

The Gluttony of Hedonic Adjustments

By [The Mogambo Guru](#)

04/30/07 **The Daily Reckoning PRESENTS:** Just in case you are new to the Rants And Raves Of The Mighty Mogambo (RAROTMM), here is a little background: inflation is the worst thing that can happen to your economy. This week, the angriest guy in economics expounds a bit more on the horrors of inflation through the mystery of 'hedonic adjustments.' Read on...

THE GLUTTONY OF HEDONIC ADJUSTMENTS

From Bloomberg.com, we read, "The Conference Board's index of leading economic indicators increased 0.1 percent in March." If this is the economic forecast for six to nine months down the chronological road, then the road sure looks pretty rocky!

Next we learn that their coincident indicator "rose 0.1 percent in March after a 0.2 percent increase in February", which means that business conditions right now ain't so hot, either.

Lastly, we come to the lagging indicator, which is a measure of burdens and inflation, which also "rose 0.1 percent following a 0.2 percent increase."

And speaking of inflation (not to mention yelling about inflation and screaming bloody murder about inflation until my throat is raw and sore), we turn – for a change of pace – to Monty Guild, writing at [jsmineselt.com](#). He reports that inflation has hit the mining industry, too, as, "All mining stocks I follow are experiencing rapidly increasing costs. This is due to higher raw materials, energy, labor and other costs of production."

If your heart suddenly seized up, then congratulations! You are dead; but you went out with the satisfaction of achieving total consciousness concerning the terrifying phrase, "rapidly increasing costs."

Nowandfutures.com let's us hear something scary about inflation, when they say, "inflation is roughly at least 3% higher than what is being reported", which is due to the government implementing the foul and dishonest tricks of the Boskin Commission Report.

These slimy adjustments nowadays being made to inflation calculations have come to be called "hedonic adjustments" stemming from the word "hedonics". Now, I admit that the word "hedonics" does not come up very often in my personal everyday conversation with my hoodlum friends, which is usually limited to (in the B's) beer, burgers, bacon-burgers, bacon-and-mushroom cheeseburgers, big pizzas, bathrooms, babes with big bazooms, barking at buttheads who say and do stupid things, and back-talking to my wife who wants me to do something (like take out the trash), and where I wittily reply "Why don't you just shut up, instead?" Which (in case you were wondering) never makes her shut up, having quite the opposite effect, in fact. And loud, too!

So everyone is asking “Huh? Hedonics? What in the hell is that?” Thus indicating that a) we don’t know, b) we want to know and c) we are rude. They graciously reply, “Literally it means relating to pleasure”, which is a concept that certainly needs no explanation for The Mogambo, whose whole worthless life (according to his wife and children, all of whom are liars) has been one long, disgusting display of selfish, conceited, hedonistic self-indulgence, where not once did he ever think of anything, or anyone, except satisfying his own greedy, grubby gluttony.

Well, as flattering as that is, I hasten to add that they always leave out the part about “raving, gun-nut, gold-bug, patriot and a real peach of a guy”, which they always “forget to do” on purpose because they hate me; and then I hate them back in revenge; and then they walk around wondering, “Why does he hate us so much? Whine, whine, whine!”

Nowandfutures.com obviously does not want to “go there”, and immediately gets back to the point about hedonics, as “in an economic sense in U.S. statistics, it involves adding or subtracting values to important government statistics like CPI or GDP that cause them to be false or incorrect.”

This must be a new Bill Clinton distinction along the lines of his famous, “It all depends on what the definition of ‘is’ is”! Hey! This is great stuff! It all comes down to how you define ‘is’, and how you distinguish between making something ‘false’ versus making something merely ‘incorrect’! I’m going to use this concept the next time I am hauled into court!

Well, apparently nobody at nowandfutures.com is interested in my brilliant new legal defense strategy. Instead, they firstly demonstrate the actual use of hedonics in adjusting inflation statistics with the classic and ever surprising, “One general example is in the computer area. If you bought a \$2000 computer 3 years ago, and then replaced it with another \$2000 computer today that is twice as fast, it can be counted as roughly a \$4000 computer in the GDP since it’s twice as fast.” What a scam, huh?

The reason I bring this up is that they brought up another part of hedonic adjustments that the butthead Boskin Commission did not address, namely that, “Another issue with hedonically adjusting for better or faster products is that the reverse is not done. In other words, if the quality of something drops over the years, no adjustment is made for it. One example would be solid wood furniture versus using a thin veneer.”

Or how about using “high fructose corn syrup and artificial sweeteners” instead of sugar in my drink, and “agglutinated vertebrate protein globules” to fill my soggy taco! It’s worse, and it costs me more! How come that does not affect the Consumer Price Index?

I leap to my feet, and cheer! “Hooray!” Unfortunately, my enthusiasm is quickly muted when I accidentally knock the plate of nachos out of my lap when I stand up, and some of the hot cheese lands on my socks, which (in case you are interested) must have a very low R-factor because they provide surprisingly little insulation against searing globs of molten, melted cheese, which immediately burns the hell out of my ankle.

But, being professionals, they ignore the man screaming loud obscenities in agonizing pain and throwing bottled water on his own ankle, and they get back to the point by saying, “Longer term CPI accuracy is also far from accurate. From mid 1955 to mid 2005, CPI has risen slightly over 7 times”, which seems oddly incongruous with the facts that, “During that same period, houses have gone up over 18 times and even Disneyland admission has risen over 15 times.”

A reference to John William’s shadowstats.com is all it takes to know how the Consumer Price Index looks these days when actually computed the way it used to be computed in the old, pre-Boskin Commission days: Inflation is just about 10% on the nose!! Yikes! 10% inflation! This is horrendous!

Until next week,

The Mogambo Guru
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***** Mogambo sez: It’s all getting to be almost too much to bear, but made much more bearable by the utter simplicity of the appropriate course of action one must take at this point. Namely, there are only three things to do; buy gold, buy silver, and buy shares of companies involved with oil.

Ahhh! I feel better already! Try it! You will, too!