

The Mysterious Stagnation of M2 Money Supply

By [The Mogambo Guru](#)

05/13/10 Tampa, Florida – I always make sure that I have taken all my pills before I look at the end-of-month money supply figures, which turned out to be a good idea, because M2 growth has been, as they say, quite anemic for the past several months.

I think it's bad news, which seems paradoxical because I am always screaming my head off about how inflation in the money supply is a bad thing, because inflation in the money supply causes inflation in prices, which is The Thing To Be Feared (TTTBF) because that is going to destroy us, and yet here I am whining in Real Mogambo Terror (RMT) because the money supply is NOT increasing, thus apparently proving, as my wife says, that I "cannot be pleased."

Perhaps you realize that this must be bad news because you, too, are dizzy from the unexpectedness of it all, as you would think the money supply would be going To The Freaking Moon (TTFM), what with Fed Credit still increasing at almost \$20 billion a month, the national debt taking a monstrous leap of \$184 billion in April alone, and Consumer Installment Debt actually going up by a few billion in March, which is not to mention the creations of money around the world as central banks around the world are creating the money around the world so that governments around the world can deficit-spend, deficit-spend, deficit-spend, spend, spend!

But, as any child can tell from looking at the chart or the numbers, the M2 money supply is not going TTFM, and is kind of stuck at \$8.512 trillion. Hmmm!

I decide to do a little detective work, and soon find, perhaps not coincidentally, that the S&P 500 index is back to where it was in 1998, giving investors, on average, literally zero nominal gain from the stock market after 12 years of faithful investing, and (appallingly) less than that – less than zero! – after deducting the fees, costs, expenses and taxes paid by the investors.

Naturally, I am on my feet in a Predictable Mogambo Outrage (PMO), yelling "This proves, once again, that the majority of investors must lose money and/or buying power so that a small minority of investors, if any, can make a small profit, which they usually can't do, either, after paying taxes, fees and expenses, and especially after deducing the loss of buying power of each dollar that occurred between the time they bought the asset and when they sold it, meaning that, in this case, they have lost about a third of their total buying power since the BLS itself calculates that \$1 in 1998 has the same purchasing power as \$1.34 today, thanks to the damnable Federal Reserve creating so much money! So they would have to have had a 50% gain, instead of zero gain, just to get even!"

I look around and notice nobody is listening, so I mutter sarcastically under my breath, "Hahaha! Nice investing, suckers! Just remember to 'invest for the long term!' Hahaha!"

And then I remembered about the wisdom of buying gold, silver and oil, and I chuckled anew, only this time with a cozy satisfaction that, “Whee! This investing stuff is easy!”