

# Optimism in the Face of Inflation

By [The Mogambo Guru](#)

02/26/09 Tampa Bay, Florida I thought I was still asleep and merely dreaming when I opened up Barron's and saw that the earnings of the S&P 500 dropped to \$28.75, which is down from last week's \$45.95, which is down from last year's \$78.80.

In case you were wondering, this level of earnings is down to where it was in 1995, and at that time the S&P 500 was selling for about \$450, versus today's \$770, and which makes the price-to-earnings soar to an almost-unheard-of 27! A P/E of 27! Hahahaha! So you can see why I thought I was dreaming!

This evaporation of earnings also probably explains why the S&P500 index is at \$770.05, down from last year's \$1,353.11, meaning that if you had bought the index last year, you have lost almost half your money in nominal terms, and you have lost ever more when calculated in inflation-adjusted terms, as the dollar has lost buying power in the last year which has made food and necessities get higher in price, higher and higher until I am screaming out the window, "The Federal Reserve, creating all that money and credit in the banks – so that somebody could borrow all that new money and use it to buy such mountains of public and private debt – is stupid-beyond-madness, you lowlife morons, and now we are all freaking doomed because all the world's money is going to crap as, suddenly – as part of a coordinated, global economic stimulus – whole mountains of money and credit are being created so that governments can try to spend their way out of bankruptcy! We're freaking doomed, you morons!"

And although my stupid neighbors protest about my screaming like that, the fact is that it is worse than that, because the U.S.A., with its \$14 trillion economy, has a federal government that is going to spend, over the next year, all the money in their usual \$3 trillion-plus budget, but also another \$2 trillion or so over the next year! \$5 trillion in government spending, at a cost of \$3 trillion in new debt, all in a \$14 trillion economy! Gahhhhh! We're freaking dooooooooooomed!

I did not mention that there are only about 100 million non-government, non-taxpayer paid workers in the U.S.A., which means that there are only 100 million workers who can make a profit with which to pay taxes, which means that \$5 trillion in government spending is a staggering \$50,000 for Every Freaking One (EFO) of those non-government, non-taxpayer paid positions! And you think THAT is going to work out for the best? Hahahaha!

Well, most people (the majority) do; and maybe you do too. And if so, I love your optimism. In fact, I envy your sunny optimism, even as I deplore how stupid you are; (although I already knew you were pretty stupid because here you are, reading my stupid Mogambo Guru newsletter, and I gotta tell ya, that's a classic sign of stupidity!)

In order to explain it away, I say that my personal stupidity was caused by asphyxia after being choked by some beautiful woman's big jealous brute of a boyfriend who jumped me from behind – which sounds so much more romantic and macho than the truth, which is, "I was born sorta

like this, and then it got worse after I banged my head a lot as I grew up, suffering damage through various childhood accidents and my heart being broken by cruel, manipulative girls, and then more slamming my head against the wall in disbelief as an adult at the sheer stupidity of the neo-Keynesian econometric economics being used by the Federal Reserve to create so much excess money and credit that it produces inflation in prices and inflation in the size of government, either of which is enough to destroy us a hundred times over!”

But don't get me started with heart-rending, sorrowful stories of how I am living proof that girls don't date guys who are both creepy AND broke (although I found that they will tolerate one or the other for short periods of time) because it is time for Living Mogambo Theater (LMT)! Yippee!

Now, sit back and enjoy my riveting performance, for which I should have won an Oscar – and WOULD have won an Oscar if it had been filmed (which it wasn't, maybe from government goons always sabotaging me, but mostly by I just made it up right now! Hahaha! The joke's on me!)

Anyway, my powerful voice becomes eerily hollow and booming, my face a study in fear, as I say, “And when roaring inflation happens, thanks to the damned government spending more money to buy their way out of bankruptcy caused by their previous deficit-spending and the damned Federal Reserve creating the money and credit to finance this insanity as they financed the excess-money-and-credit insanity that got us here in the first place, everyone and everything are ruined!”

I slowly crumple to the floor, a pathetic, wasted husk of a man, my every move a subtle nuance of woe and utter despair. Suddenly, I spring up, my features drawn into a mask of horror, my stentorian voice blaring out, “And then the damned government usually finds a way to get into a war against scapegoat foreigners, which is Really Bad News (RBN) nowadays when you consider that foreign countries and foreign people (who admittedly speak foreign languages that nobody can understand and they probably don't either), have been hurt even more than we morons here in the United States, and in their case, they are RIGHT: A foreigner caused all their trouble! Us! Hahahaha!”

My laughter echoing in the theater, the lights come up as the camera slowly pulls away to get, on film, the powerful, thrilling close, “And yeah, although the ‘foreign devils’ are truly us Americans, the filthy bastard that did it all is Alan Greenspan, disastrous former chairman of the Federal Reserve, who did it by merely creating too much money and credit, which pounded down interest rates, to pay for it all! If you can't pay for a boom, you don't get a boom, and if you don't have a boom, you don't have a bust!”

After pausing for dramatic effect, I go on, “And so all this mess is because of Greenspan, by both egregious commissions and omissions, legal and illegal, day and night, more and more, which explains why food costs more nowadays, and has always been costing more and more for as long as you can remember, and why everything has now turned to crap in the inevitable bust that always follows a monetary boom!”

Instead of the thunderous applause that I thought I was going to get, maybe a few shouts of “Encore!” or “Bravo, Mogambo!” there was only silence. Looking up, I peer out to see that the place is empty and that everyone has left the theater and gone home, not even waiting for the boffo ending.

Hmmm! I immediately suspect script troubles, but the important thing is that I never got to tell them about how they should be buying gold, silver and oil right now, which was the point of the whole thing!

But I am telling you to buy them, which is almost as good, I figure.

But if you were one of those people who walked out on my wonderful theatrical performance, then don't buy gold and go to hell, you tasteless moron who wouldn't appreciate real cultural excellence if it came up and pissed on your damned shoes!