

The Laughable Nature of GDP Growth

By [The Mogambo Guru](#)

05/05/10 Tampa, Florida – At work the other day, I was actually considering either doing some actual work or taking the afternoon off, after, of course, I finished reading the government’s Bureau of Economic Analysis release of the news that “Real gross domestic product – the output of goods and services produced by labor and property located in the United States – increased at an annual rate of 3.2 percent in the first quarter of 2010, (that is, from the fourth quarter to the first quarter)” and that last quarter of 2009, “real GDP increased 5.6 percent.”

My face is simultaneously showing surprise, disbelief and outrage – a rare and thrilling theatrical talent – at this news, and to understand the expression upon my face, think about how if the growth in GDP was 3.2% in one quarter, then that would be an extrapolated annual growth of a blistering 12.8%! Wow! I am surprised! You can see why I am disbelieving, and you can see why I am outraged that anyone would say such a preposterous thing!

Okay, this is unbelievable and laughable enough, but get a load of this: if you took the 5.6% increase of the previous quarter’s GDP growth and did the same thing, then that would come out to 22.4% growth in GDP! 22.4%! Hahaha!

This is so ludicrously and humorously preposterous that I actually laughed out loud, and Tom, whose desk is right next to mine, looks over and makes some rude comment like “Mogambo’s looking at porn again!” whereupon everybody else laughs at me.

So I, in my own defense, say in reply, “No, I was not looking at porn on my computer, you halfwit, which any observer would have known by simply noting that I was laughing, and one does not laugh when looking at porn, and instead one makes, you know, kind of a grunting, panting sound and saying things like ‘ooooOOOOooohhhh!’ Morons!”

Before they insulted me, I was going to generously show them that merely computing 3.2% of our \$14 trillion GDP, we get the \$448 billion dollar figure of the quarterly “growth” in GDP, which comes out to roughly \$2 trillion per year, which is – surprise! – roughly approximately nearly exactly precisely how much money the federal budget-deficit spending is now pumping into the economy.

In short, it looks like the entire growth in GDP is due solely to – dollar for dollar! – the deficit-spending by the federal government! Hahaha! “Growth!” Hahahaha!

And this is before another large item is included in the calculation of GDP, which is exports, which are a subtraction from GDP, which means that since we had a \$532 billion annual trade deficit (a negative number) in the last 12 months, subtracting a negative number from GDP magically results in an annual addition to GDP of \$532 billion – or \$133 billion quarterly – just like that! Hahahaha! “Growth!” Hahaha!

You'd never know it from the Bureau, which admitted that "The increase in real GDP in the first quarter" was influenced by "exports", although it did not say that the trade deficit increased, but, instead, said only that "Imports, which are a subtraction in the calculation of GDP, increased", although it did not mention, for the benefit of us math-impaired guys out here, that their calculation of GDP was thus increased by a math trick.

Then they actually seem to have told a lie when they said that "The deceleration in real GDP in the first quarter" was partly due to "a deceleration in imports", which actually went up by \$41 billion, which would seem to be an acceleration. Hmmm! What in the hell is going on?

And this does not even get into the ridiculous notion of a \$14 trillion free-market GDP, when the federal government is spending \$4 trillion and the cities and states are spending \$2 trillion, which, ignoring a little double-counting, is a combined \$6 trillion, which is already 43% of GDP to start with! Gaaaahhhh!

The really bad news was later in the report, where they noted that "The price index for gross domestic purchases, which measures prices paid by US residents, increased 1.7 percent in the first quarter, compared with an increase of 2.0 percent in the fourth", which almost gave me a heart attack until I realized that they meant that prices increased by 1.7 percent a YEAR, not in just the quarter. Whew!

Nevertheless, it's not more than 20 or 30 times a day when I see crap like this when I think to myself "We're freaking doomed!" and right now is one of those times, and today is one of those days. "We're freaking doomed!"

Which leads me, seamlessly, to my constant sermonizing to buy gold, silver and oil, which will take, like magic, "you and me" out of the collective "we", as in "We're freaking doomed!"