

# Inflationary Understatement

By [The Mogambo Guru](#)

09/20/10 Tampa, Florida – *The Market Oracle* newsletter jumps into the inflation-deflation debate, and says, “Debt deleveraging deflation completely ignores the fact that we are NOT living in the 1930’s, but in a globalised world economy that is seeing the convergence of real GDPs where the developing world is eating up the [world’s] resources at a faster pace than the west is cutting back on consumption.”

Something in my Puny Mogambo Brain (PMB) went, “Ding!” when I instantly recognized this as a classic case of the age-old supply/demand dynamic where price equilibrates demand with supply, in this case the increasing demand from the “developing world” is swamping demand from the “developed” world, meaning an increased demand, but with no mention of the physical supply of resources, which are hard to increase and are, in the short run at least, absolutely fixed.

So any increase in demand means pressure towards an increase in price.

As one would expect from the infallible demand/supply dynamic, when demand is going up when supply is not likewise going up, the market clears at higher prices, and Mr. Oracle seems to be in complete agreement with me on this, and says that increasing demand is “driving inflation higher whilst at the same time the west is engaged in competitive currency devaluations in an attempt to generate nominal GDP growth,” which is where I paused, as I fully expected him to accurately finish the sentence with “which is going to destroy the buying power of every one of those stupid currencies, including the dollar, which the Federal Reserve has destroyed with their insane neo-Keynesian econometric stupidities and outright frauds to create suicidal amounts of money, meaning suicidal amounts of inflation will destroy the people!”

Alas, he did not summarize it that way. Instead, the Market Oracle wins this week’s Mogambo Egon Spengler Prize (MESP), a coveted award named after the character played by Harold Ramis in the movie *Ghostbusters* who, when asked by the stupid little EPA investigator why the power to the containment grid should not be turned off, did not say, “Because it would release such unimaginable horrors that it would destroy us all in an unstoppable catastrophic disaster where the survivors would envy the dead, and would be unpaid slaves, cruelly treated with no salary, benefits or OSHA protections of any kind, toiling endlessly to please to a hideous demon that lives on the psychic energy of inflicting everlasting pain and suffering until the world is destroyed and every last one of us is dead after being painfully rendered asunder, tearing off your arms and legs, one after another, limb after limb!”

Instead, in a moment that will live forever as the Mogambo Egon Spengler Prize (MESP), Egon Spengler replied, deadpan, emotionless, looking right into the face of the EPA jerk, “Because it would be bad,” which is, if you have seen *Ghostbusters*, probably the most gigantic understatement in the history of the world.

Likewise, Mr. Oracle wins the coveted “Egon Prize” by ending his sentence with “which has highly inflationary implications”!!

And with that kind of inflationary horror waiting to befall us, now revealed as chillingly foretold in a Hollywood movie, you know that I am going to advise you to put down that slice of cold pizza that you are eating before one of the kids can get at it, and buy, buy, buy gold, silver and oil stocks, which are guaranteed to go up in price when the government is so bizarrely insane, like now, that it deficit-spends enormous amounts of new money – equal to a tenth of GDP! And more! – which is a massive amount of new money created by the loathsome Federal Reserve just for the purpose, all of which increases the money supply and makes prices go up, and up, and up, and which is the absolute Worst Thing That Can Happen (WTCH)!

Before you run screaming into the night, yelling, “We’re freaking doomed!” be calmed by remembering that by just buying gold, silver and oil, everything for you will be OK for you, and out of sheer amazement and gratitude, you, too, will whistle approvingly and say, “Whee! This investing stuff is easy!”