

Solid Gold Advice for Chinese Economists

By [The Mogambo Guru](#)

03/19/09 Tampa Bay, Florida You will be happy to know that we have nothing to fear from the Chinese, as they are as stupid as the rest of us, as I learned from a Bloomberg.com report that China's Premier Wen Jiabao says that China is "the U.S. government's largest creditor" in terms of T-bonds, and he is "worried" that something might happen to the buying power of all of that American money, and he "wants assurances that the investment is safe" and that he "requests" that the U.S. "maintain its good credit, to honor its promises and to guarantee the safety of China's assets." Which makes me laugh that anyone would even bother saying such a thing! Hahaha! Moron!

Of course, being The Mogambo like I am, it is my duty to enlighten world leaders about economics, and in that regard I say to them, "Of course those dollar-denominated assets are safe, Chinese dude! If they ever get lost or destroyed, the United States will merely give you more paper promises! That's the beauty of a fiat currency, you morons: We can give you more and more dollars until you are freaking drowning in them!"

I don't expect the Chinese to hear me and suddenly say, "Thanks, Mogambo!" or even something that sounds like "Wong choi how wong!" which I interpret to mean, "That Mogambo fellow is one sharp economic cookie, and maybe we ought to be following his Strong Mogambo Suggestion (SMS) to buy gold, silver and oil against the terrifying inflationary conflagration that will inevitably result from such insane monetary and fiscal irresponsibility by the Federal Reserve and the Congress, respectively, which is about the only time you can ever use the word 'respect' in relation to either one of those lying, corrupt institutions, which does not even mention the sheer corruption of their state and local governments, and governments and central banks around the world who are doing the exact same thing, which is enough to give you the Horrified Mogambo Screemies (HMS)."

But perhaps such gracious social niceties are foreign to Chinese culture, or maybe they are still miffed that I have been calling them "morons" for years since they ignore me when I tell them that they, of all the countries on the earth, need the stability of a gold standard so that they can grow their economy with cheap imports and low cost of capital, which is what you get from a gold-backed currency, and that is why they should be exchanging their excess dollars for gold bullion.

But whatever the reason, they have plenty to worry about, as the American Congress and the Obama administration have already announced, crafted and passed legislation authorizing multi-trillion dollar federal budget deficits! And these unbelievably massive federal budget deficits will continue for as far as anyone can see, meaning that the Federal Reserve will create more money and credit to pay for it all, thus vastly expanding the money supply some more, which makes prices go up some more, which devalues all the other existing dollars, which makes prices go up some more, which makes people more angry and rebellious, but which – in this case – makes me laugh and laugh and laugh; and I say to Wen Jaibao, tears of laughter running down my face and

ruining my mascara (which is another sad story of heartbreak and betrayal best left for another time), “Hey, Chinese dude! Don’t worry about your stinking dollars losing value! Hahaha! We’ll take real good care of your money, you moron!”

Or, if the Chinese are not interested in the Valuable Advice Of The Mogambo (VAOTM) just because I am widely considered to be an idiot with no redeeming qualities, then they could instead just read in the respected Economist magazine where the “budget balance as % of GDP 2009” for the USA is now a negative 11.1%, which is one of those “I never thought I would live to see it” kind of things, sort of like my family waiting for me to live up to my responsibilities and act like a normal human being, which are (as I gather from the way they ask me about it), not too much to ask, although I politely remind tell that I am too old and hateful to give a crap about what they think about anything, including this.

And if they want something more immediate, In fact, all they would have to do is keep reading, as this is where I cite Doug Noland of the Credit Bubble Bulletin, who reports, “M2 (narrow) ‘money’ supply jumped \$29.5bn to a record \$8.304 TN (week of 3/2).”

In case Mr. Wen Jaibao wants to know how much of a rise in price inflation that will follow such a rise in the money supply, I will tell him, “I have no idea, but (in keeping with mixing up Eastern philosophies with religions), I have a riddle for you, Wen, baby: ‘What is the sound of one hand clapping when the hand is burned to a cinder with two red-hot poker instead of just one red-hot poker?’“

Naturally, he will be confused at the sheer stupidity of the question and probably offended at what appears to be a crude slur, whereupon I will tell him that as part of the answer to his original question of “How much inflation in the money supply” Mr. Noland calculates that, that “Narrow ‘money’ has now inflated at a 16.9% rate over the past 24 weeks and \$738bn over the past year, or 9.8%.”

As to being offended by my laughing at his apparent lack of intelligence, if he doesn’t want to look like an idiot, then stop saying stupid things like he “requests” that the U.S. “maintain its good credit, to honor its promises and to guarantee the safety of China’s assets.” Hahaha! Like that’s going to happen!