

February 27, 2008

## **The Euro Only Commits Misdemeanors**

by The Mogambo Guru

*"'Only' 15.6% inflation in prices! It's like your stupid children getting arrested, and they brag all the way home about how they haven't ever been charged with a felony, only misdemeanors, while their friends have all done hard time!"*

To show you how having a strong currency is so nice from an inflationary viewpoint, let's take a little walk over to The Economist magazine, maybe stopping by the candy vending machine on the way, and maybe deposit coins of a [depreciating currency](#) in exchange for something comforting in the chocolate family, perhaps with nuts, and maybe some nougat or something equally as tasty, because trust me when I say that you will want a little sweetness, because soon things will be very ugly.

Firstly, we note that the Economist Commodity-Price Index shows an, "All items" year-over-year inflation of 30.7% in the Dollar Index!

The euro ([EUR](#)), which has been stronger than the dollar, shows an "All Items" year-over-year inflation of "only" 15.6%! Hahahaha! "Only" 15.6% inflation in prices! It's like your stupid children getting arrested, and they brag all the way home about how they haven't ever been charged with a felony, only misdemeanors, while their friends have all done hard time! Like that makes it okay or something!

And so I recognize that feeling of stunned incomprehension as I drive them back home, and watch in disbelief as they nudge each other with their elbows, exchange sly looks and try not to laugh, like I'm so stupid that I don't catch on. It's the same thing with this 15.6% inflation in euroland; stunned incomprehension.

Inflation means that you are going to see things the likes of which Moises Naim, of Foreign Policy magazine, writes about in the LA Times, such as, "Last month, 10,000 people took to the streets in Jakarta to protest skyrocketing soybean prices. In 2007, pasta prices sparked street protests in Milan. Mexicans marched against the price of tortillas, Senegalese protested the price of rice, and Indians took up banner against the price of onions."

Inflation in the prices of food is bad news, as mobs of hungry, angry people rampaging through the streets generally wind up causing a lot of trouble, and as a result, "Argentina, China, Egypt, Venezuela and Russia are among the nations that have imposed controls on food prices in an attempt to contain a public backlash", against the horrible inflation in prices that is following the horrible inflation in the money supplies! Hahaha! Like that has ever worked! Hahaha! What chumps!

And how do you protect yourself against inflation? [History, of course, says "gold"!](#) And for those of you who have suddenly had your eyes opened as you were horrified to learn what is happening to our money and our economy through the deliberate policies of Alan Greenspan's Federal Reserve for 17 long, long years, and now under the Federal Reserve of Ben Bernanke doing the same thing, and now you find yourself longing, longing, longing for a way whereby you could be sure that you are paid in non-inflating

money, where, "a dollar was a dollar and a dime was a dime"...

...If that describes you, then the essay, "Brief History of the Gold Clause in Contracts" by Mark K. Funke, Esq., writing in Northwest Territorial Mint's newsletter, is just what you need!

Mr. Funke writes, "It is a fiction for us to believe that the dollar (or any other currency) has a fixed value over an extended period of time. For centuries, humans pondered how to protect themselves against a [wasting currency](#). Lawyers writing long-term contracts have faced this question for a long time. In the 1700s, 1800s and early 1900s, long-term contracts commonly included a 'gold clause.' A gold clause generally allows one party to demand payment in gold based upon a pre-established fineness and quantity."

This perfect arrangement, willingly agreed to by both parties and working perfectly for all those centuries was, of course, doomed by government/Fed mismanagement of the general economy, and in the resultant panic, "In June 1933 all gold clauses were declared against public policy by a joint resolution of U.S. Congress."

The interesting news is that, "In 1977, U.S. Congress passed a statute again permitting contracts to be valued or paid in gold, provided the contract was entered into after October 27, 1977 (See 31 U.S.C. §5188(d)(2))."

The glorious upshot is, "So yes, these days you can have your attorney draft a lease or other payment obligation which includes a gold clause - although", he adds with a clever hint of contempt for the integrity of government, "there is no protection against Congress changing its mind, just as it did in 1933."

But in the meantime, gold clauses are now perfectly legal, and they will surely become even more popular as the inflationary horror unfolds, even in China, as we learn from Junior Mogambo Ranger (JMR) Bill C., who sent an article from Chinaview.cn that, "The Bank of China has forecasted a 7.5 percent or even higher rise in the January Consumer Price Index (CPI)."

And the Financial Times reports that there is a new agreement on steel among the few participants, and everyone has agreed to a 65 % price hike for iron ore! Yikes! 65% at a whack! And this is actually the good news, as iron ore spot prices have, "roughly trebled" over the last year!

It's a wonder that it's that high, but it will go higher, as the "prices of coking coal are expected to double", too, and the money supply is going up at double-digit rates everywhere! We're freaking doomed!

It's a wonder that gold isn't higher. [It will be higher](#). And much higher, as the currencies all get weaker as all the currencies expand their money supplies, and the people who are not hedged with a gold clause will pay a big, big price as inflation that falls short of predictions will destroy the profit that both sides thought that they were going to make, which will make gold clauses more popular, which will make gold more popular, too, which means that gold will go up in price that much more as all around it, which is the good news for those holding gold.

Meanwhile, everything else is turning into crap. Ugh.

**The Mogambo Sez:** As so confidently predicted because I am too stupid to realize my folly in predicting anything, [silver has led the way up](#), followed by gold, and followed by oil.

And I don't expect anything to change except the increasing wealth of those who are faithfully following the Mogambo Investment Plan (MIP), which is to buy lots and lots these three things, which you do by putting your children on a subsistence diet and a minimal standard of living so that they can be convincing as they beg for money from people at the mall, and then you take their money and wisely use this money and the savings to buy silver, gold and oil in prodigious amounts.

I know, I know; it sounds so simple, how come nobody ever thought of it before now?  
Hahaha!