

Subtracting Inflation to Sweeten the Deal

By [The Mogambo Guru](#)

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I usually get a nice laugh when I read anything by Paul Krugman, whom I regard as just an infamous Princeton academic leftist, a know-nothing neo-Keynesian econometric hack, and an economics columnist for the leftist newspaper NY Times whose writings are lapped up by an incompetent press even as he was incompetently lapping up everything that the disastrously incompetent Alan Greenspan (erstwhile chairman of the Federal Reserve whose deliberately obtuse monetary incompetence has destroyed the dollar and the USA), was doing with monetary policy at the Same Exact Time (SET) that Krugman was all of these things, but who never said a discouraging word, and who is now completely surprised at the way things have turned out!

The reason I bring this up is that one of his latest articles was picked up by my little far-leftist hometown rag, the St. Petersburg Times, out here in the sticks, and it carried the title “Deficits Saved the World.”

Like I said, I usually get a laugh from what he thinks, but this time I did more than laugh. In fact, Serious Mogambo Scholars (SMS) around the world recorded it as the date of the first appearance of the never-seen-before, I-didn't-know-I-had-it-in-me verbal explosion now officially known as The Mogambo Guffaw (TMG) as it rocketed from my lips, flying out into the ether, echoing off the neighboring houses, making dogs bark, bark, bark as if to say, “The Mogambo is right! This is stupid! Hahaha! Bark bark bark!”

I was having such a good time that I guiltily thought maybe I was too hasty in denouncing the guy from the title alone, which I admit isn't really fair and maybe, just maybe, he was, you know, joking, using a joke to relieve the tension, and maybe something like, “The economist was sitting at a bar and heard a guy saying to the bartender, ‘My cat has always had a defective butt, and all it does is eat, sleep and crap all over everything, sort of like the Federal Reserve doing nothing but eating the purchasing power of our money by creating too much of it, sleeping on the job as the new money creates bubbles and inflation, and now that the paid-for booms have turned into the inevitable busts, everything craps all over everything else. Now everything in my house is ruined and everything in the economy is ruined!’ So the economist thinks to himself, ‘I used to think I was an economist, but now I see I am just a defective cat's butt!’”

This is such a good joke that it made me want more, so I quickly scanned the article for the word “cat” and/or “butt”, or any serious discussion of possible remedies like “This \$9 trillion government budget-deficit over 10 years is so insane that we should rise as a nation in outrage, revolting against the established order, and installing The Fabulous Mogambo (TFB) as emperor or, even better, a living god to rule over us and get us back on a gold standard where the money supply does not rise, where the standard of living continually rises as inflation gently falls, and government is limited in the amount of taxes it can raise because there is a limited, fixed amount of money to go around, and that means that the only way for the government to get money is to

directly take it from the people, instead of the government using an expanding money supply of fiat currency and irresponsible levels of fractional-reserve banking to insidiously confiscate the buying power of people's money with constant inflation."

But I was soon disabused of that notion, as right off the bat he writes that the \$9 trillion of deficit spending (which I note is only the budget deficit, and does not even include the non-deficit spending that is "paid for" in the budget, which is at least twice as big!) seems like "a terrifying number" to us bozos out here, but through the lens of his powerful genius he can easily see that "The truth is more complicated and less frightening", by which he means that people like me are little crybaby sissies, screaming in anger and sheer outrage at the sheer fiscal incompetence that produced almost \$12 trillion in national debt, even more trillions in business and private debts, and the staggering monetary insanity of the Federal Reserve in creating all the money and credit that made it all possible by enabling the borrowing that produced all the gigantic, towering, suffocating, crushing debts that are behind unbelievable booms in stocks, booms in bonds, booms in houses, booms in consumer spending, booms in derivatives, booms in size of government and booms in just stuff, stuff, stuff that are all now, terrifyingly, imploding.

Mogambo scholars noted that a variant known as the Scornful Mogambo Guffaw (SMG) first appeared when Mr. Krugman explained, "Here's one way to look at it", which is that "We're looking at a rise in the debt/GDP ratio of about 40 percentage points", which I was SURE was a joke because the implications of a massive 40 percent rise in debt/GDP are so profoundly dire, but was NOT a joke, as he unbelievably went on to say, "The real interest on the additional debt (you want to subtract off inflation) will probably be around 1 percent of GDP, or 5 percent of federal revenue. That doesn't sound like an overwhelming burden." Hahahaha!

Pardon me for laughing with such contempt, as I would go to jail if I sold a debt that made such a deal! You're allowed to subtract out inflation to make the deal sound better? Hahaha! If inflation is running 25 percent, we would pay 26 percent interest, as it is still only 1 percent over the inflation rate? If inflation was 100 percent, somebody would loan money to the government at 101 percent? Wow!

Suddenly, with visions of oceans of dollar bills in my eyes and my brain shifting into overdrive at the possibilities afforded by instant wealth beyond measure, I clearly see a career change ahead! Wow! Let me at those old people! There's money to be made scamming people with this kind of reasoning!

Hastily, I assemble my preliminary Mogambo Sales Pitch (MSP), which is, "Sign here, pops! And sign here! And here! Initial this! Now I will loan you some money where the interest rate you pay, after subtracting out inflation as per the great Paul Krugman, is only 1 percent! You are getting money at an after-inflation rate of 1 percent, you stupid old man, which is very good deal for you, so if you don't want something to happen to someone you love, you'll sign here! And here! And here! Initial this! Hahaha!"

Well, a bunch of trusting old people who don't want something to happen to their cat or their car usually "sign on the dotted line" pretty quickly... But real investors? Since when? What kind of a screwball halfwit investor would loan money to the US government, now grotesquely changed

into a particularly corrupt kind of government that is best likened to a nest of greedy, diseased, thieving, lying rats, where an investor would get a measly 1 percent over inflation, no matter how high inflation went?

Well, maybe they will, but I say they won't, but they will eventually buy gold, silver and oil, even though currently they don't, which seems, to a discerning Junior Mogambo Ranger (JMR), to be the perfect opportunity to buy them before their prices explode to the upside, just like history shows they always do when a government acts so bizarrely, which is why I say, "Whee! This investing stuff is easy!"