The Probability of More Quantitative Easing

By The Mogambo Guru

03/10/11 Tampa, Florida – It would be an understatement to say that I was flabbergasted to see that the monetary base jumped $130 billion dollars in two weeks!

Well, using an exclamation point as punctuation seems to confirm my suspicions that I was, indeed, flabbergasted, as the term seems, somehow, appropriate since I felt something more than the usual crushing pains in my chest, numbness running down my left arm, my guts heaving and sphincters tightening kind of reaction I get when I see horrifying, huge increases in money and credit created by the damnable Federal Reserve.

Perhaps it is customary for those who are "flabbergasted" but I am a screaming crybaby about the horror of the terrible inflations in consumer prices that all this excess money creates, how it is going to destroy the country by destroying the purchasing power of the dollar, and take down the rest of the world with it.

And, I shudder to say it, the Fed is still at it! Last week – in One Freaking Week (OFW)! – the Fed waved its little magic wand and pressed the magic button to increase Total Credit by a huge $13.3 billion, which turned into money when the Fed ran all of this new credit through the banks, which multiplied it by whatever bizarre fractional-reserve multiplier that the banks want to use, and then turned it into boatloads of new money when borrowed by financial-services middlemen so that the Fed could buy $14.7 billion of government and agency debt, plus a smattering of anything the Fed wants to buy, no matter what the cost, to bail out any of their slimy friends, for any reason that they can think of, whimsical or not, in case all those commissions and fees are not enough.

At this point, the probabilities are very good that I am going to go into a Screaming Mogambo Tirade Of Outrage (SMTOO) about all of this monetary insanity, particularly to fund all the fiscal insanity of the federal government.

And speaking of probabilities, I will probably end up telling you what an idiot you are for not buying gold, silver and oil Right Freaking Now (RFN), which, if you are, then you're not, but if you are not, then you are, if you know what I mean.

But probabilities or not, I will try not to "lose control" and end up screaming and crying and making death threats until my throat is sore and my head hurts and my stomach hurts and everyone is laughing at me, which is good, as I see that other pundits are already discussing other probabilities, namely the possibilities and probabilities of something more horrifying: More monetizing government debt by the Federal Reserve, already referred to as Quantitative Easing 3.

If you have any worries about this, let me put your mind at rest. Yes, the Federal Reserve will continue to monetize government debt, regardless of the staggering, unbelievable amounts of money it takes, for as long as they want, whether the dollar has any value or not, which it won't have ere long at this rate.

To be fair, the Federal Reserve has to do this horrible thing because the time when it could stop creating excess money without collapsing the economy was decades and decades ago. Now nothing can be done, and it is "damned if you do and damned if you don't," so, they figure, "Why not?"

The problem is inflation in food and energy prices, primarily caused by all of this new money increasingly created by the evil Federal Reserve since the '80s makes people grumpy when they can't afford food.

And with incomes virtually stagnant in nominal terms, and falling rapidly in real (inflation-adjusted) terms, raging price increases will cause massive suffering as real, inflation-adjusted incomes go down faster and faster.

And to show you how this works in real life, let us tune into Chris Martenson of ChrisMartenson.com interviewing John Williams of ShadowStats.com, who says, "If you look at the government's latest statistics – the poverty survey of 2009, which is the most recent release, with average and median household income adjusted for inflation, it shows that not only has household income been falling the last year or two, but it's below its near-term peak before the 2001 recession."

Real incomes are lower than they were 10 years ago, thanks to the inflation caused by the foul Federal Reserve constantly creating more and more money? Yikes! Monetary policy is not working too well, is it?

Well, hold onto your hats, as it gets worse, and using the CPI-U sub-index of the Consumer Price Index as a proxy of inflation, "household income today is below where it was in 1973."

And with silver costing a couple of bucks in 1973 and gold at less than $70 an ounce, even an idiot like me can see that over the long term, "Whee! This investing stuff is easy!"