The Year of Living Quantitatively

By The Mogambo Guru

12/27/10 Tampa, Florida – There are increasingly those who predict hyperinflation, which is popularly defined as rapidly-rising prices that soon reach un-payable levels, and which is always caused by the true definition of inflation, which is (according to the Mogambo Big Book Of Economic Stuff (MBBOES), "A gigantic growth in the money supply, which is caused by banks deliberately acting like greedy, lying, filthy pigs who deserve to be thrown in jail."

I am, as you probably guessed, one of those people, although I seem to be the only one who is literally screaming his guts out in fear about the inflation in prices caused by the Federal Reserve creating so much money, and who is, again literally, puking his guts out in fear that the Federal Reserve is in the beginning stage of a long period of massive growth in the money supply, starting with the $1.2 trillion that will be created by quantitative easing 2 this year. This year! In One Freaking Year (OFY)!

$1.2 trillion of new money in One Freaking Year (OFY)! It boggles the mind!

Well, this barfing thing has elicited two responses, one of which is my wife saying, "I'm not cleaning that up!" followed by her saying, "Clean that up!" followed by, "This is the last time I am telling you to clean that up or there will be no fried foods in this house for an entire month!" followed by her saying, "Thanks for cleaning that up, moron!"

The other response is that I am happy to report that cleaning up Mogambo Vomit Of Fear (MVOF) has a decidedly calming effect on people who are screaming in outrage and fear at the slimy treachery of the Federal Reserve creating so much money, and which is indeed fortunate for me, as it allowed me to calmly read Victor Sperandeo writing in this week's *Barron's*, that "in periods of hyperinflations, gold tends to appreciate by 2,000% to 50,000% against a hyperinflated currency." Wow!

As for a hyperinflated currency, the monetary base jumped a mighty $53 billion last week to $2.03 trillion, which is a hefty 2.7% jump in One Freaking Week (OFW)! And much more to come!

And so, if I read my Sperandeo correctly, gold at $1,400 an ounce will "tend" to go up in price by 20 times to 500 times, taking gold to somewhere between $28,000 an ounce and $700,000 an ounce? Whee!

Maybe this increase in the money supply, which always leads to inflation in prices, is why bonds are dropping in price, too. And how much bond investment money has been "lost"?

According to the *WSJ* a week or so ago, the 10-year notes have dropped 5.5%, and "the price of the 30-year bond, which is more sensitive to changes in yield because of its longer duration, has fallen by more than 7%," which was bad enough then, and is worse now.

So, with $14 trillion in national debt, an average decline in value of only 6% would mean a paper loss of $840 billion? Wow!

When you imagine these kinds of losses appearing on tax returns, you understand the frantic desperation of the government and the Federal Reserve to keep things up until the end of the tax/calendar year!

Peter Schiff of Euro Pacific Capital does not want to comment on taxes, the motives of the government, any of my paranoid conspiracy theories, the way my darling blue eyes twinkle with a light of their own, or even the horrific losses accruing to those stupid enough to own bonds at such ridiculously overvalued prices.

Rather, he implies that it's going to get A Lot Worse From Here (ALWFH), because, "If bond prices failed to rise given such a Herculean effort to lift them up, there can be only one direction for them to go: down."

And rightfully so, too! Inflation in prices is everywhere! And the rate of inflation in prices swamps the puny yields from overpriced bonds! For instance, the CRB index is up 13.1% year-to-date, and the Goldman Sachs Commodities Index (GSCI) is up 16.5%, too!

And *The Economist* magazine shows the commodity-price dollar index for "all items" to be a whopping 30.6% year-over-year change! Food, for crying out loud, is up 24.9% in the selfsame last year!

You can probably tell by the way I am in Mogambo Panic Mode (MPM) that these are nightmarish levels of inflation, and they are going to get worse, as in "more nightmarish," because Agora Financials' *5- Minute Forecast* writes that because the price of oil is rising, and I assume will continue to rise with the presumed fall in the purchasing power of the dollar due to the foul Federal Reserve creating so many of them, "It's been said that every $1 added to the price of a barrel of oil is $100 billion subtracted from GDP."

This dismal fact is borne out by FedEx just announcing that it will cost 3.9% more to ship something via FedEx, probably as the result of its profits calling by "18% in the third quarter" and that its "fuel costs were 26% higher than Q3 2009."

United Parcel Service is raising its rates 4.9%, too.

And there is more than the faint scent (sniff, sniff) of inflation in how *The 5* went on, "Wholesale prices jumped 0.8% during November, according to the Labor Department. That's the fifth straight monthly rise. The increases were concentrated in energy (up 2.1% for the month) and food (up 1%)."

For the month! These are inflationary increases for the month!

At this point I caution you to calm down instead of completely freaking out and going to Washington, DC, vowing to throw out the inflationary idiots in Congress and burn the inflationary Federal Reserve to the ground.

Instead, it is much easier to just buy gold, silver and oil to capitalize on the inflation in prices that all this new money from the Fed will cause.

And trust me; there will be plenty of people ahead of you in wreaking revenge against the government, the Federal Reserve, and the scumbags who encouraged them when they realize, as H. L. Mencken once famously said, that we got “the government we deserve, good and hard.”

And while these rioting mobs angrily “take out the trash,” you will be busy calculating how rich you are after buying gold, silver and oil at these low, low prices, and happily muttering to yourself, “Whee! That investing stuff was easy!”