

The Troubling Doubling of Money Supply

By [The Mogambo Guru](#)

01/26/11 Tampa, Florida – James Turk of GoldMoney.com says that silver is in backwardation, meaning that, as I understand it, the spot price is higher than the price of the commodity future contract, when the reverse is usually the case, or the reverse is the usual case, I am not sure which.

I am pretty confused because I don't remember and I am too lazy to look it up again, which is because it would be pointless since I have proved that I don't remember it when I look it up, and so I would be wasting my time looking it again up since I have, obviously, determined that it had no immediate use for me in my quest for fast-yet-immense wealth without risk or working.

So, while I don't understand the mechanics of the thing, I am nevertheless impressed with the backwardation of silver futures because it is not just unusual, and it is not for the next month's future, or just for a silver future contract somewhere in the next calendar quarter, but it is in backwardation for a whole year out! A whole year! Wow!

Normally, there are people wanting to know, "What can I do to keep from being completely destroyed by the Federal Reserve creating so much money, which this backwardation thing is probably a part of?"

I always advise people to follow the Dollar-Cost-Averaging method of investing, wherein one merely buys the same dollar amount of silver each month, with the enviable but boring result that it is almost always superior to any other method of investing over the long-term, assuming you are with the trend or, as George Soros is famed for having said, "Identify the trend whose premise is false, and bet against it."

Dollar-cost-averaging is not, alas, something for those whose greed for mountains of undeserved wealth wants – Nay needs! Nay demands! – something with a lot more "kick."

However, taking on a philosophical tone, there are times when, as the saying goes, one "backs up the truck" to take on a load of an investment, or "bets the farm" on an investment, and this may be one of those times because, as Mr. Turk explains, the last time this happened, silver exploded upward by 40 percent in a few weeks!

And even a guy like me, dreaming of the shameless gluttony and self-indulgence made possible by vast wealth, is satisfied with a 40% move in just a few lousy weeks!

And this is the kind of thing that one would expect when the money supply is going up, which is the subject of Michael Pollaro in his "The Contrarian Take" column in Forbes, and which had the headline "Monetary Watch January 2011: Money supply firing on all cylinders?"

First, let me make sure that you know that I am a guy who is absolutely sure of two things: one, that the Austrian Business Cycle Theory is the Only True Economic Theory (OTET), and two, that We're Freaking Doomed (WFD), meaning that if you are not buying gold and silver with a frantic, monomaniacal intensity, then there is something Very, Very Wrong (VFW) with you.

As such, I was instantly enamored when he opens with, "Our monthly Monetary Watch, an Austrian take on where we are on the monetary inflation front and what's next."

Naturally, I hoped that he would ask an opening "teaser" question, like, "Is The Fabulous Mogambo (TFM) right when he says we're freaking doomed?"

Instead, he uses another headline, which you know is a headline because he starts off with "Headline Monetary Aggregates, Where We Are."

To this, I extemporaneously made a joke by saying, "We're right here! Hahaha!"

Well, nobody laughed at my joke, which, upon reflection, I admit is pretty lame, but I was distracted by still being disappointed that Mr. Pollaro didn't mention me or my crackpot opinion.

Anyway, I'm sorry that I didn't put more effort into my joke-making, because what followed is scary enough that it needed a joke to lighten the mood!

He says, "The US money supply aggregates based on the Austrian definition of the money supply, what Austrians call the True Money Supply or TMS, continued their recent surge, in December posting an annualized rate of growth of 38.9% on narrow TMS1 and 24.6% on broad TMS2. That brought the annualized three-month rate of growth on TMS1 and TMS2 to 22.3% and 18.1%, respectively, 8.6 bps and 2.7 bps higher than those posted in the prior month."

Inflation in the money supply of double-digits means at least double-digit inflation in prices!! By the use of the two exclamation points to punctuate that last sentence, you are alerted to the fact that I am so frightened that I am locked in the Mogambo Big Bunkeroo (MBB), waiting for the explosion of price inflation that will result from such outrageous expansion of the money supply.

While I make a quick check to see if I have enough supplies and ammo to last until the bankrupted, starving, desperate people whose money has no purchasing power left have all killed each other and it is safe to come out again into a Brave New World where we can begin again with a gold-standard money, please read ahead to the next part of Mr. Pollaro's horrifying news.

He writes, "Turning to our longer-term twelve-month rate of change metrics – more indicative of the underlying trends – and focusing on our preferred TMS2 measure, we find that TMS2 saw another healthy increase, in December growing at an annualized rate of 9.9%. Not only was this a tick up from November's 9.8%, but we think close enough to 10% to mark December as the 23rd time in the last 24 months that TMS2 posted a twelve-month rate of growth in the double digits."

This kind of double-digit growth in the money supply has been going on for two years? Two years! Two Freaking Years (TFY)! Double-digit growth in the money supply every year for Two Freaking Years (TFY)!

As to what this portends, all I see is terrifying inflationary horror and catastrophe, but Mr. Pollaro is too refined to, like me, run down the street in an adult diaper and a tinfoil hat, screaming his guts out, “We’re freaking doomed, you morons!”

Instead, he keeps it on a strictly professional, technical level, and writes, “For new readers of the Monetary Watch, the last time TMS2 saw this kind of string was during the run up to the now infamous housing boom turn credit implosion, a time during which TMS2 saw 36 consecutive months of double digit growth.”

So while Mr. Pollaro is too polite and professional to resort to hysterics and name calling, I am not so disposed, and will tell you right to your face that if you are not buying gold and silver, especially since their prices have seen a little dip lately, then you are, indeed, an idiot.

For those who are not idiots, on the other hand, then buying gold and silver is, paradoxically, an idiot’s delight, because, “Whee! This investing stuff is easy!”