

Stopping Inflation, the Federal Reserve Way

By [The Mogambo Guru](#)

04/08/11 Tampa, Florida – I was explaining to my boss that firing me would not solve the company's problems, as the corporate rot goes a lot farther than that, mostly due to the stupid Human Resources department hiring so many morons, a dismal fact I have proved over the years by merely asking each one, in turn, "Do you own any gold and silver to protect yourself from the horrendous inflation in prices that is guaranteed by the evil Federal Reserve creating so impossibly much money, and which will destroy the currency, the economy, and everyone who is not an owner of the aforesaid precious metals, to wit, gold and silver, or are you some kind of moron?"

The data shows that they are all morons, and their stupid responses fell into one of three groups.

Either they ignored me completely, replied with something rude and/or threatening, or admitted that they have not been buying gold and silver.

Of course, being the nice guy that I am, always ready to help a friend or a neighbor in need, I generously informed them that they were stupid for not buying gold and silver in response to the Fed creating so much excess money, and that they were in desperate need of some smarts.

I summed it up for my boss as, "The point is that you can't help but notice that none of my fellow employees – none! – bought gold and silver, even though the economic circumstances scream the necessity of doing so, the entire economic history of the last 4,500 years screams the necessity of doing so, and together they are almost as loud as MY screaming of the necessity of doing so!"

Thus, smugly self-assured, I sat down, thinking my argument was thus made: My failures are not my fault, but are the result of morons infesting the company, whose incompetence is ruining everything.

She sighed, and then looked at me with that stupid, bored look on her face, and said, in a deadpan monotone, "That is astounding."

"Well," I replied, "I think it is astounding that Federal Reserve chairman Ben Bernanke and his fellow-traveler, neo-Keynesian, econometric morons believe that there is no inflation in prices, despite food and energy increasing by double-digit rates, among a lot of other things rising in price, and all over the world, too!"

Inspired, I found myself going on, "I particularly like the way the Federal Reserve halfwits puff themselves up and solemnly state if there were any inflation in prices, they could immediately stop it by raising interest rates by, probably, a tiny fraction of a percent. For a week or two. Tops! Hahaha!"

She abruptly held up her hand, stopping my interesting dissertation in its tracks, whereupon she asked, “What in the hell does Federal Reserve [monetary policy](#) have to do with your laziness and seemingly complete disinterest for the few, mere basics of your own job, to the detriment of the company?”

Naturally, I explained, “Because the other employees are crazy! They even have an office pool about which mental illness I have! Me! The only guy who knows that the over-creation of excess fiat money will lead to ruination and hyperinflation, as it has always done for the last 4,500 years, and yet these idiots think that this time – for the first time in history! – it will not end in utter disaster and that they have no need of buying gold and silver! Like I said, morons!

“And yet they think that I am the crazy one! Me? Have you ever heard of anything so stupid? Hahaha!”

For one thing, you gotta laugh at any lowlife losers who seem oblivious to the ugly fact that fiat money is created when somebody borrows it from a bank, which literally creates the money on the spot, increasing the money supply, which means that all debt-money is ultimately owed to a bank – plus interest! – by debtors.

The ugly mathematics is that more money is always owed than was borrowed/created from the get-go, so that any slight shrinkage in the already-deficient money supply means that there is now even less money to pay back all of the debts.

Then, usually after trying desperately to keep afloat, people start realizing, “It ain’t coming back! I’ll never breakeven! To hell with this!” and they stop paying a debt, and thus the money literally goes out of existence – poof! – disappearing into that huge Vault In The Sky (VITS), worsening the original “not enough money to pay all the debts” problem, making more debts go bad and extinguishing more money, all whirling around and around, a murderous feedback loop in a whirlwind of falling money supply, reduced tax revenues, bankruptcies, layoffs, deficit-spending, misery and suffering everywhere you look.

But the Federal Reserve believes, apparently for no particular reason, that a little gentle tightening of interest rates will mitigate all that! Hahahaha!

On the other hand, if you want to see how, in real life, demand trumps interest rate increases, a *Bloomberg* article had a sentence that sums it up perfectly. It reads, “China’s manufacturing growth is accelerating, according to preliminary data from a survey of purchasing managers, signaling the economy may withstand increased interest rates.”

And as long as company gross profits rise along with interest rates until marginal revenue equals marginal cost, then banks can raise interest rates all they want to no avail! Hahaha!

And with that kind of vig on money made possible by such voracious demand, prices will easily increase, which means that the only smart thing to do is to buy gold and silver.

And not only is it the smart thing to do, but it is the easy thing, too! Merely say, “Here’s my money, give me my magical metal!” which is such a simplicity that oft is heard the phrase, “Whee! This investing stuff is easy!”