

The Magic of 'Product Substitution'

By [The Mogambo Guru](#)

05/05/08 What's driving The Mogambo crazy this week? Well, dear reader, his anger and fear are equally spread across the topics of the Birth/Death model, price inflation and food prices. Let's hope it doesn't get in the way of his tireless pursuit of the Nobel Prize in Economics – which he is oh-so-close to stealing.

John Williams of shadowstats.com is quoted in an interview by Kevin Phillips in Harper's magazine, which was re-printed in the St. Petersburg Times newspaper under the title "Hard Numbers" with the subtitle "Think the economy's bad? It's worse than you know; blame a half century of presidential Pollyanna Creep."

I did not know that John Williams had cleverly coined the phrase "Pollyanna Creep" to describe how the White House, the Congress and the repugnant Federal Reserve, starting with John Kennedy circa 1960 and continuing unabated, and worsening, all the way through to Bill Clinton where Mr. Phillips' chronology ends, continuously came up with one stinking lie after another to disguise the horrendous inflation in prices, and rise in unemployment, that resulted from the egregious fiscal and monetary performances.

The article goes into such frauds as "imputed income" (such as the "value" you receive from living in your own home, or the "value" of your free checking account), the total of which Mr. Williams calculates was 15% of total GDP (!) in 2007! Wow! "Imputed income" was 15% of GDP? Hahahaha! We're freaking doomed!

Such laughable duplicity continues into the description of the phantom jobs conjured up by the "Birth/Death Model" (which assumes that new businesses are being formed, and employees being hired, which are too new for anything to show up in the data), and the six separate calculations of unemployment, of which one of the most inclusive shows unemployment at a terrifying 9%! Nine! One out of eleven people in the work force in unemployed! Yikes!

Then, finally, we get to how to magically reduce inflation with "product substitution" in the consumer's shopping basket ("if flank steak gets too expensive, people are assumed to shift to hamburger, but nobody is assumed to move up to filet mignon"), continuing with the lunacy of the inflation-reducing scam of "geometric weighting" of the items still in the shopping basket ("goods and services in which costs are rising most rapidly get a lower weighting for a presumed reduction in consumption"), and concluding with the infamous "hedonic adjustment", (which even the author says is "an unusual computation by which additional quality is attributed to a product or service").

It is this last fraud that has been used to such success by Mogambo Inter-Planetary Industries (MIPI), by which we commit an as-yet legalized extortion by utilizing the word "improved". The basic premise was outlined in the MIPI business plan, which is cleverly explained in our

corporate motto, namely "Crappy products made out of cheap materials with shoddy workmanship, and passing the savings on to you!"

But before we ship anything a stupid customer ordered, we send a letter saying that the order cannot be fulfilled per contractual price since the product they ordered was "improved" before their stupid check cleared, and therefore the new price should be higher because of the hedonic adjustment for the increase in quality, and if they had some "problems" with that, then you could take it up with Alan Greenspan and the Federal Reserve, ya freaking moron, which is who first came up with this silly crap, and if they still wanted their "Mogambo Ultra Blow-Up Doll" with the optional appendages and pendulous breasts, then they should send another \$15.95 in cash, which is their cost for the extra quality inherent in saying "improved" without having to prove anything! Hahaha!

The business plan assumes that sometimes there will be people who will actually send the extra \$15.95, whereupon we send them another letter demanding another \$15.95. Hahaha! Suckers!

But, as per the business plan, we are sure that they will all eventually give up and demand their stupid money back, like THAT is going to happen (see Section Two of the MIPI Business Plan: "Skipping Town: The Fun Part", which I cheerfully title "Starting over again, but with a lot of money this time!").

The point is not that P.T. Barnum was right when he said, "There's a sucker born every minute", or that my first girlfriend's father was right when he said, "You'll never amount to anything other than a Worthless Piece Of Mogambo Crap (WPOMC)!", but about how we got to be such suckers to let the Federal Reserve and the Congress (except Ron Paul) do this "lying about inflation" crap to us, and how people being ignorant stupid suckers is so very vital to the success of Mogambo Enterprises, Inc.

Where these people came from has always befuddled me, but which has now been explained by Junior Mogambo Ranger (JMR) Rob H., who writes:

"Dear Mogambo, I have long believed that people, in general, over time, were getting stupider and now have a 'grand unified stupidity theory' equation that I think can serve as the axiomatic equation for future theorist to expand upon. If true, this equation is very disturbing, especially if you add a time element into it and the associated exponent." He notes, "This may explain why we are where we are in the world."

My finger poised over the "Delete" button as my eyes drifted down over the few equations he provided, and through the rising glaze of incomprehension of math or anything that even LOOKS like math, I still knew enough that I could probably use this to get one of those elusive Nobel Prizes in economics (and that luscious cash prize of millions of dollars!).

So, for the official record, my completely original work that I came up with all by myself, and I declare under oath that I never even heard of anyone named Rob, especially one named Rob H., and that I have, personally, alone, proved that "one half-wit multiplied with another half-wit = a

quarter-wit", which is expressed algebraically as $0.5 \times 0.5 = 0.25$ wit (a "quarter wit"), which soon becomes $0.25 \times 0.25 = 0.0625$ wit (a "one-bit wit").

But the irrepressible JMR Rob looked at this halfwit breeding thing and came up with the brilliant Zen koan "Therefore: Etc." Hahaha! Perfect! Hahahaha! So we can share credit! Hahaha!

Until next week,

The Mogambo Guru
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The Mogambo Sez: I admire the sheer bravado and raw guts of people who look around them and don't immediately think to themselves, "This is freaking crazy! I gotta get out of stocks and bonds, and get some gold! Lots of it!"

I hope this little compliment of mine about their bravery pleases them and gives them comfort when their whole world turns to ashes and crap, although I prefer the proven comforts of gold, probably because I am such a coward who prefers not starving in the dark and cold streets.

But, to each his own! Hahahaha!