

Inflation Follows the Stimulus Boom

By [The Mogambo Guru](#)

08/23/10 Tampa, Florida – Peter Schiff of Euro Pacific Capital notes that the Federal Reserve, and the idiots like Paul Krugman who genuflect at the altar of Keynes, is not done with destroying the economy, but that “Bernanke and his supporters have said that their stimulus will be withdrawn as soon as the recovery takes hold in earnest.” Hahaha!

I laugh because this makes me think of my dad saying, in answer to my constant whining, “Shut up! I’ll buy you a motorcycle when your Uncle Raymond pays me back the money I loaned him,” which finally got to be a family joke because Uncle Ray never came across with a dime because he was a penniless mooch all his life! Hahaha!

Mr. Schiff is apparently not interested in my family-joke anecdotes or the fact that I had to finally buy my own stupid motorcycle, which was too small and crappy because I didn’t have much money because I did not like to work, which is another whole issue.

Instead, Mr. Schiff says, “This misses the point that any ‘growth’ created by stimulus is totally dependent on stimulus to continue. The ‘recovery’ will end as soon as the stimulus prop is removed.”

I naturally leap up and say, “Just like my Uncle Ray! Didn’t I tell you about my Uncle Ray and the money he borrowed from my dad? He spent it all and was broke again the Next Freaking Day (NFD)!”

I could see that Mr. Schiff was not in the mood to discuss my Uncle Ray or that stupid motorcycle that I ended up with, but I notice there is also a parallel to the notion of my dad giving Uncle Ray MORE money, so that Uncle Ray would pay my dad back the original loan with part of the proceeds, and thereby financing that big, bad Harley to start me off on that wild, irresponsible, drug and alcohol-crazed lifestyle of dissolute debauchery that every kid dreams of. “What do you want for Christmas, little Mogambo?” What indeed! Hahaha!

Well, the analogy seemed apt when he went on, “the Fed will step in with ‘quantitative easing’ as soon as it becomes obvious that the Administration’s stimulus-fueled ‘recovery’ of the past three quarters is fading. The problem is that each round of stimulus, as with each hit of an addictive drug, requires ever larger doses to produce the same result.”

Having missed out on that whole “drug addiction” thing because of my Uncle Ray, not to mention missing the feel of wind blowing through my hair while riding down the highway astride 74 cubic inches of Bad Boy Bike (BBB), I am not sure what he means. So he rephrases it in terms I, and Aristotle, can understand by saying, “the more leveraged an economy becomes, the bigger the lever required to move it.”

And just when it seemed that things could not get worse, it gets worse, as he figures that the reality is that “The 2008 recession never ended. It was merely interrupted by trillions of dollars of stimulus that purchased GDP ‘growth’ with borrowed money.”

Exactly! Let me stop whining about that stupid motorcycle for just a minute so that I can say that, as far as I, too, am concerned, the whole boom of the last 30 years was the result of “trillions of dollars of stimulus,” as the despicable Alan Greenspan had the Federal Reserve keep creating more and more money the whole time, and now the absurd Ben Bernanke, erstwhile head of the obviously-worthless economics department at Princeton, is exponentially worse as the new chairman of the Federal Reserve! We’re freaking doomed!

If I was but a normal man, perhaps like you or someone you know, I would be Completely Freaked Out (CFO) when he says, “I expect the coming doses of quantitative easing will finally spark adverse reactions, first in the dollar and later in the bond market. When a falling dollar forces consumer prices and long-term interest rates to rise, the Fed’s actions will be rendered impotent. The Open Markets Committee will have to make a horrific choice: fight inflation by tightening policy into a weakening economy, or fight recession by allowing inflation to burn out of control. I think it’s obvious that they will choose inflation, all the while pretending that it doesn’t exist.”

I am, however, not a “normal man,” perhaps like you or someone you know, but a man who knows that inflation is the worst of the economic demons, and who also knows that all one has to do is to buy gold, silver and oil to both protect oneself, and make a lot of money when confronted with a degenerate spendthrift Congress and an insane Federal Reserve.

And that makes all the difference between a man, perhaps like you or someone you know, puking up blood from horror and fear and a man who chortles, “Whee! This investing stuff is easy!”