We Admit It - We're Part of the 1%

< class="l-">

POITOU, FRANCE – We pause. We take a deep breath. We cease our normal sarcasm and kvetching.

Today, we give thanks to the global elite… the people to whom we owe so much.

Historic High

The thought came to us after our research department passed along this tweet from Holger Zschaepitz, a markets editor at German national newspaper *Die Welt*:

> We've never had it so good: Global equities now worth $84.8trn, highest value ever in history. Equals to ~110% of world GDP.

And then, CNBC reinforced our gratitude with this:

> America's top 1% now control 38.6% of the nation's wealth, a historic high, according to a new Federal Reserve Report.
>
> The Federal Reserve's Surveys of Consumer Finance shows that Americans throughout the income and wealth ladder posted gains between 2013 and 2016. But the wealthy gained the most, driven largely by gains in the stock market and asset values.
>
> The top 1% saw their share of wealth rise to 38.6% in 2016 from 36.3% in 2013. The next highest nine percent of families fell slightly, and the share of wealth held by the bottom 90% of Americans has been falling steadily for 25 years, hitting 22.8% in 2016 from 33.2% in 1989.

Wait a minute… How much income do you need to be in the top 1% of earners in America?

We looked it up. If you and your spouse earn $343,927 or more, you're there.

Hallelujah! And yippy tai yai yay! Those book royalties pushed us over the top. It's great to be in the 1%!

Break out the party favors. Pop the champagne corks. Open a Swiss bank account.

Oh… and don't forget the people who made this possible. Contact your congressional team. Be sure to make a contribution to their re-election campaign fund… and book a night or two at Trump Tower Hotel, while you're at it.

—

Tapped Out

Yes, dear reader, we admit it…

Through no fault of our own – indeed, in spite of our best efforts to avoid it – we are a member of the "One Percent"… the rich… the capitalists who exploit everyone else so that they can enjoy lives of luxury and self-indulgence.

We are blameless, of course. It just happened that way. We went to work in the financial sector in 1979 – just eight years after President Nixon severed the last ties between the dollar and gold.

How were we to know that the feds were going to make us rich?

But that's what they did. Since the start of the 1970s, using their fake-money system (which even they didn't understand), they have aided and abetted about $35 trillion in extra credit creation.

This is the amount of credit beyond what we would have today had the ratio of credit to GDP remained where it was during the preceding decades.

That's debt above and beyond the amount that the economy would normally support.

There were ups and downs, but in the 1950s, 1960s, and 1970s, the U.S. economy was more or less healthy. Marginal tax rates were high. But the feds mostly minded their own business, and their effect on the economy was contained.

Then the Deep State cronies got control of the system. The zombies multiplied. Debt increased. Tax rates were cut. And GDP growth rates and real wage increases declined.

By the end of the 20th century, debt had become a major problem. Consumers were tapped out.

It was time for a correction…

—

Fed to the Rescue

And sure enough, twice over the next decade – in 2000, following the dot-com excesses, and again in 2008 – markets tried to correct.

And twice the feds prevented it, each time lowering interest rates to prop up existing debt.

Between 2000 and 2004, the Greenspan Fed dropped short-term interest rates from a high of 6.5% to a low of 1%. The Bernanke Fed repeated the trick in 2009… this time taking rates all the way down to zero.

Central banks all over the world joined in, buying $20 trillion of bonds to drive yields lower. (In the bond market, yields move in the opposite direction to prices.)

What was the effect of lower bond yields?

The value of capital assets rose. Let us explain…

If you have a lemonade stand earning $1,000 a year, for example… it's worth $20,000 when interest rates are 5%.

That's how much capital you need to invest in less risky bonds to equal the income you'd get from the lemonade stand.

When interest rates go down to 1%, the lemonade stand is worth $100,000.

That is why the rich are so rich.

$2.4 Trillion Plan

But wait…

Here come the feds to the rescue again. They're offering a tax cut for the middle class. Not for us rich guys. No way!

Under Team Trump's tax plan, our business income, currently taxed at 35%, would be taxed at 20%.

Hey, that's good news for us. But how does that help the middle class?

It won't.

The Tax Policy , a nonpartisan think tank, calculates that the plan could add $2.4 trillion over the next decade to the national debt… and that the biggest benefits will flow to businesses and the wealthiest Americans.

In fact, it found that roughly 1 in 3 middle-class Americans could see their taxes go up due to proposed changes to the deductions and exemptions.

Hey, another win for us, the "One Percent." Isn't that great?

Thanks again!

Dear readers are invited to write and tell us how happy they are for us. Just hit reply to this email to send us your thoughts.

Regards,

Bill