

Silver Saves Investors Big and Small

By [The Mogambo Guru](#)

06/16/08 Ah, supply and demand...it makes the world of economics go 'round. This week, the Mighty Mogambo opines about one commodity that can save your portfolio – and how it's relatively inexpensive. Now if there were only enough supply to meet Demanding Mogambo Demand (DMD)...

In case you want a handy way to keep tabs on how bad things get, Anthony Cherniawski of the Practical Investor reports that Money.CNN.com recently "reintroduced the concept of the 'Misery Index'", which is an interesting metric produced by combining the rate of inflation plus the rate of unemployment, which "was last heard of in the 1980's" when both of the rates were soaring and people were miserable.

He notes that using "official" numbers of 3.9 % inflation with 5% unemployment produces "a current Misery Index of only 8.9", which he says is "not far from the Misery Index's low of 6.1 seen in 1998."

Naturally, because I rudely say that anybody even partially believing the government's "official" rate of inflation or "official" rate of unemployment has got to be a raving lunatic or be otherwise intellectually impaired enough to, for example, read crap like the Mogambo Guru newsletter, I start rising to my feet to give Mr. Cherniawski the benefit of a little, you know, Mogambo Educational Update (MEU) about the veracity of government-derived statistics.

But before I could start out with my famous MEU preamble ("Do you have any freaking idea how stupid you are to believe anything a government tells you? Huh? Do ya, punk?"), he says that he is waaAAaay ahead of me on that score, and says, "using the estimates on CPI and unemployment from economists skeptical of the government numbers, the Misery Index is actually in the teens. Some worry it could even approach the post-World War II record of 20.6", which was last seen in 1980.

So, the Misery Index record is 20.6? Hmmm! So I take a look and see that prices in general are running at an inflation rate of about 12%, and inflation in consumer prices for food and energy are higher than 20%!

And everything is going to see higher and higher prices, since the money supply can be shown to be growing at up to the unbelievable annual rate of 28%, thanks to a loathsome, corrupt Federal Reserve and an equally despicable Congress (except Ron Paul).

And real unemployment, stripped of its corrupt government "massaging" of the data and the laughable tricks of assigning different people to different categories of "unemployed" and even defining away whole swaths of people who are, literally, unemployed, is about 10%, too!

Adding 12% inflation with 10% unemployment gives us a Misery Index of 22, a new world-record! No wonder people are so angry!

And no wonder, too, that people are scrambling to get into gold and silver, and indeed the Wall Street Journal reports that people are accumulating all the silver eagles that the Mint can make. The WSJ reports, "The coins, each containing about an ounce of silver, have become so popular among investors seeking alternatives to stocks and real estate that the U.S. Mint can't make them fast enough. In March the mint stopped taking orders for the bullion coins. Late last month it began limiting how many coins its 13 authorized buyers worldwide are allowed to purchase."

So how many ounces of silver are people wanting to buy? Well, it must be a lot, because a dealer name Oliari has "customers demanding twice as many as they did last year", and he would "like to buy 500,000 a week. But the mint will sell him only around 100,000."

Actually, the doubling of people buying silver, as demonstrated by Mr. Oliari's clients, is about average, as "This year, the mint has sold 6.8 million" silver eagles, "representing more than twice last year's pace", although Much, Much More Interesting (MMMI) is the datum point that "In March, sales of silver eagles surged more than ninefold from the previous month, to 1.85 million." Ninefold! In one month! Wow!

You know that if we idiot Americans are buying silver, then surely foreigners are scooping them up, too. And sure enough, "The Royal Canadian Mint saw its sales of silver Canadian maple-leaf bullion coins rise 40% last year, to 3.5 million, according to a spokesman."

All in all, as I gather from the facts, I agree with the Wall Street Journal; silver is "growing in popularity, and some investors are betting that its value will surge as inventory shrinks."

Well, I never thought of it that way, but, yes, if inventory is shrinking because demand is increasing, but supply is (as I seem to recall) actually decreasing (which is how inventory shrinks), then I, The Mogambo, am one of those "investors" who is "betting that its value will surge as inventory shrinks"! But only because that is the way that the supply-versus-demand dynamic works, has always worked, and will always work, with silver as it is with everything else! Whee! This economics stuff is easy!

And to show you that it is not just us little guys buying silver, coming out from our cramped cubbyholes under the overpass to collect empty aluminum cans to sell to the scrap yard to get some money to buy silver, and then scuttling back under the bridge, but "Big investors are loading up on silver eagles," too, which they immediately follow with, "which are the only American silver coins allowed in individual retirement plans".

I think that this is an odd juxtaposition of items, as I never heard it even mentioned that "big investors" were doing their "big investing" inside of retirement plans, but it sounds like an interesting idea if you never want to take money out of the individual retirement plan to spend it on, for example, a wonderful holiday weekend away from the wife and kids, maybe playing some golf, eating stuff like tasty chunks of meat fried in lard and scratching my butt whenever I

want without somebody saying, "Stop eating that damned fried meat!" and "Stop scratching your damned nasty butt!" and "Stop scratching your damned nasty butt with fried meat!"

Well, the Journal was apparently not that interested in either my diet or my butt, scratched or unscratched, but says, "For small investors, (silver eagles) are an accessible way to get into the metal boom", which implies that we "small investors" don't have enough money to buy gold, but even dumb, brain-damaged slobs like us "small investors" can somehow manage to scrape together \$20 and then wander, slug-like and drooling, I suppose, over to some coin shop to buy an ounce of silver or something, even though we are too stupid to understand why we are doing it.

And why is everybody, big and small investors alike, suddenly buying all of this silver? Could it be because silver, like gold, has always (for the last 4,000 years in a row, anyway) gone up in price when the value of the money went down? Hahaha! You bet it is! I mean, how stupid do you have to be, not to want to buy silver when, for the last 4,000 years in a row, silver has held its value as currencies depreciated?

And the value of the money going down is felt by the impoverished people as a rise in prices, which brings us to the salient point that a new University of Michigan survey came out with the horrifying news that consumers expect inflation in prices to run at 5.2% over the next year, which is reportedly the highest 1-year expected inflation rate since 1982 or something!

It will be very interesting to see what Ben Bernanke, chairman of the Federal Reserve, does now, because he has always maintained (as laughably unbelievable as it sounds) that it is not actual inflation that is important to Fed policy, but inflation EXPECTATIONS! Hahaha! What a moron! And now we have both!

Until next time,

The Mogambo Guru