

Indications of the Broadest Measure of Money Supply

By [The Mogambo Guru](#)

02/01/11 Tampa, Florida – *The Gold Report* interviewed John Williams of ShadowStats.com, who said, “I continue to track M3, the Fed’s broadest measure of the money supply until it ceased publication in March of 2006. Generally, the broader the measure of systemic liquidity, the better it serves as a predictor. In terms of giving a signal for the economy, you have to adjust the growth for inflation.”

I admit I was kind of dozing off by this time, daydreaming of the bacchanalian excesses made possible by gold and silver shooting up in price as a result of the insane increases in new money being created by the foul Federal Reserve. My reverie seemed so much more interesting than what I thought would be one of those academic exercises where smart people talk about things I don’t understand because I am stupid, and probably wouldn’t care about even if I wasn’t so stupid.

With a sudden start, I realized I was wrong! There is quite a lot of useful information in, “What’s happened historically is that every time the year-to-year change in the inflation-adjusted M3 has turned negative, the economy has followed in a recession, or if already in a recession, the downturn has intensified.”

Now, there is nobody more attuned than I to the potential catastrophe inherent in something that has happened “every time,” mostly about how I can tell you sad, sickening, sorrowful stories about money lost by betting on “what’s happened historically,” stories that will make you cry if you have any compassion or empathy, which I suspect you don’t, and neither does anybody else, and you are all secretly happy that I lost money and suffered a loss, which is what I always suspected about all of you deceitful bastards.

However, this is not about my raging paranoia or that I am a cynical old man who sees treachery everywhere, but that the M3 money supply has turned negative, inflation-adjusted, which is, as in “every time,” significant!

I was planning on calling Mr. Williams on the phone to ask him, “Did you mean ‘every time’ literally, as in ‘can’t-miss guaranteed?’” But perhaps Mr. Williams demonstrates real paranormal abilities by anticipating my call and replying – before I even asked! – that “Those signals don’t come very frequently; but when they do, they are extremely reliable.”

Extremely reliable! That’s the kind of market timing I am looking for, man!

And if you are looking for something else that is “extremely reliable,” I note that gold and silver have performed admirably for the last 4,500 years!

Mr. Williams' data points to an economy going down, even though I see the foul Federal Reserve creating \$100 billion of new money per month so that the government can spend it, and it is all Very, Very Frightening (VVF) to those of us (me) who are (is) frightened (scared out of my freaking mind) by the prospect of catastrophic inflation in prices and economic collapse.

This, in contrast to the seeming historical guarantee of gold and silver, makes it all so easy that you happily think to yourself, "Whee! This investing stuff is easy!"