

March 13, 2008

The Dinosaur Gold-Standard Economy

by The Mogambo Guru

"The dinosaurs had a monetary system based on gold, which explains why the historical record shows absolutely no inflation in prices during the entire Jurassic period, and anyone who says otherwise is a lying bag of crap."

Peter Schiff of Euro Pacific Capital is justifiably upset that CNBC, on which he has appeared many, many times over the years, professes to be surprised at current events, even though they are the same things he has consistently predicted on their show! I know! I've seen him!

Mr. Schiff writes, "The current line at CNBC is that, prior to the 'unexpected' contagion emanating from the subprime mess, the U.S. economy was experiencing a 'Goldilocks' era of optimal health." To prove his case, he offers a link to a video of a "CNBC match up from August 2006 between me and Arthur Laffer, a CNBC favorite", which he says is "priceless" because it contains "Some of Laffer's best one-liners" which include, "the U.S. economy has never been in better shape" and "monetary policy is spectacular." Hahaha! He's right! Priceless!

I was envious at how everyone laughed when he looked directly into the camera and, milking every drop of deadpan comedy out of it, dryly said, "I kid you not". So I leap to my feet to try and claim a little jealous attention, too, and exclaim, "Apparently, the theory of non-linear mathematics, popularly known as the Butterfly Effect, nor news of the statistical proof of the certainty of sudden, calamitous discontinuities, popularly known as Black Swan events, has penetrated CNBC, both of which make a cruel mockery of the very idea that anyone could have continuous, uninterrupted, healthy economic growth by using gigantic expansions of the money supply via a [fiat currency](#) in an unlimited fractional-reserve banking system to supply evermore cash to a wildly expansionist government!"

A slight titter of nervous laughter barely rippled through the room, which was very gratifying to me, but it seems to have rattled Mr. Schiff, who nonetheless still managed to upstage me in the laughter department by cleverly saying that CNBC still believes that "if the Fed and the Government can divine the right combination of fiscal and monetary policy, Goldilocks will once again be blissfully picking daisies...or more precisely, buying SUV's." Hahaha! Goldilocks in an SUV! An interesting metaphor!

But the point is not that Mr. Schiff is funnier than me without even trying, but that we are freaking doomed, and CNBC would have known that if they had tuned into the Daily Mogambo Business Network (DMBN), where they would have learned during the course of any of numerous Raging Mogambo Editorial Rants (RMER) that the Butterfly Effect proves that all money will influence, after just a few iterations of the financial system, all other money, which means that to laughably think that the subprime problem could be "contained" is absolutely ludicrous; the truth is that it will literally affect every other piece of money around the world, and to an unknown degree!

And, if they had taken the time to tune into the DMBN show, maybe snuggled down with a bowl of hot popcorn and a cold beverage, or a soggy pizza and a bottle of cheap

tequila, they would also have learned the on-air report of the recently-discovered fascinating fact that the dinosaurs had a monetary system based on gold, which explains why the historical record shows absolutely no inflation in prices during the entire Jurassic period, and anyone who says otherwise is a lying bag of crap.

The other news is that the dinosaur economy nevertheless had the Mother Of All Black Swan Events when a giant meteor smashed into the Yucatan Peninsula, destroying most of the life forms on the planet, and all of that fabled dinosaur monetary conservatism was for naught.

But it is one thing for CNBC to not report the crucial discovery of the dinosaur gold-standard economy and its stability, but it is quite another for CNBC to actually believe that the Fed and the federal government can "divine the right combination of fiscal and monetary policy" to put everything aright!

This is obviously where I would normally insert a Scathing Mogambo Laugh Of Contempt (SMLOC) at such preposterousness, but actually, upon reflection, CNBC is right! With wildly inflationary monetary policy and bizarre, giveaway fiscal and regulatory policies, they actually CAN get things perking again! Nothing could be easier!

I mean, how much is a house worth if a homebuyer could get back, in cash via a tax credit, all of their interest payments on the loan? Or a tax credit for all of the interest payments PLUS 10% of the principal?

How about if the government sent every taxpayer \$1,000 per month for the next year? How about \$10,000 per month? How's THAT for an economic stimulus? Hahahaha!

I've said it before, and I'll say it again; Ben Bernanke, now chairman of the Federal Reserve (which is neither federal nor a reserve of anything, but is a private bank that suspiciously signs its email with a "dotgov" suffix) was absolutely, positively, 100 percent correct when he said that with a printing press that can create money at almost zero cost, a determined government could always create inflation, a horror which he is now obligated to inflict on us since he has long, and now famously, shot his mouth off about how he is so smart and how he is such an expert on the Great Depression, and how he knows exactly what those idiots back in the '20s and '30s should have done, which is to keep pounding, pounding, pounding money into the economy with lower and lower interest rates and buying up a constant, huge stream of new government debt, and buying up all kinds of things, irrespective of the resultant ruinous inflation in prices at such horrifying monetary excesses.

It's too bad that Mr. Bernanke is too busy to look at Zimbabwe to see how that has worked out in actual practice, as [Bill Bonner](#) says, "What happens to a paper currency when its custodians decide to destroy it? We have the answer to that question illustrated for us in the headlines from Zimbabwe. Last we heard, inflation was running at 100,000% per year. The average employee made millions per day...but could barely buy a can of beans with the money. Worse still, the beans - and everything else - had disappeared from the shops...hyperinflation has destroyed the economy."

Is there a lesson in all this total destruction by inflation? Yes! The lesson is, according to the Mogambo Big Book Of Economics (MBBOE), "Don't start inflating the money supply, moron, because you will get inflation in consumer prices, which will cause economic misery, and finally food riots and societal disintegration will break out, and so that is

why I called you a moron at the beginning of the sentence, because only a moron would attempt such a thing when the entire history of economic mankind shows that inflating the money supply has ruined everyone who has ever, ever tried it!"

I look at Mr. Bonner and he reluctantly agrees, "Yes, that's what happens. First the money. Then, the economy. Finally, the society itself."

And then raving gold-bug lunatics like me and the Austrian Business Cycle Theory prove to be right after all, and we take over the joint because we bought gold, and now we are rich, rich, rich!

And when a creepy little jerk like The Mogambo gets that kind of money and power, then you know that Mr. Bonner was right; decent people in a civil society, and society itself, don't have a chance against such outrageous and shameless hedonistic gluttony. Ahhh! Gold!