

Menace to Society

By [The Mogambo Guru](#)

12/26/05 The highlight of every holiday season for us here at The Daily Reckoning is the annual Christmas card from our friend, The Mighty Mogambo. And in this holiday spirit, while can't give you a holiday pop-up card, we give you...The Mogambo's Monday Essay (TMME)...

I had planned to use this space for another official Mogambo rant of outrage (OMROO), about, you know, the Federal Reserve and Congress, and how they are murdering our money, and, by extension, us. And, by further extension, everybody else, too.

But then I would get all worked up, angrier and angrier, more and more, finally escalating into senseless, mindless, gratuitous use of childish, gutter profanities at high-decibel volumes. And nobody wants that, especially little kindergarten children who, it turns out, get REALLY freaked out by it, and there's suddenly a lot of screaming and crying and pooping in one's pants, and it's a real ugly mess, and then the children start screaming and crying and pooping in their pants, too. So instead, I think to myself, "Perhaps young grasshoppers would be better instructed by a genteel and refined approach!" Always willing to take the easy way out, I graciously turn today's lesson over to Robert Blumen on LewRockwell.com, and his essay entitled "Bernankeism: Fraud or Menace?"

I admit that I almost didn't read it because I already knew the answer; Ben Bernanke is menace. And I assume that you, likewise, skipped over it, too, after seeing the trick question posed in the title, and thinking to yourself, of course, "Bah! Any child can see that the man will destroy our money with his insane theories! But knowing that, I can personally prosper, making plenty big money (PBM), by buying gold, and buying silver, and buying oil, and buying damned near any commodity that you can name! And then I will be rich, rich, rich! And you shall be poor, poor, poor, and then The Mogambo and I will look out through the bullet-proof windows of our lovely mansions and watch you, in your filthy misery and squalor, rooting around in the dirt for bugs to eat, and we will laugh at you, and bellow 'Welcome to fiat money hell, you morons!' "

Robert Blumen: The First Principle of Bernankeism

The class is suddenly silenced by my outburst. I am embarrassed, and take my seat as Mr. Blumen calmly goes on to say, "The first principle of Bernankeism is that it is better to prevent deflation than to attempt a cure after the disease has set in." Hahaha! What a chump! Not only do they now teach this idiocy in our schools, but Ben Bernanke was the chairman of the damned economics department at Princeton! My hollow laughter drips with contempt, which is not as easy as it sounds.

If Mr. Bernanke truly DID understand economics, then he would have known that the REAL "first principle" of economics is that it is best to prevent the inflation that LEADS to the deflation!! And note the use of the rare "double exclamation point" to denote particular emphasis, as befits its importance in economics.

Likewise, commenting on other areas where I also have no competence whatsoever, it is likewise NOT true that the First Law of Holes is "When you find yourself in one, stop digging." The REAL "First Law of Holes" is "If you don't want a hole, don't dig one."

But this is not about holes, unless you think Mr. Bernanke is a real first-class hole, if you get my drift, and if you don't, then you soon will, as Mr. Blumen goes on to write, "Governor Bernanke and his accomplices are obsessed with something known as 'the zero bound problem.'" I interrupt to explain, in case you ain't heard, that one of the new buzzes in the lucrative profession of "economics masquerading as a science" is the obvious notion that you can't loan money at less than zero percent interest. This is, and always has been, obvious: There is nothing cheaper beyond "free." This, then, is the "zero-bound problem." For some reason, this is now a big freaking deal (BFD) in central bank circles.

Robert Blumen: A Constant State of Pleasant and Benign Inflation

Proving my point, he goes on to say, "Eight of the fourteen papers and speeches that I examined deal with this problem either as their main point or in passing. Bernankeism advises the central bank to avoid the zero-bound problem by creating a constant state of pleasant and benign inflation of around 2-3%." As I read that last sentence, all I could hear was a sizzling sound as my few remaining brain neurons overloaded. So I am not sure about this next part, as the phrase "pleasant and benign inflation of around 2-3%" sort of made my brain freeze up ("urrrkk!") as my puny little Mogambo mind (PLMM) cannot accept the idea that anyone, ANYONE, in their right mind would even think, much less say, much, much less to say in front of witnesses, much, much, MUCH, MUCH less to declare it to be monetary policy, that a constant amount of price inflation, OF ANY AMOUNT, is even benign, must less pleasant!

Working myself into a Mogambo frenzy of outrage (MFOO), I throw the window up, lean out, and shout, "Stop the presses, America! I, The Mogambo, declare that anyone who would proclaim such an asinine thing is a dangerous lunatic!" By this time I am screaming like a wounded banshee in my rage, and neighbors were soon crashing loudly into the room to wrestle me to the floor and stuff smelly rags into my mouth, trying to get me to stop screaming, but which only made me scream louder! Arrgghhh!

And another thing that I was screaming about is how Congress, the biggest bastion of butthead bozos in the history of the USA and an embarrassment to themselves, their families and all of us, just sits there as this horrid little man is telling them that we are going to have constant, simmering inflation, the kind where, little by little, month by month, prices creep creep creep upward, but your income does not. And every month you have to borrow more money, or give up something else, or cut back on something else, or reduce your consumption of something else, and after awhile it starts adding up and up, and then one day you get down to rationing basic necessities, and you get angry and scared, and then angrier and scarer.

