

Old-People Economics

By [The Mogambo Guru](#)

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The Daily Reckoning PRESENTS: Today, the Mighty Mogambo manages to illustrate the “pain and utter ruination” that those at work on Capitol Hill have caused – and he probably offends an entire generation of Americans. Read on...

OLD-PEOPLE ECONOMICS

The Lipper Mutual Fund Performance Index for the first half of the year came out, and gold lead the pack by a long shot. Their 10-fund index was up 27%, and the World Equity Funds Index showed that the 54 gold-oriented funds were up 25% for the last six months, too.

By contrast, when Lipper considers all 12,675 equity funds, the average return was less than four percent. Hahahaha! Official “trust me” government-reported inflation alone is running more than that! And the real, old-school way of measuring inflation is running at least to nine percent, being as conservative as I can.

So, that means that the average mutual-fund holder made four percent, on which capital gains and income taxes are levied. But even assuming that the mutual-fund holder pays no tax at all, he or she is still losing at least five percent a year in spending power! Losing! Losing five percent a year! And that is the optimistic scenario!

You can bet that this interesting statistic is showing up on the screens of all kinds of fund managers, and the screens of all kinds of people who are looking, with an increasing feeling of unease, at their pathetic quarterly statements.

And with the G-7 (or G-8 or whatever they call themselves these days), of which we are a member, continuously agreeing to work together to make the dollar go down in value, that means that domestically produced commodities will be cheaper on the world market. That will pressure higher-priced foreign competitors to lower their prices in response, but it will also, unfortunately, give domestic producers the leeway to dramatically raise their prices. And they will.

But we were talking about the dollar, and Robert McHugh, of Main Line Investors, Inc., has taken a look at the chart of the dollar index and says, “The U.S. dollar has started its descent. It should nestle around the 82 area +/- . All this is the start of a protracted move into the 60’s, one that will no doubt be stair-step rather than freefall as central banks around the world work in orderly fashion to devalue the dollar.”

Dramatically raising prices is also defined, oddly enough, in the Mogambo Economic Encyclopedia (MEE) as: “The stuff of which revolutions are made and people riot over, because their devaluated money can’t buy much anymore. Eventually, mobs come rumbling over to the

Mogambo's house because he has gold, and he is always hiring people who will track down Alan Greenspan, every economist who ever worked for the Federal Reserve, all members of Congress (except Ron Paul, R. Texas), and every living Supreme Court justice so as to slap their stupid, traitorous, corrupt, despicable faces."

And then, we should confiscate all the aforementioned people's assets as punishment, so that they, too, can experience the pain and horror of utter ruination that they caused.

I was just working myself into a fit of exasperation about the "pain and horror of utter ruination," when a pleading reader asks, "Please do a piece on the plight of the retired people in America. Most people I personally know realize this current scenario will not go on indefinitely. They just don't know what to do about it."

I think to myself: "Perfect! Now I can illustrate the 'pain and horror of utter ruination' and act surly at the same time! And, against people who are smaller and weaker than me!"

Emboldened, I enthusiastically start off by saying, "Old people? What a bunch of whiners! It reminds me of my own kids. They know they are reaching the age when I can legally kick them out, and they know that their allowance will stop. Thus, they too realize that the 'current scenario will not go on indefinitely.' So, for both of these groups, I am supposed to, I guess, get up off my fat, lazy butt and, oh, I dunno, wave my Magic Mogambo Wand (MMW) around in the air a few times, thus solving their problem of how to keep getting a free lunch? Hahaha! Thanks for the compliment that the stupid Mogambo could fashion a remedy that has evaded the greatest minds of economic history! Hahaha!"

Anyway, there is no need to wave magic wands, which is so old-fashioned. Let's, instead, rely on that infallible source of good advice, the Chinese fortune cookie. After making goo-goo eyes at the pretty waitress at the Chinese restaurant and flirting with her while ordering ("Everything with pork in it, my little Chinese won ton cutie!"), I finally get my food, which I notice she has spit on again, although I don't remember actually ordering "spit sauce." I figure it must be how ethnic Chinese girls flirt with men who are old enough to be their grandfathers.

Anyway, after eating, along with the bill and a lot of burping, we get the fortune cookie. With trembling fingers we crack it open to retrieve that little scrap of paper inside. It says, "Get a job; scrimp along for a few years so that you can buy as much gold and silver as you can afford. Then, you will take an ocean voyage and gain 10 pounds eating like a pig." Sounds about right to me!

