

Second Amendment Babes

By [The Mogambo Guru](#)

06/07/04 The MoGu finds himself in ER. This time its serious. Get the life support machine and call in the priest in to administer the last rites. The problem? You guessed it, the usual sniveling socialist newspaper editors...

Oil is the big story at the moment. And everywhere I go people tell me how handsome I am and how I am the most charismatic person they have ever met. And when they have finished with their compliments, they go on to tell me that higher gas prices have the same effect as a tax.

So when I heard the argument that higher gas prices are not like a tax at all, I popped my head out of the Mogambo bunker and tried to hear what was being said. I found Caroline Baum of Bloomberg standing over me, with a look of pity on her face.

Caroline Baum was explaining that higher demand raises the price of oil, which stimulates production of oil. But that a higher oil price caused by tax add-ons – which is different from a higher oil price caused by increased demand – will NOT drive producers toward higher production.

She writes "Substantive reader challenges to my thesis fall into two basic categories. The first is that higher gasoline and heating oil prices act like a tax in that consumers have to allocate a higher proportion of their household income to them. That leaves less discretionary income to spend on other goods and services, reducing demand for the latter."

And yes, you could put me in that camp, since it is obviously true, as once you spend all your money on a tank of gasoline, there is no money left for this month's issue of "Second Amendment Babes," which is our nation's sole source of photos of naked women hand-loading armor-piercing bullets in a basement bunker.

Caroline Baum: This is Different from a New Tax How?

She even admits "That's an entirely reasonable assumption if income is constant: more money for gas means less money for Wal-Mart."

But she cautions "Prices of those other goods would presumably fall in response, enabling consumers to purchase the same quantity of goods as they did before."

Huh? Producers of these other goods have such big margins that they can lower their prices? And the workers at those factories would not be getting any pay rises, and so the higher fuel prices hurt even more? And this is different from a new tax?

And because, even with lower prices, people still have less income, thanks to paying higher gas prices and not getting any pay rises, things will still be okay one day?

"Yes!" says Caroline Baum, this is all okay, since somebody made some money, and therefore all the money was recycled. You are broke from trying to fill up the tank on your car, but she advises you to relax and get with the program, since on some distant day in the future all this money will filter back around to you, thanks to the higher global growth, and your wages will be increased, and everything will be fine.

Now, of course, this immediately sent me in paroxysms of rage, and the next thing I know I am being roughly held down, while priests mumble Latin prayers while sprinkling Holy water on me and I am screaming "It burns! It burns!" and panicky Emergency Room people are trying to insert an IV needle into my arm and my wife is in the corner yelling "Pull the plug on him! Pull the plug!"

So I am kind of busy right now, and unable to directly respond and thus denounce the utter vacuity of this argument.

Caroline Baum: Missouri Rolled the Dice

So, as an alternative, we turn to an article by Rick Alm in the Kansas City Star entitled "Ten Years Ago Today Missouri Rolled the Dice."

This headline refers to the occasion when Missouri first allowed gambling. Everybody agrees that money has come rolling in and it pumped up state and local government treasuries, as the gambling revenue replaced all the tax revenues NOT being spent on other things. So far, Ms. Baum's analysis is proving correct; the money DOES eventually come back around.

But the state still finds itself coping with annual budget shortfalls, and, according to one interviewee, "In 10 years, all we've shown is that there's an illness side to this experiment with gambling ... embezzlement, bankruptcy and the breakup of families."

You are broke from spending all your spare time in front of a slot machine, or trying to fill an inside-straight poker hand, but I am sure that Caroline Baum will soon appear on the scene, advising you to relax and get with the program, since on some distant day in the future all this money will filter back around to you, and your wages will be increased, and everything will be fine.

Caroline Baum: Take a Deep Breath and Relax

So Ms. Baum's immortal advice is to take 1) a deep breath and 2) relax, because, on some distant day in the future, all this money will filter back around to you, and your wages will be increased, and everything will be fine. Yet, when you and I spend our money on things OTHER than gasoline or gambling, like yummy cookies, the money does NOT come back around, and it somehow disappears. Where do people get this stuff?

At this point we introduce Martin Dykman, who is the associate editor of my little leftist hometown rag, the St. Petersburg Times. Last Sunday Dykman published his latest laughable leftist lunacy entitled "Floridians can't afford to fall for this homestead initiative scam."

What is this scam, and should you be alarmed? Well, the deal is that some people, like me for instance, want to raise the homestead exemption from \$25,000 to \$50,000.

With this exemption, the homeowner is not assessed ad valorem for taxes on the first \$25,000 of the assessed value of his house.

The exemption has remained unchanged for decades despite the fact that most homes have more than doubled in price. This exemption obviously helps out the poor and low-income people, since it represents about \$500 per household per year. And I don't know about you, but there are lots of years that go by without me getting an extra five hundred bucks.

But helping the poor people, and the old people, and the sick people, and the lame people, and little puppies and helpless little kittens mewling pitifully will reduce tax revenues by an estimated \$2 billion a year. This is money that the government will not receive next year should the ballot initiative pass.

A Robin Hood-type character is trying to return the money that the evil tax collector had taken from all of us! Hooray!

Caroline Baum: The People must Be Crushed

But back in Nottingham Castle – with a soundtrack composed of purely dark and moody notes, disquietingly inharmonious, playing dramatically in the background – Martin Dyckman bends low to whisper in the ear of the evil King John.

"The government will lose \$2 billion a year, your majesty! The dirty and smelly common people will take \$2 billion right out of your pocket! Out of your pocket (he pokes the King in the vest pocket), Your Royal Highness, and the pockets of our little government friends. The people's rebellion must be crushed, and they must be brought to heel!"

What this Dyckman fool forgets is that the \$2 billion will be spent, one way or the other. Either government takes it, via ad valorem taxes, and spends it on the things it wants, or the taxpaying people take it, and they spend it on the things THEY want. Either way, it is spent.

Now us idiot commoners spend most of it on taxable things and some of it on investment things – both of which provide jobs – and the damn government ends up with a nice chunk of change either way. And all this is accomplished within the government's usual framework of pecking the living guts out of anything that moves. Besides, the consumption of consumer things might even involve making some things that we can sell to foreigners, thereby reducing the trade deficit, which is now over \$560 billion a year and growing.

But if the government spends it, all you get is bigger government and more calls for higher taxes by clueless editorial writers at Leftist newspapers.

The fact remains that all money is recycled somewhere. The point is to keep it circulating in the private economy and not let the stinking government get their hands on it. And whether you're paying tax add-ons or ad valorem taxes makes no difference.

This is a fact that is somehow lost on most people, especially people like Martin Dyckman and Caroline Baum.

Regards,

**The Mogambo Guru
for The Daily Reckoning
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—Mogambo Sez: Howard Ruff famously said that inflation is not rising prices, it's falling money. And so working backward through that invaluable truism, the Fed is causing an unprecedented fall in the dollar by merely issuing so many of them, and so that means we will get rising prices, and finally, that means that we will have some huge inflation staring us in the face. Given the inexcusable monetary excesses that the horrible Alan Greenspan has engendered, inflation will be a problem for the rest of our lives.