

US Inflationary Excesses: Understating the Obvious

By [The Mogambo Guru](#)

03/24/10 Tampa, Florida – Being a guy who understands that inflation in prices is the cause of economic misery, and also being a guy who spends a lot of his Precious Mogambo Time (PMT) politely informing people that they are morons for not buying gold, silver and oil to protect themselves from the inflation that must – must! – result from the Federal Reserve creating so much excess money and credit, I was very, very, VERY interested in the U.S. Bureau of Labor Statistics report that their Consumer Price Index for All Urban Consumers (CPI-U) increased 2.1 percent from this time last year, “before seasonal adjustment”, which I think is a load of hooley.

Not the seasonal adjustment, part, which is its own minor kind of hooley, but the whole idea that inflation in prices was up only 2.1 percent in the last year! Hahaha! 2.1 percent! Hahaha!

The fact is, inflation measured the old-fashioned way (namely, measuring changes in actual prices, instead of prices that are nowadays “adjusted” for quality or convenience) indicates that the average American like me, who slaves away at his stupid job to get his stupid pay to spend on his stupid house and his stupid family and pay a lot of stupid taxes because my stupid neighbors elect stupid socialist morons to office, is getting hit with somewhere between 7 percent and 10 percent inflation in prices, which, because our stupid incomes are not going up because our stupid bosses won’t give us more because the stupid company is not making more, means that a lack of money is rising, ergo suffering is rising, ergo irritation is rising, ergo anger is rising which gives rise to the phrase “people are rising up in that anger”, and I am screaming my guts out “We’re freaking doomed!” all the time, which may explain why everyone is so angry all the time, but I dunno, but all that screaming in fear and outrage makes my throat sore, which would explain why I am so angry all the time.

I will note, however, with a characteristic sarcastic and scornful tone to my voice, that this roughly 10 percent inflation in prices corresponds to an analysis by James Turk of GoldMoney.com that showed that M1 money supply (the primary money measure by the Fed) as being up 9.5 percent year-on-year, which is a terrifying increase in this most basic of money supplies.

But back to the CPI report, even worse, energy as a category was up a whopping 34.4 percent in price in the last “un-adjusted 12-months”, with the subcomponent “gasoline (of all types)” was up 36.8 percent in price, and fuel oil was up 19.3 percent in price! Yikes!

And with increased taxes, fees, user fees, non-activity fees, overcharge fees and price increases in seemingly Every Freaking Thing (EFT), none of which shows up in the precious CPI market basket, how can inflation in prices be only 2.1 percent a year, except if somebody, or a whole group of somebodies, is/are lying to me, which I assume he/she/it/they is/are, and not only

because I was/am/will be naturally paranoid, cynical and suspicious, but because it's obviously true, true, true.

So, as much as I scream in Loud Mogambo Outrage (LMO) about the sheer amount of money that is being created and the inflation in prices that it will cause, using whatever data that I can easily get my hands on or, better yet, have it fall into my lap, or, as a last resort, just making up random facts and figures to prove my point, I may be, inadvertently, for once in my over-the-top, paranoid and fearful way ("The Way Of The Mogambo (TWOTM)!") be understating the case! Understating it! Wow! Who'd a-thunk it?

I come to this surprising conclusion from James Turk of Goldmoney.com noting that "There has been an unprecedented amount of deposit currency created by the Fed over the past two years. From December 2002 until the collapse of Lehman Brothers in September 2008, the quantity of deposit currency created by the Fed averaged \$11.8 billion, an amount that is relatively insignificant compared to total M1. Presently, it stands at a record high of \$1,246.2 billion, which of course is highly significant."

Well, personally, I can think of many ways that this can be "highly significant", one of which, I figure, is already inherent in the fact that the M1 money supply figure (mostly just cash and near-cash), "stands at a record high."

In effect, he says, "the traditional definition of M1 does not accurately capture this process when the Fed uses deposit currency to pay for its purchase", which I am not sure I understand, as I am usually too busy with the kind of currency that kids and wives want with which to purchase things, like the ever-popular "I need five dollars", and so I ask "What for?", and they give me some kind of stupid reason, and I tell them "No", and then they want to argue with me about my decision, and the argument goes back and forth between us until they are screaming "I hate you!" and I politely ask "And I am expected to give money to someone who hates me?", and they ask "Is a father supposed to hate his children by never giving them money?" and then I am yelling "I hate you!" and then we are both yelling "I hate you!" until my wife comes in and tells us both to shut up, and for me to give the kid the damned money and stop acting like the stingy little bastard that I am.

Well, Mr. Turk is not interested in my personal troubles or how it costs me plenty, but that the net result is that "The Federal Reserve reports M1 to be \$1,716 billion as of February 15th. When deposit currency created by the Federal Reserve is added to the traditional definition of M1, M1 after adjustment is actually 170% higher at \$2,918 billion", which makes my eyes pop since it means that the growth in the money supply, which is the thing that causes inflation in prices, is soaring, and, worse, "Its annual growth increases to 29.5%, nearly 3-times the rate reported by the Fed and more importantly, is an annual rate of growth in the quantity of dollar currency that is approaching hyperinflationary levels."

Hyperinflationary levels? Yikes! The real Junior Mogambo Ranger (JMR) knows that the only good news in that dreaded pronouncement is that gold, silver and oil are still available to buy, and at these bargain prices, too, considering that such gigantic inflation in the money supply will

cause inflation in their prices, and which is a fact that makes profitable investing so easy that you can't stop yourself squealing in glee, "Whee!"