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Summary: Inflation has been with us for quite some time though it's not part of government reports. Beyond high oil prices, interest rates and faltering mutual funds, the insidious culprit lurks.

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Title: Inflation Incognito--The Monkey on Your Back

Domestic stock funds were down 2 percent in the first quarter of 2005. Mutual funds and bonds, on average, lost value; but this is not the first sign of inflation. Companies in almost every industry have been twisting and turning within the confines of the law to cover losses due to the growing cost of doing business. Almost every commercial endeavor is affected by the rising cost of fuel and labor. From shipments of raw materials to delivery of the finished product, the cost of doing business in an oil driven economy is pushing the creative limits of operations managers worldwide.

And just how creative can they get? Here's an example that's close to home; review the cost of fees on a line of credit. There is a fee for paying late, a fee for exceeding the credit limit, a fee for exceeding the cash advance limit--don't forget the higher percentage fee on the account as a whole the first time payments are a day late. Thinking of switching one balance to a different, lower rate card? The small print allows all your cards to raise their rates if you are late paying one card. Credit cards used to encourage customers to exceed their credit limit because it was good business to get them to take on more debt. Now the same excess is going to cost hard cash. Business is recouping these hidden inflationary losses by adding and increasing fees to almost every step of daily commerce. This creative sleight of hand has helped overcome thinning margins but at the same time, prevented economic analysts from recognizing and dealing with the true culprit--inflation. As inflation attacks narrowing

profit margins, watch vendors add fees to cover the cost of doing business. The latest trend; handling charges on orders to offset fuel and labor costs. To the merchandise total, add sales tax, shipping and an inflationary cushion fee called *handling*. This transfers some of the cost of doing business to the end user and reduces cash outlay--except for what's lost from customers who won't tolerate another fee. Inflation has been with us for quite some time; it was just in disguise.

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