

Monetary Madness

By [The Mogambo Guru](#)

08/27/10 Tampa, Florida – For some reason, everyone is taken aback because, as James Mackintosh at *The Financial Times* puts it, “Stanley Druckenmiller, one of the masters of the investment world, this week announced his retirement saying that he had become frustrated over the past three years with his inability to make outsized returns,” which makes me laugh my Huge Mogambo Butt (HMB) off at Mr. Druckenmiller, and laugh at hedge funds everywhere because, as Mr. Mackintosh reports, “the average macro fund had lost 1.2 per cent, after small gains last year, according to Hedge Fund Research. By contrast, global equities are down 5 per cent since January.”

Aha! The field is littered with wounded adversaries who dared tangle with me!

That is why I am happy to announce the flashy new advertising piece for my Fabulous Mogambo Investment And Love-Life Advisory Service (FMIALLAS), which is a full-color glossy brochure featuring a smiling headshot photo of me from 30 years ago when I still had my hair, my teeth, my hearing, my health, a future, and a promising career, but no kids, no wife, and no stupid boss always threatening me about my alleged “substandard performance” and “numerous unexplained absences.”

This slightly-retouched photo of my head I cleverly pasted onto the body of some muscled California beach hunk wearing a tiny leopard-print thong, to which I added a caption-balloon coming out of my mouth containing the words “The Fabulous Mogambo Investment And Love-Life Advisory Service (FMIALLAS) kicked Stanley Drukemiller’s total-return butt, and kicked the butt of the entire hedge-fund industry, for a decade by recommending just gold, silver and oil, a plan of such Sheer Mogambo Brilliance (SMB) that I completely destroyed him and them!”

The copy continues, “I did not need my awesome washboard abs, massive pecs or the big, bulging biceps, as pictured here in this completely un-retouched photo of me and my rippling muscles, to defeat my investing competition, but only the sheer investment performance horsepower of buying gold, silver and oil, especially gold, which is up 450% in the last decade, a decision made easy, as in ‘Whee! This investing stuff is easy!’ when the stupid government was unbelievably deficit-spending more than 10% of GDP and the Federal Reserve was, again unbelievably, creating all that gigantic amount of new money to finance the buying of all of that new Treasury debt, which guarantees inflation in consumer prices, and thus higher prices for gold, silver and oil!”

And speaking of inflation in consumer prices, which I consider to be the worst thing that could happen other than my wife catching me doing something that I did not want to be caught doing, ever since Milton Friedman uttered the truism that “Inflation is always and everywhere a monetary phenomenon,” I have kept a close eye on things monetary.

As a result, I have succeeded in scaring myself almost to death by merely taking notice of the sheer monetary insanity of the Federal Reserve, and thus, thanks to Milton Friedman and the Austrian school of economics, have spent the last couple of decades of my life being petrified by the sheer inflationary horror that awaits such criminally-irresponsible monetary policy.

That explains why I am cowering in the Mogambo Fortress Of Fear (MFOF), with no plans to come out, because things are getting worse, like, for one thing, Barron's reporting that the Treasury Gross Public Debt figure is now a huge \$13.353 trillion, whereas in their "year ago" report, it was \$11.718 trillion, which is a huge \$1.635 trillion, which is a 14% increase in Twelve Freaking Months (TFM)! Gaaahhh!

And, in case you were wondering because it is so important, this massive \$1.6 trillion increase in the national debt is a whopping 11% of the \$14 trillion Gross Domestic Product (GDP) of the entire United States! The government borrowed and spent 11% of everything that this country makes in an entire year of work!

Now you know why I scream, "Gaaahhh!" as a euphemism for, "We're Freaking Doomed (WFD) because this is insaaaaAAaaaane!

Not so robust, however, is the M2 money supply, which rose a meager \$8.3 billion to \$8.644 trillion last week, which is a rise of a piddly one tenth of one percent, which is almost nothing in the Big Scheme Of Things (BSOT).

On the other hand, Doug Noland at PrudentBear.com has, handily for us, calculated that "over the past year, M2 grew 2.7%," which I think is a little better, especially if you are a greedy, conceited, consumer-driven society that needs to borrow money, thus increasing the money supply, to finance constant consumption like we are.

However, watching the goings-on over at the Federal Reserve, I note with a quizzical look on my face, Total Fed Credit fell by \$6.4 billion last week, which is not what you would expect from a central bank trying to ignite inflation and thus destroy the United States economy to deliver us, I assume, into the clutches of skittering, spider-like cannibalistic alien invaders from outer space, or its equivalent terrestrial horror, the socialists.

As for inflation itself, the Conference Board's indexes of indicators came out, and the all-important Lagging Indicator, showing essentially the level of inflation and burdens, was up twice as much as the Leading Indicator, rising 0.4 to 107.9! Gaaaahhhh!

Fortunately for me, my throat is spared the violence of continual screaming when I remember that I can still buy gold, silver and oil, at bargain prices, and having thus remembered, am calmed to the point of serene happiness, as evidenced by my saying, "Whee! This investing stuff is easy!"