

Risk Management Addiction

By [The Mogambo Guru](#)

03/24/08 Thanks to Allan Greenspan, we now know that 'gambling' sounds a whole lot nicer when you call it 'risk management.' So this week, the Mogambo goes to Vegas with his kids' college funds and 'risk manages' it all over the craps table.

And Alan Greenspan himself wrote an essay for the Financial Times titled "We Will Never Have a Perfect Model of Risk", which perfectly sums up the incredible stupidity of this traitorous bastard who used the Federal Reserve to destroy this country. In it, Mr. Greenspan starts out by saying, "The current financial crisis in the United States is likely to be judged in retrospect as the most wrenching since the end of the second world war."

Wow! Pretty strong stuff from the guy who created all this mess and denied all along that anything could happen to the economy that lowering interest rates couldn't handle!

Then, amazingly, later he puffs up his chest and says that today's sophisticated computer modeling by him and his buddies requires "that saving equal investment, that the marginal propensity to consume be positive, and that inventories be non-negative."

My Rebellious Mogambo Mind (RMM) naturally says, "Huh? What in the hell is THAT supposed to mean?" and my Slobbery Mogambo Lips (SML) say, "Huh? When in the hell was the last time that saving equaled investment? When in the hell was the last time that someone did not spend a part of every new dollar of income? And just what in the living hell is a negative inventory?"

He does not answer me, but bizarrely goes on to say that "these restraints, among others, eliminated most of the distressing inconsistencies of the unsophisticated forecasting world of half century ago." Hahahaha! I can't believe I am reading this! Hahahaha! We are going to have the worst financial crisis since for the last half-century, which has completely surprised him and his little forecasting buddies, even though he crows about how he "eliminated most of the distressing inconsistencies of the unsophisticated forecasting world of half century ago". Hahaha!

Things are so screwed up that even he asks, "How did we go so wrong?", which seems to me to be an indicator of failure, like when I get to work a few lousy minutes late one lousy day, and my stupid boss angrily tells me "I was so wrong about you! Get into my office right now!", which is, so far, a perfect indicator of failure around here!

But he also enlightens us that "Risk management seeks to maximize risk-adjusted rates of return on equity; often, in the process, underused capital is considered 'waste'." Wow!

I love this! I was so excited that I sat the kids down and told them that gambling with every dime I can squeeze out of anything is not "gambling" anymore; it is "risk management", and it is now obvious that I am a modern kind of guy seeking to "maximize risk-adjusted rates of return"!

Then I reminded them that, as they say in Las Vegas, "It's only a gambling problem if you're losing", which is manifestly true, as no one seeks professional help because their gambling is leading to them to make a lot of money and have a lot of fun dating Vegas showgirls!

And then I added, with an excited giggle to show them how wonderful this new plan was, "And that includes your college funds!"

I did not, as I was hoping, get the enthusiastic response that I was looking for, and instead they became very hostile, which made me laugh to myself since they are unaware that I have been borrowing money from their stupid funds for years and years, and there isn't that much left to get upset about. Hahaha!

I figured that they were going to challenge my assertion that Alan Greenspan even said such a stupid thing, so I was ready for them to throw various cushions and bric-a-brac to accentuate their cries of "You lying bastard! You Thieving, Low-Life, Worthless Mogambo Lying Gastard (TLLWMLB)!", like it's the first time I ever heard that or something.

I held up my hand to protect my face from what appeared to be a flying chicken bone that someone found under the couch, and said, "Wait! Wait! He said it right here in the essay! He implied that Black Swan events are real, and that 'We will never be able to anticipate all discontinuities in financial markets. Discontinuities are, of necessity, a surprise.' So surprise, kids! You would have lost in the end anyway!"

Anyway, the whole of the article is insulting in his "nothing is my fault" explanations and weird rationales, and especially in the fact that he does not mention, even in passing, the crucial role he played in it all; without the Federal Reserve creating so damned much, so impossibly much, so incomprehensibly freaking much money and credit for all those years, the collapsing booms could not have happened, and so there would be no busts to with which to deal.

From Junior Mogambo Ranger (JMR) John P. we get some advice for those who think that they can actually model and control an economy with equations in computers, like the morons at the Federal Reserve and in most of the universities in this country, I am sorry to say. He says that it will make sense to them if I remind them that, "The fact is that a partial differential of one of countless variables in a feedback equation that has not yet been written is meaningless once that equation has gone chaotic!!!"

As I am still intently trying to master the intricacies of simple addition and subtraction, the reference to partial differential equations leaves me cold, so I try and deduce what in the hell he is talking about from the clues that 1) the system has gone chaotic and 2) that there are three exclamation points at the end.

And then, like Sherlock Holmes, I note that the horrible, terrifying answer is contained in the clues; "there are three exclamation points at the end". And there they are! It's the end! Ugh.

Until next week,

The Mogambo Guru
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The Mogambo Sez: Junior Mogambo Ranger (JMR) John says, "As far back as I can remember, Congress has been a proponent of the Charlie Brown philosophy: 'There's no problem so big that you can't run away from it!'"

And in the Funny Times newspaper was a cartoon by somebody named Mueller, which showed two homeless bums sitting on the sidewalk, and one of them says, "We should spend our way out of this." Hahahaha! Fabulous!

Putting them together, the government is going to pull out all of the stops, and that means that more money is going to be created than the world has ever seen, and thus inflation in prices is guaranteed, and that means that you should start buying gold today. Lots of it! And don't stop!