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Higher Prices for Smaller Portions

by The Mogambo Guru

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I almost choked when I read the AP report that the latest data from India's government, which has every reason to lie just like everybody else's government lies about inflation, revealed that their "key inflation rate surged to a three-year high of 7.41 percent last month, according to government data."

Of course, real Americans could not care less what happens to Indians or anybody else, and we only care what is happening to us, by which I mean, of course, "me."

Apparently, Junior Mogambo Ranger Joe McD. feels the same way about himself, and writes that he has been looking at inflation in consumer prices in terms of dollars-per-unit-of-measure in the prices that he is having to pay at the [grocery store](#).

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One ploy is for producers to use smaller boxes and packages so that they don't have to charge so much more per box or package, thus masking the inflation, and then you won't have to suffer the indignity of having your wife come home after grocery shopping and yelling, "They wouldn't take my credit card at the store because it is maxed out! Why haven't you paid at least the minimum required payment, you Stupid Mogambo Moron (SMM)?" and so you have to explain it to her that she is spending too much money on food, and that you are sending "a message" to her, just like the British did to India, and then she says, "What in the hell is THAT supposed to mean, you idiot?" and you explain by shouting, "Shut up! Shut up! Shut up!" over and over until she gives up in disgust and leaves.

JMR Joe wisely doesn't want to get in the middle of that touchy little domestic disturbance, and hurriedly implies that he has been too busy to notice our noisy squabbles, as he has been busy "watching the price changes closely and the reduction in size of the commodities".

The Ugly, Ugly Result (UUR) that he has uncovered is that everybody is paying higher prices for smaller portions, so that the price-per-unit-of-measure (like "cost-per-damned-mouthful") has gone up "between thirty and forty percent" in the last year! I involuntarily screamed in fear at such horrifying news, and I might have peed in my pants, too, although I am too scared and embarrassed to look.

This brings us to News Of The Weird And Wonderful (NOTWAW), where the "weird" part is that gold is not exploding upward in price at this horrific news about global inflation.

The "wonderful" part is two-fold, in that I looked and saw that I did NOT pee in my

pants as previously feared, and also that anybody who is buying gold is actually getting a hell of a bargain, unless it truly IS different this time than at all the other times in the last 4,000 freaking years of human economic history when a stupid government-centric economy and everybody in it wallowed like pigs in the toxic excesses of a [fiat currency](#) or too much debt, or especially (like right now) when they indulged in both, or doubly especially when (again like right now) they indulged in history-making, never-seen-before, greedy, gluttonous levels of excesses of debt and consumption (at the expense of production capacity and savings) in every corner of the economy and society.

And what is it going to get us? Well, Bill Bonner here at [The Daily Reckoning](#) figures that we are going to get, as he puts it, "flation", and says. "'flation' is inevitable in the financial system. And our guess is that this 'flation' will show itself in rising prices for gold, commodities, and emerging markets...but lower (relative) prices for stocks, property and financial assets, generally."

And why is "'flation" inevitable? Mr. Bonner says it is "because there are billions...no, probably trillions...of dollars worth of financial mistakes in need of correction and a world full of financial authorities trying to prevent it."

And then he gets to [housing prices](#), and he asks, "What is a no-money-down mortgage but an option to buy a house later? And now that house prices are going down, the mom-and-pop options are expiring worthless."

And as a guy who once traded options as a living, options expiring worthless means just what it seems; it's all irretrievably gone, like my youth, my optimism, my looks, my hair, the respect and love of my family, my knees, my teeth, my hearing, several internal organs and most of my money.

In short, all the money is gone, and the bad news from Bloomberg.com is that this is already spilling over into the most important half of the economy; the governments. The article reveals that "U.S. states expect to have at least \$26 billion less than they need to pay their bills during the next budget year as a slumping economy erodes tax receipts", according to a "study by the National Conference of State Legislatures" which "shows that pressure is mounting in nearly half of the states as businesses fire workers, fuel prices soar and consumers grow more worried about the economy."

How pervasive is all of this? The article says, "Deficits are forecast in 23 states for the 2009 budget year."

In short, in half of the states, in a country where government spending is half of the economy, there is going to be a \$26 billion-dollar hole in aggregate spending, and all because tax receipts were down to start with? And you think that the stock market and the economy will thrive from here? Hahahaha! That's funny! Thanks! I needed the laugh!