

January 15, 2008

## **Stealing Metaphors for Excess Money**

by The Mogambo Guru

*"So, if inflation in prices is not caused by a depreciating dollar or monetary policy, then Mr. Central Bank Governor Sultan Bin Nasser al-Suwaidi better find out what in the hell is causing it, and pronto!"*

For a real surprise, Peter Schiff of Euro Pacific Capital writes, "Today on CNBC, Mark Zandi, the highly-respected chief economist of Moody's Economy.com, proclaimed that the [falling dollar](#) 'has nothing to do with inflation'," which Mr. Schiff apparently deems, as do all thinking, rational people, to be an "asinine statement", since "a weak dollar is the very essence of inflation."

Here is where I demonstrate the advantage of having a reputation as a vengeful lunatic; originally, Mr. Schiff was going to write, "this is so asinine as to be on a par with The Mogambo being nominated for 'Father of the Year!'"

Fortunately, he is such a gentleman that just calling him up on the phone and politely letting him know how displeased I was by cocking a pump 12-gauge shotgun in his ear was enough that he changed the phrase to being asinine, "on a par with the 'permanent plateau' comment uttered by Irving Fisher on the eve of the 1929 stock market crash."

Satisfied, I am happy that he continues, "Along those lines, Wall Street continues to buy into government propaganda designed to confuse the public about the true cause of inflation. They dismiss rising prices as resulting from economic growth and then minimize the impact by relying on bogus CPI statistics."

Then he exposes the true ugliness of the damned Federal Reserve creating all this bogus "growth" that is merely the effect of inflation by saying, "This completely misses the point that legitimate economic growth causes prices to fall and not to rise. True economic growth comes from increased production, which lowers consumer prices by increasing supply, particularly for basic necessities such as food."

Unfortunately, "The reality is that despite some genuine economic growth abroad, governments are creating so much inflation that food prices are rising anyway."

But this "the dollar is irrelevant" idiocy is everywhere, as on Bloomberg.com we find that "The United Arab Emirates will keep the dirham's 30-year link to the dollar after completing a review of its currency regime, said central bank Governor Sultan Bin Nasser al-Suwaidi."

This guy actually said, "In 12 months I can say to you that the U.A.E. will maintain the peg", and that he and his little buddies, "have come to the conclusion that the inflation problem does not lie with the peg against the U.S. dollar" because they have been "studying the causes of inflation and we came to the conclusion that the causes are not in the dirham/U.S. dollar peg, therefore we need not do anything on that front."

Why are they saying such weird things? Barbara Nestor, an economist at Commerzbank AG in London, says that, "They are trying to avoid depreciating further the dollar, and

