" does not even BEGIN to cover it, and I will emend that last paragraph to end with "Hahahahahahaha!" to indicate something really rude and disrespectful.

The Bloomberg article goes on that the gold standard is not necessary, although "no doubt, the abundant liquidity created by asset- securitization, derivatives and Asian countries amassing huge reserves while pegging their currencies to the dollar fed both bubbles and greed. Yet these excesses could – and should – have been harnessed by alert central banks acting in concert." Hahahaha! Like that's going to happen! "Trust us!" Hahaha!

This reminds me of Oscar Wilde saying, "I can resist everything except temptation", and who also famously said, "The only way to get rid of a temptation is to yield to it."

Until next time,

The Mogambo Guru