



**Zanetti Monday Missive 2022.12.19
Take This Job And Shove It!**

**“One of these days I'm gonna' blow my top
And that sucker, he's gonna' pay
Lord, I can't wait to see their faces
When I get the nerve to say
Take this job and shove it!”**

**~ Johnny Paycheck (lyrics from the 1977 song, “Take
This Job And Shove It”)**

Happy Monday Everyone!

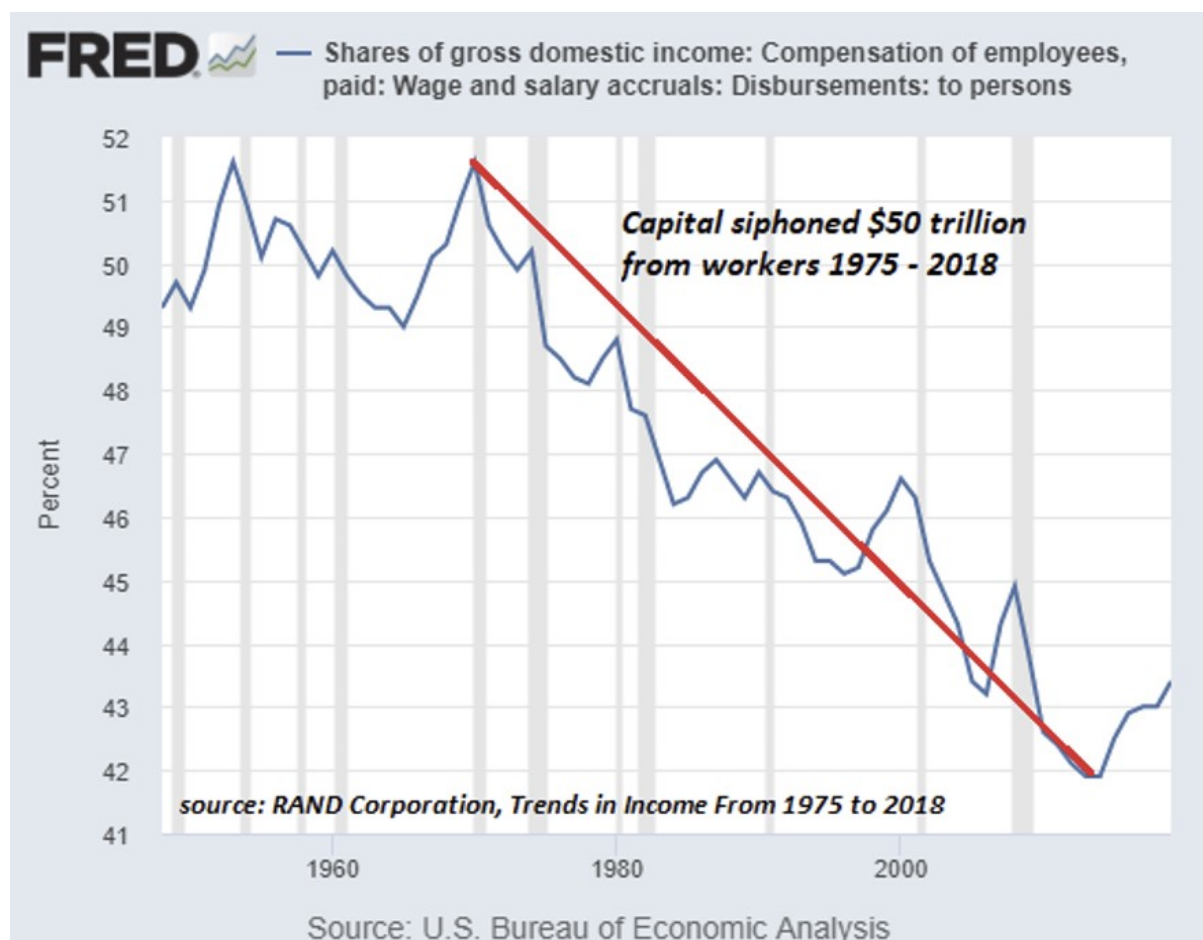
I hope your holidays are off to a good start as we approach the end of the year.

Today I thought I'd write about what I see in the changing labor environment.

Outsiders are often amazed when things fall apart. Insiders are shocked that the duct tape and bubble gum lasted as long as it did.

The erosion of institutional knowledge and critical skills is often invisible to outsiders, while the insiders are very aware of it because they have it. But if the insiders leave or get burned out OR stay but “quiet quit”, the institutional knowledge is hard to replace.

