

The Ups and Downs of Money Supply Growth

By [The Mogambo Guru](#)

06/29/09 Tampa Bay, Florida I usually have a get “prepared” to visit John Williams at his famous shadowstats.com site so that I am “feeling no pain,” and this time I was happy I was, as his headline was “Inflation, Money Supply, GDP, Unemployment and the Dollar – Alternate Data Series”.

As for inflation, his calculation of the Consumer Price Index “reflects the CPI as if it were calculated using the methodologies in place in 1980”, which I note is **back when inflation was a measurement of the change in prices of things that you buy, and not, as it is now** after the villainous Alan Greenspan and Michael Boskin came up with their ludicrous “hedonic” measurements of inflation with which to disguise it.

Anyway, Mr. Williams’ honorable and time-honored methodology shows **inflation in prices running about 6%, which is a horrendous rate**, which is a big shock to those who have just swallowed the government’s estimate of CPI as being a negative 1.3% over the last year!

Mr. Williams’ estimate of the M3 money supply (the broadest definition of ‘money’) shows that it is growing at about 6%, which, although startling to those of us who are seemingly predisposed to getting hysterical about such monetary idiocy because it causes inflation in consumer prices and which is the Worst Thing That Can Happen (WTTCH), is **actually down from the boiling 17% growth in M3 money supply at the beginning of 2008!**

Wow! What a deceleration! This certainly has something to do with his calculation that year-over-year change in GDP is down by a whopping 5%.

Even worse, M1, which is the narrowest definition of money since it is essentially defined as “cash”, has exploded to an outrageous 16% growth since the beginning of 2009!

This is plenty bad news if you are afraid of inflation in consumer prices, which is different from being afraid of the CIA tapping into your computer and discovering all that pornographic filth and hate mail (e.g. “Dear Federal Reserve, I always hated you morons for creating so much money and credit that it caused roaring bubbles in the stock market, the bond market, the housing market and the size of government, and now your outrageous excesses to stupidly supply the financing to let the federal government try and buy its way out of a well-deserved bankruptcy will soon cause roaring inflation in consumer prices as the value of the dollar tanks, and my stupid relatives are getting laid off and are coming over here asking me to loan them some money, and I reply, ‘Why don’t you sell some of the gold and silver I have been screaming at you to buy all these years? It’s way up in price!’ and they admit, ‘We didn’t buy any’ and then I say, ‘Then why would I loan money to someone who is so stupid that I hate everything about you, including hating that stupid look on your stupid face’ and then they say to me, ‘We always

thought you were kidding when you said you hated us' and then I say to them, 'Now you know, you moron!' all of which has caused a lot more tension at home, as you can imagine, which is the last thing I need right now").

And as bad as that is, the really bad news is that measuring unemployment the correct way shows that it has now shot past the 20% mark! One out of five unemployed! This is Great Depression stuff! Yikes!

All of which brings me to one of the stories that you don't hear about when discussing the Great Depression, which is that the people who did not own gold or shares of gold miners all wanted to own them, and would have, too, if their paper assets had not taken all their money away!

"Which is kind of like right now!" I thought to myself after getting the news after I had finished the scheduled Perimeter Security Check outside of the Mogambo Bailout Bunker (MBB), whereupon I was settling down to read an essay by Gary Gibson, managing editor of *Whiskey and Gunpowder*, who had done a little research and found that the Federal Reserve just reported that **"U.S. household wealth dropped \$11.1 TRILLION since 2008 – \$5.1 trillion of that in the last three months alone."** Yikes!

I assume that he has not mastered the use of the exclamation point, which would have made his sentence end, more appropriately, "the last three months alone!!!!"

And lest I be remiss in giving to you Earthlings another heaping helping of Secrets Of The Cosmos (SOTC), which is my mission here on your miserable planet, way out here in the middle of what we sophisticated interstellar travelers call "No Freaking Where", here it is: Buy gold when your government is acting irresponsibly, which is, admittedly, most of the time, which should make you Squeal With Glee (SWG), "Whee! This investing stuff is easy!"