

Hello Everyone,

“First the doctor told me the good news: I was going to have a disease named after me.”

– Comedian Steve Martin

Gallows humor. How people can find humor in tough situations is a testament to our resilience and coping capabilities.

Today’s missive has some gallows humor in it. Unfortunately, it is humor heard on the streets of Caracas, Venezuela by very nice (and historically industrious) people. They were dealt a bad hand by their leaders.

There may be some warnings we may want to heed.

Signed, Your Misses-The-Balloon-Fiesta Financial Advisor,
Greg

KKOB 10.09.2020 Candles and Toilet

Paper

Bob: So, Greg, we have been on the inflation theme for the past few shows. And today, you want to make the connection between communists and inflation, right?

Greg: I do. So, let’s start with a riddle. Bob, what did communists use for light before candles?

Bob: I don’t know. What did communists use for light before candles?

Greg: Electricity.

And nowhere is more evident than in Venezuela...which is a shame, because Venezuela used to be a country with symphonies, and ballets, and sidewalk cafes, and a thriving middle class.

Then, came the socialist/communist policies. And, as bad as things were under Hugo Chavez, they are now spiraling out of control.

And what brought me to this topic was this recent headline:

- ***Venezuela Orders 71 Tons of Paper To Print New Banknotes Worth 23 Cents Each***

So, let's unwind what is going on down there:

First, the name of the Venezuelan currency is the bolivar. And the new currency will have denominations up to 100,000 bolivars.

Second, the inflation rate is running at 2400%. That means local residents must go to the grocery store with bags stuffed with bolivars to exchange for bags of groceries.

Next, the new currency will be printed in Italy because the local money printers went out of business years ago. Plus, Venezuela has a shortage of both ink and electricity to run the printing presses anyway.

So, there was actually some point to our candles-electricity joke.

Oh, and the Russians, had been trying to help Venezuelan President Maduro by printing up bolivars. But once the Russians stopped getting paid, they stopped helping their "ally".

Bob: There is some irony there. The very guys who printed the money didn't get paid. And, the fact that Putin is stepping away tells you something is really wrong.

Greg: Right. Plus, Venezuela's oil industry is in "complete-collapse" mode...which is another reason Putin has lost interest.

The result is Venezuela is reverting to a barter economy. *“I’ll trade you this old hacksaw plus 12 tomatoes for one pound of ground beef.”* That kind of thing.

Bob, there are even stories of restaurants posting signs in their bathrooms saying, *“Please don’t use bolivars as toilet paper. It clogs the pipes.”*

Bob: Seriously, they are using the currency as toilet paper?

Greg: Yes. Real toilet paper is in short supply. Thus, it is valuable as barter. Meanwhile, bolivars aren’t worth much. So, it kind of makes sense.

Bob: It’s kind of funny, but it’s also pretty sad.

Greg: Right. And Covid thing just made things worse. What little economy Venezuela did have is down 20% this year. Which, of course, is prompting more money printing. Thus, the 71-ton paper order.

Bob: So why don’t Venezuelans rise up and overthrow the government? They must know the printing money isn’t the answer.

Greg: Well, the army and national police are in Maduro’s pocket. And he makes sure his commanders and troops have food— — and a relatively good standard of living.

Meanwhile, back in 2012, Hugo Chavez banned private ownership of guns. And, yes, they went door-to-door confiscating them. If you didn’t turn them in, you went to prison.

Thus, today, only the army and police (and drug dealers) have guns. In short, the locals have no firepower to replace a dictator who is ruling his so-called “socialist paradise” .

So, what does this have to do with us?

I don't believe we are going to be Venezuela. However, we all know, we have already turned on the electronic printing press to compensate for Covid. Six trillion was “printed” in March alone. And, trillions more have been printed via backdoor operations at the Federal Reserve.

That's concerning. And I believe it virtually guarantees an increase in inflation down the road. Although “down the road” is happening now at the grocery store and the lumber yard.

So as an investor, please make sure a portion of your portfolio is invested in “things that can't be printed”. That is usually low-tech stuff like food, water, commodities, and yes, precious metals.

Bob: So, I have just two questions. Do bolivars come in denominations of one-ply or two-ply? And, how do people reach you?

Greg: Very funny. My number is 250-3754. Or, go to my website at zanettifinancial.com.

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