

# Nearly Perfect Data

By [The Mogambo Guru](#)

02/25/08 Investing for the long-term is all well and good, but the Mogambo sees a problem... When inflation continues to eat away at the value of your money, investing for the long-term isn't really that much different than investing for the short term now.

The S&P 500 is down to where everybody who bought that index any time in the last year has lost money, and if the average price was indeed \$1,400, then, "investors" lost about 7%. To be fair, earnings are also lower than at anytime in 2007, too.

Now, subtract the losses due to inflation, which is now running at about 13%, and what do you get? Hahaha! You had a 20% loss, in real (inflation-adjusted) terms! Hahaha! And now you need a 25% gain just to break even! Hahaha! "Invest for the long-term!" Hahaha!

How long will you have to invest before you get your money back? Hahaha! You never will, as inflation in prices is NOT going to abate for the rest of your life, because the federal government must continually spend more and more money for the rest of your life, and so the Federal Reserve will be given free rein to create as much money as they want for the rest of your life, too!

I can see that many of you are turning your radio dials, as you figure that you have heard this "investing for the long-term is a lie" from me so many times that listening to it one more time seems like a punishment. You are wrong! This is not about "investing for the long-term" at all, but about inflation in prices, which is much more important than some nitwit "investor" who is so stupid that he cannot understand that he or she is being fleeced by the financial services industry, even as they notice that they have not made a damned dime, even in nominal terms, and after looking at it from an inflation viewpoint, they are horrified to learn that they are getting screwed out of money that way, too, all thanks to the Federal Reserve that creates the excess money and credit that creates inflation in prices, including inflation in the prices of stocks.

The interesting thing is that Treasury Gross Public Debt is now \$9.244 trillion, up from \$5.65 trillion in the middle of 2001, when the current government-borrowing binge started going bananas, suddenly rising at a steady \$50 billion per month or so.

And for a little perspective, that \$3.594 trillion in additional debt means that, at even 5% interest, the government is now paying out \$180 billion a year, just in the additional interest payments on just this additional debt, which is more than the entire total of the "economic stimulus" checks that are going to be mailed out! This is insane! And scary as hell!

And speaking of scary things, Adrian Ash at [WhiskeyandGunpowder.com](#) reports one of the most astonishing quotes you will ever hear, in this case from Martin Weale, the director of the National Institute of Economic and Social Research. He was commenting that the economic slowdown in Britain gives the Bank of England, "room for further cautious reductions in interest

rates", which means a theoretical spurt in the money supply, which means a theoretical spurt in price inflation.

The astonishing part is when Mr. Weale said, "I don't see the risk of inflation being a constraint." Yikes!

And doubly yikes when you read that Janet Yellen, one of the brain-dead econometric zombies mistakenly placed in charge of the nation's money, economy and banks by being president of the San Francisco Fed bank, said that she doesn't care about you, or your children, or your parents or anybody else, and as far as she is concerned, inflation in prices can eat all of us alive and destroy the money of the United States, the economy of the United States and the people of the United States, and she doesn't care that the Federal Reserve is mandated to protect the value of the dollar, and if you don't like it then you can go to hell and take The Mogambo with you.

Well, you probably guessed that she did not actually say that in so many words, but she said the same thing when she said, "We need to remain very focused on the downside risks to the economy." What? Who the hell says so?

And how to do that, anyway? She doesn't say, but she did supply a metaphor that was as clueless as her economics; she thinks the job of the Fed is to create a "fire wall" of some kind, so that the, "fire doesn't hurt innocent bystanders". What? Huh? What? Hahaha! This is the kind of people given control of the money, the banks, and the economy! Hahaha! And yikes!

And doubly "yikes" if you contrast this economic gibberish with Mr. Ash quoting Mervyn King, now governor at the Bank of England, as profoundly saying that, "Few empirical regularities in economics are so well documented as the co-movement of money [supply] and inflation."

In fact, Mr. King himself quoted the statistics that, "Over the 30 year horizon 1968-98, the correlation coefficient between the growth rates of both narrow and broad money, on the one hand, and inflation, on the other, was 0.99."

Mr. Ash graciously acknowledges that many of us took a statistics course many years ago, and we didn't really understand it then, and so this "0.99 correlation coefficient" thing is pretty meaningless to us, and it looks like we are wasting our time here if he is going to converse with the math eggheads in the crowd about things we don't understand, and since it is almost lunchtime, then I am outta here!

So he politely explains that, "0.99 is as near perfect as you'll find in any pair of data. An absolute 1.00 only ever exists for the very same thing measured against itself – say, the cost of living mapped onto the cost of living, or gold prices correlated with gold prices, for example."

So we out here in the audience nod our heads to signify that we understand the concept of "virtually guaranteed", but we are soon sorry that we did, as our blood thickens in our veins at the sheer economic horror revealed as he goes on, "But ignoring the flood of money – first created as credit and now stacked up in Treasury bonds across the emerging economies – would mean ignoring the connection between growth in the money supply and inflation in prices", like

China registering an 18% plus growth in money, India 22.4% a year growth, Singapore 14%, Britain up by 12.3%, Western Europe 11.5%, Australia 16%, Canada 13%, and Saudi Arabia 22%!

He ends with the sorrowful news that, "The U.S. money supply – if the Fed still reported M3 – is now guesstimated to be showing 15% annual expansion."

Then I think back to Mr. King saying that, "Few empirical regularities in economics are so well documented as the co-movement of money and inflation", which turns out to be an almost perfect correlation, and I break out into a sweat as I realize that with money in the USA expanding at 15% a year, we're freaking doomed!

Until next week,

The Mogambo Guru