Surviving on Candy Bars

By The Mogambo Guru

12/13/04

The cover of the most recent issue of The Economist shows a dollar bill being consumed by some caterpillar, with the caption "The Disappearing Dollar." This "disappearing dollar" is big-time important, because it directly affects how much imported things cost, and since we import almost all the things that we consume, it directly affects how much things cost, period. For confirmation of that cryptic statement, ask Bill Ridley, of Online Investors News, who writes, "For the savvy investor who can read the writing on the wall, this also means that the asset based inflation we have seen with gold, copper, oil, and other resources will continue to go up, regardless of upward pressure on interest rates or the slumping dollar. The devaluation of the dollar will not make these commodities worth less." That is obviously true. It just makes them cost more.

Speaking of money, last week Total Federal credit shot up another $5.6 billion, the Treasury printed up another $4 billion in actual cash, foreign central banks bought up another $5.8 billion of U.S. debt, as everybody tries desperately to keep this embarrassing economic monstrosity from collapsing under its own ponderous weight.

Government people came out from behind the curtain and pronounced that GDP came in at 3.9% growth. And maybe it did. I have no idea. But the consumer confidence numbers went down as the consuming public's buying power went down, which makes sense to me. With much less buying power (thanks to a weakening dollar) and anecdotal reports of sluggish sales, I have a difficult time reconciling that with how the government says that the economy was up by 3.9%. People paid more, but they got less. The GDP numbers are all supposed to be adjusted for inflation, but I really, really, really, really have a hard time imagining that we had nominal growth of over 7%, that would adjust back down to 3.9% after backing out inflation of at least 3.2%.

The Disappearing Dollar: Gimme-Gimme-Gimme

If you want to see MY consumer confidence go down, all you gotta tell me is that something that I want to buy costs more money, and while the previous price was more than I could afford to pay, I was willing to stretch the point so that I can have everything I want now-now-now, because that is just the sort of childish, gimme-gimme-gimme attitude that is so characteristic of Americans in general and The Mogambo in particular. And it fits a whole lot of other people around the world, too, who are all up to their eyeballs in debt so that they could have things then-then-then and who are getting calls from bill collectors now-now-now who also want their money now-now-now and I keep telling them that the check is in the mail-mail-mail, and anyway, that guy moved, and me no speakee English so I am saying goodbye now (click).

Personal income went up by 0.6% and spending went up 0.7%. Stephen Roach of Morgan Stanley has looked at the numbers and says "I found the report appalling. What caught my eye was a further reduction in the already sharply depressed personal saving rate – down to 0.2% in October from 0.3% in September."

Savings hitting a new low of 0.2% is a statistic that I cleverly demonstrate by using this pile of 500 yummy cheeseburgers to illustrate your total income for the year. Your entire savings would be represented (I hold up one cheeseburger) by one cheeseburger. That is the amount of money that you are saving? How big do you think one cheeseburger can grow? Wake up, dude! And look! The Mogambo, representing the government, is taking a big old bite out of that cheeseburger! And now The Mogambo (what a talent!) is representing the financial service industry, which is also taking these little bites out of your one lousy cheesburger!

The Disappearing Dollar: $1.50/Week

Drew Matus, who is an economist at Lehman Brothers, writes, "The savings rate fell to 0.2 percent. That means for a person earning $40,000 per year, they are saving $80. Put another way, that person is saving a little over $1.50 per week."

Reader Arlo S., obviously thinking along the same lines as these guys, writes, "What he didn't say is that if the whole household only makes $40,000 per year, then the average family of 3.2 persons only saves just under 47 cents per week per person. These people are planning to survive on about a half of candy bar per week." Upset that this Arlo S. character makes a better point than me, I notice that he did not say anything about the effect of inflation on the price of this hypothetical candy bar! I leap from my chair to thrust myself unbidden into the conversation and maybe get a little glory for myself. Out of the corner of his eye he sees me coming, he suddenly realizes his mistake, and in capital letters writes, "IF IT STAYS AT TODAYS PRICES."

I am naturally upset that he has stolen my thunder, and I am left mulling over even worse news, such as that sent by Geoffrey W., who sent an article entitled, Real Wages Falling, Maryland Professor Says, from CBSMarketWatch.com. The article starts out with a quote from Peter Morici, business professor at the University of Maryland. "With average hourly wages up just 0.1 percent in November, take-home pay for most U.S. workers is falling behind the rising costs of energy and health care. American workers can expect their paychecks to buy less and less each month," he said, while painting a grim picture for job growth in the near term. "Economic growth is already likely to slow in the first and second quarters of 2005, and further interest rate increases will further chill growth and jobs creation, without having significant effects on inflation." This is stagflation writ large, in case anyone asks you.

Peter Schiff of EuroPac.net put it rather cleverly when he wrote; "The first rule of holes is that when you find yourself in one, quit digging. Not so for Americans, who simply buy larger imported shovels." Hahahaha!

Regards,

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December 13, 2004