

This subject is important to every American. It's especially important if you receive Social Security payments since next year's cost of living increase was just announced (3.2%).

Do You Trust the Consumer Price Index?

I don't, and here's why.

Inflation is on the rise.

We all know it. Ask anyone. Prices are going up a lot more than we're being told.

Prices going up. That's pretty much the definition for inflation the media and government use. It implies the blame for inflation rests squarely with businesses and the prices they charge.

The more accurate, long held, but recently discarded definition for inflation (*our* definition) tells a much different story. *Inflation is an increase in the supply of money without a corresponding increase in goods and services. This causes a decrease in the value of money, resulting in a general increase in prices.*

Following this definition, inflation is measured much differently. We compare the quantity of money created through the federal government (deficit spending) to the increase or decrease in American economic activity. There are many economists who estimate, and more importantly, *predict* inflation just this way. Of course, that's not how the federal government measures inflation.

What is the CPI?

The United States Department of Labor Statistics measures inflation using their Consumer Price

Index (CPI) model. "The **Consumer Price Index** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services." Let's examine the moving pieces that are part of this definition.

The "market basket of consumer goods and services" includes tens of thousands of items commonly bought "by urban consumers." A brief search will give you details, but they all fall into one of eight categories: Food and beverages, housing, apparel, transportation, medical care, recreation, education and communication, and other goods and services. Each category of course, is weighted in the CPI. For example, most urban families spend much more on housing than in any other category, so it's given a much greater weight in the index.

Once the market basket paid by urban consumers is established, weighted, and priced, it's compared month-to-month, and year-to-year "as a measure of the average change over time in the prices." This is what the federal government reports as inflation.

As a measure of inflation the Consumer Price Index is commonly used as an indicator of the general health of the economy. The CPI is also widely used as an indicator of the effectiveness of many government programs and economic policies. And

(Continued on page 2)

(Continued from page 1)

if you already receive Social Security, you probably know how important the CPI is. Your annual Social Security cost of living increase is tied to it. For these reasons it's vital that the Consumer Price Index is accurate and trusted as a reliable measure of inflation.

But with just a little inspection it's easy to see there are problems built right into the CPI that immediately call its accuracy and trustworthiness into question.

1. Few fit the typical CPI consumer profile.

Do you buy what an average urban consumer buys? You might. But you probably don't. That's the problem with trying to aggregate all of us into one, idealized, standard consumer.

Take rural consumers, for instance. Their buying habits are certain to be quite different from urban purchasers. Inflation for the farmer is likely to be very different than for the city dweller.

Maybe you live in the city, but your purchasing profile diverges from the "average" urban citizen. For example, you might be an elderly nursing home resident with expensive medical needs. How about someone whose urban lifestyle is just uncommon? Perhaps you're homeschooling. Or maybe you're attempting to live off the electrical grid. And what if you live in a region where for some people, buying habits are just plain different? Here in Green Bay, many consumers are over the top when it comes to buying cheese and beer. Inflation is probably quite different in each of these examples, and numerous others.

2. Inherent flaws in the "market basket" concept.

There are several problems to examine with the CPI's market basket.

Plainly there is the problem of items that just aren't

in the basket to begin with. How about a new, innovative product or service just introduced to the American consumer? Common examples are often found among digital devices, children's toys, women's cosmetics, computer software, and many more. It's impossible for the CPI to take buying patterns and prices for these new items into account. This makes valid comparisons of changes to the CPI over time questionable.

And if the product remains popular, how is it placed into the basket (and what comes out of the basket) so valid inflation comparisons over time can be made moving forward?

The CPI has another problem of valid comparisons when the *quality* of products in the basket changes as consumers respond to rising prices. You're probably familiar with changes in *quantity*.

Changes in quantity are annoying and a symptom of serious inflation. But they can be factored into the CPI. Changes in quantity are things like breakfast cereal that costs nearly the same as before, but the box is much smaller. It's candy bars that are roughly the same price, but half the size they used to be. The narrower toilet paper roll with the larger core that costs what it did before. CPI experts can adjust for changes in *quantity*.

But when a product lowers its *quality* to keep prices down, it can be impossible to accurately calculate the change to the CPI. Examples are products like breakfast cereal that contains 10% fewer raisins. Maybe it's a candy bar that decreases its cocoa content by 5%. Then there's toilet paper that's made with less fiber in the tissue, or now has a higher percentage of a lower quality fiber.

It's just as difficult for experts to make allowances for *increases* in product quality. These happen constantly and for lots of reasons. An obvious example is your cell phone. How is it possible to

(Continued on page 3)

(Continued from page 2)

adjust the CPI for price differences in something like cell phone quality over time? It isn't. Sometimes it isn't even possible to account for quality differences from one month to the next.

