

A Comedy of the Absurd

By [The Mogambo Guru](#)

01/30/06 The Daily Reckoning PRESENTS: The Fed tells us that inflation is remaining 'tame' – somehow, we think that the Mighty Mogambo is going to dispute this. Read on...

A COMEDY OF THE ABSURD

I was sitting right there in the audience when the overlords at the U.S. Labor Department trotted their quants out of the dank, diseased cellars where they live, and had them say soothing things to us stupid, unwashed masses. Looking right at me with their beady little eyes, they snarled, "Everything is fine, but you are stupid! And ugly!"

So, you can see that Bloomberg News got it all wrong when they reported that the words they used were, "U.S. consumer prices unexpectedly fell for a second month in December as energy prices declined, a government report showed. Excluding food and energy, prices rose no faster in 2005 than the year before, supporting the Federal Reserve's view that inflation remains tame."

They went on, despite my very loud protests, saying, "The 0.1 percent decline in the consumer price index follows a 0.6 percent decline in November, the first back-to-back declines in two years. Core prices, which exclude fuel and food, rose 0.2 percent for a third month."

It is perhaps coincidental that we got this laughable report on "tame" inflation so soon after I personally wrote to the Federal Reserve about this very topic. I mean, just that morning I had written them, starting the letter out with the usual salutation: "Dear butthead Federal Reserve idiots that are killing the dollar and America with your insane monetary-inflation stupidity." But this is not about how the first 225 pages of my inflammatory letter to the Federal Reserve were devoted to describing how much I hate their guts for being lying scumbag trash about creating monetary inflation, which creates price inflation, which they also lie about, and which is actually running much, much, much higher than they say.

Back at the press conference, they finally get a little closer to the truth when they admitted, "For all of 2005, the core index rose 2.2 percent." This is, remember, the "core" rate of inflation, which is akin to your showing up at the emergency room with your toes and fingers reduced to dead, blackened stumps by severe frostbite, and yet the doctor is jamming a rectal thermometer up there and saying, "Nothing to worry about, as his core temperature is almost fine! Tame, in fact!"

I think all this talk about rectal thermometers got them nervous, and just before bounding from the room, they hurriedly said, "Consumer prices were up 3.4 percent for the 12 months ended in December compared with a 3.5 percent year-over-year gain the previous month. They rose 3.3 percent in 2004." Then they were gone!

I am sitting there, stunned at the revelation of 3.4% inflation! Any price inflation is worrisome, and when price inflation is over 3%, it is, historically, supposed to have central bankers and governments jumping out of windows in panic, and citizens rioting in the streets, shouting, “Viva, Mogambo!” at the egregious mismanagement of the economy by the Federal Reserve and Congress. Just remember that Richard Nixon once seized unprecedented dictatorial powers over wages and prices in the United States because inflation hit, one stinking year, an intolerable 4%! And now, fast-forwarding to today, 3.4% inflation, which we are suffering year after year, is somehow “tame?” I feel a Mighty Roar Of Mogambo Outrage (MROMO) building deep in my chest at the very thought.

Just to show you a taste of the horror of inflation, the Labor Department said, “Weekly earnings of workers, adjusted for inflation, rose 0.1 percent in December after rising in November by 0.8 percent.” Hahaha! If you use the ridiculous “core rate” of inflation to dilute the buying power of nominal wage increases, then workers are essentially standing still! But if you devalue those wages by the real rate of inflation, which is running somewhere north of 7% (a number that I randomly pick from the air because it seems “right”), then workers are suffering a huge drop in their standards of living. This is manifested in having to make the choice of buying less stuff every week, or going further into debt every week. Whoopee.

And what accounts for this drop in prices that only government statisticians can see? They rounded up some unnamed “economists” to explain. “Discounts on automobiles and markdowns to lure holiday shoppers,” they figured, “probably held down the consumer price index last month.” Hahahaha! Lower prices to hold a big storewide sale brings prices down? Wow! No wonder these geniuses make the big money!

But, to be fair, it is not only government wonks and unnamed “economists” that say stupid things. How about “the median estimate in a Bloomberg poll of economists taken Dec. 23 to Jan. 8,” which breezily announces, “Price gains for all goods and services may slow to 2.8 percent this year as fuel prices stabilize.” Hahaha! Fuel prices stabilizing? Hahaha! What a comedy of the absurd!

Apparently, these guys do not share the same crystal ball as Kurt Wulfffounder, of McDep Associates, whom Matt Badiali at The-Rude-Awakening.com site quotes as saying, “we’ll have \$150 per barrel oil by 2010.” And you can bet that Iran is not setting up a new oil-trading center so that they can sell cheaper oil to Americans!

Toni Straka, of the PrudentInvestor.blogspot.com, says that he is tired of hearing about 1.) Inflation in fuel costs...and 2.) About me trying to borrow five lousy bucks for some gas. Inflation, he says, is a function of what you use as money. “Would you pay your crude oil bill in the universally accepted currency of the last 6000 years – commonly known as gold – your barrel would have become 28.4% percent cheaper since the nominal record high reached last August.” Thus, the value of a stable currency is again demonstrated, this time as less inflation at the pump! And if we are talking about pricing oil in ounces of silver, it is cheaper yet! See why I am always yelling about how only gold and silver should be used as money?

For those of you who like your market indicators moving in a more glacial vein, Richard Russell of the Dow Theory Letters writes, “From a Dow Theory standpoint, the markets continue to face a major non-confirmation in the Averages. The Transports have risen to new record highs while the Dow has failed month after month to confirm. Thus, from a Dow Theory standpoint, this is a dangerous market. It’s particularly dangerous because of this truly spectacular divergence and non-confirmation in the Averages.”

Now, as today’s obligatory lesson containing real “educational content,” let’s analyze this linguistically. First off, we note that he uses the adjectives “major,” “record,” and then “dangerous,” twice, and ending up with the word “spectacular.” What was the author saying?

Well, I could call him up on the phone and ask him, but I am far too lazy and far too cheap to do that, for one thing, and for another thing, I can just read his mind with my Amazing Mogambo Paranormal Abilities (AMPA). I close my eyes. I concentrate. I send out waves of mental energy, locking onto his mind, sort of like a Vulcan mind-meld. I probe his mind. Probe. Probe. Finally, I see he means, “Get up and buy gold, silver, platinum and oil, because these are the kind of tremors that happen at the Big Moment When The Tides Turn (BMWTTT)!”

Regards,

The Mogambo Guru
for The Daily Reckoning
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Mogambo Sez: You got gold, you got silver, you got oil, and you got Mozart. Your life is serene. Who could ask for more?