



## Zanetti Monday Missive 2024.04.22

### The impact of War on last week's gold prices

Happy Monday Everyone!

This week Walt ties last week's gold price movement with war in the Middle East.

Walt's video: <https://youtu.be/Du7Eqo8hRN8>

Below, Greg has given our "readers" a treat with the following notes "The Big Picture for the US". Enjoy!

**US Big Picture Update 2025.04.15  
Perspective. 70 Years of Momentum. Not Enough  
"Societal/Political Will" or Energy for a Reversal.  
Inevitable. 2nd Law of Thermodynamics.**

US standard of living has been falling for 50 years.

- Started with Nixon—but LBJ forced his hand.
  - Abandoned the gold standard.
  - Could have trimmed government.

- But neither the population nor the elected officials wanted that.
- Chose “easy” money --- read dishonest money.
- Who you are shows up in your money.

Then came de-industrialization---Clinton was the big proponent of this. But both R and D parties are to blame--along with the donors who benefitted.

- Stopped manufacturing
  - People began to consume more than they produced.
  - Led to rising debt across all sectors---individual, educational, corporate, national, etc.
  - Service economy.
  - Arrogance of “We think. Asians sweat.” I still cringe.

Attitude toward success and wealth changed

- Back in the 60’s and 70’s no one dreamed of getting rich by investing.
- No. You started a business.
  - The stock market was a dog from 1965-1982.
  - Bonds were for stodgy old people at the end of their lives.
  - Homes were where you lived. And they depreciated with age---pipes broke, roofs leaked, plaster cracked. Everyone knew that!
  - But 70’s inflation suddenly turned houses into “investments.”

But I digress.

Today ----- We have neither a manufacturing or service economy---we have a financialized economy.

- Markets move based on the Fed—not earnings, not expansion, not productivity.

- Disconnect between real economy and the stock and bond markets.
- Fed in a horrible spot.
  - Raise rates (or keep them high) to fight inflation. OK. But interest on the debt is growing at \$100 billion every 4 months. Largest line item in budget. Not tenable.
  - Lower rates. Sacrifice the dollar. Save the system but suffer the inflation.
- Fed will choose option 2. They must. The jawboning is just cover to buy time.
  - The “behind the scenes” stuff---BTFP, RRP, Discount Window—will end.
  - Fed will monetize. That is the out-in-the-open stuff.
- Meanwhile, the Treasury knows it is endgame because most of the debt they issue is short term.
  - \$35 trillion debt—unfunded liabilities are multiples of that.
  - \$2 trillion of debt added in last 12 months. Michael Harnett at B of A says expect \$3 trillion over next twelve.
  - Remember, we must always be rolling over the old debt too.

Janet Yellen at Treasury has issues too...

- In 2023, the Treasury had to raise \$20 (!) trillion to repay maturing bonds.
- Last quarter, we had to refinance \$6.6 trillion.
- Oh, the 5-year Treasury issues of 2019 at 2% are about to mature and be rolled (they hope) at 5%. Interest payments soaring...on 2-year paper!
- Short-term debts mature faster, but we can't sell long term debt in volume—no one wants it.
- Treasury said foreign holdings of US debt at all-time highs. Hmmm.

- China is selling. So is Japan. Saudis aren't buying.
- Look at off-shore hedge fund purchases.  
Speculators. Many believe Fed washes money through there now.

The only answer to this situation is increased productivity--fast.

- But we are structurally not built for a productivity increase.
- Now, it is so hard to start a business and the odds are so against you.
- For Gen Z it is easier to invest in futures or options and hope you hit it big.
- This next part will sound crude---but sometimes crude can get a point across better...so here goes.
- Think of the government as you would a pimp---a john. Someone who inserts himself as a middleman where no middleman is needed.
- The john adds no value. The “product” does not get better because of the pimp’s presence. The price goes up, but neither of the agreeing parties benefit from the price increase.
- Today, government agencies that insert themselves (between every transaction!) add nothing.
- Nor do, “special-interest-community-social-justice-DEI-ESG” groups. They just want to skim something from the producers.
- No work. No effort. No sweat. Just pimp the producers.
- Oddly, the parasites hate the “producing host” and do everything in their power to destroy those they feed off of.

