

The Cab-Driving Economist

By [The Mogambo Guru](#)

02/27/06 The Daily Reckoning PRESENTS: There are certain unorthodox economic indicators – like when servers at restaurants start coming home with less money in their pockets at the end of a shift, or when a movie theater is surprisingly empty on a rainy Friday night. The Mogambo examines these signs with a growing sense of fear...

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I don't remember the sound of wolves howling in the distance, but it was a darkly inauspicious start to the beginning of the Bernanke reign of monetary terror and pain, as Total Fed Credit at the Federal Reserve shot up by \$6.7 billion last week, which is a handy measure of the amount of excess money and credit being created – poof – out of thin air by the monstrous Federal Reserve.

Current Inflation: U.S. Debt

But that pales in comparison to the biggest and most unbelievable fraud, which is not that I pretend that I am a decent, caring human being, but that the total debt of the United States is now at \$8.248 trillion, or \$8,248 billion, or \$8,248,000 million. Let's just say this is enough to make instant millionaires out of 2.8% of the population of the country! We owe, as a taxpaying nation, enough money to create instant millionaires out of almost 1 in 30 people in the country! My eyes bug out of my head and my stomach churns at the very thought of such monetary, financial, economic and social malfeasance, and I think to myself, "Do I have enough frozen pizzas and ammunition to sustain me during the economic upheaval that is coming?"

Now you want to know, "What upheaval?" Well, on the WorldNewsTrust.org site we read, "The Laboratoire européen d'Anticipation Politique Europe 2020 (LEAP/E2020) now estimates to over 80% the probability that the week of March 20-26, 2006, will be the beginning of the most significant political crisis the world has known since the Fall of the Iron Curtain in 1989, together with an economic and financial crisis of a scope comparable with that of 1929." I re-read, and re-read, and re-read that part about it being "comparable" to 1929, which is the year that the stock market crashed and ushered in the Great Depression. But there is, so these guys say, only an 80% chance of that, which is the exact odds my wife figured of our marriage lasting less than a week.

They are obviously not interested in my matrimonial problems, and blithely continue, "This last week of March 2006 will be the turning-point of a number of critical developments, resulting in an acceleration of all the factors leading to a major crisis, disregarding any American or Israeli military intervention against Iran. In case such an intervention is conducted, the probability of a major crisis to start rises up to 100%."

Of course, I could not let it pass without a snide and sneering comment that the Treasury Department of the United States has now, illegally, put us \$64 billion dollars further in debt, in just a couple of weeks, than is authorized by law! As aghast as that makes me, I can only imagine, with horror, what foreign creditors make of this terrifying development, now that the damned U.S. Treasury Department has proved to the world that laws mean nothing to it, or to the executive branch, or to the legislative branch. So far, they've all sat there watching...and doing nothing.

Addison Wiggin at The Daily Reckoning thinks about that for a minute, and innocently asks, "But you have to ask yourself, how much faith would you put in an I.O.U. from a friend who has sinking job prospects, soaring credit card bills, a double mortgage, a chronic gambling problem and – it turns out – a bad habit of lying about how much money he has in the first place?" I thought he was talking about The Mogambo there for a minute, especially about that "sinking job prospects" thing.

Current Inflation: Jobs

So, I asked, "What do you mean about 'sinking job prospects', Addison?" He answered, "If you use the real statistics to calculate unemployment, the way we used to calculate it back in 1980, the real unemployment rate is a much more devastating 12.5%." Yow!

The good news, they say (but they are wrong), is that consumer spending went up, even if nobody is working, by 2.3% in January. How to explain it? Well, it could be that consumers are still spending those gift cards they received for Christmas? I suppose. Or, they may be out spending money because they are getting raises and bonuses I haven't heard about...and never hear about, because every time I go in and ask for a raise, they say, "What? Are you still working here?" And then, I scam, hoping to leave well enough alone. It's worked out very well all these years, except for, you know, the raise thing.

Current Inflation: Consumer Spending

Or, it could be that that consumers are spending by cutting back on other things. For instance, Tom Dyson, writing for DailyWealth.com, reports that taxi drivers, by dint of their conversing with so many passengers in their cabs, have a good idea of what is really happening. One driver told Mr. Dyson that he thinks "The economy is bad at the moment." Mr. Dyson sums up the cabby's assessment as: "Business is hard. No one goes out anymore."

The driver also has friends in the restaurant business, and "They are struggling to make ends meet. It used to be easy, but nobody's spending anymore."

Then again, it may be (and I think it is) that consumer spending went up not because consumers are actually buying more stuff, but that the stuff they are buying merely costs more, which it does. Remember, the report says only that consumers spent more, not that they bought more stuff!

Of course, being officially diagnosed with Mogambo Fear And Paranoia Syndrome (MFAPS) means I see inflation and treachery everywhere. For you non-medical professionals, MFAPS is the heartbreaking condition where you fear inflation as the greatest threat to mankind, because it is. Furthermore, you see enemies everywhere, mostly on the political Left, as that group of grinning morons actually believe spending more money, and having a bigger government, and having more of the population dependent upon government spending and government support will (insert drum-roll) solve problems, which is absurd.

Current Inflation: PPI

Since we are talking about inflation, let's move to some bad news on the inflation front: the producer price index rose 0.3 percent in January, and I am reminded that the PPI rose 0.6 percent in December, too. PPI is supposed to measure the prices paid to those who actually produce something, like factories, refiners and farmers, who then sell the value-added product to other intermediaries, one after another, until it gets to the final consumer, which is me. The consumer has to pay a price high enough so that a lot of middlemen can make a profit, even as they, too, battle the dark forces of higher prices and higher taxes.

The core producer price index, which happily excludes food and energy prices, rose 0.4 percent in January. I gulp and open my eyes real wide in this cute and comical little way that I have, which I call the Mogambo Cute And Comical Little Way That I Have (MCACLWTIH), when I am getting ready to plotz from fear right here on the spot and probably soil my pants.

Bloomberg News, apparently thinking that I am real funny, replies with its own attempt at dry, weird humor, and they write, "The report may raise concern that businesses will pass rising raw materials costs on to consumers." Hahahaha! What did they say? Hahahaha! Can you name any cost that is not passed along to the consumer? Hahaha! This is too rich! How in the world can a business stay in business unless they can pass along all the costs?

Regards,

The Mogambo Guru
for The Daily Reckoning

Mogambo sez: Keep buying silver, gold and oil. One day you will be very, very glad you did, or very, very sorry you didn't.