

# Beware the Demon of Inflation

By [The Mogambo Guru](#)

04/01/11 Tampa, Florida – *The 5-Minute Forecast* came to me in an email with the subject line reading “5-Minute Forecast – Everybody Panic.”

Naturally, as a guy who is always on the verge of panic because of the fact that all the monstrously excessive amounts of money that the Federal Reserve is creating will cause inflation in prices, this affected me greatly.

I assume this recommendation to panic is because the monetary base shot up by a whopping \$90 billion last week as the Federal Reserve continues its insane over-creation of money so that it can monetize, through the year, a couple of trillion dollars or so in government deficit-spending over the next year, so as to try, try, try to spend our way out of bankrupting debt by creating more debt, to create more money for the government to borrow and spend, all of which will cause prices to rise, rise, rise, which I interpret to mean, “We’re Freaking Doomed (WFD)!”

Well, I was half right in my original conclusions, in that they noted that “Easy money is already having its affect in the US Wholesale prices, which trotted upward in December and January, reached a full gallop in February,” which is when “The producer price index (PPI) rose 1.6%.”

Gulp! This is the rise in prices in one month! And annualized, *The 5* calculates it to be 19.2% inflation in prices!

And the bad news is that a 19.2% annual inflation is “for finished goods. If you move further back in the production chain, prices for crude goods rose 3.4% last month.”

My heart was racing at such horrific inflation news, and forcing myself not to start screaming, I instead concentrate on the positives involved here: they did not annualize a compounding 3.4% inflation, and gold and silver will be guaranteed to rise along with the general, roaring inflation, and they will rise even more with a Big Fat Kicker (BFK) from the general sense of panic in the economic/financial world when all those fiat-money chumps will be flooding, in a panic, into the relatively tiny gold and silver markets, bidding the prices of gold and silver to insane levels.

With a subsiding fear, I calmed down enough to read that they went on “And February was no fluke. PPI for crude goods has risen 20.7% over the last six months since February’s gain,” which is so easy to simplistically annualize by merely multiplying 20.7% inflation times 2 to get an annual inflation rate of 41.4% that I am, despite my best efforts, again in a full-fledged Mogambo State Of Panic (MSOP), feeling those familiar crushing pains in my chest and a racing, pounding heartbeat.

Like the kind of stabbing pains and numbness in my left arm I got when the Bureau of Labor Statistics (BLS) announced that the US consumer price index (CPI) rose 0.5% last month – which works out to inflation running at a fast 6% annual clip, and rising.

*The Wall Street Journal* reported it as, “Energy prices surged 3.4% during the month, while food prices jumped 0.6%.”

Without a soundtrack of kettledrums pounding “boom boom boom” and the sound of ravenous wolves howling close by to tip you off about the sense of terror here, you can still hardly repress a shudder when *The Journal* goes on, “Even though markets have cooled recently, the rise in commodity prices from recent months is expected to continue making its ways from producers to consumers.”

I love the next part, as it trots out some guy named Alan Levenson of T. Rowe Price saying, “If that holds, by summer this impulse toward higher monthly food-price gains should diminish somewhat,” which appears to mean that prices will keep rising, but not quite as fast for some reason that I cannot imagine, and this makes it OK.

And even with the prices of housing falling, the cost of home ownership (“measured as the cost of renting the home you own”) increased 0.6% y/o/y, which I assume means that although the value of houses is going down, water heaters still need replacing, the television needs updating and there is a leak in the roof over the kid’s head that she is whining about because the stain on the ceiling looks like a werewolf looking at her.

I reassuringly told her that it kind of looks like a werewolf, alright, but it’s better than resembling the horrible demon of inflation getting ready to eat us alive, gobbling the guts out of me, her, and everybody she loves, when prices rise so high because the evil Federal Reserve keeps creating more and more money to buy up government bonds so that the government can try to spend its way out of bankruptcy by going farther into bankruptcy.

“And besides,” I said, “Werewolves are mythical creatures, and don’t really exist, while the devouring demon of inflation is very, very real.”

So she said, “So it is better that it resembles a werewolf?”

I said, “Yes, it is! And even the horrible monster of inflation is easily defeated by merely buying gold and silver. So we are covered both ways, my little darling, so that neither werewolves nor the horrible Federal Reserve can harm us!”

That’s when I asked her, “Can you say ‘Whee! This investing stuff is easy!’”?

Reassured, she closed her eyes, her face radiant with a cute little smile as she said, in a voice almost a whisper, “Whee!” before she fell fast asleep.