

January 15, 2008

Stealing Metaphors for Excess Money

by The Mogambo Guru

"So, if inflation in prices is not caused by a depreciating dollar or monetary policy, then Mr. Central Bank Governor Sultan Bin Nasser al-Suwaidi better find out what in the hell is causing it, and pronto!"

For a real surprise, Peter Schiff of Euro Pacific Capital writes, "Today on CNBC, Mark Zandi, the highly-respected chief economist of Moody's Economy.com, proclaimed that the [falling dollar](#) 'has nothing to do with inflation'," which Mr. Schiff apparently deems, as do all thinking, rational people, to be an "asinine statement", since "a weak dollar is the very essence of inflation."

Here is where I demonstrate the advantage of having a reputation as a vengeful lunatic; originally, Mr. Schiff was going to write, "this is so asinine as to be on a par with The Mogambo being nominated for 'Father of the Year!'"

Fortunately, he is such a gentleman that just calling him up on the phone and politely letting him know how displeased I was by cocking a pump 12-gauge shotgun in his ear was enough that he changed the phrase to being asinine, "on a par with the 'permanent plateau' comment uttered by Irving Fisher on the eve of the 1929 stock market crash."

Satisfied, I am happy that he continues, "Along those lines, Wall Street continues to buy into government propaganda designed to confuse the public about the true cause of inflation. They dismiss rising prices as resulting from economic growth and then minimize the impact by relying on bogus CPI statistics."

Then he exposes the true ugliness of the damned Federal Reserve creating all this bogus "growth" that is merely the effect of inflation by saying, "This completely misses the point that legitimate economic growth causes prices to fall and not to rise. True economic growth comes from increased production, which lowers consumer prices by increasing supply, particularly for basic necessities such as food."

Unfortunately, "The reality is that despite some genuine economic growth abroad, governments are creating so much inflation that food prices are rising anyway."

But this "the dollar is irrelevant" idiocy is everywhere, as on Bloomberg.com we find that "The United Arab Emirates will keep the dirham's 30-year link to the dollar after completing a review of its currency regime, said central bank Governor Sultan Bin Nasser al-Suwaidi."

This guy actually said, "In 12 months I can say to you that the U.A.E. will maintain the peg", and that he and his little buddies, "have come to the conclusion that the inflation problem does not lie with the peg against the U.S. dollar" because they have been "studying the causes of inflation and we came to the conclusion that the causes are not in the dirham/U.S. dollar peg, therefore we need not do anything on that front."

Why are they saying such weird things? Barbara Nestor, an economist at Commerzbank AG in London, says that, "They are trying to avoid depreciating further the dollar, and

therefore their dollar assets."

Nevertheless, Bloomberg notes, with a hint of sarcasm, that, "U.A.E. inflation accelerated to a record 9.8 percent last year from 9.3 percent in 2006 as the dollar's declines pushed up import prices, according to the median forecast of seven economists surveyed by Bloomberg."

So, if inflation in prices is not caused by a depreciating dollar or monetary policy, then Mr. Central Bank Governor Sultan Bin Nasser al-Suwaidi better find out what in the hell is causing it, and pronto!

Or they could [buy gold](#)! In fact, this fits in perfectly with my latest conspiracy theory; the United States Treasury says that it has 261.5 million ounces of gold. If the dollar falls enough so that gold sells for \$30,000 per ounce, the M2 money supply would be fully "gold backed" to the tune of \$7.845 trillion!

As for NOT having your money be gold and silver like the Constitution demands, it reminds me of Jenny Thompson of Health Sciences Institute of Baltimore saying, "As much as we might want to believe in them, you and I both know that diets are like Santa Claus. For a while, you put all your faith in them, but in the end, you learn the truth: It just doesn't work that way."

Excellent! Not having any creativity myself, naturally I have to resort to stealing ideas from others, and here is a perfect example of my prey. (And in case you were wondering, no, you cannot get a highly-desirable Handicapped Parking Permit just because you are "creativity-impaired", and thus you are again unfairly denied access to all those luscious parking spots right up front, everywhere you go, even after you patiently explain to them how stupid they are for denying your application).

So I was going to take Ms. Thompson's witticism and twist it around to, "As much as the stupid Federal Reserve and the stupid American people want to believe, you and I know that creating so much excess money and credit is like believing in Santa Claus. For awhile, you put all your faith in it, but in the end, you learn the truth: It just doesn't work that way, and Santa is never going to bring you that Harley chopper that you have been asking for since you were 16 years old, and in that selfsame way of wanting something for nothing and paying for it with a fiat currency whipped up out of thin air, you wind up with a grotesquely distorted economy that is bizarrely and solely dependent on massive government spending, with inflation in prices spiraling out of control, a falling currency and a collapsing economy, just like Mises, the whole Austrian Business Cycle Theory, and everybody at Mises.org have long, long, looooooooonnnnnnnnnng predicted, although not as loud and incoherently as when The Mogambo is earnestly educating the neighbors about the destructive inflation of allowing the Federal Reserve to create so much money and credit by screaming at them and hurling insults at them, too." Ugh.

Mogambo sez: It's pretty astonishing how gold has risen to a new, all-time nominal high, but the sense of urgency it implies is missing from the news media, when if they were REALLY news reporters, they would be finding out the truth about gold and why it is rising, and then they would be in here with me, hunkered in the bunker, finger on the trigger, scared out of their freaking minds.