

Hello Everyone,

***Sailin' around the world in a dirty gondola
Oh, to be back in the land of Coca-Cola.***

Bob Dylan

Only Bob Dylan would think to rhyme gondola with Coca-Cola.
Genius.

And, yes, Coca-Cola is our theme today. But not the Coca-Cola of today. But the Coca-Cola of 1953.

Today's missive is a dramatization of a conversation involving President Eisenhower, Treasury Secretary George Humphrey, and Coca-Cola CEO Roberto Goizueta. The dialogue is from my imagination, but the facts are accurate.

So, here we go.

Telephone Rings in the Oval Office and President Eisenhower picks up.

President Eisenhower: Good Morning, Ann. I assume this is our scheduled call with Roberto over at Coke. Please let him know I have George in the office as he requested.

Presidential Secretary Ann Whitman: Yes sir, and then I'll put him right through.

Mr. Goizueta: Good morning, Mr. President, Mr. Secretary. I know your time is short, so I'll get straight to the point. I am requesting the Treasury start minting a 7.5 cent coin.

President Eisenhower: What!? You want us to mint a new coin?! And at seven and half cents. Whatever for?

Mr. Goizueta: Well, Mr. President, as you know Coke has become a staple product for the American public. And you also know how we supported the war effort. We sent over 5 billion bottles of Coke to the troops. Plus, we are a very important global company. And you are very aware of how much we pay in taxes. Anyway, sir, inflation is starting to grip---- and the input costs of our product (like sugar) have been rising for years now.

We managed to keep the price of Coke at 5 cents a bottle; but we can't do it anymore. And, all those vending machines we have across the country are calibrated to take just one coin to get a Coke....a nickel.

If we want to keep our one-coin calibration, we'll have to increase our prices to a dime. **That would double the price of a Coke.** I don't think the American public would like that.

So, I'd like you to consider minting a 7.5 cent coin so we can keep selling coke the way we always have.

Treasury Secretary Humphrey: Roberto, I see your dilemma. And, yes, prices have been rising. But there are several problems with your proposal:

- What would we make the coin out of? Pennies are copper. Nickels are obviously nickel. And dimes are mostly silver. Would this 7.5 cent coin be a mix of silver and nickel?
- What would we call it? A dickel? A nime? (President laughs)
- Plus, what are we going to do if prices keep rising? We'd have to be constantly creating new coins with new denominations.

No, Roberto, I don't see how we can do this. There are some options for you though.

- *You could shrink the size of the bottle and still charge a nickel.*
- *Or, you could make the bottle bigger and charge the dime. Then hope the public still thinks they are getting a deal.*
- *Or you could recalibrate the machines to take additional coins.*

Otherwise, Roberto, I don't think we can help you.

President Eisenhower: *Roberto, I am sympathetic. And I understand our role in this. Our post-war budget has been difficult to keep under control. We are printing more than I'd like. But, I'm with George...I don't like the precedent.*

Mr. Goizueta: *Thank you, Mr. President, Mr. Secretary. It was worth a try. We'll figure it out. Thank you for your time.*

And, yes, Coke's CEO (who is regarded as one of the greatest CEOs in American history) did make that request. And, obviously it was denied.

So, let's jump ahead to 2021.

Today a vending machine Coke can cost anywhere from \$1.50 to \$2.00. Thus, since 1953 the price of a Coke has increased 30-40 fold. And, yes, that took almost 70 years to accomplish.

But don't think 70 years from now a Coke will cost \$80. Inflation doesn't work like that. It starts slowly and accelerates. This is what we are seeing now...the acceleration. Think of the trillions

we are electronically “printing” as dry kindling---just waiting for a spark.

And that spark could be almost anything that breaks confidence in the dollar. A banking failure. Another pandemic. An earthquake. The sinking of an aircraft carrier. Remember, our currency is based on confidence. And confidence is a fickle thing.

Historically, inflation may move in a two-forward, one-back motion, for a long time. But eventually those steps get closer together. And once confidence breaks there are no more “steps-back”. I believe there are too many structural pieces in place for inflation to reverse. Thus, I do not believe the current “inflation is transitory” theme.

And, BTW, inflation is not the end of the world. Great fortunes are made during times of inflation. That is our goal here at Zanetti Financial---to position you right for the coming changes.

So, let me close with this. Last week a friend said to me, “When in doubt, zoom out.” The point being---don’t get confused by the short term news/trends. Zoom out. Look at the big picture. The inflation “zoom out” was apparent 70 years ago, and it has not abated. An everyday Coke will tell you that.

Signed, Your If-You-Had-Told-Me-10-Years-Ago-“*Pregnant-Man-Emogis-Are-All-The-Rage*”-I-Wouldn’t-Have-Even-Thought-That-Could-Be-A-Sentence, Financial Advisor,

Greg

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