

Hello Everyone,

Sunny Day, Sweepin' the clouds away. On my way, to where the air is sweet. Can you tell me how to get, how to get to Sesame Street? Sesame Street Theme Song

If you are wondering where I have been the past two weeks, it wasn't Sesame Street. Though sometimes I wish it had been. Here is what happened:

- KKOB had not been able to sell the **7:42 AM Financial Report** time slot for a long time
- During this period, they offered it to me at a "deeply discounted" rate under the proviso that once they sold it at full-price I'd be back to being solely the Monday-guy.
- They finally sold the Friday spot.
- Then MLK day came and the markets were closed. So, I had a mini KKOB vacation.

I am now back on the job and today's missive will use the Muppets (thus the quote above) to make my points about government and debt.

And since ***Sesame Street*** is our theme, I hope you find it educational...of course. :>)

Signed, Your I'd-Be-A-Grouch-Too-If-I-Lived-In-A-Trashcan Financial Advisor,

Greg

KKOB 2021.01.25 Sesame Street and Wall Street

Bob: So, Greg, my understanding is that today you want to talk about Sesame Street and Big Bird. I can't wait to hear you tie this together with Wall Street. The floor is yours.

Greg: I admit this is an unusual connection, But, Bob, do you remember when Sesame Street would do the number of the day? And throughout that day's show everything The Count, Big Bird, Elmo and Kermit talked about was that number? Well, today's number is 28.

So, let's start with some fun facts about 28. Back in World War II, the population of the United States was 133 million. Today the population is 331 million. That means the population over the last 80 years hasn't quite tripled.

So, now for our riddle of the day. Bob, guess how much bigger the government is compared to 80 years ago?

Bob: I don't know. But since I get the impression you are playing Big Bird. And since our number of the day is 28...I'll guess 28.

Therefore, I'll say that government is 28 times bigger than it was 80 years ago.

Greg: Count von Count would be proud. You are correct. Which would help explain why the national debt is now 40% bigger than the entire economy.

So, let me repeat what has happened. The population has grown not quite three fold, while the government has grown 28 fold. I will now leave it to your intrepid listeners to decide if the government is 28 times better than it was in the 1940's.

But, let's keep 'er moving with our next riddle.

Bob, you and I know the national debt has been ballooning in recent years. Guess how big the US Debt is now?

Bob: Well, since I know our government acts like Miss Piggy, I'll guess \$28 trillion.

Greg: Very clever. And yes, I think you can comfortably say the 28-fold increase in the size of government goes together with the almost \$28 trillion of national debt that no one seems to care much about anymore. But we may not be at 28 trillion for long.

According to Bloomberg, \$8 trillion (!) of government debt will mature this year alone. Think about that. Eventually all debt matures. And, as that debt we issued years ago matures, you can either pay people back or you can try to roll that debt over. Sometimes we call this kicking the can down the road.

Oh, and add to that an additional \$2-\$5 trillion of new debt we will accrue in 2021. Thus, we must find buyers for \$10-\$13 trillion of debt this year alone. That's pencils out to over \$300,000 per second.

And I know what some of your listeners are thinking. "*C'mon Greg, the Chinese and Japanese and other foreigners will buy that debt up. Stop fretting.*" But I do fret. Here's why.

The Chinese are disgorging our debt. Their US Debt holdings are back to where they were in 2013. And they are not alone.

Back in February, just before Covid gripped the world, foreigners owned approximately 30% of our total national debt. But that percentage now sits at around 25%. Quiet, disciplined selling is going on. So, Bob, that means someone else is buying our debt.

Bob: And I know the answer to that one. And it is not 28.

Whatever debt we can't sell (or rollover) just gets scooped up by the Federal Reserve. All they have to do is print up \$5 trillion, or \$8 trillion, or whatever they need. I mean, they buy the debt themselves.

Greg: You are having a good day. Because you are right.

The only realistic way to cover our obligations is for the Fed to print trillions of new dollars. The Fed did that last year to the tune

of \$2.3 trillion, so the precedent is set. Of course, this expands the money supply, which pleases the politicians on both sides.

Bob: And it also leads to inflation...which is what many of our listeners are seeing now. No wonder so many people are acting like Oscar the Grouch. How do people reach you?

Greg: I'm never bringing up Muppets again. My number is 250-3754. Or go to my website at zanettifinancial.com.

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