

Necessinflation

By [The Mogambo Guru](#)

11/07/05 For our government, inflation is not seen as a problem – but to us in the real world, we are experiencing something quite different. Everything necessary to support our daily life is going up in price: food, shelter, energy...and one clever Mogambo reader defines this as...

The Fed actually drained a little credit last week, taking it down \$3 billion. Why? Now that Ben “Bird Brain” Bernanke has been chosen to take over the Federal Reserve, they know that when the guy running the show actually wants inflation, as he manifestly does, then it is time to celebrate with a big blowout toga party, using petty cash to get some kegs of beer and some of whatever in the hell they are smoking that makes them think their stupid little New Age theories could possibly work in the real world.

But I have not personally gone to the Federal Reserve to check on them, as I feel kind of crappy here lately, mostly as a result of getting violently sick whenever I read about how Alan Greenspan (whom I consider the absolute worst central banker in American history) is such a hotshot because of his “deft” handling of an Argentina crisis, a Russian crisis, a Korean crisis, a Mexican crisis, a Philippine crisis, a long-term capital management crisis, a Y2K crisis, or blah, blah, blah. What none of these clueless, dimwit “journalists” seem to understand is that Alan Greenspan caused all the crises in the first place by creating so much money for so long. And all that money eventually percolated into all these other things.

After awhile, it got into trouble once it caused bubble after bubble all over the place. Then something inevitably bad happened as a result. To try and “help” the situation by correcting his stupid mistake, Greenspan continually jammed more money into the economy! Astonishing! He “fixed” the problem that he caused by driving interest rates down to insanely low rates, and thus insured that we would soon suffer from more price inflation, which inevitably follows such reckless monetary inflation!

Divergent Views on Inflation: Alan Greenspan and the Buttheads

Alan Greenspan is the opposite of what a competent central banker is supposed to do! If he really were a good central banker, none of these bad “crisis” things would have happened in the first place! If Alan Greenspan was a great central banker, his 18 years in office would have been one of smooth, orderly, non-inflationary growth with a generally rising standard of living for everybody, instead of the disgusting piece of crap we call the American economy and as the logical extension, the global economy.

What we got from Alan Greenspan and the buttheads that infest the Federal Reserve, as I point out over, and over, and over, again – mostly because there is something seriously wrong with me – is the opposite of what we should have gotten. Bill Bonner at The Daily Reckoning states, “Bloomberg reports that wages are rising more slowly than at any time in the last 24 years” He

goes on to say, “If Alan Greenspan has performed such a good job of managing the economy, you might wonder why people are not earning more money.”

They are obviously not earning more money, and in fact, the lack of money is what is prompting Wal-Mart to suggest that Congress raise the minimum wage. Wal-Mart CEO Lee Scott said, “We can see first-hand at Wal-Mart how many of our customers are struggling to get by. Our customers simply don’t have the money to buy basic necessities between pay checks.”

Perhaps this is what prompted a witty British guy named Jonathan P. to write that while inflation may be “tame” to the boneheads in government, for us out here in the real world we have “Necessinflation”, which he defines as, “Everything that is ‘necessary’ to life is increasing in price: Shelter, energy, food, utilities, medical.” Hahaha! Exactly!

And it will get worse and worse because there is no upper bound on inflation, since, as William Grigg, of the New American Magazine, so accurately points out, “We will never run out of zeroes.” Hahahaha! Exactly! The attitude of the Congress and the despicable Federal Reserve is, “\$1.00 today, \$100 tomorrow, \$1,000 next week! Who cares?” Hahahaha!

This purported lack of money to spend is apparently borne out by the report from the U.S. Commerce Department that said spending, adjusted for inflation, fell 0.4 percent last month. And not only do we not have any money to spend, but we are not saving any money either, as the savings rate was less than zero – less than zero! – for the fourth straight month in a freaking row! It has been falling for a decade, and hovering around this low level for years!

And it will get even worse than that, since mass layoffs hit their highest in four years, and durable goods fell again – this time falling 2.1% in September.

Divergent views on Inflation: Prices Rising Faster than Wages

And why is this happening? This is happening because prices are rising faster than wages. It’s as simple as that!

