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Robbing the Poor of Jeffersonian Wisdom

by The Mogambo Guru

"Because the government (in our case, through its proxy the Federal Reserve) creates excessive amounts of money and credit...the poor must consume less, and the money they spend flows to the rich guys who borrowed the money in the first place!"

President Thomas Jefferson once said, "A government big enough to give you everything you want is big enough to take away everything you have."

Naturally, I am jealous of Thomas Jefferson, as he gets quoted all over the place, whereas the only time I was ever quoted was that time when I said, "I'm innocent, I tells ya!" which made everybody laugh because everybody knew I wasn't, since they had all that videotape evidence, two busloads of eye witnesses, and the cranky old woman herself yelling, "That's him, officer! That's the guy who called me a stupid, moronic, ugly, half-witted old bag because I would not agree to buy more gold, silver and oil to somehow 'save myself' from the economic collapse that he sees coming as a result of the Federal Reserve creating all that excess money and credit all those years, especially since 1997 when it REALLY got cranking! And he wanted to me give him twenty dollars as a donation to finance his trip to track down Alan Greenspan, former chairman of the Federal Reserve from 1987-2006, and slap his nasty, ugly face as but a small prelude to the punishment he deserves for what he has done to the country and its money!"

So, still bearing the psychic scars of that nasty encounter (I never did get the twenty bucks!), I never pass up an opportunity to show how I am smarter than Thomas Jefferson, which I typically prove by merely showing that I am alive and he is dead. I mean, he's dead! What in the hell was he thinking if he is so smart?

But this time I can show the shallow thinking of Thomas Jefferson in another way by merely showing what he should have said, which is, "A government big enough to give you everything you want is big enough to take away everything you have, and that is exactly what it will eventually do because that is what it must eventually do if government is going to pay higher and higher bills as inflation in the money supply translates into inflation in consumer prices, and like a giant leech from Outer Space it will sink its fangs into you and suck you dry of financial liquidity, either in taxation or inflation (but usually both), and that is why I, Thomas Jefferson, and all the other Founding Fathers, put into the Constitution the requirement that money can only be gold and silver, which is to make sure that the government can't produce extra money and credit and ruin everything with that boom-bust crap!"

Howard S. Katz at thegoldbug.net is obviously not anxious to get into this Jefferson-Mogambo debate, but writes, "the desire to live off the labor of others is very strong", explaining the always-popular idea of the "common people that their government would 'rob from the rich and give to the poor.'"

He immediately disabuses you of that silly notion by dryly noting, "No government in history has ever done this."

Instead, because the government (in our case, through its proxy the Federal Reserve)

creates excessive amounts of money and credit, and all of this money chases a fixed-in-the-short-term supply of goods and services, thus driving up their prices, and thus the poor must consume less, and the money they spend flows to the rich guys who borrowed the money in the first place! Hahaha!

We're essentially robbing the poor to give to the rich because the Federal Reserve is creating so much money! Get poorer by having money! What a country! Hahaha!

And the poor are being robbed at a faster and faster pace, as prices are soaring for all kinds of things, as I note from the CRB index being up 9.2% year-to-date. And the Goldman Sachs Commodities Index is up a whopping 16.1% since January 1, and up a terrifying 43% over the last 12 months!

The new Economist magazine's table of "Economic and financial indicators" shows that "All-Items" have gone up by 25% in the last year, and that the category of "Food" is up 41% in the last year! I am screaming my guts out in outrage!

And the prices of commodities are not finished rising because the central banks of the world are not finished increasing the money supply. I can say this with confidence not because I am an arrogant, loudmouth know-it-all (which I am), but this time I have a colleague in the famous Jim Rogers, who, according to the title of the essay MoneyWeek.com, answers a perennial question with "Why Commodity Prices Are Not Done Rising Yet".

Here is where I cleverly take the words of Mr. Rogers and twist them around to my benefit. Thus, I proudly announce in a press release that "Jim Rogers, famous investor and economic seer, says that The Mogambo Of The Twinkling Blue Eyes (TMOTTBE) is absolutely right, and that you SHOULD be buying gold, silver and oil like the greedy little paranoid rat that you are, and if you are not buying them, then you are going to be busted and miserable no matter HOW much of a greedy little paranoid rat you are!"

Okay, he did not say that. But he did say, "There's been no major elephant oil fields [of more than a billion barrels] discovered in over 40 years. Alaskan oil fields are in decline; Mexican oil fields are in rapid decline; the North Sea is in decline. The UK has been exporting oil for 27 years now. Within the decade, the UK is going to be a major importer of oil again. Indonesia is going to get thrown out (of OPEC) because they no longer export oil, they are now net importers of oil. Within the decade, Malaysia is going to be importing oil. 10 years ago, China was one of the major exporters of oil, now they are the second largest importer of oil in the world."

I can tell by the look of horror in your eyes that you are terrified that I am going to use this instance of increasing demand versus falling supply as an excuse to launch into another dreary lecture about how the prices rising and falling is what makes supply equal demand, but I am not. It is my birthday present to you. And if it is not your birthday now, then it will be one day, and you already have my present, so don't go around saying, like my children, "He won't even give us a birthday present and he won't even call us on the phone on our birthdays, and if we call him, he says 'Me no speakee English!'"

Mr. Rogers is apparently also afraid that I am going to launch into a Tiresome Mogambo Lecture (TML) about how he ignores the whole supply/demand dynamic that actually determines prices, and he cleverly cuts me off by saying, "Meanwhile, you know what's

happening to demand. Asia's been booming. There are three billion people in Asia. America's growing. Most of the world has been growing for the last 25 years."

On the other hand, "supply has gone down and demand has gone up for 25 years. That's called a bull market."

He sums it up by saying, "the commodity bull market is not something that will happen someday. It's in process right now, and it's going to go on for years to come, because supply and demand are out of balance. And by the time we get to the end of the bull market, commodities will go through the roof."

And gold, silver and oil will be right there in the lead, racking up the greatest gains of all! Whee!