

Surviving Inflation

By [The Mogambo Guru](#)

12/01/10 Tampa, Florida – Normally, I am usually wailing about how We're Freaking Doomed (WFD) because the treacherous Federal Reserve has spent so many years creating so much money that we got inflation, as you would expect, and the inflation was in stocks, inflation in bonds, inflation in houses, creation of a gigantic pile of derivatives that are estimated to total in the quadrillions of dollars, inflation of the financial services industry, and cancerous growth of a huge, suffocating system of socialist governments, which is not to mention a half-century of inflation in the prices of consumer goods, averaging (according to "official government statistics") at an annual inflation of 4.4%!!

I deliberately used the double exclamation point to convey the horror of 4.4% inflation, which means (in practical terms) that prices double every 16 years!

If you are nonchalantly thinking to yourself, "I don't care that prices will double in 16 years because I probably won't live that long since I am an overweight drug addict, a serious alcoholic with a bad dietary regimen, and who gets no exercise at all."

In that case, perhaps you would be interested to know that in eight years, prices will be 41% higher, which amounts to prices being higher by almost half again than they are now! Prices higher by a half!

If you are a really bad example of a short, wasted life, perhaps thinking that even eight years is pushing the actuarial boundaries of your mortality, then I am sure that you think you will live another four years. Everybody thinks they will live another four years!

And in four years, at a measly 4.4% inflation, prices will be 19% higher!

And you can take it from me, if I can get my message through that drug and alcoholic haze of yours, that it will be much, much worse than that. In fact, inflation will be whole magnitudes worse because Ben Bernanke, in the worst monetary policy mistake in the history of the Federal Reserve, is actually trying to create inflation in prices! Yow!

This new policy goal of deliberately creating price inflation – which is entirely new in the history of economics, which is primarily engaged in PREVENTING inflation – is very convenient for the Federal Reserve because it is now stunningly embarking in more quantitative easing (QE2), which, in practical terms, means the Federal Reserve will create another whopping \$600 billion of new money – in the next six months! – into the economy by buying government bonds so that the government can outrageously deficit-spend this Huge Freaking Chunk Of Money (HFCOM)!

So, obviously horrified by this, I normally do not suggest that the general stock market could go up, but it could now actually have a "buy rating" because of all of this! The reason is that the horrid little creep Ben Bernanke is sold on the new idea that there is a "wealth effect" created

when people have assets that are going up in price, which means that they feel wealthier, they will spend more money, and then – presto! – everything will be peachy again and we will have prosperity from now on! Whee!

My embarrassingly sophomoric sarcasm aside, a corrupt, intellectually-impoverished Federal Reserve has been given the green light to create preposterous amounts of money and use it to buy anything it wants, as both a way of financing government deficit-spending and, perhaps on a quest for “wealth effect” by pumping up asset prices.

And it will obviously succeed! If the Fed prints up enough trillions in new money and uses it to buy half of the shares of the whole US stock market, what do you think will happen to prices of stocks? Hahaha! Me, too!

And who’s to stop them? I can’t, either!

And then astronomical share prices will start becoming more and more justified as the inflation in all other prices, the result of the gigantic, unbelievable inflations in the money supply, start rising quickly, too.

Of course, this is all hypothetical, and the only thing that we know for sure – for sure! – is that gold and silver will rise in price as a result of the inflation in all prices caused by all this new money entering into the economy, as that is what has happened Every Other Freaking Time (EOFT) in the last 4,500 years when any dirtbag government got the bright idea to borrow the country into bankruptcy, and then create a lot of money out of paper to pay the bills to temporarily forestall bankruptcy, all the time having to pay higher and higher interest rates to go farther and farther into debt.

And it is this apparent awesome economic certitude of a 100% sure-fire guarantee of the rise of gold and silver that makes me shout in self-satisfied glee and merriment, as in, “Whee! This investing stuff is easy!”