Compensating accurately for quality changes isn't realistic for researchers even if they know about them in the first place. As these continuously happen it once again throws into question the validity of CPI comparisons over time.

Then there's the subject no one in government wants to talk about. What happens when, because of its higher inflated price, consumers stop purchasing a product or service they used to buy? How are valid CPI comparisons to be made over time when items in the market basket are replaced with no product at all?

CPI statisticians claim they have methods to compensate for each of the flaws in their market basket concept. But government explanations of the calculus used to balance everything out make little sense. And they're beyond the understanding of most Americans, making them mostly useless.

Their explanations are particularly useless to the American poor. This is especially heartbreaking since the poor are the most harmed by government caused inflation, and by defective government expressions of inflation through the CPI.

3. Does the federal government deliberately understate inflation?

You'll have to decide on the answer to this question for yourself. Understand, however, there are

countless people who believe that yes, the federal government deliberately understates inflation. For example, many investment advisors counsel their clients under this assumption. But why would our federal government deliberately understate inflation? What would their motive be?

Consider Social Security, mentioned earlier. With a lower CPI, the federal government doesn't have to pay out as much in cost of living adjustments.

Beyond Social Security payments, there are several other big government programs (like food stamps) for which CPI-based cost of living allowances are made. Of course if government had to pay the full magnitude of these adjustments, annual federal outlays would be much greater, too.

Do you believe the federal government would tax Americans to pay for even higher cost of living allowances? Almost certainly not. The easier government fix is always to cover its expenses by creating money from...from...nothing. Finance the additional hundreds of billions more in inflation cost of living adjustments through more deficit spending. And from our definition of inflation, what would this cause? You guessed it. We're right back where we started.

Inflation on the rise.

Scott Liddicoat

**Brown County Taxpayers Association
and saltwatertea.org**

Monthly Meetings @ The Village Grille

Monthly meetings are held at **The Village Grille, corner of Hoffman and East River Drive, Allouez**. The location has no stairs or steps, convenient parking, and a room to better accommodate speakers and conversation. There will be three selections from which to choose lunch - each one will be priced at **\$15 (includes tax and tip)**. Lunch is at 12:00 noon with monthly speakers presenting.

SUPPORT THE BCTA

New Members Welcome

www.BCTaxpayers.com

The Brown County Taxpayers Association is a local group working to bring information and awareness to issues that affect tax policy or impose regulatory burdens.

August Meeting Notes

Scott Ebel, I41 Corridor Project Manager.

Design work is underway, with project construction to begin in 2024 and continue through 2030. It will include expanding 23 miles of I41 between Green Bay and Appleton to six lanes. Also included will be auxiliary lanes between closely spaced interchanges, collector-distributor roads, three diverging diamond interchanges, two diamond interchanges with roundabouts, a high-speed interchange ramp, and improvements to existing interchanges. Six local and county road overpasses will also be replaced. With the expanded roadways, more park & rides, a new salt facility, and new weigh station and Northeast Region State Patrol Headquarters will be included. While challenging, peak traffic flows will be maintained throughout the construction period. This project, which was included in the 2020/2021 budget is projected to cost \$1.18 billion. Members can visit the Department of Transportation website to learn more about the project and get regular updates on progress and public review sessions.



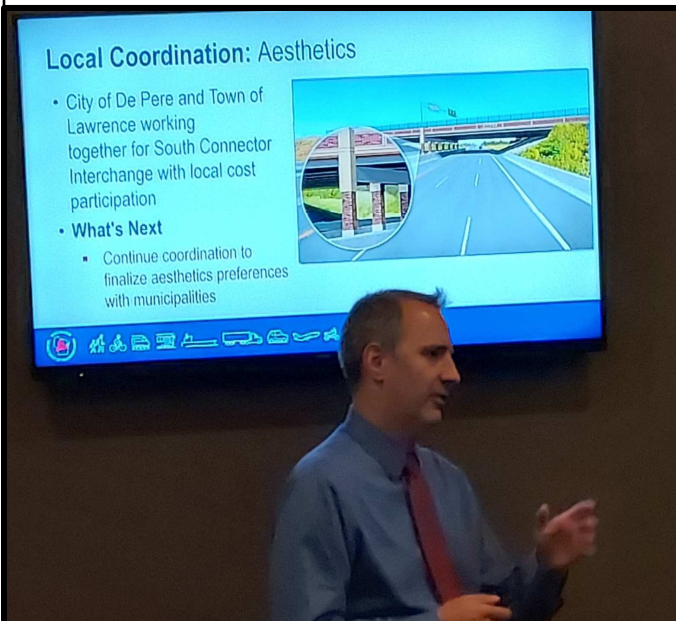
August BCTA Meeting

Treasurer Tom Sladek reported our registration as an Unincorporated Nonprofit Association (UNA) has been completed, and he is registered as our representative with the WI Department of Financial Institutions (WDFI). He also shared that informational flyers describing our organization and mission were distributed at the Brown County Fair.

