

Losing Money So Someone Else Can Make It

By [The Mogambo Guru](#)

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Lately, I sense a need for a change in my life, to get away from doing anything except working at what I think is my Real Mogambo Mission (RMM) here on this planet you call Earth, which is to eliminate the rule that losing a golf ball in play scores a penalty stroke.

I am driven (no pun intended) to do this because any idiot can see that it is ridiculous to be penalized because your ball mysteriously and inexplicably disappeared in the middle of the fairway, or in the rough, or in the woods, or out of bounds someplace, all because the ball came down out of the sky and disappeared into some animal burrow or wet spot or something, never to be seen again.

I mean, a penalty for losing a ball actually introduces random luck into the game, which subtracts from golf being purely a game of consummate skill and shot-making artistry, made possible by liberal interpretations as to what legally constitutes “winter rules”, “do-overs”, mulligans, “gimme putts” and who can actually prove that I kicked my ball out of some stupid sand trap when nobody was looking, instead of just shooting his loud mouth off about it.

But who among us can concentrate on niceties like “Rules of Golf” like that when, on July 31, the world seemingly changed forever when Bloomberg reported that “The value of shares traded in China surpassed the combined amount in the US, UK and Japan for the first time on record, a sign of ‘speculative mania’ among investors who pushed the Shanghai Composite Index up 82% this year, according to Grantham Mayo Van Otterloo & Co.’s Edward Chancellor.”

What this actually means is that a whole lot of money is pouring into the hands of a bunch of Chinese people who are going to get a real education in the famous Mogambo Law Of Markets (MLOM), which is, “The majority of investors must lose money so that a small minority can make money, then pay a lot of the gains in taxes to reduce the actual gain, assuming any is left after the rapacious, monstrous, sprawling, incestuous snake-pit known as The Financial Sector have taken their cuts.”

And it should not be too long in coming, as stock prices are so high and earnings are so low that price/earnings ratio of Chinese stocks is somewhere off in the stratosphere of Bizarro World, setting them up for the inevitable fall and massive losses.

Because of the way I am a paranoid, suspicious little creep, I naturally assume that the fall will be after a lot of us Occidental types put a lot of money into the Chinese stock market so that the Chinese locals can end up with it, although why they would want any more dollars is beyond me! Hahaha!

The nice way I laughed like that is just to show you the kind of nice guy I am, which I further prove when I volunteer to try and do these Chinese guys a nice favor by calling one of them up at random (and at 2 AM Chinese time so that I can make sure that somebody is at home, can pay full attention to me, and will not be distracted by other competing activities!)

The phone rang for quite a while but, instead of saying “hello” like everyone else, the guy answering the phone says something I don’t understand, something like “Mishy Moy” but I understood his angry tone right away, which I chose to calmly just ignore, instead of angrily asking, “What in the hell is that supposed to mean? You want me to come over there and maybe slap your stupid face until you understand that you are stupid by not buying gold and silver right now in the face of such rampant creation of money and credit, you moron?”

Instead, I merely ask, “Do you Chinese idiots know the famous Mogambo Law Of Markets (MLOM)? Well, for your information, it says that ‘The majority of investors must lose money so that a small minority can make money and then pay a lot of the gains in taxes, assuming any is left after the rapacious, monstrous, sprawling, incestuous snake-pit known as The Financial Sector have taken their cuts.’”

Then, in a model of efficiency, I just said, “Now you tell somebody, and then they will tell somebody, and pretty soon everybody will know that they are acting like morons in bidding up stock prices so high!” to which he replied with something that sounded like “How cho long been hoo choy!” but which I instinctively interpreted as meaning, “You’re exactly right, Mysterious American Stranger (MAS)! Thank you for waking me up and educating me!”

So I hung up, satisfied at my Mogambo Good Deed (MGD) for the day, although I could have saved my breath by just telling him what [Bill Bonner](#) here at *The Daily Reckoning* said.

While Mr. Bonner does not actually mention the Mogambo Law Of Markets (MLOM), he does say almost the same thing, but without mentioning me, what I said, or even my surly undertone of arrogance and hostility, but who instead said, “The purpose of a bear market is to correct the errors of the preceding boom. Most prominent among those errors is to think you can make money by speculating in the stock market.” Exactly!

I thought, since he has ignored me so far, he would then, at least, go into how The Mogambo laughs and laughs at the whole concept of “investing for the long term”, my eyes twinkling with merriment and lips slobbering with the Spittle Of Disgust (SOD), all because the existence of Black Swan Events makes long-term forecasting using standard statistics into a fool’s game, unless it is your money, and then it is more than a stupid game because your Whole Freaking Life (WFL) is riding on the preposterous premise that every day, for the rest of your life, will mostly be like the day before it, only imperceptively better and better as the days, months, years and decades play out which, as Mr. Bonner did not mention but which we have seen over and over again, is so preposterous that it makes me laugh.

Instead, he goes into what creates booms and bull markets in the first place; people and government borrowing money to spend. Exactly, also!

He says, “That’s the moral lesson: borrowing makes you poorer. Unless you’re using the money to increase output, there’s no economic health in it. In other words, if a factory sees an opportunity, it might borrow to expand. The extra output should produce enough profit to allow it to repay the loan...and come out ahead. But if you borrow to consume, at the end of the day you’re poorer. That’s the lesson of the Bubble Years. That’s the lesson consumers need to learn every couple of generations.”

And another lesson that people need to learn is the Lesson Of The Butts (LOTB), which is that “Gold has saved people’s butts for thousands of years, while the dollar stopped saving butts and started kicking people’s butts in 1913 when the damnable Federal Reserve took over and gradually destroyed 96% of the dollar’s buying power in the interim by their stupidly over-creating money and credit, which drives up prices, which negates any nominal gains you think you made and makes everybody poorer in terms of buying power of their money.”.

As unwieldy as that LOTB is, it naturally reminds me of my constant admonition to buy gold, silver and oil when your government is debasing the currency like this, and debasing it more and more today, and promises more and more debasement tomorrow, which gives you a lot of time to think about butts, namely your own, as pertains to the LOTB, especially in light of Black Swan Events, until you reach True Mogambo Enlightenment (TME) and exclaim, “Buy gold, silver and oil! Whee! This investing stuff is easy!”