

Hello Everyone,

High School Prom and ABBA songs aren't usually associated with Wall Street, but somehow Section 14 of the Federal Reserve Act and *Dancing Queen* found a connection on this morning's show. Go figure.

Today's missive is the second-to-last installment of the "helicopter money" series. I spent weeks on this subject because as inflation continues to manifest in your everyday lives, I want you to understand why. And, it has nothing to do with the Russians.

Signed, Your Mama-Mia-Here-We-Go-Again Financial Advisor

Greg

## **KKOB 05.13.2019 Victimhood Is Not A Virtue**

**Bob:** So, Greg, last week we talked about how the Bank of Japan has been printing money to buy Japanese stocks. That obviously helped prop up their stock market.

So, here's my thinking. If our stock market corrected sharply—like it started to do last week and it is this morning-- a lot of people would be hurt. I mean pension funds are already underfunded---- and millions of Americans have IRAs and 401Ks.

So, knowing this---couldn't the Fed just do what the Bank of Japan did and buy stocks to prop-up our markets?

**Greg:** That's a great question.

Right now, though---legally---the Fed can't do it. Section 14 of the Federal Reserve Act of 1913 prohibits the Fed from buying stocks.

And that sounded really wonkish---and now you know why I had trouble getting a prom date in high school.

But I digress...

Let me take you back to the Lehman collapse of 2008. Prior to that event, the Fed wasn't allowed to buy mortgages. But, once all those horrible loans went south, Section 14 was amended and

boom (!) the Fed was suddenly authorized to print money and buy all those bad investments to keep the banks solvent.

So, Bob, the lesson is this---they can change the rules to buy stocks whenever they want to.

**Bob:** But if they did that---and that's still a big if---then it would really just be more money-printing...except now the money would go to stocks. And, that's the helicopter-money-thing you and I have been talking about...printing money and giving it to regular Americans.

**Greg:** Right. Like we've said in past segments, student loan forgiveness is helicopter money. So is Universal Basic Income of, say, \$1000 month. Multi-trillion-dollar government spending projects are helicopter money. And, ***buying stocks with printed money*** is the same concept.

And, we know, policies like these would be wildly popular with large parts of the population.

In fact, think both Team Red and Team Blue have already signed on. I mean, when was the last time you heard a serious debate about reducing government spending? It's not happening. Nor is it going to.

**Bob:** So, we often circle back to the same theme---what you're recommending is that our listeners embrace reality. In this scenario, the consequences are---- the deficits grow, and the dollar suffers.

**Greg:** Right again. And we're already seeing foreign investors divesting dollars. Russia has sold all its US Treasuries. China and Saudi Arabia have been selling in a disciplined manner for well

over a year. I believe they see this trend, and they don't want to be holders of debased dollars.

But remember, a weaker dollar *helps our exports*....it makes American goods cheaper overseas. There's an investment opportunity there.

Plus, this policy means an uptick in inflation. You're already seeing it at Wal-Mart, the dry cleaner, your insurance premiums, & the gas station. No one likes rising prices, but there is an investment opportunity there as well.

Anyway, I'm just trying to see through the fog---but Bob, when our leaders tell us what is coming, and we start to see it in real life, we should probably believe them.

**Bob:** I agree. And, Greg I know this is anecdotal, but I've seen this cycle before. As a kid I remember my parents fretting about inflation. But inflation also meant their house went up in price.

**Greg:** Right. Plus, inflation forced our automakers to improve our cars. We became more efficient and less wasteful.

Bob, Americans are remarkably adept at adjusting----and the world marvels at how quickly we reinvent ourselves.

The bottom line is this---things are changing. OK. Got it. That doesn't mean you have to stay stuck in the past and become a victim. And, victimhood is not a virtue--especially in investments.

And, now I'm sounding preachy—and I don't mean to. It's that prom thing again.

**Bob:** You think of the Fed, but I think of ABBA songs when I think of the prom. Mama Mia never gets old.

**Greg:** So that's why Francina played *Dancing Queen* as the bumper music this morning!

**Bob:** And even though you had trouble getting prom dates you married well! You outkicked your coverage! How do people reach you?

**Greg:** You're right about that! My number is 508-5550. 508-triple 5 zero. Or, go to my website at [zanettifinancial.com](http://zanettifinancial.com).

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