

Gold: Finding Honest Money in the Midwest

By [The Mogambo Guru](#)

02/20/09 Tampa Bay, Florida An article by Ambrose Evans-Pritchard in the Telegraph had the headline, “If Eastern Europe falls, world is next”, which I take to be a new domino theory, as the domino theories I am used to, run along the lines of, “If anything happens to America, everybody else is freaking toast!” and the more personal, “If anything happens to the cookies in my lunchbox, Mogambo, you are a dead man!”

Well, Mr. Evans-Pritchard does not mention any of that in this new theory, and instead starts off with the attention-grabbing sentence, “The unfolding debt drama in Russia, Ukraine, and the EU states of Eastern Europe has reached an acute danger point” – by which he means things like the European Bank for Reconstruction and Development (EBRD) saying that “bad debts will top 10 percent and may reach 20 percent” which is very bad news indeed for a bunch of crooked speculator trash who leveraged everything to the hilt and now their entire capital base, which was probably less than 10% of the amount invested, has been wiped out by the 10% losses, and now all the money is gone! Bankrupt! Hahaha!

An unfamiliar metaphor arises when we read, “The Vienna press said Bank Austria and its Italian owner Unicredit face a ‘monetary Stalingrad’ in the East” which obviously means more to Europeans and Russians than it means to us Americans, as all I seem to remember about Stalingrad was writing on a history midterm exam one time in high school that “Stalingrad is a Russian city named after a man named Stalin. It has many people in it today, although a lot of them got killed fighting the Nazis, and I forget what happened or who won, but there were lots of dead guys all over the place.”

I also remember that I realized it was a weak answer, and then I took a real gamble and wrote, praying for a miracle, “The chief exports of Stalingrad are copper and maize, which native people call corn, or maybe the other way around, I forget because it’s kind of confusing who calls what what.” I also forget whether I got that part right or not, but I must have eventually graduated, because here I am, and all’s well that ends well!

Anyway, Stalingrad and my high school days are a long way from Austria’s finance minister Josef Proll, who “made frantic efforts last week” to arrange something to save his butt, as, “His banks have lent E230 billion to the region, equal to 70 percent of Austria’s GDP.” Wow! Hahaha!

The amount of leverage must be off the charts, as Mr. Evans-Pritchard reports that Der Standard in Vienna announced that “A failure rate of 10 percent would lead to the collapse of the Austrian financial sector” which, Mr. Evans-Pritchard figures, “Unfortunately, that is about to happen.”

He goes on, “If mishandled by the world policy establishment, this debacle is big enough to shatter the fragile banking systems of Western Europe and set off Round 2 of our financial Gotterdammerung” which is a word that I had to look up, and although I know what

Gotterdammerung LOOKS like it means, it really means some mythical end-time when the gods fight with evil and everything is destroyed.

Well, all that fightin' and feudin' makes for a good story to tell the kids when the power has gone out because you can't afford to pay the electric bill and the damned kids refuse to patrol the perimeter, which is (you pointedly explain to them) how evil gets in and causes Gotterdammerung in the first place, which is a Bad, Bad Time (BBT) when everything is destroyed, "including video games and hanging out with your weird, hoodlum friends" which seems to get their attention.

But everyone's problems were actually caused by the satanic Alan Greenspan during his chairmanship of the Federal Reserve, by Congress for being so childishly stupid, self-centered and deliberately ignorant, and by the loathsome Supreme Court for ruling that the Constitution allows it all!

I bring this up because I have learned, to my pleasant surprise, that not everyone at the Fed is a low-IQ halfwit lowlife pile of pigeon squirt, mindlessly turning out one piece of loathsome Fed-approved econometric crap after another with which to further destroy the economy.

Two of these brave-and-unusual Fed economists are Arthur Rolnick and Warren Weber at the Federal Reserve Bank of Minneapolis, who, as Judy Shelton reports in her piece in the Wall Street Journal, "concluded that gold and silver standards consistently outperform fiat standards. Analyzing data over many decades for a large sample of countries, they found that 'every country in our sample experienced a higher rate of inflation in the period during which it was operating under a fiat standard than in the period during which it was operating under a commodity standard.'"

Eureka! She concludes, "economists who promote the government-knows-best approach of Keynesian economics fail to comprehend the damaging consequences of spurring economic activity through a money illusion."

The best news is towards the end, where she reports that "any move toward a new international monetary system based on gold will more likely take place through the grass-roots efforts of Americans" like, for instance, "The Indiana Honest Money Act" which would "allow citizens the option of paying in or receiving back gold, silver or the equivalent electronic receipt as an alternative to Federal Reserve notes for all transactions conducted with the state of Indiana."

This is wonderful! I can hardly wait! If this wonderful bill is enacted as state law, I suggest moving there and finding ways of paying Indiana too much money!

For example, say I am speeding along in my snazzy red Jag convertible with the top down, cute Hollywood starlets at my side, radio blaring, honking at pretty young ladies and generally making a dangerous, motor-roaring, wheel-spinning, speed-demon nuisance of myself. Further, suppose I keep this up until some cop pulls me over and gives me a speeding ticket for, say, \$220, which is the fine for "going in excess of 30 miles an hour over the speed limit in a posted zone."

Now, we spring our financial trap, and immediately pay the fine, but cleverly send them a check for \$22,000.00, which they cash, whereupon I say, “Hey! I accidentally paid too much! Give me my money back! And by the way, I want the whole \$21,780 returned to me in gold! Hahahaha!”

Whee! This investing stuff is easy!