

January 17, 2008

## **The Futility of the Economic Weatherman**

by The Mogambo Guru

*"Federal Reserve chairman Ben Bernanke has no such qualms about shame, and said he is ready to take "substantive additional action", which the media and markets took as saying, 'Rates are going down, dudes!'"*

Total Fed Credit, that magical spigot from which drops bank credit, from which money is created when somebody borrows the money, fell \$22 billion last week! \$22 billion! My God! This is horrible news for those (like Congress, Wall Street, the banks and the Federal Reserve) who are so preposterously and laughably stupid that they think that constantly creating more money, and more credit, and more debt, and more inflation in prices is (hahahaha!) good for an economy!

Sorry about that inserted "hahaahaha" in that last sentence, but I could not hold the laugh inside me any longer, as it is just too, too, too ridiculous that so many people could actually believe something so childishly stupid and suicidal as to be dying for inflation! Hahahaha!

And I use the phrase "dying of inflation" because that is what happens when a country is so stupid (audience shouts out, "How stupid, Mogambo?") as to elect morons who let an idiotic central bank conduct bizarre experiments with the money and the banks, and thus the economy, with their new theories and ludicrous equations that "prove" that constantly increasing the money supply will not lead to inflation in prices, and if it does, then just create more money and credit in order to "fix" it! Hahaha!

And speaking of morons who get elected, I am pleased that Senator Christopher Dodd has dropped out of the Presidential race, as I consider him to be the most incompetent, malfeasant loser in Congress, and the whole subprime fiasco can be laid right at his door since he was the chairman of the Senate Banking Committee for all those years and he did not raise one objection to any of that Federal Reserve crap that got us here! The whole time, not one objection! Pity Connecticut's shame for having elected this loser.

But let's not dwell on shame, as this will undoubtedly prompt my wife to give everybody a loud earful of her, "What it's like to be married to The Mogambo" crap, which quickly bores me to death, as it seems like I have heard it every damned day of my life, and, to make it worse, she doesn't add the new stuff that she is upset about until the end, which could be freaking hours from now, and believe me when I say that it is not worth the wait to find out what is new.

On the other hand, Federal Reserve chairman Ben Bernanke has no such qualms about shame, and said he is ready to take "substantive additional action", which the media and markets took as saying, "Rates are going down, dudes!", although The Mogambo Inter-Planetary News Service (MIPNS) interpreted it as "Inflation in prices is going up, dudes!"

But nobody wants to talk about inflation, since they know that it freaks me out so much that I seldom stop yelling about it once anyone gets started talking about it, or mentions it in passing, or even permits a freaking lull in the conversation, and so you can be sure that they don't want to get me cranked up about how rough society becomes when the

monster of price inflation is given steroids during some "substantive action" by the Federal Reserve.

Instead, people want to know the meaning behind the latest hit recording from The Fabulous Mogambo All-Star Band about this very subject, "How low, low, low will interest rates go, go, go when the Fed's 'substantive action' kicks in good and hard?" They notice that while it has a good beat and it's easy to dance to ("I give it a 70, Mr. Clark!"), the lyrics never actually say how low, low, low rates will go, go, go.

I resist having to admit that forecasting actual numbers is completely beyond my limited skill set, for one thing, and it involves actual work to derive for another Big, BIG Reason (BBR) why forecasting always fills me with dread, probably because Chaos Theory and Taleb's Black Swan probability theory prove that forecasting is a waste of time. Not to mention how people forecast that marriage will be "good" for me, which is another forecast gone horribly awry.

This is why my standard answer to a forecasting question is to shrug it off and look at my watch as my clever way of saying "Hey! It's almost lunchtime! Or coffee break time! Or I have to leave because I have to be someplace important that I forgot all about until just now, like maybe just discovering that my watch is broken!"

Fortunately, Bill Bonner here at The Daily Reckoning either does that kind of forecasting work or knows someone who does, whereas the only people I know are the kind that can chug a whole can of beer in one quick pull and burp real loud, which always seems funny to us for some reason, probably because we are all drunk as hell and it is too early to start throwing up.

But I am cold sober now, which doesn't help to disguise my fear and outrage when Mr. Bonner notes that "The Fed is already lending money at real rates near zero. Subtract the inflation rate from the Fed funds rate and there is nothing left. If they cut the rate again, they will be lending substantially below zero."

Instantly, I run to my desk and find a piece of paper, but finding only bills with "Last Notice!" stamped on them in red ink, like I am going to somehow miss the fact that it is written in 60-point type across the whole top of the stupid letter or something. Anyway, the bottom of the last page is blank, under the part where some dork from, "The Collections Department" has signed off with, "P.S. See you in court, loser!"

So I look at the Fed Funds rate, which is at 4.25%, and that means that Mr. Bonner thinks that, if the Fed is truly lending money at real rates "near zero", that inflation must be about 4.25%, too, which I think is too low, as I glean from the Infallible Mogambo Indicator (IMI), which was developed out of noticing how much more I have to pay for things all the freaking time and how I note that every time I pay for something, it costs than the last time, and how I think of Alan Greenspan and how I hate him all the more for it, more and more and more, until I start waking up after having a nightmare where I am frozen in place and Alan Greenspan is a big scorpion of inflation, with big teeth and a horrible grin on his face, and he is slowly eating my legs off while his barbed tail is reaching over and stuffing the poison of too much money, too much credit, too much debt, and too much government down my throat, and I want to scream and scream and scream and call out for help, but I can't make a sound, until I wake up and find that the reason that I can't scream or call for help is because my wife has her hands around my throat, choking me in a death drip while she is yelling, "Wake up! Wake up, damn it!"

You're just having another nightmare about your stupid inflation and your stupid Alan Greenspan!", which is, of course true, but which doesn't explain why she is choking me to death.

Mr. Bonner is no help, and ignores my red face, the fact that the IMI is at redline, my protruding tongue and my pleading eyes to say, "The Fed is also running the loosest regime in the Western world", despite the fact that "Real lending rates in both the Eurozone and Britain are higher than they are in the United States, and inflation rates in both areas are lower than those in the United States."

And he knows, as I know, as we all know, that it will get worse and worse, as he makes plain when he says, "Still, just listen for the helicopters...the noise will get louder and louder."

And the results of this fabulous Congressional oversight of the banks by the egregious Mr. Dodd and his coterie of Congressional losers? Larry Edelson at MoneyandMarkets.com says that, "latest data shows the broad supply of money in the U.S. - formerly known as the M-3 Money Supply - is growing at an annual rate of more than 34%. That's super inflationary!" 34%! Yike! He's right; that is super inflationary! We're freaking doomed!

Nobody wants to join me in condemnation of Mr. Dodd and the other halfwits on his stupid little incompetent committee and in Congress (except Ron Paul, the only guy there who even vaguely understands what they are supposed to be doing and why he should be the next President of the United States), or the Federal Reserve, or the banks. Nor does anyone want to share their pizza with me or even let me have a sip out of their stupid beer, so I have to distract them by saying, "Hey! Look out the window! It's a UFO!" and then snagging a little food and beverage from them while they look away.

And why the parsimony? Probably because we are all broke, as Mr. Edelson says that "All told, our debts have now reached 460% of national income - an all-time high - with no end in sight."

And that is why soon, all across the world, people will be sitting in restaurants and bars and saying, "Hey! Look out the window! It's a UFO!" and snag your grub. Look out!