

Hello Everyone,

"One cannot think well, love well, sleep well, if one has not dined well." Virginia Woolf, American Writer and Historian.

This seemed like a very good toast to offer as Thanksgiving approaches. I hope I do not have to offer it via a Zoom meeting. :>)

Today's missive makes an unlikely link between the stimulus packages and America's acceleration toward a command economy. I hadn't made this connection until I heard a podcast by George Gammon. (I mentioned him on Friday.) He is a smart guy with the ability to make complex subjects easier to understand.

I hope this helps you see another side of the stimulus situation.

Oh, and Happy Thanksgiving! We'll pick up again next Monday.

Signed, Your Don't-Blame-Thanksgiving.----Lockdowns-Were-Making-Us-Fatter-Months-Ago Financial Advisor,

Greg

KKOB 2020.11.23 Stimulus = Command Economy

Bob: So, Greg, on Friday, I felt like I was in an economics class. We talked about government's spending with respect to the overall economy. 240 years ago, only 3% of our GDP was attributable to government spending. Today, some economists have it near 57%. That would mean only 43% of our economy is driven by the private sector.

Greg: Right. And our point was, it is not the quantity of GDP that matters, but rather the quality of GDP that leads to prosperity. Bob, by definition, governments will never create wealth. They can only spend wealth that others have produced.

And it would be easy to go on a diatribe about how governments that take ever increasing amounts from the productive parts of the economy are both foolish and shortsighted. But your listeners already know that.

So, let's approach this another way.

As government spending encroaches on the private sector, *centralized governmental control* is the inevitable outcome. In short, as the private sector recedes, the command economy expands. And as any command economy grows, individual liberties and freedoms diminish. And as freedoms and liberties wither, so does the economic, social, moral, and cultural strength of a nation.

And this is where the stimulus packages (that both Republicans and Democrats support) come into play.

So, to make my point, let's review the basics:

- Covid hit and we shut down the economy.
- To counteract the deleterious effects of the shutdown, trillions in governmental stimulus were initiated.
- As the private-sector economy shrank, the government-controlled economy grew.
- Regular Joes and Janes became dependent on stimulus for survival.

- As a percentage of GDP, government's contribution exploded higher. It looked like a wartime budget.
- Those that were chosen to partner with the government...think big tech, big pharma, & big finance...prospered.
- However, small, and medium sized wealth producers---the backbone of any sturdy, well-diversified economy--struggled to survive.

Bob: So, what you are saying is the stimulus packages are kind of a trap.

Yes, many Americans desperately need the stimulus. And there is a strong argument they should get it. After all, government made them shut down. But if we continue to substitute stimulus for real economic growth, then we are on our way to a centralized-command-economy.

Greg: You're right. That's exactly what I'm saying.

Plus, those stimulus packages reward the strong over the weak. So, if you wonder why mega-corporations are embracing more government intervention, it is because they are the direct beneficiaries.

Regardless, this is the box we are in now. Both political parties have embraced stimulus. They are only arguing about the amounts. But at the risk of being redundant, what stimulus guarantees is:

- The further destruction of the private sector.
- Additional trillions in debt.
- The structural advantage of the big over the small.
- And an acceleration toward a command economy.

So, we must ask ourselves...is a rising stock market (and the concentration of the wealth in the hands of a few) worth the cost?

The problem is, of course, to reverse policy now would usher in the worst recession since the Jimmy Carter era...and possibly even the 1930's. And there are very few politicians who will embrace policies of short-term pain to achieve long-term gain.

Bob: So, where does this go? What is the end game? I mean, I know you have been consistent in saying historians will look back on 2020 and classify it as a doorstep year. Meaning, 2020 is setting the stage for 2021 where America (and possibly the world) will enter a time of ---what you call---trial and reset.

Greg: I do believe that. And America's DNA seems to have embedded within it an 80-year reset cycle. The good news is Americans are exceptionally good at dealing with trials---and coming out the other side better. Anyway, 1940, 1860, 1780, 1700, and 1620 were all doorstep years to great changes that commenced the following year. So, 2020 was right on time.

And since a return to normal is not likely in the cards, that means we must all try to look ahead and anticipate what 2021 will bring.

Then, we'll adapt.

Anyway, next Monday, let's take a stab at some of the probabilities we'll likely see next year.

Bob: Sounds good...and interesting. How do people reach you?

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

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