

Magically Erasing Debts and Liabilities

By [The Mogambo Guru](#)

08/05/10 Tampa, Florida – Hossein Askari is a professor of international business and international affairs at George Washington University, and Nouredine Krichene is an economist with a PhD from UCLA, which I mention to establish their credentials, since some bozo from the Federal Reserve created a stir when he said, with a sniff of condescension and smugness, that nobody should comment about economics unless they have a PhD in economics from a “proper” university, because we unwashed huddled masses are “dangerous” and a “threat to society.”

He says this because, see, we drooling lay persons are all too, too stupid to comprehend something that is actually simplicity itself: when the supply of money grows faster than the stock of goods and services, the money will diffuse through the stock of goods and services with the result of higher prices for goods and services.

Seems simple to me! But then I am not a Federal Reserve hotshot with a PhD in economics from an “acceptable” university to wave in anyone’s face, and neither do I subscribe to the idiotic neo-Keynesian econometric crapola that fascinates the Federal Reserve and mainstream academia, a theoretical monstrosity which has resulted in the horrific economic mess we are in, and from which there is, alas, no escape.

In fact, I am absolutely sure that there is No Freaking Way (NFW) to prevent the collapse, being, as it is, just the collapse of yet another of history’s dismal experiments with boom economies built on fiat money and huge debts, because if there WAS a way out of the mess caused by too much money and too much government spending, then there would be no such thing as economics!

I mean, if there was a Mysterious Magical Way (MMW) to painlessly erase all debts and liabilities, then everyone could always spend as much as they liked! And people would always say, “Party on, dudes!” And verily they would party on, because when things finally got really bad and everyone is choking on their debts, the government could wave the MMW wand and make all the bad things go away and life would be wonderful again!

I am, personally, like all economists, secretly looking for that MMW because then I would be forever famous! Famous! And maybe people would like me! And maybe I could get a better job than the crummy one I have now! And maybe people wouldn’t call me “idiot” and “lunatic” all the time!

Askari and Krichene don’t actually call me an idiot or a lunatic, or even refer to me at all, but they do seem to note that everybody is looking for that MMW, to painlessly erase all debts and liabilities, in their essay on atimes.com titled “The Volcker-Bernanke puzzle.”

They, unfortunately, start right out with a glaring need for some Serious Mogambo Editing (SME) when they write, “Assuming Fed chairman Ben Bernanke succeeds in reverting the US

economy to full employment and rapid growth,” which my keen editor’s eye clearly sees should more correctly say, “If, against all odds, common sense and 4,500 years of history, clueless Fed chairman Ben Bernanke actually succeeds in reverting the US economy to full employment and rapid growth, then it will truly be a miracle, especially since The Fabulous Mogambo (TFM) just spent several introductory paragraphs saying it was freaking impossible.”

They ignored my editing suggestion, and went on to write that, in the aftermath of such a miracle, “then economic historians will be facing a difficult puzzle that could be coined the Volcker-Bernanke puzzle.”

So there is going to be a puzzle! I love puzzles! I especially like those big wooden puzzles that only have four pieces, with little handles on each one, and when you finally get all the pieces in place, it makes a picture of a duck or a dog or a sailboat!

I love these puzzles because they don’t take long, and so you can soon get back to doing important things, like writing hate mail to the Federal Reserve (“Dear Monetary Halfwits, I hate you because you have been so consistently wrong about everything and now we are freaking doomed with your stupid expansion of the money supply!”)

Alas, it was not to be that kind of puzzle. Instead, they are referring to the paradox that exists by first noting, “Paul Volcker, Fed chairman from August 1979 to August 1987, got the US economy out of 11-12% unemployment by pushing money market rates to 19%.”

The paradox comes in when comparing the actions of Ben Bernanke, Fed chairman since 2006, who “pushed unemployment from 4% to 10% through aggressive monetary policy with near-zero interest rates, massive monetary injection, and buying all toxic bank loans.”

Well, as far as puzzles go, I guess university professors get a big yuck out of these kinds of intellectual puzzles, but I admit that I am just a dumb guy who doesn’t get it. I just don’t.

They helpfully try to help me see the humor when they explain, “Somehow, either extreme, very tight or very loose monetary, could be followed by policymakers to solve the unemployment problem and propel economy back to prosperity. It makes no difference which extreme is adopted!”

I admit that it does seem somehow funnier when they explain this puzzling paradox thing, but I’m not sure.

I am sure, however, that deep down inside me there is a cynical, paranoid part of me that interprets the joke as a reminder to buy as much gold, silver and oil as you can, which will protect you against the terrifying and economy-rending inflation in prices that is sure to come as a result of such insane over-creation of new money by the Federal Reserve and the equally-insane borrowing-and-spending by the Obama administration, which is not really funny, either.

Or maybe the joke of the puzzle is that while others are whining and crying that everything is in ruins and all their wealth is gone, eaten up by losses, inflation and taxes, those who buy gold,

silver and oil will be grinning goofily with gratifying glee and gluttonous greed that, “Whee! This investing stuff was easy!”