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A Little Thing Called Inflation

by The Mogambo Guru

"The Fed is now giving foreigners 'unlimited amounts of dollar funds', and yet I cannot get another dollar with which to turn my ordinary burger-and-fries dinner into a Grande Feast of double fries and two perfectly-fried all-beef patties?"

The morons in the Eurozone have just been given another reminder that continuing to create excessive amounts of money and credit is suicide-by-inflation, as the U.K. found that last month's inflation hit 5.2% year-over-year - the highest it's been for over 16 years! Yikes!

So, price inflation is the highest it's been in a couple of decades, and at the high end of inflation throughout history, and yet these European halfwits are shoveling more money into the economy with every corrupt fascist idea that they can come up with? Hahaha! They must have American economists on their staffs! Hahahaha!

Well, to be fair, it is actually mostly American dollars that they are distributing with such abandon, as the Financial Times reported that "The US Federal Reserve announced it was making unlimited amounts of dollar funds available offshore to be distributed by the European Central Bank, Bank of England and the Swiss National Bank." Gaahhh!

The Fed is now giving foreigners "unlimited amounts of dollar funds", and yet I cannot get another dollar with which to turn my ordinary burger-and-fries dinner into a Grande Feast of double fries and two perfectly-fried all-beef patties? What in the hell is going on here?

I was going to use this absolute economic stupidity of creating more dollars - which creates inflation as this new money bids up the prices of goods and services - to make an impassioned plea to my family to please, please, please just shut the hell up about using our family's little bit of money to buy food and clothing, instead of being smart about this and using the cash to buy more gold, silver and oil because those things have value; but since I know how that argument usually comes out, I was not looking forward to it.

Fortunately, Rick Ackerman of Rick's Pick's neatly does the same thing for me as he writes, "The good news is that there is no compelling reason to even want to exit gold, no matter how high it goes or how hard it falls. For we should expect gold to hold its purchasing power in any case, be it inflationary, hyperinflationary or deflationary. This it has done quite well over thousands of years, and there is no reason to think that whatever is coming will change that. Bottom line: If gold soars to \$5,000, you are going to feel glad you've got some in your safe deposit box. But if gold should collapse the next day to \$100, you will still be glad, since all else save the absolute survivalist essentials will have fallen in value by even more."

The reason is because we have fiat dollars and unrestrained fractional-reserve banking, and as Mr. Ackerman attests, "The dollar is already completely, fundamentally, wholly, absolutely and irrefutably WORTHLESS. And the U.S. is b-a-n-k-r-u-p-t. This means that

the dollar's value is purely a figment of the herd's imagination."

And this worthlessness of the dollar - which is manifested in its buying power - means, if you have been paying attention, inflation in prices. But you would never know it from a Barron's interview with Jeremy Grantham, chairman of GMO, which is apparently an investment management company that I don't know anything about other than it says it has "a value framework combining quantitative and fundamental analysis", whatever in the hell that is, with which they keep an eye on \$120 billion in assets.

Anyway, Barron's asked him, "With the Fed and other central banks lowering rates last week, are you worried about inflation?"

Naturally, I figured that he would say, "Hell yes, I am worried about inflation, you moron! Interest rates are already but a mere fraction of the rate of real price inflation in the economy, and everybody with a lick of sense, ranging from the Austrian school of economics to Milton Friedman of the Chicago school of economics (who famously and correctly said that 'inflation is everywhere and always a monetary phenomenon'), knows that an increase in the money supply must go towards bidding up the prices of goods and services, as there is no other reason to borrow money, and which will unfortunately make prices go up, which is such a horror that even a nitwit like that Irritating Mogambo Lowlife (IML) knows it! And when the prices of various foods goes up so high that people can't afford to eat or feed their starving children, it will 'Game Over, Player One'! So, hell yes, I am scared, you halfwit! What a stupid question!"

Instead, this guy says, "Forget inflation, guys." Forget it! My mouth was hanging open in disbelief at those words, and he says that what is happening "is serious, the real McCoy, and you don't have to worry about little things like inflation. Global growth will slow down, commodities will be weaker for awhile, and inflation is a thing of the past."

He actually said, "little things like inflation"! Inflation, the thing that destroys whole economies, is a "little thing"? Hahaha! This is indeed news!

Recovering from my shock, I was going to use this as the springboard to another Gratuitous Mogambo Attack (GMA), but I am not really in the mood for it, as I figure that he is almost certainly wrong, in that, inflation not merely "a thing of the past", but rather, it is going to get worse and worse and destroy us all, definitely starting within next nine months to a year as all of these trillions of new dollars being created and spent by the Treasury and the Fed starts working their sinewy, cancerous way through the economy, making prices rise and rise, portending calamity, like a big pimple on the end of your nose.

Surprisingly, I can see that I have made an impression on Mr. Grantham, and later in the article he writes that his new strategy is "to avoid all risk", as the prices of assets are so high that "The terrible thing - after all this pain - is that the U.S. equity market is not even cheap"!

And maybe the main reason why he is "avoiding all risk" is made clear when I put words into his mouth and have him say, "The genius known as The Mogambo is right and we are freaking doomed because of the economic stupidity of letting the Federal Reserve create so much money and credit with which to grow a monstrous, multi-headed leech

of bloated governments and financial services!"

Well, the truth is that he did not, I admit, say that, but he did say, "All I can conclude, by instinct and by reading the history books, is that it will be longer, harder and more complicated than we expect."

Barron's ends the article with "Sobering thoughts. Thanks, Jeremy."

I will end mine with, "So buy gold and silver until your freaking brain explodes because the dollar is freaking doomed! Thanks, Jeremy!"