

Nobel Prize Winner Says It's High Noon for Stocks

Retrieved Friday 7th of April 2017 07:10:20 PM
< class="l">

GUALFIN, ARGENTINA – “Bill, you are living in a dream world,” our local lawyer began (not using these exact words).

“You are a smart guy. But you’re not that smart. You bought a marginal ranch. It’s getting more and more marginal every

“Every year, we lose more money. You thought you were smart because you bought it so cheap. But it’s a liability, not a

“Look, the whole valley is for sale. The owners are giving up. These guys have a lot more experience than you do. They know
There’s no way to make these ranches profitable. Those days are over. You’re living in the past.”

The rest of that story will have to wait until next week...

High Noon

Meanwhile, Yale economics professor and Nobel Prize-winner Robert Shiller says it’s high noon for stocks.

The bright sun is at its zenith. Only twice in history has the sun been higher in the sky, he says – 1929, 1999... both before
stock market plunges.

Instead of looking at stock prices relative to last year’s earnings, Shiller prefers to look at the average of the past 10 years
earnings, adjusted for inflation.

This, he says, helps smooth out year-to-year swings in earnings to paint a clearer picture of value.

And with the S&P 500 trading at a Shiller P/E of 29 (the market peaked at a Shiller P/E of 30 in 1929), the shadows are
like a drunk on the sidewalk.

Get ready for a showdown.

Bloomberg reports that two of Wall Street’s most influential insiders, CEOs Larry Fink of BlackRock and Jamie Dimon of
Chase, have started to notice the fading light:

Fink said Thursday that U.S. growth is slowing on concern whether the Trump administration’s agenda will get through
Congress. Dimon lamented that “it is clear that something is wrong” with the nation in a letter to investors Tuesday.
CEOs are part of a group of business leaders that advise President Donald Trump.

Fink expressed chagrin over the pace of changes so far under the new administration. He told CNBC the U.S. economy
slowing as both consumers and businesses wait to see if the new administration can deliver on tax reform and deregulation
following the failure of the health-care bill in March.

"There’s a greater worry that these proposed changes are going to be harder and harder to execute," said Fink, speaking
CNBC Thursday. "You’re seeing a slowing down of our economy."

Costly Myth

Let’s see...

No O’care repeal... no military cutbacks... no curbs on entitlements... no reform of the phony money system.

Trump aides Steve Bannon and Jared Kushner “are fighting non-stop,” reports *The Daily Beast*. Congress is a free-for-all

Meanwhile, the feds are burning cash and bumping into a debt ceiling.

What are the odds that the Trump team can corral congressional Republicans and pass a big tax cut and big infrastructure program?

Long. But let's try to look a little closer...

The "Trump Boom" may be the worst kind of myth: a costly one.

The reality we see is that the system cannot be reformed in any serious way because the people who control it don't want to reform it. Like alcoholics who haven't hit bottom, they aren't ready to give up.

Cronies, contractors, bankers, politicians, campaign contributors, lobbyists, favored Deep State industries, and especially Wall Street – none are ready to give up the sauce.

Instead, they want more of it.

Where do they get it?

Taxation, regulation, and the money system.

Tax revenues – passed around like a bottle of Four Roses – is one source of juice. But it is limited. Squeeze the taxpayers too hard and they give out a howl.

The insiders also get a buzz on from regulations.

Rules, paperwork, restrictions, licensing – each one adds costs on businesses and consumers... but a payoff or some crony somewhere.

Who wins?

The insiders who write the rules, of course.

The "Bezzle"

Most interesting to us is the third source: the credit-money system.

Who complains about cheap credit?

Even savers, who have lost an estimated \$2 trillion because of repressed interest rates since 2009, are bamboozled into thinking cheap credit stimulates the economy.

The system is dishonest and unfair. A dear reader explains...

Before 2009, I like many believed I had money, savings, and a retirement vested and guaranteed. The work was supposedly done. That crash began a study that revealed the above wasn't true.

When the medium of exchange can be created at someone's will and spent according to that will, that someone is literally the god of all who use this tender. It is quite literally political capital or political money... It's nothing but theft writ large and we are all parties to it.

Another dear reader adds a worthy insight:

In Leviticus 19:35-36, "You shall do no wrong in judgment, in measures of length or weight or quantity. You shall have just balances, just weights, a just ephah, and a just hin [units of dry measure]." And in Proverbs 11:1 it says, "A false balance is an abomination to the Lord, but a just weight is his delight."...

I lived in Japan from 1992 to 2012, and during that time America became ruder and less honest. The distance gave me a perspective that too few others have. I can't help but believe that dishonest money is a subtle but significant factor in the decline of the morality of the common man.

It's easy to see the larceny when it is wrought by inflation. Your money loses value day by day. And there's an even-handedness to it: Rich and poor are robbed proportionally.

But the larceny of unlimited and underpriced credit is subtler. It is what economist John K. Galbraith described in his book on the 1929 stock market crash as a "bezzle."

He observed that in any economy, there is an element of theft and fraud. But when the credit is flowing and markets are rising, the "rate of embezzlement grows, the rate of discovery falls off, and the bezzle increases rapidly."

Wealth passes from the Main Street worker to the Deep State insider... and neither of them knows what has happened. The average guy doesn't know whom to blame – Mexicans, Chinese, robots?

The insider thinks he is a genius.

And the economy – and its wealth – declines.

More to come...

Regards,

A handwritten signature in black ink that reads "Bill Bonner". The signature is written in a cursive, flowing style.

Bill