

Putrid Economics at a Terrible Price

By [The Mogambo Guru](#)

05/07/07 **The Daily Reckoning PRESENTS:** Need to lose weight? Try the new line of Mogambo Yummy Diet Food (MYDF). You won't lose any weight, but you can feel confident that your purchase will prove, beyond a doubt, that you are just as stupid as the Fed's stance on inflation, and that you have helped the Mogambo get rich beyond his wildest dreams. Read on...

PUTRID ECONOMICS AT A TERRIBLE PRICE

Junior Mogambo Ranger (JMR) Roxane P. sent "Remarks before the Equipment Leasing and Finance Association Financial Institutions Conference" made by Richard W. Fisher, who is the President and CEO of the Federal Reserve Bank of Dallas. "Bad fiscal policy," he said, "creates pressure for bad monetary policy. When fiscal policy gets out of whack, monetary authorities face pressure to monetize the debt, a cardinal sin in my mind." Exactly!

Deep inside my chest I can feel a laugh rising up at the irony of this Fisher guy. As directly responsible as he is for the massive creation of excess money and credit to fund massive government deficits that are bedeviling us now, he is also saying that what he did is a "cardinal sin." Hahaha! Burn in hell for your sins, Fisher! Hahaha!

Oops! That might not be a laugh that is rising in my chest; it might be my stomach rebelling against that old taco that I found in a drawer in my desk. Normally, I would not eat an old taco that I just, you know, found – particularly one that smelled as bad as that! I've fallen for that trick far too many times – but I ate it thinking I was fortunate to have found it, since I had forgotten to bring my lunch.

But conditioned to use Fed-approved hedonic adjustments (as invented wholesale by the infamous Boskin Commission and made even more infamous by the Greenspan Fed actually adopting the stupid things), it was but child's play to come up with an equation to "prove" that the disutility of having a putrid, pungent taste was easily outweighed by the overwhelming utility of great price (free!); and thus, on balance, everything was just peachy! The old taco is thus proved to be an economic good!

And speaking of my gastrointestinal problems ("blurrrp!"), they don't get any better from reading a Bloomberg.com report that "Federal Reserve Governor Frederic Mishkin said the central bank's current stance on interest rates is likely to slow price gains outside of food and fuel, though reducing inflation 'may take time.'" Hahaha!

He is actually admitting that food and fuel are showing big price gains. Why then, should continuing with "the central bank's current stance on interest rates" (which is, as far as I can tell, to loan money to anybody, for anything, at interest rates that are less than the rate of inflation, which produces inflation) be likely to "slow" the rate at which prices are rising? Hahaha!

Why doesn't he stop prices from rising at all, which is what he and his damned Federal Reserve are supposed to do, for crying out loud? That's their damned job! To hell with them all!

Well, as usual, I am too hasty in my blanket condemnation of the Federal Reserve in general (and of Mr. Mishkin in particular) and now I credit this amazing quote from Mr. Mishkin with inspiring me to create the new line of soon-to-be-famous dietary products – Mogambo Yummy Diet Food (MYDF)!

My business model is simplicity itself: I merely go to local fast-food restaurants and pick up lots and lots of leftover greasy burgers, pizzas, and whole buckets of fried chicken. I then freeze-dry the stuff, and sell the over-priced garbage to anybody stupid enough to fall for such an obvious scam.

Unfortunately, each individual delicious MYDF entree (e.g. three Double-Bacon Cheeseburgers or two Pizza Supremes) has more than 9,000 calories in it. So it takes the utter, contemptible shamelessness of an Alberto Gonzalez or a Mogambo to pawn this crap off as "diet food", which I have always been embarrassed to do.

But now things are wonderfully different! Now I can proudly show my face in polite company by pointing to Mr. Mishkin's groundbreaking analysis!

As Mr. Mishkin says, "Achieving further reductions in inflation may take time", likewise I say, "Achieving further reductions in weight may take time."

And where he was too embarrassed to continue, I proudly went on, "And just like the Federal Reserve says that they will reduce price inflation caused by the excessive creation of money and credit by simply creating more money and credit, the more delicious Mogambo Yummy Diet Food products you consume, the more weight you will lose!"

How's that saying go? "Scratch a liar and find a thief"? Yep! That's it exactly! I'm lying to you, and stealing your health and your money! The Federal Reserve is lying to us and stealing the purchasing power of our money!

And a perfect example of this can be found in the terrific essay "What Record High?" by Peter Schiff of Euro Pacific Capital. He writes, "As the Dow burst through the 13,000 milestone, few understood the hollowness of the achievement. Measured against the rising dollar-denominated prices of just about everything else on the planet, the Dow has actually lost value over the past seven years."

And how does he know this? He merely says, "Measured against the truest benchmark, the price of gold, the record high for the Dow was set back in January of 2000 when its price equaled approximately 43 ounces of gold. Today it is only worth about 19 ounces."

I clear my throat to indicate that we were talking about how inflation is robbing us of purchasing power – not the stock market or gold. Startled at my rude interruption, he nevertheless shows me what a chump I am by immediately going on to say, "To better appreciate just how much of

stock gains can be attributed to inflation, consider that the record high for the Dow in 1929 of approximately 380 also equated to 19 ounces of gold. So despite all of the hoopla and a thirty-fold increase in stock prices, the Dow has actually gained no real value during the past eighty years.” Wow! Go gold!

Until next week,

The Mogambo Guru
for The Daily Reckoning
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**** Mogambo sez: This recent pullback in the prices of gold, silver and oil is one of those rare times in history where opportunity is not actually knock, knock, knocking on your front door, but is actually sitting on your chest, pinning you down, slapping the hell out of your face while screaming, “Buy, you idiot! Buy! What in the hell is the matter with you that you don’t buy?”

And as painful as that is, it is not nearly as painful as not buying, and then watching the prices go up and up and up, while you end up spending hours and hours kicking yourself about “how much money you lost” by not buying when you knew you should have.

Been there. Done that. Don’t do it again.