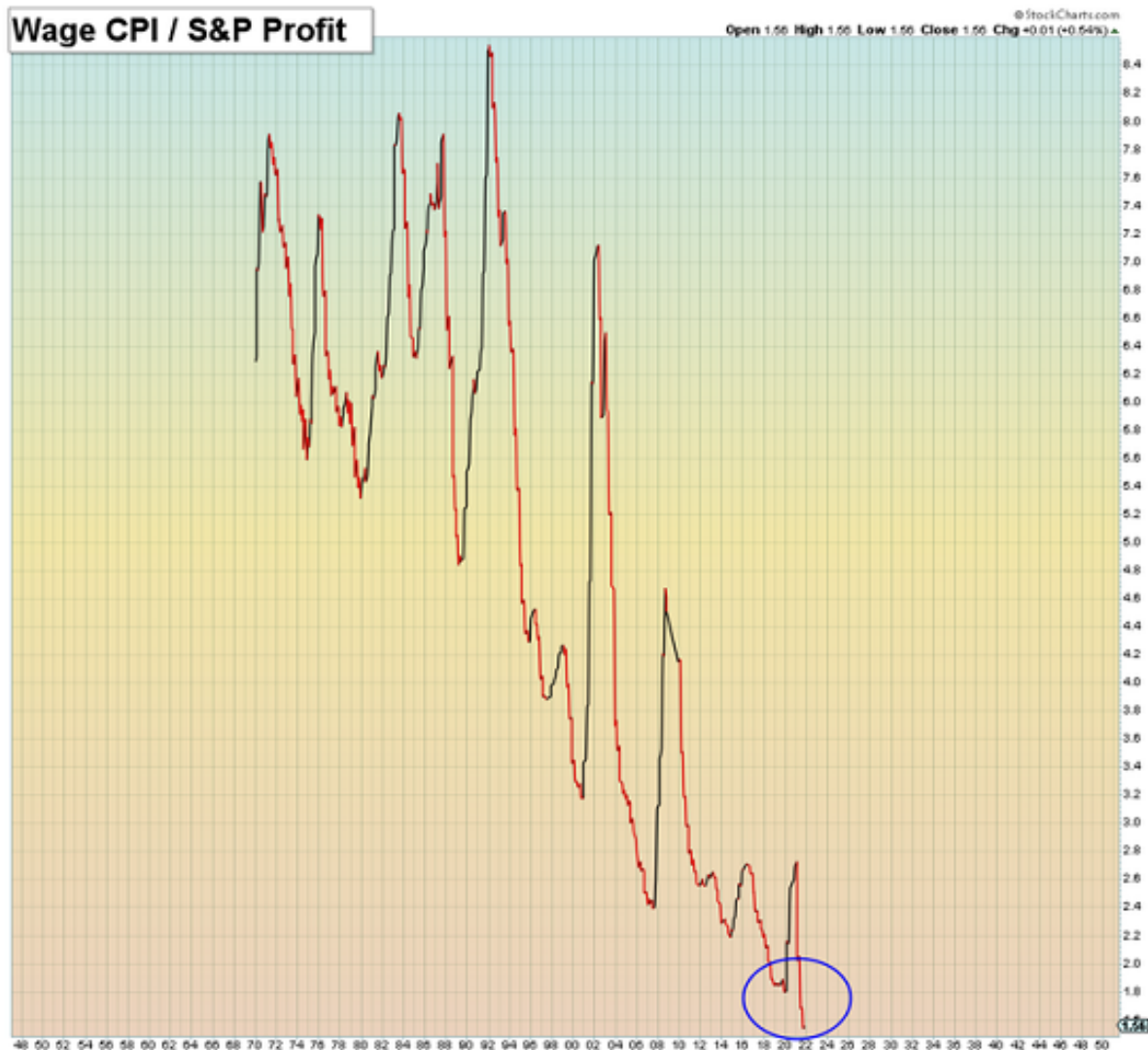
Since 1975, wages have been hammered in the U.S. The ratio of wages to stock market growth has been negative and about \$50 Trillion dollars have been shifted away from workers to corporations over that time.



Furthermore, the stuff that wages can buy has shrunk

overtime. The worker making \$3.50/hour in 1975 could buy more and save more than the worker making \$20/hour today.

Meanwhile, corporate earnings have continued to climb.
Let's look at the comparison of wages to S&P 500 Profit:



And the cost of healthcare?

FUHGEDDABOUTIT!!!



Even after the “Affordable Care Act” – it’s still out of reach for most families living on hourly wages.

Well, over this time period, the gap between the “Haves” and the “Have-Nots” has grown vastly. Wages have bought less, while assets have continued to climb (think stocks, gold, real estate, etc. - making low wage earners the losers compared to those who owned or could buy assets).

Overtime, employees realized they were being exploited and their employers didn’t really care about them – The companies cared about their company stock price.

So, what happened when COVID hit?

The Government said, you don’t have to work and we’ll pay you. So, businesses had to start paying more to get people to keep working.

Even highly paid and skilled workers like nurses were now

taking advantage of a reversal of fortune and making triple what they had made before through agencies. Truly a free market experiment.

This reversal is called blowback. And I think it's just the beginning. I think it's going to run further and hotter than most economists are expecting.

Workers are now starting to get the upper hand in the discussion with their bosses. And many of them have threatened... "Take this job and shove it!"

And then there's the stock market...

The U.S. stock market was worth \$53 trillion at the beginning of 2022. If expenses via labor costs continue to rise (not to mention supply costs due to inflation and broken supply chains), corporate profits will fall.

In 2021, U.S. corporate profits were \$2.8 trillion. If corporate profits were to fall to \$1 trillion annually, and the price/earnings ratio drops to a historically reasonable 11, U.S. stocks will be worth \$11 trillion, a decline of roughly \$40 trillion or 80%.

Could profits fall to \$1 trillion? Well, if the recession brings a decline in sales/revenues, but labor costs and supply costs stay high or grow, we could see this crunch.

"But, Walt, that's ridiculous," you say? "US Stocks won't fall to \$11 trillion. That's impossible!"

Well, that's what they said right before the dot.com bubble pop and the 2008 great recession. In 2002, and again in 2008, U.S. stocks fell to \$11 trillion.

Is this going to happen? Well, it's happened before and as we know (and saw during the Covid crisis), ANYTHING can happen. Regardless, we at Zanetti Financial are protective of your wealth and are prepared.

In the meantime, don't underestimate the power of the workforce moving forward. Jobs will continue to return to the US because we need a workforce to meet our domestic needs. Workers will be able to demand more pay and because of that, they will be a force for the economy to recon with.

Your-If-You-See-Snow-Put-Your-Wallet-In-It-So-You-Can-Get-Cold-Hard-Cash Financial Advisor,

Walt

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