

Pure Economic Salvation

By [The Mogambo Guru](#)

05/01/06 The Daily Reckoning PRESENTS: Good news – everyone’s favorite masked economist has found a way to make a “whole gigantic humongous ton of money with gold.” Read on...

PURE ECONOMIC SALVATION

Several readers have challenged me to explain how the gold lease rates can manipulate the price of gold up and down. I smile, as nothing could be easier, my precious Mogambo grasshoppers! And, there is nothing I like better than something that is “easy,” unless it is something that is tasty. And so, pizza delivery gets very, very high marks for being both easy and tasty.

So, I smile beatifically and rub my fat little tummy in satisfaction, which is, even as we speak, growling for more pizza or fewer donuts.

Nevertheless, I say, “Hear me now, my quizzical ones! First, tell me all the ways – all the sleazy, slimy, slippery ways that you can manipulate markets when you control everything and have the Federal Reserve, a supplier of seemingly endless amounts of gold at very cheap rates, as a willing co-conspirator. There must be a zillion ways right there! Hahaha!”

My laughter ringing hollowly in their ears, I ruthlessly went on, “And on top of that, tell me more ways to make a profit by insiders manipulating the gold market if they are also free to use any combination of leased gold bullion, market-provided gold bullion, custodial gold, certificate gold, gold mining shares, mutual fund’s gold shares, warrants, futures, options, private contracts, promissory notes, poker chips and side bets! Hahaha! That ought to be good for a few gazillion ways to profit right there!

“And then, tell me all the more ways you can profit from manipulating the gold market if you can also take a short position in any or all of those things, too! Hahaha! And then, as if that is not enough, tell me all the additional ways to make a profit manipulating a market when the money to finance all of this insanity is provided by Japan and their zero-interest-rate policy!”

I dramatically pause to let my words sink in – ruined by an inadvertent big, burping belch (“Burrrrrp!). Hurriedly, I exclaim a little too loudly, “Tell me these things, my Young Mogambo Larvae (YML), and I will tell you exactly how it is done!”

I look over the crowd assembled at my feet and glare purposefully at the ones nearest my feet who are harshing my buzz by loudly complaining about the smell. Then, I smile and say, “All you really need to know, my Greedy Little Ones (GLOs), to make a whole gigantic humongous ton of money with gold, is to buy it when you see that the price is held down by these manipulations! Huge multiples of the total existing global supply of gold is now mere paper, traded as if it were gold, which it ain’t, and probably never was. By now, the only thing that

flimsy promissory note has in connection to gold is some words on paper or a computer disk somewhere. It will end badly for them. And, it won't be long in coming."

Amid cries of "Prove it, mighty Mogambo," and "Show us the proof, idiot Mogambo," I grab the microphone and speak in my most Profound Mogambo Voice (PMV): "To prove it, my Precious Mogambo Grasshoppers (PMG), you would have to prove that all the millions of Wall Street hotshots, Nynex hotshots, Comex hotshots, bullion-bank hotshots, foreign-central-bank hotshots, trader hotshots – and all their secretaries and underlings and friends and insiders – are all just Too Darn Stupid (TDS) to come up with some way to make money out of a sure thing!"

Then, I chortle, "And, it can work until the scam gets overwhelmed by sheer physical demand by millions of people, perhaps billions of people, who are all coming to their economic senses and are scrambling to buy silver and gold against the coming economic hard times, driving prices relentlessly up and up and up, as gold will be, just like it always has been, Pure Economic Salvation (PES) for people, as protection from the unstoppable depreciation in the purchasing power of the money caused by a huge government, which is massively deficit-spending a massively inflating stock of fiat currency based on debt, multiplied by an insanely low fractional-reserve ratio in the banks! Just like it has in all of history, and just like now! Hahaha! Now you know why I laugh!"

Then, dismissively, I point to the door and exclaim, "Go thee now! Go! Hie thee to thy places of gold and silver exchange, and buy, buy, buy!"

Soon, the place is deserted, and everybody has gone home, mostly muttering how they feel stupid even listening to an idiot like me. They whisper hateful things back and forth, like, "Did you get a whiff of those feet? Pee-yew!" Everybody laughs.

Whether or not you believe a raving lunatic like The Mogambo (and you would be an idiot if you did), the gold lease rates had again fallen (over the last 10 days) to a singularity (a strange situation where leasing gold short-term costs the same as leasing long-term!) in the last two days. Sure enough, right on schedule, the price of gold soon had a huge downdraft! You want more proof than flimsy, sheer coincidence? I shake my head in wonder, as you are not nearly as paranoid as you need to be, nor nearly as paranoid and angry as you are soon going to be.

By the way, if you check your Mogambo Handy Handbook (MHH), you will notice that I advocate that you take physical possession of gold and silver bullion. One reason is that once you have it paid for and in hand, your annual costs go to zero, whereas brokerage accounts and mutual funds are always hitting you with fees and commissions, expenses, taxes and levies until one day you cry out: "They're stealing me blind!"

If you want another reason for taking possession of actual gold, then you might be interested to learn how a mutual fund could lose value even as gold and shares rise. If so, then check this out from a prospectus sent to me by a mutual fund I own: Under the section of risks in owning shares of the mutual fund, the last one is "Securities Lending Risk. Any loss in the market price of securities loaned by the fund that occurs during the term of the loan will be borne by the fund and would adversely affect the fund's performance."

And who are these guys borrowing my stocks and are causing me to suffer a loss in my mutual fund? The answer is: Guys who went short gold! Hahaha! In other words, guys who aren't very smart! I mean, and pardon me for laughing, but who is stupid enough to be short gold in a roaring bull market in gold?

Switching on the Mogambo Risk Analyzer (MRA), I quickly discover that, unfortunately, the chances of getting the money back, thanks to the mutual fund loaning it to dimwit dirtbags, are, officially, Pretty Darn Slim (PDS). And this coincides exactly with how people who loaned money to a dimwit dirtbag named The Mogambo, never got it back, either. So, you see how this all fits a little too neatly together to suit me!

If those are not enough reasons to own bullion gold, from some of the gold mining stocks I own, I, as a shareholder, am getting always asked to vote for all kinds of weird proposals buried deep in the prospectus, like allowing them to issue a lot of free options so that the company can give them to "select" people. This lets them, at some time in the future, opt to buy shares of the company, but at today's price! Hahaha! Oddly enough, I think that this shameless scam signifies that they think gold is going to rise in price, if they are greedy enough to try and it off now! How bullish!

Of course, there are the gigantic salaries of the officers and boards and whatnot, and the constant share dilution from them giving themselves baskets of shares. I am sure they are all just a bunch of thieving, lying scumbags like you find in every publicly owned company.

Until next we meet,

The Mogambo Guru
for The Daily Reckoning
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Mogambo sez: As price equilibrates supply and demand, the constantly rising price of gold all these past few years means that demand is higher than supply. That's all you need to know to buy anything, but especially gold at an economic time like this.

And, Doubly Mogambo Especially So (DMES), maybe even Triply Mogambo Especially So (TMES) about silver, which will rise in price, like gold, not only because of the looming decline in the dollar, but also by the most glaring and startling fundamental imbalances in all of history!