

Bubble Markets Fuel The Wage Price Spiral And Lite Inflation's Fire

By Richard Benson

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It was just a few months ago, that even with PPP, personal stimulus checks, and unemployment for all, when we went to stores and saw adds there was a lot of BOGO, "Buy One, Get One Free". Now every time we go out to the store, or want Eat Out, Its "One for The Price of Two". Indeed, as the storied Oster Bay reopens in Grand Central in NYC, the 'two bite' Lobster Roll is priced at \$40.

Lobster started out as a poor man's food in Maine, and they were so plentiful, and the soil was so poor, that when Corn or a Potato was planted, they were planted over a dead Lobster. My 8 Oz Dannon Yoghurt is now 6 Oz, and the Florida OJ container went on a diet and dropped from 64 Oz to 52. Yet the prices of both products went up! Cars, Gas, home heating, food, rent, everything is exploding in price! The stimulus ended, but demand is so strong the supply chain is broken. What happened? Too much Money & Wealth & too few goods is the answer.

Now the worst blow of all has just hit older people like a ton of bricks. The Cost-of-Living Allowance ("COLA") for Social Security cannot be used for to cover the increase costs of Food, and Rent.... As "the 14.5 percent jump in Medicare premiums—the highest since 2016—will eat up the entire adjustment for Social Security recipients with the lowest benefits, according to Senior Citizens League.

See <https://www.zerohedge.com/markets/medicare-premiums-set-soar-biden-admin-blames-drug-costs-and-covid>

While the really poor can't buy stocks, everybody else is in the markets, chasing Meme Stocks & "Bit-Con", while Digital Virtual Paintings trade to record levels. Scads of NASDAQ stocks have mega billion-dollar valuations, have never made a real profit, and never will. SPACs keep coming, even though many are falling like dead leaves before winter. Easy Money to be made is everywhere! People are spending a little of the 'Sugar High' Wealth, then spend some more! If you didn't have to work for the money it is easy to buy a new car, house, case of wine, jewelry, anything people want. Some people cash in some stock or Bit-Con to Bling Out like a Kardashian.

However, many people in the Investing Casino have discovered what the smart big League Hedge Fund guys do. Borrowing is so cheap, just borrow against the financial wealth, lever up, and spend a lot of the winnings! Margin debt, both seen and unseen in the financial markets make Mt Everest look like a small New England Hill. Mortgage debt is also cheap, so home

prices in Palm Beach, The Hamptons, NYC, Greenwich, Westport, and all the 'Tony Towns' are soaring like eagles, while the second-tier cities there is little for sale, bidding wars for home "sight on seen", while rents are gapping up.

"We The People" can day trade and live off their Meme Stocks, so they don't need to work. Notice people are not rushing back to into the "labor farce" take new menial jobs, but they are rushing to say, "Take that Job & Shove It", and move to a job where the pay is almost enough to keep up with inflation. **But they can't keep up!**

The workers are grumpy, because it "used to take all the running you can do just to stay where you are", but demand from the Bubble Markets keep demand ahead of supply, and even with what looks like nice wage gains, the Shrinking Dollar keeps buying Less and Less, so you need even more and more of them. So, Credit Card Debt is starting to explode upwards to help people "Heat & Eat" through a winter that looks to be right on time to deliver a "Big Chill" that will push up nominal GDP but may actually fall after accounting for inflation. Oh Deer – That is called "Stag-Flation", where even a Doe Costs more Dough to put on the dinner table.

The inflation fires will keep roaring until the Everything Bubble pops on its own, or meets a pin usually provided by the FED. The pin usually comes when the FED discovers that the Mighty Paper Dollar is starting to circle the toilet as people are fleeing it for Real Stuff that holds its value. Then they have to raise interest rates.

Right now, the Real Interest Rate is Fed Funds at Zero and with 7.12% I-Bond Rate = **real official interest rates are now a Negative 7%!** The Negative Real Rate Gap has never been this high! Everyone should be fleeing the Paper Dollar and all Dollar Financial Assets.

The Government is pushing for a Wealth Tax on the Rich. Hummm... The Federal Government already has the biggest Wealth Tax in US History. **The Wealth Tax** on everyone and every company from Inflation of 7%+ **is 7%** of all Financial wealth, and it applies on all financial assets from cash, short term financial instruments, taxable and municipal bonds, and all stocks!

Why? To keep your Nest Egg in purchasing power constant, you need to add 7% after Tax to it each year just to stop it from shrining! Not everyone will be able to do this. **Real wealth adjusted for inflation is already starting to trend down.**

When interest rates go up, POP goes the Everything Bubble, and a lot of the phony wealth goes 'poof' as it vanishes in the great deleveraging! *Then and only then will real Inflation slow and adds for BOGO come back.* Meanwhile, the financial markets crash & crater

America will see the largest transfer of Real Wealth as tangible and productive wealth changes hands from leveraged fools to serious long-term investors that know wealth in in real assets, such as valuable things, and the means of production.

But as soon as the financial markets crater, the Fed & Treasury come back with some rescue stimulus, that steady markets in the short term, but in the long run will just make inflation worse as it never really went away. Cycles like this can go on for over 20-years. Look how many decades it took to get to permanent negative interest rates! If you want to come out the other side of this investment horror show with real wealth, it is time to change one's investment strategy.

Look at investing in real things. We adore, gold, silver, rare earth metals, fine art & antiques, real estate in areas with low property taxes and no rent controls, intellectual property, technology, and essential use resources that are needed to run the modern clean & green economy. What is in your portfolio? Real Assets or Sugar Puff crash-able pretend 'assets'.