

# Wounded Wolves on the Financial Prairie

By [The Mogambo Guru](#)

11/10/08 With interest rates approaching zero and the unemployment rate the highest it's been in 14 years, the Mogambo again takes to the pulpit, trying to make sense of all this madness. But with so few people to listen, the angriest guy in economics is sadly, yet again, left howling at the moon.

I said out loud to the family, "This is interesting news! Bloomberg.com says, 'The U.S. government's borrowing needs will almost double to \$2 trillion this fiscal year, prompting the Treasury to revive three-year notes and hold more frequent sales of 10- and 30-year debt, according to Goldman Sachs Group Inc.'"

I forced a wooden smile onto my face as I stood up and slowly – so as not to draw attention to myself – started walking towards the kitchen so as to run out of the back door, bolting like a scared little coward to the Mogambo Secret Bunker Of Security (MSBOS) so that I could frantically lock myself in, throw a couple of security systems to the "Fully Armed" position, and clutch my teddy bear tightly to my chest until I finally settled down.

Normally, this would be catastrophic, as that much money added to the money supply would send inflation raging to the moon. But these days, so much money is being lost that even this \$2 trillion is not enough to make bond investors wake up out of their fearful trance and demand higher yields in the face of impending inflation, and these bond buyer guys are real idiots, accepting about 4% as a yield on a 30-year bond! Hahahaha! Morons!

In fact, I assume that bond buyers are all drug addicts who are not aware of what they are doing, morons who are not aware of what they are doing, or grubby slicksters who are buying them on behalf of drug addicts and morons! Hahaha!

Bill Bonner here at The Daily Reckoning is apparently not ready to ascribe to my new Mogambo Drug Addicts And Moron Bond Theory (MDAAMBT), but seems more horrified by how much money has been lost, as "Stock markets around the world have deflated by about \$10 trillion. U.S. housing has deflated by about \$5 trillion", and I seem to recall that the director of the Congressional Budget Office, Peter Orszag, testified that some \$2 trillion in retirement savings has been lost over the past year or so.

And as insane as all that seems, it is destined to get a lot more insane, as we can infer from a Wall Street Journal article titled "Two-Year Yield (If You Can Call It That) Tilts Lower", which refers to the ludicrously low yield on government bonds these days with a humorous degree of surprised disbelief.

The article notes, "Last week, the Fed cuts its fed-funds target rate to 1%. Then, the two-year yield touched a historical low of 1.06%", which is so low that I cannot stop myself from laughing

at any moron buying a government bond and paying such a high price for it that the imputed yield is one lousy percent!

Hell, the government's new and "official" GDP deflator (the amount of inflation in prices that must be wrung from raw GDP data to produce "real" GDP) just jumped to an annual rate of 4.2%! Just how stupid do you have to be to lock up your money for two years in order to get \$1.08 per hundred dollars, while you lost \$4.20 per hundred in buying power? Hahaha! Morons!

Well, as bizarre as that is, it is going to get even MORE bizarre, as the WSJ article went on to say that rate cuts by the Fed are just getting started, and that "HSBC economists expect the Fed to trim the target rate to zero by the end of June"! What? An interest rate of literally zero? Zero! Hahahaha! The mark of the truly, truly desperate!

And, even more startling, "Credit Suisse predicts the two-year yield will drop to 1% by the end of the year and dive to 0.5% by the first quarter of 2009", which is such insanelly low yield in light of the sheer amounts of money that the central banks of the world are suddenly creating, and promise to keep creating, that you involuntarily leap atop your desk and howl like a wounded wolf out on the lone prairie, going "OwwwooOOOOooooo!", pausing only to scratch a few fleas while everyone around you is yelling at you to shut up, and then you snarl at them.

In short, I'm insane, and everybody is insane for ever believing that the morons at the Federal Reserve and their childishly-simplistic, brain-dead ilk that infest the majority of the nation's universities know what they are talking about, when their stupid neo-Keynesian, equation-driven "econometric" stupidities have failed so miserably!

Perhaps Sam Mathid in his essay at 321Gold.com says it best when he notes that "Nowhere is there reference to prior criminality and stupidity on such a grand scale. There is no historical precedent."

This would usually lead me to a long harangue about how you should be buying gold, silver and oil at these low, low prices in response to such monetary and fiscal outrages, but it is late, I am tired, I already have plenty of each.

And if you, too, have plenty of each, then relax, as you have nothing to worry about, and you should go to bed and get a good night's sleep, too.

And if you do not likewise have plenty of each, then while I am not in the mood to call you a halfwit lowlife ignorant moron who deserves economic death for not having plenty of each, consider yourself enlightened as to your true status, and tremble.

Until next time,

The Mogambo Guru