

Hello Everyone,

*“There is no civility, there is only politics...
The bureaucrats are in charge now...”*

Senator Palpatine–Star Wars---The Clone Wars

Apparently, the Clone Wars took place in 22-19
BBY...whatever that means. I do believe, however, Senator
Palpatine would be very comfortable with his quote in 2020.

Today’s missive looks at how an unelected body can have a
far greater impact on society than our elected officials.
And, yes, the unelected body in question is our own Federal
Reserve. Oh, and I will use the Titanic tragedy of 1912 to
make my point.

Signed, Your I-Hope-Obi-Wan-Kenobi-Is-Not-Our-Only-Hope
Financial Advisor,

Greg

KKOB 2020.11.13 Zero Interest Rates & the Titanic

Bob: So, Greg, today you want to continue
talking about the unintended consequences of
the Fed’s Zero Interest Rate Policy...or ZIRP
for short. Right?

Greg: I do. In our last segment, we talked
about how ZIRP had distorted markets,
crushed savers, and exacerbated the gap
between the rich and the poor.

But, Bob, it goes deeper than that. Who we
are--- and what we value--- shows up in how
we spend, save, and invest our money.

And my belief is the Federal Reserve’s
policy of printing money (and giving it away
at nearly for free) has had effects that go
far beyond economics and finance.

I believe our “money-policies” are negatively affecting our society---and our culture---as a whole.

And, to make my point..Bob, I am going to use the sinking of the Titanic.

We all know the story. The ship hit an iceberg; and, initially, the passengers had no idea how serious the situation was. Meanwhile, the captain, the ship’s architect, and the senior officers met in the ship’s boardroom. There, they laid out the blueprints of the ship.

As the damage reports came in from below decks, the architect quickly determined the ship was going down.

It was then these men made two tragic mistakes:

- First, they resigned themselves to their fate. They “knew” they were going to die.
- Next, they knew they did not have enough lifeboats for everyone. So, they determined first-class passengers would be given priority.

In short, some souls were worth more than others.

Thus, they tried to quietly round up the rich people and get them into the lifeboats.

Now, there was some chivalry in that time. And many of the wealthy men stayed behind. But that meant many lifeboats were lowered only partially full.

Of course, you couldn't keep this activity secret for long. And soon panic spread. Down below decks-- in third class-- the crew either locked the poor people in their berths, or they held them at bay in the passageways at the point of a revolver.

And the statistics bear this out.

"Percentage-wise" the first class passengers fared best. Second class was next. But, Bob, over 78% of the third class passengers perished.

Bob: I think I know where you are going with this. The mistake wasn't just hitting the iceberg. The bigger mistake was how the leadership handled the crisis.

Greg: Exactly. Imagine if the captain had said, "*We know we don't have enough lifeboats, but we will make sure every boat is filled to capacity. And if Mrs. Frumpton has to sit next to Mr. Jones, so be it. Next, we will ask the young and the strong to go last. Once the boats are full, we will lash everything that floats together to create makeshift rafts for them to cling to. Does everyone understand?*"

And, Bob, the good news that night was every weather report talked about how calm the Atlantic was. It was like a lake. And the first rescue ships arrived within a few hours of the Titanic going under. Had the leadership thought differently, not everyone would have survived; but the death rate would have been far lower.

So, what does this have to do with investments? The sense I get is our leaders

have surrendered on the debts and the deficits. They have looked at the blueprints. They know they can't solve a debt problem with trillions more of debt. Yet they sail on full steam ahead.

They're behaving like the leadership on the Titanic. They've resigned us to our fate.

Next, they have implemented policies that are clearly befitting the rich. Not only do zero percent rates disproportionality reward the wealthy, Covid polices have allowed big businesses to consolidate power and market share. And all at the expense of the mid and small size companies. Clearly, some souls and businesses are worth more than others.

My point is, we must think differently now. And we must stop valuing people based on their checkbooks.

Bob: Because if we don't, then it will be everyone for himself. And that will be a sad day.

Greg: And a violent day. And, none of us wants that.

Bob: You're right about that. That was really interesting. How do people reach you?

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

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