

The Pungent Smell of Fear

By [The Mogambo Guru](#)

12/06/04 The Mogambo and Alan "EZ Money" Greenspan go head-to-head in a battle of the wits. Who will back down first? And who is that, screeching and snarling like a jungle cat in the background?

Paul McCulley, of PIMCO, has a nice essay entitled "A Debtor's Blessing." In answer to Ron Paul asking Alan Greenspan about fiat currencies, and how they always fail, and all that stuff that makes me crazy when I think about it, Alan Greenspan is quoted as saying, "Well, Congressman, you're raising the more fundamental question as to the issue of being on a commodity standard or a fiat money standard. And this issue has been debated, as you know as well as I, extensively for a very significant period of time." I leap to my feet and shout, "That is not true! In the whole history of currencies, the desirability of using a fiat currency has been debated very few times, because the evidence is overwhelming that every freaking time you mess with the stupidity of using a fiat currency as money, the economy gets ruined!"

But he does not pay attention to me, but he knows I am here. I can see him sweat. I can smell his fear, (or, I THOUGHT it was fear, but it turns out that I was smelling the evidence that adult disposable diapers are not as absorbent as they claim, unless you put on a fresh one every once in awhile). Suddenly, he reverses course, throwing me off the track, which was easy to do because I could still smell fear, and was thinking to myself "Hmmm! I did not know that fear smelled so pungent!" He surprisingly tells the truth when he says, "Once you decide that a commodity standard such as the gold standard is, for whatever reasons, not acceptable in a society and you go to a fiat currency, then – unless you have government endeavoring to determine what the supply of the currency is – it is very difficult to create what effectively the gold standard did." Well, duh! No kidding? That is probably why nobody in history has ever pulled it off! Gosh! Ya think? (Note to self: Find out how much we pay this Greenspan bonehead, because whatever it is, it is too much!)

Fiat Currency: Ineffective Central Banks

Then, seeing as how everybody is now saying, "See, Mogambo? The guy knows what he is talking about! So shut up and sit down!" and I realize that the guy IS telling the truth now, and so I sullenly sit back down in my seat with a big "Squiiiiisshhhhhh!" and that is when I found out about the diaper thing, and I was mumbling something under my breath, I forget exactly what, but I remember that there were a lot of obscenities in it. Then, seeing me distracted, he goes out into la-la land again and says, "I think you will find, as I've indicated to you before, that most effective central banks in this fiat money period tend to be successful largely because we tend to replicate what would probably have occurred under a commodity standard in general." What? This is absurd! There has NEVER been an "effective central bank" in this, or any other, "fiat money period," you blockhead! And I am here to tell you that if you think that the simmering, constant inflation since 1913 has been a replication of the stability of a gold standard, or even a reasonable facsimile, or a rough approximation, or even a vague resemblance, then you are lying

right though your stupid teeth! The dollar has lost 96% of its value in that short time, you butthead! It is absolute lunacy to even SAY such a thing, and it is damned insulting for Alan Greenspan to think that we are so stupid that we could possibly believe such an outrageous lie!

By this time, members of the audience are now physically holding me back, pinning my arms behind me, and I am straining to break free of their grasp, and I am trying to gently persuade them to release me ("Let me go, you bleeping bastards, or I'll kill you all!) so that I can leap on the stage and slap the hell out of this Greenspan person, and you can tell by the way I spit out the word "person" that The Mogambo is in one of his Mogambo Hollywood Modes (MHM), and I am actually snarling like a jungle cat for some reason, which is a bizarre plot twist, but we have had script problems from day one.

Fiat Currency: No Minds of their Own

Seeing that I am liable to break free, he quickly goes on to say, "I've stated in the past that I've always thought that fiat currencies by their nature are inflationary." And I say, "No, they are not, you ignorant butthead! You just have to keep from creating a boom by expanding the money supply via credit and debt! The currency itself is not inherently inflationary, you pompous dolt, because paper and electronic accounting digits have no mind of their own! It takes arrogant, ignorant, twisted, mentally ill morons like yourself to create an unsustainable boom that ends in a bust, and the the only reason we insist on a gold standard, you butthead, is that we because we can't trust government, and we sure as hell can't trust you, either!"

Sweating profusely, he throws what he thinks is the debating equivalent of the Vulcan Nerve Pinch, and if you have ever seen Spock using this technique on Star Trek, you know that it immediately causes the victim to collapse, unconscious, and thus further argument is pointless and thus you have – voila! – won the debate. He says, "I was taken back by observing the fact that from the early 1990s forward, Japan demonstrated that fact not to be a broad, universal principle." Wow! Let me get this straight! Just because one stinking country, one that had a gigantic trade surplus and a population that saved huge wads of money in the banking sector, and who had a government that bizarrely went on a huge, budget-busting deficit-spending boom, did not quite collapse for fourteen whole years after their bubble burst? Bubbles caused, I might add because that is just the sort of kick-them-while-they-are-down lowlife bastard that I am, by their own idiot central bank creating scads and scads of money and credit, namely doing the same damn thing as us American dolts are still doing right now? And now you are ready to immediately discount the rest of the entire 5,000 years of economic history? The same history that heretofore dictated that a ruinous collapse always follows credit-financed booms? Wow! Are you gullible or what? Or what arrogance! I can't make up my mind which one! Ugh.

Regards,

**The Mogambo Guru
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