But we are not here to talk about how I am an angry coward, as I am tired of hearing it. And while we are talking about it, I am also tired of hearing how I am an ugly idiot and I stink, too. So I quickly veer back to the subject and say that Ravi Batra, who is an economics professor at Southern Methodist University and author of terrific doom-and-gloom books with terrific titles,

goes beyond the anger and cowardice thing in his new book entitled "Greenspan's Fraud." Anyway, he ties this all in with what he calls the Wage Gap, which is the difference between the rise in wages versus the rise in productivity.

Here Mr. Batra takes it up and says, "According to this theory, the rising wage gap creates exponential growth in debt, which in turn generates an exponential rise in profits, leading to the share price bubble. Eventually, debt growth slows, so the demand-supply gap, thus far hidden by the debt mountain, comes to the surface; profits plummet and stock markets collapse."

And you can tie that in with Bill Bonner of the DailyReckoning.com when he correctly notes that borrowing for consumption is the equivalent of a free lunch to businesses, as everybody gets to sell stuff to people without first having to pay wages to those people as workers! Money and sales come out of nowhere! False profits!

Robert Blumen: Make a Lot of Money Available

But none of this is in keeping with the current theory of economics, which is preposterous through and through. So what is this bizarre new economic theory that allows ever-increasing asset values? Mr. Blumen explains, "Dr. Bernanke accepts Milton Friedman's theory of the Great Depression. In the Friedman view, a contraction of the money supply brought about by loan defaults and then bank failures turned what would have been an ordinary recession into the Great Depression. This catastrophe could have been avoided had Fed inflated sufficiently."

Wow! See how easy this stuff is? All the government has to do, see, is make so much money available, see, at such low interest rates, that (are you following me so far?) people can't stop themselves from borrowing the money and goosing the economy by producing and/or distributing the goods and services being bought by the government itself! There is, literally, no upper limit on the amount of debt that people can, or will, carry!

I am laughing! Hahaha! I laugh because, and this is the important part, this is freaking insane! How can anyone possibly think, even for a minute, even for a second, even for a teensy weensy micro-second, that an economy that has grown because of government spending and accumulation of massive public and private debts is going to, one day, magically, be transformed into one that does NOT depend on government spending and ever-higher debt loads? Hahahaha! Then where is the money going to come from, moron? Hahaha! I am laughing my big fat Mogambo butt (BFMB) off here! Hahaha! Stop! Stop! My sides are hurting from all the laughing! Hahahaha!

But, wiping the tears from my eyes, I get suddenly very serious and note that Ben Bernanke, the next chairman of the Federal Reserve, actually believes this, this, this (pause for dramatic effect) stupidity! He actually does! And he is the next a chairman of the Federal Reserve! I keep repeating this because my mind refuses to accept the fact that we Americans, who like to pride ourselves on how smart we are and how wonderful we are, would do something so, so, so, so (pause for another dramatic effect) incredibly so, so, so (a crescendo of a pause) stoooOOOOooid! The mind screams "Noooooo!"

Mr. Blumen doesn't want to answer my question, but instead goes on to send me screaming from the room by explaining "The third principle of Bernankeism is the necessity of 'unconventional measures.' The reader of the Fed's papers and speeches will find a series of increasingly exotic plans for the dollar. From beginning to end, these methods range from the merely unsound to the bizarre and terrifying." Now, I don't know about you, but being a real coward and crybaby little wuss, I don't like things that are classified as either bizarre or terrifying. So with real dread in my voice, I timidly ask, "Like what, dude?" Well, how about, for example, "money rains", whereby the Fed would "give money away either through directly disbursing currency to the public or by disbursing it through the banking system." By this time I am sure your heart is beating like a trip-hammer, boom boom boom at the very thought of such monetary sinfulness! Nobody ever needs to work, because the government will give everybody money to s end!

Then, with this wicked little grin on his face, Mr. Blumen goes on to say that another scam is "to make money pay a negative nominal interest rate, by imposing some type of 'carry tax' on currency and deposits. A tax or fee on Reserve deposits of 1 percent per month, for example, would mean that those deposits, in effect, pay a nominal interest rate of roughly minus 12 percent." What?!? And note the use of two different punctuation marks, where I was trying to be clever and failing miserably, to indicate a mixture of anger, shock, disbelief, anger, fear, anger, terror, confusion, some more anger, and the vague, tentative beginnings of what appears to be jock itch.

But the idea is that you would spend all your money in a fit of consumption, rather than saving it, because you would be paying a 12% tax on it if you did! My heart is slamming into my ribs at the very thought that anyone would actually advance such a terrifying idea, much less the next chairman of the Federal Reserve. So, is it any wonder that I strongly advise you to buy gold? And is it any wonder that gold is doing so well? And is it any wonder that gold will CONTINUE to go up in the face of this Bernanke thing?

Until next time,

The Mogambo Guru
for The Daily Reckoning

Decemeber 26, 2005

Mogambo Sez: No news is good news, and there is nothing new in the Mogambo Retirement Portfolio To Amazing Wealth (MRPTAW); keep accumulating oil, gold and silver, and things related to them. The recent declines in prices is just a benevolent Lady Luck being very nice to you, so that you can leisurely walk over and pick some of these things up at bargain prices. Don't be a chump. Do it!