

Inflation and the Mass Confusion to Follow

By [The Mogambo Guru](#)

05/12/09 Tampa Bay, Florida This massive creation of money and credit will lead to a lot of inflation in consumer prices sooner or later (mostly sooner, and for a long time, too!), because that is what always happens, which explains why I have gold and guns, but does not explain why I wear an aluminum foil hat.

I wear it because it looks so snazzy and I get a lot of attention, which I crave because I am a weird guy with a mental problem that I don't want to talk about, mostly because I am sick of talking about it since it is the only thing anyone ever wants to talk about, unless it is how my wife is such a "saint" for putting up with me all these years, like living with her has been some freaking picnic at the beach or something, especially after she started spewing out kids one after the other, each needier and more demanding than the last.

And besides, if I am ever anywhere that I suddenly need aluminum foil to, for instance, save a tasty bit of calorie-laden food or form a makeshift tent in the event of a sudden downpour, I am ready!

But this is disputed by Barron's, which says, "Those who contend that the expansion of central bank balance sheets is inflationary ignore the contraction of balance sheets in the banking system, as well as the so-called shadow banking system of assets and liabilities not recorded on banks' books."

"Like what?" I ask suspiciously, as befits talking about "shadow" banks. Well, like Barron's having data from the Bank for International Settlements suggesting that the wild expansions of the money supply by the Fed and the Treasury were peanuts compared to the record contraction in the global banking system as defaults cascaded through the system.

According to the BIS, total bank claims shrank by \$1.8 trillion in the fourth quarter (or 5.4%), to \$31 trillion, which is the biggest fall in bank assets in history. Yikes!

I decided to rudely interrupt in protest, perhaps including some amusing-but-hysterical arm waving and a few up-close-and-personal horror stories about inflation in prices, like how you listen to your spouse and kids whining on and on, day after day, about how things cost more money, and they want more money, but you don't have any more money, and how they just won't (pause) let (pause) it (pause) go, and it's all the time "gimme, gimme, gimme" all day long until you finally, one day, just snap.

Before I could, however, get up a good head of outraged steam about how the worst thing that could happen to us is inflation in the money supply creating inflation in consumer prices, Barron's admits that "Inflation, as Milton Friedman taught, is always and everywhere a monetary phenomenon."

This is exactly right! And exactly my point! How disconcerting for them to say that, given their initial argument that monetary excesses are not necessarily inflationary, which is (if you read between the lines) also that I am an idiot and that is why they are out to get me like everybody else.

So I sit back down, puzzled, and deciding that I am truly, truly lost and confused, and so I might as well go home and grab a snack. Maybe take a nice nap!

But as soon as I decide to do that very thing, they go on to say that this insane monetary excess seems to be, astonishingly, working!

Believe it or not, it actually looks like “the current central-bank expansion is offsetting the contraction in the banking system – which Friedman criticized the Fed for failing to do in the 1930s,” which is the theoretical straw at which we have successfully grasped! Amazing!

To say I am stunned is an understatement! Now, to hear it told, for the First Freaking Time (FFT) in all of history, a country bankrupted from its own gluttonous, low-IQ redistributionist excesses, paid for by an over-creation of fiat money and credit, was able to – insert huge blare of trumpets declaring victory “taaaa-daaaa!” – actually spend its way out of bankruptcy! Wow! Beyond wow!

And, even better, overpriced assets did not collapse in market value to their true value! Wow!

Naturally, Barron’s reports that “new BIS data bear out the justification for the Fed’s actions, notwithstanding the critics’ claims.” They do not name these “critics” or (as I am usually known) a “fringe lunatic,” but judging by my own criticisms, such gigantic creations of fiat money will produce killer inflation in prices, and that the dollar, and the economy, have been murdered by the imbecilities of grubby, greedy, corrupt idiots infesting the Federal Reserve, Congress, and the Supreme Court, none of whom listened to me when I urged them to go back to the gold standard to eliminate inflation completely, and to get our nation’s scientists working to develop a good 25-cent taco.

And on that score, all that new money produced a huge inflation, just as predicted; it has started the re-inflation of an entire stock market bubble, a bond bubble, a government bubble and (maybe!) a housing bubble!

Naturally, I leap up and scream, “Inflation! It just killed Zimbabwe, and soon it will be on us, and inflation will kill you, too, unless you buy gold, gold, gold!”

The next thing I knew, there were security guards swarming everywhere, and I soon found myself outside, dejected for having been ejected, which gave serendipitous rise to my boffo ending:

As the lights lower, I slowly sink into a very theatrical heap of collapsed humanity to visually portray mankind’s complete loss of hope, dreamy dreams dashed on the rocks of despair, the very essence of a desperate man who wants gold to immediately shoot up in price so that he can

get so suddenly rich that he can skip town and start life over, someplace new, perhaps finding real happiness, and without the three huge millstones of family, “friends” and career around his pathetic neck, choking him until his twinkling blue eyes bug out in fear (“boing!”) as they drag him down, down, down to the cold, cold, cold, dark, dark darkness and doom.

A moment of complete inactivity, and then, springing to my feet, I pass the hat and remind everyone that gold can give deliverance from the predations of government!

And with the low quality of people we have in Congress, the Federal Reserve, the media, the schools and the Supreme Court, gold has the Mogambo Freaking Guarantee (MFG) to not only deliver deliverance, but more! Much, much more! More and more, as in, “Do you know how much an ounce of gold will buy in Zimbabwe, the world’s biggest idiots in terms of over-creation of money who have now officially destroyed their own money? Hahahaha!”

In short, “Whee! This investing stuff is easy!”