

# Cloudy With a Chance of Economic Stupidity

By [The Mogambo Guru](#)

08/18/09 Tampa Bay, Florida

*Bloomberg* had the story about how “The global financial crisis has blown a hole in the ‘efficient markets’ theory on which modern economics and modern finance have been based, said Richard Thaler, a professor of economics and behavioral science at the University of Chicago. Writing in the *Financial Times*, he said the theory assumes that everyone in the economy behaves rationally, which is like leaving friction out of account when doing physics. It consists of two assertions: that asset prices are right, in the sense that they fully reflect available information and thus provide accurate signals for allocation resources; and that market prices are impossible to predict, Thaler said.”

Oddly enough, this comes at the same time a doofus named Robert Lucas at the U. of Chicago whines in *The Economist* magazine that in a previous issue the magazine was devoted to showing that macroeconomists were “caricatured as a lost generation education educated in the use of valueless, even harmful, mathematical models, an education that made them incapable of conducting sensible economy policy.” Exactly!

This is precisely what I am saying and have been saying all this time, and was happy to see *The Economist* magazine agreeing with me. I mean, these people actually believe that their precious little equations and their darling little computer models can guide monetary policy! And look where it got us! Hahahaha!

These kinds of people deserve no respect at all, and in fact, Junior Mogambo Ranger (JMR) Oliver K. B. III suggests that the clever acronym nKet, short for “neo-Keynesian econometric trash”, be included in “the next edition of the official Mogambo dictionary”, which seems like a good idea to me, as it seems gratuitously rude and utterly disrespectful.

Mr. Lucas, on the other hand, apparently as a practitioner of nKet, says that “this caricature is nonsense”, although he doesn’t explain exactly how the Fed’s total failure differs so dramatically from “valueless, even harmful, mathematical models” that “made them incapable of conducting sensible economy policy”, when all you have to do is get up and look out of the window to see the results of nKet! Hahaha!

Apparently scurrying around at my stinging attack, he says that forecasting problems is not the point of economics, and that “One thing we are not going to have, now or ever, is a set of models that forecasts sudden falls in the value of financial assets”, to which I raise one eyebrow to effect the famous Mogambo Quizzical Expression (MQE), silently saying, “Huh?”

But before I could interrupt, he interrupts my interruption and says, perhaps as a rebuttal to the MQE in the prior paragraph, that nobody can reliably predict the future, and that “This is nothing new. It has been known for more than 40 years and is one of the main implications of Eugene

Fama's 'efficient market hypothesis' (EMH) which states that the price of a financial asset reflects all relevant, generally available information" and that only unknown information can change prices, otherwise "If an economist had a formula that could reliably forecast crises a week in advance, say, then that formula would become part of generally available information and prices would fall a week earlier."

I am scratching my head at the relevance of this, as it seems to imply that he agrees with me that an unforeseen, out-of-nowhere "Black Swan Event" with catastrophic results will always swamp simplistic statistical forecasts and backward-looking extrapolation methods.

After re-reading his remarks, I realize he is saying that if I can't forecast share prices a week in advance, then I can't forecast the economy a year in advance! Or five years in advance! Or 20 years in advance, even though the entire history of economics shows a 100% chance of economic doom in a sooner-than-later timeframe after letting a stupid government over-create as much money as it wants, regardless of the impact of Black Swan Events.

And even so, I can't forecast it by saying, "We're freaking doomed!" when I know we are? Hahaha! Says you!

Now, here is where it gets funny. Since he says that forecasting crises is not possible, you are probably wondering "What is the purpose of economics then, and why am I wasting all this time reading this Stupid Mogambo Crap (SMC) when I could be out having a really good time, doing really nasty things with really weird people and getting so drunk that I will forget the really embarrassing parts?"

Well, according to Mr. Lucas, the purpose of economics seems to be the creation of "simulations", but they are "not presented as assurance that no crisis would occur, but as a forecast of what could be expected conditional on a crisis not occurring." Huh? Ah! Hahaha! Hahahaha! I get it! I told you it was going to be funny!

As you can imagine, I was laughing pretty hard when I suddenly realized, like the dullard I am, the gem of Pure Managerial Gold (PMG) that I now held in my hands!

Immediately racing back to the office, I tore up all my plans and budget worksheets for the next fiscal quarter, which is an odious, hateful task only performed because I was ordered to address the crisis-level revenue problems that are occurring because of what some people think is my bewildering incompetence and Hateful Mogambo Nature (HMN), but which I credit as problems caused by stupid, vengeful customers who stupidly confuse business with their depressing personal lives.

The truth is that I have, casually in the course of conversation with clients, let it drop that I think that they are a lowlife, brain-damaged and/or genetic-mutant idiot for not buying gold, silver and oil when their government is obviously acting like a monetary and fiscal lunatic, whereupon they stupidly over-react by angrily hanging up the phone, canceling their orders and complaining to my boss like a bunch of whiny little crybabies.

And if I call them up and politely tell them that they are acting like whiny little crybabies, lowlife mental defectives who should be buying gold, silver and oil because of the fiscal and monetary horrors of the government but who are apparently too stupid to do so, they don't thank me! Instead, they complain even more!

I only mention this to show you the kind of stupid crap I have to abide every day of my pathetic life.

Until now! Now I have a way out! Now, instead, thanks to Mr. Lucas and his theory that economics is "a forecast of what could be expected conditional on a crisis not occurring", I will simply forecast budgetary things as if everything will work out just fine! There are not going to be any crises!

My official projections are, just like those of professional economic hotshots like Mr. Lucas here, intended to be mere simulations that show what happens if everything works out fine and dandy, which I am required by the strictures of the theory to assume they will, along with happy, happy customers insuring increasing sales and a big juicy raise for me.

In reality, though, I am buying gold, silver and oil, and keeping my eyes open for a new job because, as they say, "Reality ain't like dat!"