

May 20, 2008

## **Relishing a Golden Experience**

by The Mogambo Guru

*"Soon everything you love will be gone, and then you will appreciate the wry humor of the expression 'Experience is what you have left when everything else is gone.' Hahahaha!"*

People inexplicably write me and ask questions like, "Are you ever going to say something that doesn't sound stupid?" (Answer: I sure hope so!), or, "What in the hell is happening in the stock market, and the bond market, when you yourself are always going yammer, yammer, yammer about how the Federal Reserve has destroyed the United States by destroying its money and now we are all going to die an Ugly, Ugly Death (UUD) by a runaway inflation in consumer prices because that is what always happens after an inflation in the money supply, which even as we speak is unbelievably expanding at an estimated 28% a year!?!)" which is punctuated by a sort of interrobang, indicating supreme confusion and consternation.

This second question is a little more difficult to answer, and for that I turn to Darryl Schoon at drschoon.com, who writes, "It is believed central bankers are trying to restore markets to help the economy. In truth, they are like life insurance companies fighting to keep a wealthy patient alive so the high premiums will continue to be paid and the large death payout will be postponed."

And what are these premiums to be paid? Tax revenues to governments! They have to, they have got to, they must keep the main business of America (trading securities back and forth) profitable and paying both high taxes and high incomes, on which some more taxes will be levied, so that governments (now literally half of the economy) can spend it! Hahaha! We're freaking doomed!

Unfortunately, in the month of April, when tax revenues are due and thus have the highest inflow of money, the federal government has shown only a small surplus of \$159 billion, which is 10.4% lower than April 2007! Ten percent!

And the total budget deficit this fiscal year is already \$152.2 billion - nearly double the \$80 billion of April 2007! Yikes!

And of course, the Fed will magically create all the money that the government needs to borrow, and all of this new money will show up as inflation in consumer prices, and not only here, but everywhere around the world, mostly via the trade deficit.

For example, the AP reports that inflation in China is getting out of hand, too, as "April's consumer prices rose 8.5 percent compared with the same month last year, the National Statistics Bureau said. That was up from March's 8.3 percent rate and just short of February's 8.7 percent, the highest inflation in 12 years. Consumer prices have jumped since mid-2007, driven by food costs that hit 22.1 percent in April." Food up 22 percent! [This is the stuff of nightmares!](#)

And inflation at the consumer end is destined to get worse, too, as "[Chinese] Producer prices rose 8.1 percent in April, driven by rising energy costs", which would explain the

rise in consumer items, as "April's 22.1 percent rise in food costs was fueled by a 68.3 percent jump in the price of pork, a 46.6 percent increase in that of cooking oil and a 13.6 percent increase for fresh vegetables." Yikes! I can only imagine what this is doing to the price of an order of pork-fried rice with a side of steamed veggies!

And, with a cry of despair in my voice, it is not just the Chinese, as producer costs are going up here, too. George Ure of UrbanSurvival.com cautions us to "Keep an eye" on the milk-feed price ratio. He reports, "On May 1, 2007, the milk-feed price ratio was 2.67. What that means is that one dollar of feed was necessary to produce \$2.67 of milk paid to the dairyman. This week, dairy farmers got even worse news. The new milk-feed ratio is less than two dollars. As of Wednesday, May 7, 2008, it's 1.90."

And inflation is everywhere, like in Russia, as Bloomberg.com says, "Russia's inflation rate rose to 14.3%, the highest since April 2003, led by rising food costs", and that "Egyptian inflation accelerated to 16.4% in April", and even in Australia, a place with a strengthening currency, "Consumer prices climbed 4.3% from a year earlier."

And regardless of the embarrassing farce known as the Consumer Price Index, Doug Noland's Credit Bubble Bulletin at PrudentBear.com has looked at actual prices, and says that "The CRB Commodities index closed today at an all-time high, sporting a y-t-d gain of 19% and one-year rise of 37%. The Goldman Sachs Commodities index, also ending at a record high, has gained 28% so far this year and 68% over the past 12 months."

My God! I am stunned and afraid at the rise in these indexes, which mean higher and higher prices, and even then, what is going on INSIDE the indexes is even worse, as Mr. Noland demonstrates when he said "During the past year, soybeans have gained 85%, corn 72%, and wheat 68%. Prices for iron ore, steel and hard commodities have experienced similar price inflation. Gasoline prices are up almost 40%, natural gas about 50%, and heating oil about 90% over the past year."

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Hahahaha!

Or you could have bought gold and silver, and had everything when everything of everybody else is gone and you end up with everything. Theoretically, anyway!