



Zanetti Monday Missive 2022.07.25 Filling Texas Stadium With Water

**"A nickel ain't worth a dime anymore."
~ Yogi Berra**

Hello Everyone,

If Yogi were alive today he might say, "A billion ain't worth a trillion anymore." But it wouldn't be as funny. And here is why.

According to brain researchers and scientists, the human mind has difficulty comprehending big numbers. Many believe the number one million is about the limit for human understanding.

Maybe this is why ancient manuscripts used terms like, "As the host of the stars of heaven cannot be counted and the sand of the sea cannot be measured..."
(Jeremiah 33:22)

Stars and sand are easier to visualize than billions or trillions. Plus, it's more poetic. :>)

Today's missive isn't very poetic; but it attempts to explain how money can grow exponentially faster than people think.

I hope today's analogy makes America's financial situation a little clearer. And brings a smile to your face!

KKOB Radio Interview:

Bob Clark: Well, Greg, my understanding is this morning you want to talk about filling Texas Stadium water. I can't imagine what this has to do with investing. But I'm sure you'll tell us.

Greg: I will. Bob, let's pretend you fly out to Dallas and go to ATT stadium. You know, where the Cowboys play. You then walk out onto the field and stand on the 50 yard line. Then, from your pocket, you pull out a small water bottle with a dropper---- and you drop one drop of water onto that big blue Cowboy star.

You then wait one minute. Then do the same thing. Except this time you drop two drops onto the star. You wait another minute. And now drop four drops onto that star. A minute after that....eight drops. And so on.

So, Bob, if you double the number of drops every minute, how long will it take you to fill the entire stadium with water? And I mean all the way to the top.

Bob: I don't know. I know doubling stuff multiplies faster than people think.

It's kind of like that compound interest calculation we did in high school. It starts slow. But it gets bigger fast.

Just a guess. A few days? A week?

Greg: Close. 50 minutes.

Bob: Wait. 50 minutes? You're telling me that in under one hour---all of Texas Stadium would be filled with water? No way!

Greg: I know! When I read the story, I thought the same thing.

So, being the geek that I am I, looked up how many drops of water there are in a gallon.

Then, how many gallons are there in a cubic foot. Then how many gallons would it take to cover the field with an inch of water.

Bob, as I was doing this, my wife thought I was nuts.

Anyway, at 15 minutes you'll be pouring just over a gallon of water onto the star.

At 30 minutes, the field will be covered with one inch of

water.

At 45 minutes, 7% of the stadium will be filled with water.

And 5 minutes after that---in the 50th minute---the water will be flowing over the top and into the parking lot.

So, what does this have to do with finance you may ask?

Bob: Wait. I know the answer to this! Inflation!! You're going to tie this to printing money!

Greg: Yes!! I am way too predictable. :>)

Bob, historically, this is how money supplies grow. They grow a little lumpier than the drops of water example, but over time, all governments do the same thing. They double their money in ever shorter periods of time.

Let's look at the US.

In 1960, US money supply was around \$300 billion. By 1970, we had doubled it. Seven years after that we had doubled again. You get the idea.

Anyway, for the sake of time, today we now have \$22 trillion in what we call M2 money supply.

Bob: So, basically----in 60 years---we have gone from under a third of a trillion to \$22 trillion in circulation.

Right?

Greg: Right! Or, think of it this way. Since 1960, the population of the US has not quite doubled. But the money supply has increased almost 80 fold.

Bob: So, twice as many people ---- but 80 times the dollars.

No wonder there's inflation.

So, now circling back to your water example...

My guess is you're going to say our economy is like Texas Stadium. And our economy is filling up with printed money.

Greg: Right again. It's kind of weird analogy but most of us can't comprehend trillions. So, I thought it made a good visual.

Bob: OK. So, at what point does our economy fill up to the top? When does money starts spilling into the parking lot?

Greg: Great question. And...Bob...I don't know. I wish I did. But if the inflation rate is any indication, the stadium is filling up fast.

Bob: So, basically you're saying the Cowboys haven't even started training camp, and their season is already under water.

Greg: Hilarious. And Cowboy fans...it was Bob who said that. Not me. Call him.

Bob: I'll take the heat. How do people reach you?

Greg: My number is 505-250-3754. Or go zanettifinancial.com.

Signed, Your Remember-In-1913-They-Told-Americans-The-Income-Tax-Was-Temporary-To-Pay-For-World-War-I
Financial Advisor,

Greg

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