

Inflation

Measuring the cost of living increase from year to year is a process that often uses smoke and mirrors. I once read an example that explained why the government can take a 15W% real inflation and calculate it as only 5 or 6 %. I'll relate the example here, with just a bit of embellishment filling in where my memory fails.

Let's say a particular model of a new car costs \$26,500. The following year the same car with the same options costs \$27,300, a 3% increase of \$800. If you cracked up your 2016 model and had to purchase a newer 2017 model the next year, you'd say 3% of the new price was inflation. But the government says you'd be wrong.

So, late one night you sneak into the offices of the Federal Thuckpugger Administration and rummage through desk after desk until you find the paperwork of the civil servant who evaluated auto price inflation. For your car model, his worksheet shows a 0% increase due to inflation. That's a happy but silly thought from a government always trying to tell you how great things are. How do they justify their lie?

Well, a major portion of the cost increase to you was a dashboard in your new car that is now made of Type 401C material rather than the old Type 387B material. It has a 37 percent chance of burning at a temperature of 14 F degrees less than the old material. That's to your benefit. It may mean you have a very slightly better chance of surviving a fiery crash, or only that you'll be incinerated at a relatively more comfortable 1142 degrees Fahrenheit rather than a hotter 1156 degrees Fahrenheit.

When this is applied across the zillions of

cars manufactured each year, the half zillion collisions that will take place, and the appropriate percentage of those that will result in a fire, that lesser percentage in which you would lose your life is applied to the insurance industry average of \$1.0245 Million for an average human life. So this model year's new dashboard has increased in worth to you. The government calls it Real Value. As a member of a 300 million U.S. population, you're going to personally benefit by \$799.67 after the math leaves the room and everyone breathes a sigh of relief. Real Value is not inflation, says the government. It's as if the car manufacturer added a gold-plated ash tray with a value of \$800. You'd get a Real Value increase of \$800, not an increase in inflation. The \$800 price increase was offset by an \$800 increase of Real Value, yielding a 0% increase in inflation.

But no matter how one looks at it, buying the 2017 model means you'll have to spend more of your stagnant income. Your employer won't raise your wages to make up the difference, of course. He couldn't care less about the higher price you'll be paying, and if he knew of the increased Real Value he'd probably try to dock it from your wages. You might have to forego buying your children Christmas presents and you may not be able to pay your dues after the holidays at the Smithereens Semiautomatic Fish and Game Club.

Well, it probably needn't go that far. Whatever the yearly dues, you tell yourself each January, the Smithereens are a welcome island in a sea of modern inanity. They believe in what stares them in the face. Their motto is, "No Matter Who Does The Calculation, You're Screwed." Always practical, when the club treasury got so low their PC software refused to function, they traded their computer for a beer cooler.

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