And now you want to know: “Why is that?” Well, before I can really get cranking with one of my patented Mogambo Screaming Hissy Fits (MSHF) about inflation and how it is a Very Bad Thing (VBT) – and how the Federal Reserve is evil incarnate for creating all this inflation – here comes Sean Corrigan, investment strategist at Sage Capital, to note, “Nobel Prize winner Elias Canetti, wrote in his 1960 work, ‘Masse und Macht’: ‘One may say that, apart from wars and revolutions, there is nothing in our modern civilizations that compares in importance to [inflation]. The upheavals caused by inflations are so profound that people prefer to hush them up and conceal them.’”

I patiently try to explain to Mr. Corrigan that this is not about the actual horrors of inflation, but the audience drowns me out by furiously chanting “Skostak! Shostak!” Responding to the crowd, Frank Shostak, with an excerpt from his essay entitled “Is the Fed an Inflation Fighter or Creator?” explains, “Once the money supply increases, it sets in motion a process of impoverishment, which also sets in motion the dreadful boom-bust cycle.”

And so, I guess that the reason that Ben “Blowhard” Bernanke is so desperate to “set in motion” another boom-bust cycle is that we are now suffering the impoverishment part of the whole boom-bust cycle that Mr. Shostak alludes to. When you don’t have enough money to spend anymore, you are impoverished.

Divergent Views on Inflation: The Lunacy Known As Central Banking

When people don’t spend, economies don’t work, which means that asset prices will go down, and that means the holders of stocks, the holders of bonds, the holders of housing, and all those tens and hundreds of millions of government parasites will suffer impoverishment, too, as everything goes down. This is the dreaded “deflation” that Bernanke is so desperate to prevent, and rightfully so. That he is on record as saying that his policy is to deliberately destroy our money by inflation makes everything worse! Hahaha! Welcome to the lunacy known as central banking!

Of course, what they hope will happen is that stocks will increase in price (inflation in stocks), bonds will increase in price (inflation in bonds), and houses will increase in price (inflation in houses), so that we can have an increase in the price of government (inflation in government). Unfortunately, asset targeting is almost impossible. So, all that new money will end up as inflation in lots and lots of other things, too – in fact, in everything.

Even more importantly the poor, who are already impoverished, will be further impoverished by the inflation. And if there is one thing that I am sure of, it is that there are lots more angry, desperate poor people (with nothing to lose) than there are rich people (trying to keep from losing what they have), and anybody who has seen any old movies about the French Revolution, the Russian Revolution, or heard the stories of Weimar Germany, instantly recognize that nothing good ever comes out of further impoverishing the poor!

But we were not talking about poverty or how The Mogambo can’t afford to go out for a lousy donut and coffee anymore (even when he could afford it, the snotty little cashier refused to wait on him because she says I gave her the creeps), but about how that miniscule decrease in total Fed credit was more than made up for by foreign central banks, who bought up and stored at the Fed, another staggering \$8 billion in U.S. debt last week! Eight billion! Dollars! Which was real handy because the U.S. Treasury is now issuing new debt at breakneck speed – up almost \$100 billion in two lousy months! And up \$ 50 billion in the last three weeks alone!

Regards,

The Mogambo Guru
for The Daily Reckoning

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Mogambo Sez : These temporary low prices for oil and precious metals are your chance to walk over and pick up some bargains, as all the things that are bedeviling us and our stupidly over-priced currency are not going to get better, but they are going to get worse, and worse, and

worse. From the Financial Times we read, “The Organisation for Economic Co-operation and Development forecast warned that the continued deterioration of the U.S. current account deficit posed a risk to the U.S. and to the global economy, at a time when the U.S. deficit has risen above six per cent of gross domestic product and is forecast to rise to seven per cent of GDP next year.”

If this doesn't seem important to you, then perhaps it will after they go on to say, “Few other OECD countries have ever managed to sustain imbalances of that magnitude without eventually experiencing sharp downward pressure on the value of their currencies.”

That means that the price of oil, gold and silver will be pressured to rise, and rise, and rise for the rest of your life, as the dollar will continue to fall, and fall, in value for the rest of your life. And since you can buy oil and precious metals cheaply right now, thanks to these obvious manipulations of the market, buy them all, and rejoice at your good luck! Whee!