

Hello Everyone,

“Let us eat and drink; for tomorrow we shall die.” Isaiah 22:13

“Then I commended mirth, because a man hath no better thing under the sun, than to eat, and to drink, and to be merry.”

Ecclesiastes 8:15

Who knew the Bible could be so racy?

I am not convinced about the *“tomorrow we shall die part”*, but Isaiah and Solomon seem to have recognized something fatalistic in the human condition.

And I believe this attitude is manifesting today in how both individuals and governments are handling money.

Let’s start with individual investors. Or rather, individual speculators/gamblers.

There is a philosophy swirling through the younger generations called the **FIRE Movement**. ***Financial Independence Retire Early***. The idea is to make as much money as fast as you can and then retire.

I understand the sentiment, but normally building an enduring business takes time. Often decades.

But those who are in their 20’s don’t have decades if they want to retire in their 30’s. Thus, speculation and gambling have replaced long-term investment. Five years ago, the surefire ticket to **FIRE** was Bitcoin and other crypto currencies.

Today, that strategy is too stodgy.

The latest trend is trading options (!) on a narrow band of skyrocketing stocks (think Tesla---- not Campbell's Soup) to score big and fast.

Note this from the **The Wall Street Journal**:

So far this month, single-stock options with a notional value of roughly \$6.9 trillion have changed hands, well above the \$5.8 trillion in stocks that traded, according to CBOE (Chicago Board Options Exchange) data through Sept. 22. [...]

By one measure, options activity is on track to surpass activity in the stock market for the first time ever. (My emphasis added.)

In 2021, the daily average notional value of traded single-stock options has exceeded \$432 billion, compared with \$404 billion of stocks, according to calculations by CBOE's Henry Schwartz. This would be the first year on record that the value of options changing hands surpassed that of stocks, according to CBOE data going back to 2008.

To quote Bill Bonner over at rogueconomics.com...

"Trading options is not "investing" in the classic sense. You're not counting on earnings to pay off, neither in the form of dividends nor in capital gains. Instead, you're just betting that you're on the right side of the trade.

There's no real "investment," in other words. No new factories. No new employees. No new product lines or improved service – nothing that will increase the world's wealth and payoff for investors."

The thing about speculations vs. investments is that investments often lead to win-win outcomes.

Speculations, however, are more like bets.

With speculations, the winners (a small percentage) typically win big; while the losers (usually the masses) lose big. The term most of us are familiar with is “the zero sum game”. Zero sums are win-lose.

But today, there don't seem to be any zero sums. No one seems to be losing. There are only smiles. Stocks are up. Bonds are up. Commodities, energy, real estate, cryptos...up, up, up.

And we all know what is driving it.

Trillions of “printed wealth” are driving today's speculative fervor. The Fed has added \$4 trillion (new money!) to the system since March 2020. But remember those printed trillions are comprised of debt. And that debt must someday be reconciled.

But in the meantime, individual “investors” have adopted the *“let's eat, drink, and be merry”* philosophy.

Moving on to government.

Back in 2007, I wrote a missive about the debt ceiling. (BTW, the debt ceiling has been raised 79 times. Today's debate is all political theater.)

Anyway, back in '07, I noted that babies born that year were immediately saddled with \$30,000 of debt. And that didn't even count the unfunded liabilities (the promises) for Social Security,

Medicare, public employee retirements, military retirements, and so on.

I was outraged! How could we do this to a little baby? Unfair!

And it was unfair. But, little did I know how things would progress.

It is now 2021 and our 2007 newborn is 14 years old. He/she now owes \$90,000. And the same \$90,000 holds true for a newborn going home from the hospital today.

These kids are on the hook for money that has already been spent. Unfair.

Like Bill Bonner, I think I would feel better if the government's borrowed money (and the **FIRE** money from individuals) had been used for long term wealth creation. But, again, that kind of wealth-building takes time and patience.

But back to our original question. If speculations are zero sum games, why is no one losing? Where is the zero sum?

I would argue our 14 year-old and our newborn are two of the losers. They just don't know it. Sometime in the future, our young "losers" will appear in the news cycle. And they will be angry with the generations that came before them.

And fair minded people won't blame them for their anger. And the young will be especially upset when they realize how trillions were used for "stimmy" checks to encourage people to stay home, smoke weed, & play video games.

Now the other category of "losers" is more immediate. It is today's poor and middle-class. They are the ones who most feel

the effects of inflation. And all those printed trillions are finally working their way into the consumer sector.

The rich don't care about such things. It doesn't affect them.

For example, if Elon Musk pays \$8/gallon for gas (the price in California this AM) Elon doesn't care. However, for a "working stiff" who needs his Ford F-150 to do his job, filling that 23-36 gallon tank is painful.

Oh, and in a three day period last week, the price of diesel fuel went up 50 cents a gallon. Truckers aren't happy.

Of course, the same rich-vs.-poor inflation logic holds true for groceries, cars, insurance premiums, utility bills, etc.

So, what is to be done? The old adage of *"If you are in a hole, stop digging,"* applies. But I don't see that coming. So, brace for more inflation.

Signed, Your What-Is-The-Difference-Between-The-Titanic-And-California?-When-The-Titanic-Sunk-The-Lights-Were-On Financial Advisor,

Greg

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