Recommended topics for upcoming meetings include the County Broadband project, the recent Green Bay property reassessment process, and the County Dispatch Center.

Committee reports included information about a proposed state legislation dealing with the university scholarship process, staffing issues in the County Dispatch Center, and an upcoming meeting between the Schools Committee and the Green Bay Area Public Schools.

Meeting Notes by Rod Goldhahn, Secretary



Scott Ebel, WI DOT



September Meeting Notes

Alex Drews and Matt Johnson, appraisers for the Green Bay Assessor's Office.

All residential and commercial property within the city has an appraiser assigned. The City Assessor's Office is responsible for the valuation of all real and personal property located within the City of Green Bay for tax purposes. It is their responsibility to ensure fair and equitable assessments throughout the City, using the most advanced assessment software to achieve uniformity on a regular basis. The assessment procedure is governed by Chapter 70 of the Wisconsin state statutes and the Wisconsin Property Assessment Manual. The laws are very specific as to how the work is carried out. According to statute, the overall level of assessment must be within 10% of market value at least once in any 5-year period. Failure to comply with this requirement would result in a state-ordered City-wide reassessment paid for by the local government.

Assessed value is the value placed on property by the assessor to determine what portion of the local property tax levy is covered by that property. Items like new construction, remodeling, basement finishing, and updates are considered. Green Bay has 33,500 real estate parcels and 2300 personal property accounts.

Property owners who feel their assessment is not accurate can request a review, including a site visit. There are 5 aspects of a home they consider: exterior as a whole, interior as a whole, kitchen, bathrooms, and mechanical (furnace, AV, electrical). They also reviewed a property record card, kept for each property.

Each year there is an "Open Book Period" where owners can examine and challenge their assessments and discuss with the appraisers. That is followed by the Board of Review, which is a formal hearing process where owners can file an objection form prior to the meeting and have their objections reviewed and judged.

A spirited discussion ensued during which several members of the audience noted this process and timing was not well understood and not clear on the City website. The recent city-wide reevaluation caused some property owners to have major changes and they did not know how to challenge. An offer was made for a subgroup of BCTA members to work with the Assessor's office to improve this communication and website.

Future speakers: October-State Senator Eric Wimberger. November-August Neverman, Brown County Broadband project.

President Schwalbach appointed Tom Sladek, Dave Nelson, and Rod Goldhahn to serve as the Nominating Committee for our October elections.

Committee/other reports: President Schwalbach reported that the County Board approved proceeding with the Broadband project. Our November speaker will provide a more detailed review of the project. Director Liddicoat updated the group on an information piece he was preparing concerning early/absentee voting. There was an active discussion on the subject which Scott will consider in his work. Secretary Goldhahn reported members of the Schools and Executive committees have a meeting scheduled next week with representatives of the Green Bay School District.

Meeting Notes by Rod Goldhahn, Secretary

The TAX TIMES

Brown County Taxpayers Association
P. O. Box 684
Green Bay, WI 54305-0684

Address Service Requested.

PRSRT STD
U. S. Postage
PAID
Green Bay, WI
Permit No. 255

Inside This Issue

Do You Trust the Consumer Price Index?

Aug Meeting Notes

Sept Meeting Notes

Meeting Location

The Village Grille, Allouez

BCTA Meeting and Events Schedule – MARK YOUR CALENDARS.

Thursday - Nov 16, 2023 BCTA Monthly Meeting.
12:00 at The Village Grille, Allouez
August Neverman, Brown County Broadband

Thursday - Dec 21, 2023 BCTA Monthly Meeting.
12:00 at The Village Grille, Allouez

BCTA monthly meetings are held the Third Thursday of each month, 12:00 Noon, at , at The Village Grille, Allouez.

Meetings are open to the public. BCTA Members, their guests and other interested parties are cordially invited to attend and participate in our open discussions.

COST: \$15.00, Payable at meeting. Includes lunch, tax & tip.
Call Tom Sladek – 499-7701 for information or to leave message.

Nov - Dec 2023



~~\$30.9 Trillion~~ ²⁰²²

~~\$32.7 Trillion~~ ⁷⁻²³

~~\$32.8 Trillion~~ ⁸⁻²³

\$33.7 Trillion

www.BCTAxpayers.com