

Food Price Inflation Calculator

By [The Mogambo Guru](#)

02/24/11 Tampa, Florida – Mark Thornton of the Mises Institute writes, “The price of everything seems to have skyrocketed. Only housing, the dollar and inflation-adjusted income are negative.”

I immediately interrupt to wittily say, “Well, housing is going down because nobody wants to buy a still-over-priced-yet-even-lower-quality house that now needs painting, a new water heater, some leaky things fixed and a new roof, especially now that inflation-adjusted incomes are negative!”

The stunned silence at my rudeness was all I needed to continue, “And the ridiculous fiat dollar is going down in purchasing power because the foul Federal Reserve is creating So Freaking Much Money (SFMM) that, vis-à-vis other dirtbag fiat currencies of other dirtbag countries running budget deficits, the dollar is going down in value faster than they are because the Federal Reserve is creating more new money than all the rest of the world’s dumb-ass, dirtbag central banks put together!”

Seeing that everybody is completely stunned by the way I just barged into the conversation with one of my patented Stupid Mogambo Remarks (SMR), I, thus emboldened, powered forward by thoughtfully stroking my chin as if contemplating something profound, whereupon I go on, my voice rising in a crescendo of pain and outrage, “But if you calculate all prices in ounces of gold, you will find that prices will have actually gone down! I’m not sure exactly how to prove it, but this has to mean We’re Freaking Doomed (WFD)!”

Apparently, Mr. Thornton is not sure how to calculate it, either, but is perhaps suggesting that the horror may be found in the fact that “World food and commodity prices are up 28% over the last six months.”

I was surprised that I did not edit his remarks to end with at least one exclamation point, and also surprised at his use of a 6-month time-frame, instead of annualizing it, at least in some simplistic linear manner that a dolt like me can understand.

In doing so, he unwittingly provides an opening for Showoff Calculator Man (SCM), as I happen to be an absolute whiz at multiplying numbers by 2!

Putting my calculator where my mouth is, I quickly crank out $2 \times 28\% = 56\%$ inflation! See? I CAN do it!

On the other hand, $1.28\% \times 1.28\% = 1.64\%$, which would seem to be a massive 64% annual inflation when compounded, even more so than the simple 58%. Yikes!

Mr. Thornton ignores me, and goes on, “Higher food prices set off the revolutions in Tunisia and Egypt and the mass protests in countries like Algeria, Jordan, Yemen, Bahrain and Iran. People

in these countries buy more unprocessed foods and spend a much higher percentage of their income on food, so they have been severely impoverished by Bernanke's [QE2](#)."

Of course, being an American, all I really care about is how it affects me, an American, and American prices, and how in the hell I am going to afford higher prices on my American income which has, as he said earlier, gone down when inflation-adjusted.

In that regard, [Joel Bowman](#), Managing Editor here at *The Daily Reckoning* notes, "Wholesale prices jumped 0.8% in January. The producer price index (PPI) has now jumped 3% over the last four months. And no, that's not an annualized figure."

Again, Showoff Calculator Man (SCM) comes to the rescue, and multiplies 3 times 3% to get 9% inflation, which IS an annualized figure, and more than 9% inflation when compounded, and which is scary enough to send me running, running, running, like the paranoid little weasel that I am, to the safety of the Mogambo Secret Bunker (MSB).

I was hurriedly shutting the bunker's door when I heard Mr. Bowman go on, "Note that the PPI headline number is for 'finished goods' – stuff that's ready to be sold direct to consumers. In the category of 'crude goods,' the figures are far worse – up 3.3% in January, and up a staggering 15.8% over the last four months."

The last four months! That's almost 48% inflation a year! Man, if ever there was a time to buy gold, silver and oil, this is it! Whee! This investing stuff is easy!