The real problem with these old people:

- 1.) They stupidly believe that Social Security is a retirement fund and they are supposed to be able to live on it, when it is not and never was.
- 2.) They stupidly believe that inflation nowadays actually measures all of the increases in prices that they pay.

3.) They stupidly believe that their Social Security checks are going to go up as fast as inflation. (As a caveat to that last point, Social Security checks are actually going up as fast as the “official, government-declared” rate of inflation. It’s just that the rate of inflation they use to administer the Cost Of Living Adjustment (COLA) to Social Security checks happens to be a lie that was cooked up by the horrid Alan Greenspan, former chairman of the Federal Reserve, and aided by the equally detestable Michael Boskin, economics professor at Stanford, who got his degrees at Berkeley, which probably explains a lot).

And old people (although they are supposed to be the ones with all the smarts, and who proudly call themselves “The Greatest Generation”) stupidly believe that a central bank (the Federal Reserve) is not a horror that will destroy their money, a fiat currency is not a horror that will be destroyed, and that fractional-reserve banking is not a horror that combines them into economic Armageddon, contrary to the lessons learned during the entire history of all the countries in all the world ever since cavemen were selling mastodon steaks over the Internet.

In short, old people are the very ones who continuously voted into office the Congressional creeps who perpetuated this disaster (and who picked the members of the Supreme Court that let them get away with it, contrary as it was to the clear strictures of the Constitution), and then stood around with their hands out, joining the growing crowds of people gobbling up more and more cash and benefits. And now that the inevitable inflation in prices, caused by the monstrous increase in the amount of money created by the Federal Reserve to finance all of this largesse is wiping them out, they cry out, piteously, “Help us! We cannot live a comfortable life at public expense anymore!”

The biggest mistake the old people made is thinking that the government they elected is looking out for them. Ha! In his paper titled “Is the United States Bankrupt?” Laurence J. Kotlikoff of the Federal Reserve Bank of St. Louis Fed said, “The most the government can do for the elderly is to set h equal to $(1 + r)w/r$.” Hahahaha!

And speaking of stupidity, my buddy Phil S. sent me a couple of immortal quotes that I think are the root cause of all of our troubles. Norman Douglas said, “Education is a state-controlled manufactory of echoes,” which means that after a short while you get ignorant, trusting buttheads for a citizenry because the guy with the loudest voice is seldom the smartest guy trying to make echoes. Just louder.

The other one that tickled me is from Professor Irwin Edman, who said, “Education is the process of casting false pearls before real swine,” which is oddly similar, when you stop to think about it.

And stupidity permeates the majority of American universities, too, as I gather from Dr. Kurt Richebächer’s remark: “The folly is in the categorical assumption of American monetarists that sufficient monetary ease can never fail to stimulate sustainable economic growth. With this assumption in mind, they have rewritten the history of America’s Great Depression of the 1930s. American monetarists’ lack of thinking starts with the absurd assumption that whatever happens during the boom is irrelevant. The one and only thing that matters is swift easing when the

economy weakens, essentially implying that proper monetary easing solves any possible problem. It is an absurd view.”

And the result of believing in such absurdities is inflation in prices, which the old people are complaining about. And along those lines, George Ure at UrbanSurvival.com notes, “the current three-month running average of CPI inflation pencils out to 8.29% per year.”

And, if it is any consolation, it ain't just us, as he reports that the Russians are officially expecting inflation to run around nine percent this year, the Philippines are suffering 6.7% annual inflation, and the “(central) Bank of Indonesia has rates pegged around 12.25%.” Of course, he is too polite to mention Zimbabwe's 1,200% annual inflation (which is getting worse exponentially), or the fact that inflation is now present in every freaking country in the freaking world, and this inflation is running, on average, about three percent. Every one.

Until next we meet...

The Mogambo Guru
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Mogambo sez: Like a yakkity parrot, I say keep saying over and over, “Buy gold, silver and oil! Buy gold, silver and oil!” And, remember that while a yakkity parrot isn't smart enough to think of smart things, it can be trained to say smart things. “Buy gold, silver and oil! Awwwk! Polly wants a cracker! And Mogambo wants a pizza loaded with yummy pork products!”