

Recession Plays the Inflation Fighter

By [The Mogambo Guru](#)

04/15/09 Tampa Bay, Florida The Census Bureau released its estimates of retail and food services sales for March, which they “adjusted for seasonal variation and holiday and trading-day differences, but not for price changes” which is too bad since I don’t feel right unless I have something to be angry about, and I am angry about the Federal Reserve creating so much new money and credit that it will allow the Congress to deficit-spend almost \$2 trillion this year alone, which is such an explosion in the money supply that it will cause horrendous inflation in prices, which will (besides turning the world into an unlivable hell and destroying the USA) make the wife and kids ask me for more money, which is a cause of enough familial friction as it is, thanks.

Well, apparently the Census Bureau is not all that interested in the sad, sad story of my pathetic life, and they pretty much stick to business, which is to estimate that total sales in March – without adjusting for price changes – were down 1.1% from February, and (more horrifyingly) 9.4% below March 2008, which is a pretty staggering slide in a year’s time.

In fact, retail trade sales were down an even more startling 10.7% below last year! And the Bureau says that gasoline sales were down 34.0% since March 2008, which seems like a hell of a lot, especially after they said that they are not adjusting sales for changes in prices! Wow! Down by a third!

Probably in answer to my incessant screaming, “What about the change in prices? It’s the inflation in prices that will kill us!” the Producer Price Index also came out, and you could almost hear the contempt in their voices at my fear of inflation in prices, as the report said that that prices are mostly falling!

And not only are prices falling, but especially so for the crude goods and materials way back at the beginning of the industrial process, with intermediate goods less so, and finished goods (the things that us poor retail buyers buy) falling the least in price.

This fall in price seems like good news, except that I am always looking for the bad news to satisfy the paranoid and suspicious part of my True Mogambo Nature (TMN), and so I think that it is bad news that while some business people – whom I have never even met – will now charge, and pay, lower prices, it ain’t going to be you and me paying lower prices, because the prices that you and I pay are mostly higher prices, such as, “Finished goods less foods and energy” which was up 2.6% in March, and, “Finished consumer goods less foods and energy” was up 3.4%, too.

Bloomberg.com analyzed it all as the pithy “Prices paid to U.S. producers unexpectedly fell in March after two months of gains, indicating the recession is keeping inflation under control” and that inflation “is expected to stay in check partly because the global downturn has kept a lid on the cost of fuel and other commodities” which is chilling in its implications; the only thing that is

keeping retail prices from rising more than they are, which is bad enough, is the fact that we are in a serious recession, even though the money supply is doubling! Yikes!

But you would never know “Yikes!” from the bond market, as from Bloomberg.com we get the news that “The market in Treasury Inflation-Protected Securities as of April 6 indicated long-term inflation expectations of 2.5 percent.”

What?!? Apparently, I am supposed to get all goose-pimply with giggling glee or something at the horror of 2.5%, which is absurd since the advent of the Plunge Protection Team under President Reagan – which is that a secretive group of people from the government, Wall Street biggies and the Federal Reserve who now have legal authority to intervene, individually or as a group, in any market (stocks, bonds, houses, subprime mortgages, etc.), at any time, anywhere in the world, with any level of participation they want, which means that money and inflation in prices will flow like molten lava from an erupting volcano, killing everything and everyone in its path! Hahaha! 2.5% inflation? Hahahaha!

And to think that this PPT would allow the prices of TIPS bonds to actually reflect higher future inflation (when they admit that they are manipulating the prices of gold and silver to disguise the same inflationary nightmare!) is to evoke The Scornful Laugh Of The Mogambo (SLOTM) – “Hahaha!” – a laughter of such force that I almost pooped in my pants, but, fortunately, did not, or, if so, hopefully not much.

And as horrible and icky as that sounds, the real horror is that Bloomberg.com was so calm when it notes that 2.5% was “below the 2.8 percent average inflation rate of the past 10 years.”

If I was Mr. Bloomberg, I would go stomping into somebody’s office and say, “The Mogambo is making fun of us for being so brain-dead that we report inflation for the last 10 years may be variously calculated as 2.8%, when it is obviously much more than that, and anyway, it is just barely under the 3% inflation rate, which is the cutoff interest rate that historically distinguishes ‘bad inflation in prices that is going to cause a lot of misery and suffering unless we stop that crap right now’ from the even worse ‘inflation in prices that is so bad it is liable to tear our whole freaking country apart and destroy everything unless we stop that crap right now’! We’re morons! We ought to hire this Charming Mogambo Chap (CMC) at a huge salary and benefit package!”

Instead, the article was about “Bernanke’s gamble”, namely that the “highest jobless rate in 25 years and the most idle factory capacity on record will hold down inflation” which is, as Bloomberg notes, “straight out of the late British economist Keynes.”

Of course, “Should late Nobel-prize-winner Friedman’s dictum that ‘inflation is always and everywhere a monetary phenomenon’ prove right, the \$1 trillion or more in liquidity Bernanke has pumped into the financial system by expanding the Fed’s balance sheet may leave him to cope with surging consumer prices”!! Yikes! Surging!

There it is! Inflation! And not just ordinary inflation, but “surging consumer prices”! The killer of economies and currencies, and the Number One Reason (NOR) to buy gold!

Whee! This investing stuff is easy!