Consumer Prices Increase 0.3 Percent in July

The Department of Labor's Bureau of Labor Statistics issued a news release on August 13 stating that the "Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in July on a seasonally adjusted basis." The report also noted: "Over the last 12 months, the index increased 1.2 percent before seasonal adjustment."

The report noted that its energy index posted its first increase since January, which accounted for over two thirds of the increase, and that both the gasoline and household energy indices increased in July. The report showed a decrease in the food index for July, attributed largely to the fourth consecutive decline in the fruits and vegetables index, which fell by 0.9 percent. Prices of fruits and vegetables traditionally decline during the summer months, when there is an abundance of these foods available at farm stands in much of the country. An AP report on the topic noted: "Food costs will likely move higher in coming months as recent increases in the price of wheat and other grains impact the index."

However not all foods declined in price. The table indicating the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) showed an increase of 0.3 percent in meats, poultry, fish, and eggs and a 0.6-percent increase in dairy and related products. (The CPI-W is the yardstick on which the Social Security Administration bases its annual Cost of Living Adjustment [COLA] for recipients — more about that later.)

A summary of the report by CNNMoney.com noted that while the the Consumer Price Index rose 1.2 percent over the past 12 months, "the so-called core CPI, which is closely watched by economists because it strips out volatile food and energy prices, rose 0.9 percent over the past year."

Which is good news for those who neither use energy nor eat.

In our article, "Consumer Prices Fall … or Rise?" on February 19, we drew from a *Wall Street Journal* report stating that "Core consumer prices" — which exclude energy and food —fell by a monthly 0.1 percent in January.

We also observed in that article that during most years Social Security recipients (who, because they tend to live on fixed incomes, form a segement of our population especially vulnerable to rising prices) receive an annual Cost of Living Adjustment (COLA), based on the cost of living, using one of the government's various indices. However, seniors failed to receive a Cost of Living Adjustment in 2010 for the first time since the Automatic COLA was introduced in 1975, because the official measure of the cost of living claims that prices have gone down, not up. COLA is determined by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). But the CPI-W, as we noted above, has just shown an increase in in meats, poultry, fish, eggs, and dairy products. (Oh well, who needs meat anyway? Senior citizens remember the old song from Depression I, that began: "Potatoes Are Cheaper; Tomatoes Are Cheaper; Now's The Time To Fall In Love!")

Furthermore, as we noted in February:

> Social Security recipients are going to feel squeezed this January, simply because they have become accustomed to annual increases. And about one in every four really will be squeezed, because their Medicare premiums will increase.

Picture yourself as a retiree living mainly on Social Security. The price of your food, gasoline for your car, and heating bill have all gone up. But the government says that increase in food and energy don't count in determining the cost of living, so you will get no COLA this year. Yet, with increased Medicare premiums, your net Social Security payment will actually go down. And a major factor in determining the drop in the "core" consumer price index — the cost of housing — has just decimated the value of your net worth by reducing the value of your home.

Granted, Social Security and Medicare are not authorized by our Constitution and those who consider themselves "constitutionalists" should be opposed to such socialist schemes anyway.

While true in theory, that argument ignores the fact that our citizenry has involuntarily been made a participant in Social Security, which is such a poor "pension" plan that if it were operated by a private entity its operators would probably be imprisoned for fraud. Therefore, to say that senior citizens should take what they get from Social Security without complaint because Social Security is not mandated by the Constitution ignores the fact that by forcing taxpayers to pay Social Security and Medicare taxes, our government has incurred an obligation to return fair value for what was confiscated.

It also should be noted that the various government consumer price indices do not measure inflation (an increase in the money supply) but prices in the marketplace, which currently are artificially low because of the Federal Reserve's manipulation. Eventually, however, the impact of the massive deficits and monetary inflation practiced by our Treasury and the Fed will hit the markets and we will once again have rampant price increases (and corresponding COLA increases).

The only way to break out of the inflationary/deflationary cycle is for our government to live within its means, spend money only for what the Constitution authorizes, and not hide behind multiple arbitrary consumer price indices that conceal the effects its profligate spending practices have had on our real cost of living.