

Prepare for Mass Inflation

By [The Mogambo Guru](#)

11/10/10 Tampa, Florida – The thing that has sent me into Mogambo Panic Mode (MPM) over the terrifying inflationary implications is the latest outrage from the Federal Reserve, reported at Bloomberg.com as, “The Federal Reserve will buy an additional \$600 billion of Treasuries through June, expanding record stimulus and risking its credibility in a bid to reduce unemployment and avert deflation.”

It turns out that the announced \$600 billion, in six measly months, as perfectly horrific as it is, is not the whole story, as we later find out when Bloomberg later in the article reports, “Including Treasury purchases from reinvesting proceeds of mortgage payments, the Fed will buy a total of \$850 billion to \$900 billion of securities through June, or about \$110 billion per month, the New York Fed said in accompanying statement.”

\$110 billion per month! Per month! Per freaking month! Gaaahhhh!

Economicpolicyjournal.com has some dire analysis, and says, “The key is to realize that supermoney can have a multiple impact on the money supply. In 2008, just before the financial crisis broke out, the multiplier impact on M2 was 10. Got that 10? Although, I don’t necessarily expect it to go that high at this point (there are all those excess reserves). A multiplier impact of 2 or 3 is certainly not out of the question. That would put the M2 money supply increase in the range of \$1.6 trillion to \$2.7 trillion. In other words, an annualized money growth rate of over 20%. And this is conservative.”

By this time I am so freaked out that I am feverishly double-locked in the Mogambo Bunker Of Absolute Fear (MBOAF) and am now curled up in a fetal position on the floor, whimpering, petrified at the horror of such inflation in the money supply, because inflation in prices always results from an increase in the money supply. And such a whopping increase in the money supply means a whopping inflation.

In all the noise and racket, I almost missed it when they went on, “If the multiplier is higher and money starts to flow out of excess reserves, you could see M2 grow at record high rates, possibly 30% to 40% on an annualized basis. In other words, the amount of new money hitting the system could be [a] huge amount.”

I was going to use this as an opportunity to call out on the Mogambo Secure Line To The Cruel Outside World (MSLTTCOW) to tell you to drop everything and run out to buy gold, silver and oil stocks as a defense against such ruinous inflation, but it was done for me when they wrote, “Folks, the dollar is now securely on the road to major devaluation. Price inflation at the consumer level by the end of 2011 will be well into double digits. Way, way into double digits. Prepare yourself now. Start with some gold and silver.”

In case you were wondering, the purpose of the QE program is to create the money that the government needs to borrow this year. Otherwise, the Treasury has to try and sell \$2 trillion in bonds to the few people who have saved some cash money, but it is ludicrous to think that these few people could possibly come up with \$2 trillion! Hahaha!

And then more next year, and the year after, and the year after! Hahaha! Insane!

And if you think that this will not end Very, Very Badly (VVB), then I am pretty sure that I am on safe ground to say that you don't know squat about economics. I say this without fear of contradiction for two important reasons.

Firstly, I say that I do not fear being contradicted because nobody knows where I am, and even if they did know where I was, they would not have the guts to say anything to me because of the lessons learned from TV, which proved conclusively that "facing down" an armed lunatic is a Bad, Bad Idea (BBI) unless it is in the last 10 minutes of the TV show, and even then it is often "iffy."

And I also say this without fear of contradiction because there is not one example in the last 4,500 years – 4,500 years! – where any of the thousands and thousands of corrupt, dirtbag governments that borrowed themselves into such overwhelming bankruptcy and/or created so much new fiat money to spend that had ever, ever, ever, either magically or miraculously, succeeded in preventing total disaster by (unbelievably) creating, borrowing and spending more money!

And this goes "doubly-especially" when the government is borrowing another staggering chunk of money that equals a mammoth 14% of GDP, which they do by having the Federal Reserve print up a lot of new money for them to borrow, which (all other things being equal) increases the money supply by 14%! Gaaahhh!

If you are within a few blocks of me, then you no doubt noticed that I am Screaming My Guts Out (SMGO) in outrage and hysterical fear because of such monetary and fiscal insanity, which will cause a devastating inflation in prices that it will probably wipe this country off the economic map, which is a metaphor, or more probably wiping us literally off the map, since this is always when a lot of wars break out.

To even suggest otherwise is Sheer Freaking Lunacy (SFL), and if you do, then you will be shunned by decent people and end up in the gutter, career-wise, writing about economics for *The New York Times* or be a laughable egghead university professor at Princeton ("Them that can, do, and those that can't, teach, or end up as chairmen of the Federal Reserve where they can prove that they can't, but they thought they could because they were willingly gullible halfwits who could not see the utter stupidity of their preposterously simplistic neo-Keynesian econometric crapola of equations and computer models, which is such an absurd idea that it makes me guffaw in a Loud Mogambo Laugh Of Scorn (LMLOS) for Ben Bernanke, Paul Krugman and all the lowlifes who agree with either of them about anything.")

And so I say, unless they also urge you to buy gold, silver and oil, in which case it shows that they are intelligent in ways other than economics, or it shows that they are just lazy, because buying gold, silver and oil when the Federal Reserve is creating So Damned Freaking Much (SDFM) money is so easy that you gotta say, “Whee! This investing stuff is easy!”