

“We the People” Who Prefer Deflation

By [The Mogambo Guru](#)

04/09/09 Tampa Bay, Florida Patrick J. Buchanan, writing at amconmag.com, asks “Should We Kill the Fed?” which is such a good idea that I herewith volunteer to forthwith do the job as soon as my embarrassingly huge salary and benefit package is finalized.

My plan is to immediately fire them all, blackballing them so that none of them ever again work, or volunteer at any business connected, even remotely, with economics or monetary policy, whereupon I would then burn the Federal Reserve place to the ground, letting the burned-out ashes remain there forever as a fabulous-yet-graphic reminder to future Americans as to what the hell will happen when you ignore your own Constitution’s requirement that money be gold, and then compound your laughable folly by letting an evil institution like the Federal Reserve create too much money and credit out of a fiat currency, which causes inflation in prices, and especially for the horrifying purpose of allowing the federal government to constantly deficit-spend and grow, which causes flammable distortions in the economy as it is naturally skewed toward selling what government is paying for.

Actually, this sacred “Place of Burned-Out Ashes” idea is a perfect metaphor for the results of having a fiat currency, especially in the hands of a central bank that has no scruples or real understanding of economics, and as such, I was going to nominate myself for several major awards, one of them being a Nobel Prize Humanitarian Award (which I understand comes with a huge wad of cash as part of the prize, which would come in real handy right now, I gotta tell ya!) for, “Doing the most to help mankind by ridding the world of the horrors stemming from fiat currencies and the moronic bastards that abuse this worthless paper money to their own, irretrievably disgusting, advantage.”

Then there’s Time Magazine to award me the cover as “Man of the Year”, and maybe a guest spot on The Daily Show with Jon Stewart, where my plan is to ask him how much gold he has, and when he admits he doesn’t have any, then I’ll loudly expose him for being a moron, too! Hahaha! I’ll be famous!

And then, when the producers of the show stand transfixed in surprise at this unexpected turn of events, I will leap atop the table and declare, “America demands that you fire this Jon Stewart guy and hire me, The Mogambo, to do his job, at an even bigger salary and benefit package than he had, since I seem to be the only freaking guy around here who knows what in the hell is going on!”

But this is not another Dream Of The Mogambo (DOTM) that never seems to work out, my spirit crushed and destroyed like the buying power of a fiat currency under the hobnail boot of a spendthrift, moronic, socialist Congress and an insane Federal Reserve which has completely failed in its Congressionally chartered mandate to provide “price stability”, as the dollar has lost 97% of its buying power since the Fed took over in 1913! Nice going, dorks!

And now we have the damned chairman of the Federal Reserve, Ben Bernanke, consistently advocating a bizarre “inflation target” of 2%, whereby he will use monetary policy to get a minimum rise in prices of at least 2% a year! Insane! This isn’t price stability! This is absolute insanity!

All of this Fed-supplied inflation in the money supply will – guaranteed! – cause more inflation in prices, which is perversely just what the Fed and Congress want.

I say “perversely” because inflation is the one thing that we, the people, do NOT want. We, the people, like the idea of a deflation where prices go down, or at least no inflation in prices!

But this dreaded deflation in prices means capital losses for the Fed, Congress and their rich friends, capital gains losses for them and their rich friends, and losses of tax revenue to the government, which is also mostly run by them and their rich friends for the benefit of themselves and their rich friends.

Inflation, on the other hand, means higher prices, higher capital gains and higher tax revenues for them and their friends, all at the expense of someone else: the taxpayer/consumer, which is, at last count, you and me. What a scam!

The big problem, of course, is that everything already has an inflated price, as Mark Faber of GloomBoomDoom.com writes, “What Mr. Greenspan and Mr. Bernanke have achieved is historically quite unique. They have managed to create a bubble in everything, everywhere in the world: in real estate, equities, commodities, art, worthless collectibles; even bond prices continued to rise as interest rates fell due to loose monetary policy” which is not to even mention the humongous size of government itself, and the cost of compliance with all the regulations of the government, all of which show up in the higher prices that people have to pay, which is one of my Particular Mogambo Peeves (PMP).

On the other hand, I should cheer up, as Mr. Buchanan has given me the idea to finally listen to the voices in my head that say, “You’re fine! You don’t need medications! Stop taking them and then burn! Burn everything!”

The lesson seems to be, I guess, that I should apply their “burn everything!” suggestion to the Fed, a mission made more imperative when he notes that in the period around 1930 (the start of the Great Depression), prices had risen so high (thanks to the Federal Reserve creating the excess money and credit that produced the Roaring Twenties) that, now that the boom was ending with record amounts of debt, “prices were simply returning to where they belonged in a free market, the first step in any cure.”

He says that FDR, on the other hand, “mistook the consequences of the Depression – falling prices – for the cause of the depression. Terrified of the bogeyman that causes Ben Bernanke sleepless nights – deflation, falling prices – FDR ordered crops destroyed, pigs slaughtered, and business cartels to cut production and fix prices.”

This was, admittedly, bad news for a lot of people back then, but that was more than 70 years ago, and now they are mostly all dead, and none of them left you so much as a dime in their will. So to hell with them!

Shifting focus to “us” in general and “me” in particular, I gather that we may soon envy how easy they had it during the Great Depression, as “Obama is repeating the failed policies of Hoover and FDR, by refusing to let prices fall” which he does by “intervention to prop up housing prices and Bernanke with his gushers of money” which are all being used badly, as the staggering mountains of bailout money going to “bankrupt banks and businesses are creating a new bubble that will burst even more spectacularly.”

Whew! Then without a note of sarcasm or hint of irony, he hints at the expensive futility of it all with the brilliant summary: “Now the money supply is again expanding, to rescue us from a crisis created by the previous expansion.”

I note with satisfaction that, as I recall, the last “monetary expansion” of Alan Greenspan (which has now been completely eclipsed by Bernanke in cahoots with the Treasury Department) saw gold rise from a low of about \$260 an ounce to over \$1,000.

With a little childish linear extrapolation, a little history, a little Austrian school of economics, and an awesome abundance of Sheer Mogambo Arrogance (SMA), I gotta tell ya, if you ain’t buying gold, then you are betting everything you have, or are going to have, on something succeeding that has never succeeded, no matter how many people tried to make it succeed, in all of history.

Whereas the guys owning gold have won every long-term bet against fiat currencies in all of history! Whee! This investing stuff is easy!