



Zanetti Monday Missive 2022.01.31 Caligula and Covid

"I have existed from the morning of the world and shall exist until the last star falls from the night. Although I have taken the form of Gaius Caligula, I am all men as I am no man and therefore, I am a god."

~ Roman Emperor Caligula

Uhhhh, OK.

What do Caligula and Covid have in common?

This week's missive will attempt to connect the actions of a deranged Roman emperor to current events. We will then connect those events to the economy...and your investments.

So, with that as a teaser, let's get to it. :>)

Caligula liked to spend money. He quickly spent the surplus the previous emperor, Tiberius, had left him. He also revoked the tax cuts Tiberius had passed. To increase his popularity with the masses, Caligula increased welfare payments to the poor.

As you might guess, the Roman treasury dwindled. To compensate, Caligula decided that “taxing the rich” was prudent. Thus, he began seizing property of wealthy Romans. If anyone stood in his way, they were arrested or killed.

If this all seems a bit crazy, you are not alone.

Many historians believe Caligula had serious mental disorders. They debate whether it was encephalitis, temporal lobe epilepsy, or dementia.

Regardless, it is the following story that makes them believe that Caligula was far more dangerous than your run-of-the-mill tyrant who plagued the declining Roman Empire.

In AD 39, Caligula decided to have a royal procession for himself between the cities of Puteoli and Baiae. The trouble was this: there was a bay separating the two cities.

Undeterred, Caligula commandeered every merchant vessel in the Roman fleet and had them line up side-by-side. The goal was to form a continuous “boat bridge” across the bay. The boats were snugly lashed together. Sturdy planks were laid across the decks of all the ships to form a road of sorts. Dirt was then brought in to add ballast and stability to this engineering marvel.

And it worked.

A three-mile-long floating bridge was constructed so Caligula could ride across it in his chariot and thus, be honored.

His actions, however, produced an unintended consequence.

Almost every merchant vessel was now out of commission. Yet, one million Roman citizens still needed beef, wine, cheese, clothing, figs, dates, honey, fur, lumber, cotton, etc. from Rome’s provinces.

And most of those items came by ship.

As a result, commerce slowed to a crawl. Small businesses went bankrupt. Big businesses held on longer, but eventually succumbed to the shortages as well.

With supply chains broken and store shelves empty, prices soared.

What started as small inconveniences soon erupted into widespread famine. People who had become accustomed to welfare payments did not have the gumption to work.

Across the empire (but especially in the cities), violence and crime intensified. Riots became common place. The social fabric began to shred. The rich fled to their country estates and hunkered down.

Rather than take responsibility, Caligula blamed his political rivals. They were either censored, banished, or killed. Of course, that did nothing to reverse the situation.

You see where I am going with this.

Today we may not have Caligula, but we have Covid...and the reaction to Covid.

The difference between today and first-century Rome is that our supply chains are global and far more complex. And complexity leads to fragility.

Just look at news stories from the last few weeks...even as the Covid crisis seems to be abating.

- Chinese ports are being shut down.
- Cargo ships are still languishing off the coast of California waiting to be unloaded.

- Canada is not allowing truckers to cross into the United States without showing proof of vaccination.
- Russia is turning natural gas supplies on and off to Europe depending on the Ukrainian situation.
- Meanwhile, it seems the US constantly imposing (or threatening to impose) trade sanctions against Iran/China/Russia etc.

Plus, we are still dealing with government decisions/dictates imposed since March of 2020 when they:

- Forcibly shut down businesses.
- Increased the incentives to stay home and receive benefits.
- Promulgated rules and regulation that stifle production.
- Crippled the supply chains.
- And censored anyone who questions the “science.”

The point is that the supply chain disruptions do not appear to be transitory.

This is not the end of the world, but unless the trend is reversed, the variety and abundance of goods we have become accustomed to will shrink.

Prices will rise.

Those near the bottom of the socio-economic ladder will suffer the most.

The rich will retreat and hunker down.

The good news is all of this can be reversed. Rome’s problems were resolved when Emperor Nerva took over in 96 AD. (Yes, it took that long.) It is said that Nerva ruled with authority, competence, and humanity.

We have some leaders in America with those qualities, but until they

hold sway in America's consciousness, we at Zanetti Financial will remain invested in inflation sensitive "necessities" that people need and have stood the test of time.

Signed, Your Why-Does-Following-The-Science-Seem-To-Lead-To-Someone's-Bank-Account? Financial Advisor,

Greg

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