

Extraordinary Silver Pajamas

By [The Mogambo Guru](#)

02/19/07 **The Daily Reckoning PRESENTS:** Empty your children's closets and make room for more silver. This week, the Mogambo explains why Wal-Mart and germ-o-phobic mothers are about to make silver the most important commodity you'll ever own. Read on...

EXTRAORDINARY SILVER PAJAMAS

Al Korelin at kereport.com quizzically notes that the statistics show that the supply of silver has actually been higher than the demand. Instead of shrugging his shoulders at the anomaly and moving on (like I would have done to avoid the actual work of research), he takes positive action to solve the mystery, and calls David Morgan of The Morgan Report to remark upon the table of the historical supply/demand on the Kitco Silver site, and says to him, "I don't get it; Kitco is well-known for accurate statistics and this one makes no sense."

The explanation was obtained when Mr. Morgan revealed, "these statistics were obtained from Goldfield Mineral Services from the United Kingdom, and of the three components making up the supply numbers, government sales and scrap supply, often known as 'above ground supply' are somewhat open to conjecture. The only component, which cannot be questioned, is 'mine supply', and there is a deficit between mine supply and total demand. This fact, coupled with the growing medical and industrial demand for silver, is one of the reasons that the price of the commodity is increasing." Nice analysis, Mr. Morgan!

And perhaps one of the new "growing medical demands" for silver to which he alluded is reported by Mineweb.com, in that "Pioneering pajamas and bed linen made with silver cloth could prove the key to limiting MRSA (a bacteria which has caused a number of illnesses and deaths to patients in U.K. hospitals) infections if a multi-centre trial being run by St Bartholomews Hospital in London and The London NHS Trust proves successful. Dr Peter Wilson, a Consultant Microbiologist at the Trust, believes there is strong anecdotal evidence to suggest that silver can be used to clear MRSA on the skin and therefore protect vulnerable patients."

Everybody concerned says that they are "excited" about the study, hopefully to verify the theory that they could actually eradicate the infection horror of almost-incurable MRSA by giving (oops, "selling at hugely obscene mark-ups") pajamas laced with silver to hospital patients.

And as a guy who owns some silver, I am likewise "excited" about this research, as this means a whole new, huge demand at the exact same time since the decades-long government selling of stockpiles of silver (and other things) into the market are almost gone! It's "perfect storm" time!

Suddenly, since demand already exceeds supply (and has for years), that old supply-versus-demand thing pops unbidden into my head, and the result is so compelling that, next thing I

know I am screaming to the family to clean out their closets because I'm going to need the storage space for a lot more silver!

Predictably, because they are not "team players", I can hear them grumbling and cursing under their breath that they are already storing so much silver that the only closet space they have left is just big enough for a change of rags, which, according to my calculations (when I add the set of rags they are currently wearing), is two sets of rags apiece. What riches!

"Why do they dress in rags?" you ask. "Because," I patiently explain to you, like I patiently explain it them, and like I patiently explain it to those pesky, busybody social workers with their precious little court orders in their fat, greasy little hands, "they are just too damned lazy to beg or steal some clothes from the neighbors, much less get up off their lazy butts to go down to the Salvation Army, and get something nicer to wear! The clothes are free! I mean, I could have dropped them off, on my way to play golf, almost any morning of the week! So shut the hell up and take those handcuffs off of me, you damned dirty apes!"

This was, of course, my clever way of trying to de-fuse the tense situation by adding some humorous allusion to Charleton Heston's famous line in Planet of the Apes, and which was, of course, not appreciated by the Gestapo apes, both onscreen and in my real life. Although I note with a dismissive sneer that Charleton Heston didn't have to pay bankrupting fines or attend stupid classes on "How to be a Good Father" and "Anger Management"; instead he got a nice, cozy cage to live in, free grub, free medical care, and hot chicks half his age, dressed in hubba-hubba shortie outfits, brought to him for some XXX-rated Hot Monkey Love! I mean, where's the justice? I'm the freaking victim here!

But this is not about how the legal system isn't about "justice", or even about cheerless government goons. It is about how, if this study about silver pajamas preventing MRSA in hospitals proves effective, you can bet your sweet butteroo that this kind of clothing will soon be selling like hotcakes in Wal-Mart, to worried, germ-o-phobic mothers all over the world. And that kind of huge demand for silver, to meet the tidal wave of demand, means that silver (as I can not even fathom the remotest possibility otherwise) must be preparing to go to the moon in price! Wheee!