Not only do these middle men hurt the economy, they act like termites that **eat away at the social fabric of the society.**

- It leads to corruption as a way to get ahead.
- It leads to ineffectual and bloated governments and corporations and academia.
- People spend their whole lives living off the productive efforts of others.
  - Welfare is the perfect example.
  - Or, people who spend their lives drafting “grant proposals” to do “something good for society” that society doesn’t really want or need.

This leads to a nation that overspends and accumulates debt and the citizens and corporations/businesses become debtors as well.

- Since the 1980’s the US’s major export has been dollars. That is our trade deficit.
- As long as foreigners accept dollars—and the “flow” continues the system can chug ahead.
- But when that “flow” reverses, and the dollars are repatriated, all those dollars flood back to the US----in a tsunami of inflation.

But, Greg, the GDP numbers are great!

- Govt. spending is big part of GDP (40%?)
- GDP does not measure productivity or wealth creation. Soviet GDP grew until the place collapsed.
- That does not mean the country is becoming more productive. In fact, the opposite.

Always remember the 2nd Law of Thermodynamics applies to almost everything—including countries, economic models, schools, medicine, science, etc.

- Things degenerate. And it takes tremendous effort to overcome it.

- And we see the 2nd law in effect everywhere
- Americans now must rent---too expensive to own.
- Consumer debt is soaring.

Increasingly wealth of the US is owned by the top 1%---grift, corruption it is fascism---big tech, big pharma, big MIC are all in bed with big government to elbow anyone else out.

Bifurcation of society becomes extreme. “Let them eat cake world.” Bad for everyone.

- Democracy becomes the consensus of the donors and the “stakeholders”, but not the people.
- These parasites reinforce the self-destructive power structure...and don't care. It's all about them.
- Last election \$14 billion spent—80% was from big or corporate donors. Just an investment.

The moral fiber then breaks down.

- Trust evaporates.
- Trust in societal institutions—education, media, military, government, medicine, etc.---collapses.
- People no longer distinguish between good and evil, right and wrong. No one will take responsibility for anything.
- So, it's all about survival. That becomes your moral compass.
- No one thinks about the future---or the next generation---just about you. “I want it now!”
- At that point your society is done.

You'll see it in the culture.

- Trend setter used to wear special clothes, or fancy cars. Not now.

- Now trend setters are those with the weirdest ideas.
  - Woke-ism. It's insane.
  - Yet insanity makes you "special"
  - You can get ahead not by producing but by skimming from the productive—because you deserve it. Uhhh OK.
- Woke pimps. Great. (Sarc.)
- And, at some point, however, the insanity of all of it awakens the "normal people." And they are a threat.
- BTW, that is the divide today---not right vs. left. Not R vs. D. Not conservative vs. liberals. It's Sane vs. Insane.

As the society shreds and power structure becomes fragile...

- The powers that be then must have surveillance/police state....
- Any threat to their position must be met with either legal or physical overmatch.
- Crush the little guy who stands up.
- Must do it before it becomes a wildfire.

But remember---as this all plays out, there will be huge opportunities.

- Pretty clear we are heading toward a currency collapse---globally.
- When trust breaks down---investments that can be "trusted" soar. Gold. Food. Hard assets. Etc. Paper promises...not so much.
- Even the Central Banks know this---buying gold hand over fist. So are the Asians. Long history--- they see it coming.
- Use it to your advantage. Transition your wealth to the new system. Abandon old/dying paradigms. No normalcy bias.

- We can rebuild—this is an old story.
- Don't be roadkill as the 2nd Law plays out.
- This too shall pass---really. Then use your wealth to rebuild.

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