

Freaking Doomed by Doubling Power

By [The Mogambo Guru](#)

02/04/08 The Mogambo finally looks something up on his own. It is quite momentous; but it is simultaneously quite sad, as he discovers the truth about the raging inflation that is destroying our economy.

Dave Gonigam at The Desidooru Saloon reports that it looks like the "economic stimulus plan" being formulated and enacted by the government will, "result in tax rebates of \$300 per person, \$600 per couple, just like when the same scheme was used in 2001."

The funny part is that Gonigam notes that, "\$300 per person did nothing to goose the economy in 2001, and it'll do even less now." Immediately, they were hooted down by non-believers who said, "Says who? You? If you are being quoted by that Lowlife Mogambo Idiot (LMI), then you must be an idiot, too!"

But good old Dave was cool, and just said, with the hint of a mocking smile in his voice, "Using the Minneapolis Fed's handy-dandy inflation calculator, just equaling that figure adjusted for inflation would take \$350." Hahaha! Thanks to the incompetence of government, the dollar has been devalued by 17% since 2001? Hahaha! We're freaking doomed!

"And", he goes on, "God only knows what it would be if the inflation numbers weren't doctored; the fearless John Williams says if the CPI were calculated the way it was back in Jimmy Carter's day, it would be close to 12%." Yikes! Inflation at 12%!

Hoping that they were wrong, because this rate of inflation would be horrendous, I went to Mr. William's ShadowStats.com to find, sure enough, that inflation has taken a sudden spike to 12%, with no sign of stopping! Yikes!

Suddenly, I was surprised that people were clapping me on the back and congratulating me on actually looking something up for myself, instead of me always stealing the ideas and work of other people and other employees.

And it must have surprised Bill Bonner, too, who also had a wry take on the stimulus package, which, "is only \$145 billion. U.S. stocks lost more than twice that much in the first few seconds of trading (Monday)." Hahaha! Good point!

And when you plug this kind of loss into the Federal Reserve's precious little models containing the "wealth effect", then things get real gloomy, and pretty soon you are really getting scared, and you know it is only a matter of time before you pee in your pants out of sheer terror, and I'll bet everyone at the Federal Reserve is wearing a disposable adult diaper under their clothes right now, just like I am here in the Ultimate Mogambo Bunker (UMB), and believe me it is mighty, mighty comforting!

Mr. Bonner, as usual, is apparently not into discussing nasty little people like me peeing in their pants and swilling wine out of a bottle in a paper sack, and says, "And the whole idea of providing more cash and credit is the wrong strategy anyway. These efforts at Keynesian stimulus were designed to overcome a different kind of enemy...a case where consumer demand was low...or where consumers saved too much money. Keynes worried that people had a 'propensity to save,' which needed to be corrected by reducing the returns to savers. But the real rate on savings now is less than zero. And the savings rate is down to minus 0.5% of disposable income."

"No," he says, "the problem is not that consumers spend too little, but that they spend too much they don't have. Nor is the problem that consumers save too much, but that they don't save enough."

True enough! And then I notice that all of this leads to the big freaking problem of falling tax revenues. As the American economy morphed into one that relies on government spending for over half of all economic activity, any drop in revenues is bad news at the federal level, but catastrophic news if you are a citizen in one of the states that spent every extra dime of revenue from the boom to create permanent spending programs. And most did! Hahaha!

Jim Sinclair at jsmineset.com agrees with me, even though everyone is too polite to tell him so, and says that, "lower economic activity equals lower profits", which is bad enough for investors, but that, "Lower profits leads to lower Federal Tax revenues", which is even worse for the enormous, sprawling, rapacious system of government with which we have saddled ourselves, which is enough to send me into a Mogambo Screaming Fit Of Outrage (MSFOO) because these government weenies are going to be borrowing lots and lots and lots of money, creating money and debt like crazy during the long, ugly coming economic downturn, which means higher taxes at the exact wrong time of the cycle or less government spending at the exact wrong time of the cycle, too.

In fact, I was actually taking in a deep breath to really start the MSFOO in style, when I was saved from certain embarrassment by Mr. Sinclair, who says that the problem is a lot worse than I think, because, "Lower Federal tax revenues in the face of increased Federal spending causes geometric, not arithmetic, rises in the US Federal Budget deficit. This is also true for cities & States as it is for the Federal government."

And if you want to see what happens in a geometric rise, take a blank piece of paper and write down a 1, double it to get 2, double that to get 4, double that to get 8, double that to get 16, and keep doubling and doubling until the numbers reach a point where you suddenly leap to your feet and say, "Holy crap, Batman! That Stupid Mogambo Moron (SMM) is right; we're freaking doomed!"

Until next time,

The Mogambo Guru