Then, according to the Secret Mogambo Five-Year Plan (SMFYFYP), I'll take some of the silver from storage in their stupid closets (giving them back their stupid closet space), sell the silver, get rich with cash, give the wife and the kids a few bucks apiece, and tell them to, "Hit the road, ya hateful parasites, always dragging me down!" As Hannibal Smith (played by George Peppard) of the A-Team so famously said, "I love it when a plan comes together!"

The famous Daan Joubert sent me an email that did not actually contain the phrase, "you are the biggest idiot in the whole world", but I could tell that that was what he was really thinking when he replied to an item from last week's MoGu, in which Paul van Eeden proposed that "real interest rate equals nominal interest rate minus M3 growth minus inflation", which Mr. Joubert suggests "needs an adjustment."

Reading between the lines, you can plainly see that he is calling me, like so many others have called me, “an insignificant little intellectual pygmy”, all because I should have realized that “Broadly speaking, M3 growth should be in pace with the growth rate of GDP – nominal rate growth, or else inflation is brought twice into the calculation.”

So now I am feeling embarrassed and my feelings are hurt, and I am already beginning to formulate a plan for revenge against the insult, maybe by using that new howitzer cannon that my wife disparaged by saying, “Why did you buy that monstrosity, you Stupid Mogambo Moron (SMM)? You’ll never use it!”

But, as they say, “First things first.” So let’s re-calculate real inflation according to this new methodology! He apparently sees me fumbling with the calculator, stalling for time. And knowing that I will probably get the wrong answer half a dozen times before giving up by crying in despair, he sighs in exasperation and supplies the answer by saying, “the real interest rate is not the negative 7% as you had it, but ‘only’ say negative 4% to negative 5%.”

But the point is that real (inflation-adjusted) interest rates are – wonder to behold! – still negative! Negative interest rates! Too, too weird!

And notice his use of the modifier “only”, as in, “We originally thought a horrible disease was going to kill you in two weeks, and now we see that it is ONLY going to kill you in three weeks!” Hahaha!

I like my little joke so much that I have decided not to persecute Mr. Joubert, mostly because he has a very good point, but also because I am a wonderful peach of a guy, and only (again with the “only”!) partially because the enormous cost of shipping one lousy howitzer cannon would make you plotz. It sure did me!

But, being naturally argumentative, I like the idea (now that he has pointed it out) of double-counting some of the inflations by subtracting actual price inflation (which is inflation that has already happened to prices) from the nominal interest rate, and yet still subtracting the current monetary inflation growth in M3, as originally posited, because the future price inflation will certainly lag the current monetary inflation. And future price inflation ought to be relevant to borrowing/investing plans!

Larry from MoneyandMarkets.com newsletter says he “tore apart the government’s 2006 financial statements”, and here’s what he found: “The actual annual federal deficit for the fiscal year [ending] September 30, 2006 was \$4.6 trillion, up from \$3.5 trillion a year ago. That’s an astounding \$1.1 trillion increase, or a 31.4% jump in the deficit.” Yow! This is not to mention that it is more than a third of GDP!

As for the budget (a cash-accounting format), he notes, “The actual deficit is nearly nineteen times larger than the reported \$248 billion deficit.”

And last, but certainly not least, the accrual-system of accounting shows, “Total federal obligations at year-end were \$54.6 trillion, up from \$50 trillion in 2005...\$46.4 trillion in 2004...and \$32.7 trillion in 2002.”

Did I say, “We’re freaking doomed!” in the last ten minutes? If not, insert said comment here. Maybe with an exclamation point or two to add the emphasis it deserves!

Until next week,

The Mogambo Guru
for The Daily Reckoning
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**** Mogambo sez: Gold, silver and oil should do very well for a long, long time until their prices (and lots of other prices) go parabolic as the dollar finally loses its last remnants of value at a quickly accelerating pace. And this means that every time the price goes down, you should buy some more, or have a really good reason why not, because you will soon be asking yourself, “Why didn’t I buy gold, silver and oil when I knew I should have? What am I, some kind of moron?”

The answer is, of course, “Yes, you are a moron”, or else would not be reading the stupid Mogambo Guru newsletter in the first place, doofus. Check and mate!

But tomorrow, they say, is another day, and seeing the errors in one’s ways is common enough to be a cliché. Which is kind of poetic and musical because it rhymes, so you know it must be true! So do what must be done.