

Deflation Hawks Pray for Inflation

By [The Mogambo Guru](#)

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Just because I am safely and securely locked inside the Fabulous Mogambo Bunker (FMB) doesn't mean that I am unaware of things, especially those things concerning inflation in consumer prices, which is the One Big Thing (OBT) to be feared above all others, even more than that paralyzing fear of someone seeing you doing you-know-what, especially when they see you doing you-know-what with you-know-who and the can of whipped cream, which you never did use, which is the one saving grace about the whole thing.

Anyway, I keep hearing some doofus or another prattling on and on about deflation, and how prices will be going down and how this is a terrible idea, sort of like saying, "Shopping during a sale means you will pay lower prices, and that is bad for you!"

Actually, it is not the falling prices that are bad, but that the falling prices means that producers are losing money, which means that some, many, or most of them will go out of business, firing everybody, wiping out investors, thereby reducing supply until it meets the level of demand.

Actually, the deflation-hawks say that this falling of prices is so bad, so terribly bad, that we should fall to our knees and pray that prices rise, which really scares the hell out of me because I have read a lot of things in two main categories in my life: Hate mail and economics tracts, and they have one thing in common, which is that in neither do you ever read something as stupid as advocating inflation in consumer prices.

In fact, most of theoretical economics is actually dedicated to preventing inflation in consumer prices and what to do if inflation appears! Hahaha! What a kick in the head, huh? Hahaha!

And my paranoid panic about inflation is because inflation in consumer prices is what destroys countries because the people rebel against starvation and deprivation when they can no longer afford food and energy, and it destroys families because somebody (like, for instance, the father) finally, one day, just snaps at the constant demands from his, for example, wife and, for example, kids, who are all persistently yammering yammering yammering about how they have to have you give them more money, always more and more money, just because, "things cost more and more" like I can just wave a magic wand to make money appear in my wallet and that is why I am here at home watching TV instead of being down at Nasty Natasha's paying off my bar tab and getting hammered running up a new one.

Naturally, my instinct is to jump up and grab them by the collar so that I can scream in their faces, droplets of Disgusting Mogambo Spittle (DMS) spraying out and hitting their stupid faces, "No, no, no, you moron!" and shaking a Financial Times piece at them that reads "Concerns Mount Over Sharp Rise In Food Costs".

That news that food is costing more is Very, Very Bad (VVB) to someone whose income is limited, as it means that the person must either buy less food, or buy the same amount of food but less of something else like electricity, which shoots the hell out of the argument of the “deflation-hawk” morons that falling prices for their overpriced, bubble-assets is worse than rising prices for food and energy (where oil is back over \$70 per barrel), or the JOC -ECRI Price Index which is up a whopping 4.1% in the last week alone! One Freaking Week (OFW)!

And this doesn't even count the inflation in other costs, such as how my health insurance went up by another 8.8%, taking me to over \$13,000 a year in premiums, which doesn't count the \$2,000 deductibles that my wife and I must each pay, or the co-pays, which means I am out of pocket over \$15,000 a year before they start picking up any of my needed medical costs!

I was thankful that Bill Bonner here at The Daily Reckoning did not comment on how my health insurance premiums probably reflect the immense amount of professional help that I desperately need, even though my policy obviously does not cover the category of “mental illness” enough to do me any good, and instead writes that my clinically hysterical over-reaction to inflation is destined to get worse, as “The US money supply growth was fairly constant for the last 45 years. Then, under pressure from the stimulus/bailout programs, it exploded. Art Laffer says it is meaningless to compare it to anything in our history; nothing like this has ever happened before. He argues that inflation this time could be much worse than the inflation of the '70s, when the prime rate hit 21.5%. This is a new era!”

And while this may be a “new era” for most things, I'm betting that the “buy gold when your government is acting like spendthrift, corrupt morons” philosophy that has served the “old era” of the last 4,500 years of human history so well will continue to do so now, which makes it all so easy that I happily say, “Whee! This investing stuff is easy!”