

From Beyond the Grave

By [The Mogambo Guru](#)

04/02/07 **The Daily Reckoning PRESENTS:** This week, The Mogambo visits Zimbabwe, where inflation is running at 2,000% per year. And given his colossal fear of inflation, it is no wonder apparitions of the worst possible kind plague him. Read on...

FROM BEYOND THE GRAVE

Chapter eight of Michael Panzner's book, Financial Armageddon, is titled "Hyperinflation" and he opens the chapter with a quote from Robert Mugabe, the moron who has destroyed Zimbabwe by creating so much money that inflation is running at hundreds of percent per month. The quote is, "I will print money today so that people can survive." Hahaha!

And speaking of inflation in Zimbabwe, a reader asked, "Hey, Big Stupid Mogambo (BSM)! How much has an ounce of gold risen in Zimbabwe, the country with the highest inflation in the world, and which is now running at almost 2,000% a year? Did gold rise enough – as you claim all the damned time with your Big, Fat Stupid Mouth (BFSM) yammering, yammering, yammering until we are sick of hearing it – to preserve buying power in Zimbabwe? If not, drop dead, you miserable, filthy little creep!"

Instantly, I realize that this sounds exactly like the way my mother used to talk to me! But since she died a long time ago, I figure that her ghost has taken over the writer's body, and is using his fingers and email skills to dig at me, one more time, from beyond the grave.

And since the only way to ever shut her up was to prove that her accusations and lawsuits were baseless, we go to People's Daily Online to discover the fact that "the Reserve Bank of Zimbabwe is offering a gold support price of 28 U.S. dollars per gram."

And how much is that in ounces? Google says that "1 troy ounce = 31.1034768 grams." The Mogambo Arbitrage Sensor (MAS) instantly realizes that if the Reserve Bank of Zimbabwe is willing to offer \$870 an ounce for gold, where are the arbitrageurs buying gold in the USA for \$660 an ounce and selling it to these idiots in Zimbabwe for \$870? It seems (I say with arched eyebrow) too nice of a juicy plum to turn down!

The fact is that there are surely tariffs, duties, fees, legal issues and taxes enough to make a complete mockery of the bank offering a "support price of \$28 U.S. dollars per gram", or else that bank would be up to its knees in gold bullion right now!

In a more realistic vein, AllAfrica.com writes, that in local currency, "current gold producer price stands at Zim\$16,000 per gram." This is the producer price, which works out to Zim\$497,655.63 per ounce.

Zimbabwe Miners Federation (ZMF) president George Kawonza, says “with the inflation rate standing at 1,729.9% we agreed that the gold price should be pegged at around Zim\$180,000 per gram”, which comes out to Zim\$5,598,625.86 per ounce. Although with inflation raging at almost 2,000% per year, there is no exact “price” for anything, although I imagine that gold selling for around Zim\$6 million per ounce comes close enough.

So, given the fact that less than twenty years ago the Zimbabwe dollar and the U.S. dollar had roughly the same value, and thus gold was priced the same in U.S. dollars and in Zimbabwe dollars, I would say, “Hell, yes, the value of gold has preserved its buying power! And not only that, but everything else in the damned country has turned into worthless crap, which makes the miracle of gold even more spectacular! Hahaha! In your face, mom! Hahaha!”

So, the lesson is clear; those Zimbabweans who put their savings into gold, instead of Zimbabwean dollars and assets that can be easily seized and devalued by a government, made out very well, just as the theory predicts!

I got an email from Junior Mogambo Ranger (JMR) Tom D. that clearly explained one of the finer points of the modern voodoo of Hedonic Indexing of inflation statistics when he wrote, “Dear Mogambo, I’m afraid you still don’t have this substitution thing down. You see, as the cost of food rises, people will ‘substitute’ eating (which is expensive) with starvation (which is free)! Therefore, as the price of food rises, the CPI decreases. I hope this helps.”

Boy, did it ever! In this bizarre, alternate-reality world that I commonly refer to as “beyond Kafka-esque”, it actually DOES help make sense of what is happening with the Federal Reserve and Congress! We’re freaking doomed!

Michael Nystrom is the Editor of bullnotbull.com, and as such, is my natural enemy, because after awhile you just get fed up (up to freaking HERE!) with editors angrily crumpling up your creative sweat and blood right in your face and saying things like “What in the hell is this trash? Do you call this ‘writing’? This is crap! You are crap! Everything you do is crap! What in the hell is wrong with you, you Worthless Mogambo Moron (WMM)? Get out of my office! Go someplace and die, you stinking no-talent hack!”

Since I can never actually dispute the dismal facts of their argument, I can instead take delight in plotting and seeking revenge. So you can imagine my delight at running across some essays written by this same Mr. Nystrom! I think to myself “Aha! At last, the tables have turned!” Prepared to gloat in glee as I mercilessly rip into him, hammer and tongs, I was horrified to note that they shared a terrific title: “Three Bears, No Goldilocks”! Hahaha! Fabulous! I love it!

The bad news is that now, instead of just being mad at him from a purely irrational distrust of editors in general, I now also hate him out of pure, shameful envy for coming up with such a great title and exposing my creative incompetence. “Three Bears, No Goldilocks!” Hahaha!

Anyway, even better is that in Parts I and III he reviewed each of the new books by Peter Schiff (Crash Proof, with the subtitle “How to profit from the coming economic collapse”) and Michael

Panzner (Financial Armageddon, with the subtitle “Protecting your future from four impending catastrophes”), and did a terrific job. Now I hate him for that, too, the little bastard show-off!

I am currently reading both books, but the news is so horrific and bleak that, after just a few paragraphs of either one, I have to drink bourbon and other alcoholic brown liquids just to calm my ragged nerves, more and more, until my nerves are, at last, comatose. The time-line data shows, in case you are interested, some lagged vomiting, too.

And believe me when I tell you that you will want to know what happened to the economy, as that is what everybody will soon want to know, and it will be a very popular subject on the TV news shows and with Congress for a long, long time. Or, as Mr. Panzner himself put it in his book, “The dangers that a few observers had foreseen – which were discounted, misunderstood, or overlooked – will be the only thing that growing numbers of Americans will be able to think about.”

Such as Junior Mogambo Ranger (JMR) Tim J., who writes, “Dear Mogambo, I too am angry about this inflation. The dog food which killed six of my elderly friends was up 10% from last year.” Hahaha! Sublime!

Until next week,

The Mogambo Guru
for The Daily Reckoning
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**** Mogambo sez: If you ain’t got gold or silver (or even oil), then we cannot be friends, as one day very soon, my fellow precious-metals fanatics and I will be rich because we own them, and you won’t be because you don’t, and we will have nothing in common anymore, unless you are a young and pretty girl who is desperate enough to do anything, and then maybe we can work something out. Otherwise, scram, moron!