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THE "YOU MAY NOT KNOW REPORT"

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The End of the Currency Cycle

By Dennis Tubbergen

In past books and newsletters, I've written about the Currency Cycle. In essence, the currency cycle describes the evolution of money.

The fact that currency evolves goes unnoticed by many; even those who complain about rising prices often don't connect the dots and realize that often, rising consumer prices are an unpleasant symptom of the currency cycle.

Time and time again throughout history, policymakers have elected to print currency. It's always the last resort.

There are four steps in the currency cycle. That simply means that there are four ways that money evolves.

The first step in the currency cycle sees currency and money as the same thing. For our discussion this month, currency will be defined as the legal tender used in commerce and money will be defined as precious metals, most commonly gold and silver historically. Money has tangible, real, intrinsic value.

If money is used as currency, then the currency has real value. If fiat paper is used as currency then currency and money are not the same thing.

While the first stage of the currency cycle has money as currency since precious metals actually circulate and are used in commerce to pay for goods and services, the second stage of the

currency cycle has a paper receipt or bill introduced that is exchangeable for gold and/or silver at a fixed rate.

For example, a silver certificate that was in use in the United States as recently as the 1960's was exchangeable for a specific, fixed amount of silver. Each note had the reminder that the bill could be presented for real money. A $10 silver certificate allowed the bearer of the bill to present the bill for $10 of silver which was 7.2 ounces.

As we will discuss there are many times throughout history that this system of exchanging a paper bill or note for a fixed amount of precious metals was used.

The third stage in the currency cycle sees the rules regarding the use of the paper notes change. The redemption privilege for metals is suspended. Often, historically, the politicians and policymakers make this change state that the redemption privilege is suspended only temporarily but that is never the case. (Just like money creation which always begins as an emergency temporary measure but ends up being monetary policy.)

Once a currency reaches the third stage of the cycle, the next stage is a currency failure or reset. As we have discussed, and will do again in this issue, this reset can be either reactive or proactive although most commonly when studying history the reset is reactive.

Some of you who are reading this month's issue are undoubtedly skeptical. Perhaps the notion of a predictable currency cycle seems hokey or a bit 'out there' to you. Skepticism is good.

In this month's issue, I will make the case and provide historical evidence for you to ponder, but I would encourage you to do your own research and educate yourself.

That's the road that I have traveled.

Some of you may know a bit about my professional history. For many years, I served as President of a broker-dealer. For those of you who aren't familiar with the term 'broker-dealer', it is a company that employs stock brokers.

As you might imagine, there are specific, rather stringent licensing requirements to not only be a stock broker, but also to supervise them. Over the years, I have acquired many licenses in the financial industry; in fact, there are few I have not held. I tell you this to make this point:

Never, on any licensing exam, was I required to understand the currency cycle. Truth is, as I recall, I didn't need to know anything about economics either other than to define inflation.

Financial professionals who have the licensing that I acquired had to be able to understand options, calculate yield to maturity on a secondary bond offering and have a reasonable knowledge of securities law.

But, when it came to understanding economic cycles and currency cycles, I didn't need to know this information to obtain my desired license. Yet, my view is, that this knowledge is critical to helping clients properly manage their assets.

Like many in the financial industry, when I got started in the industry (the year is intentionally omitted) I initially followed industry norms. While the statement I'm about to make is not true about every financial professional, it certainly applies to many.

The traditional industry approach to giving financial advice is to buy and hold a portfolio of stocks and bonds weighting more towards bonds as you get older and get closer to needing to use the money.

Yet, because of the economic consequences of the currency cycle, there are economic times or seasons when this traditional advice is good advice and there are other times that it's awful guidance.

To better understand the currency cycle, it's also helpful to understand the credit cycle. When these two cycles converge, the economic consequences can be downright ugly.

The credit cycle sees credit expand (borrowing occur) until the system reaches it's capacity for debt. When the system reaches it's capacity for debt, the credit cycle reverses.

A good example of the credit cycle occurred about 15 years ago in the US real estate market. After the tech stock bubble unwound about two decades ago, the central bank, the Federal Reserve, dropped interest rates to create more money.

Low interest rates (I would argue artificially low interest rates) create demand and drive up prices. Going back to the real estate example, there are many more people that will buy a house if they can put no money down and get a low interest rate to keep their payments low.

Here's an example to make the point clear. Assume a household is in the market for a $250,000 home.

In a normal environment, a bank may require a 20% down payment and an interest rate of 6%. To buy the home, this hypothetical household will need to pony up $50,000 and be prepared to make monthly mortgage payments of $1,199.10 in addition to paying their real estate taxes and insurance.

In an environment where interest rates are artificially low, perhaps this same household could get a no money down mortgage and an interest rate of 3%. In this situation, the monthly mortgage payment is $1,054.01.

The monthly mortgage payment is actually lower and no down payment is required. Obviously, buyers come out of the proverbial woodwork. More demand is created and prices rise.

The point is this: credit can only expand so far, there is a limit.

Once that limit is reached, the credit cycle reverses and credit contracts. In this economic system, where money is loaned into existence and interest rates are manipulated to remain artificially low, the credit contraction is inevitable.

Bankers who made loans at low interest rates to marginal borrowers find themselves owning real estate that no longer fully collateralizes the loan. They rack up losses and become more conservative lenders.

That's what should have happened almost 15 years ago in my view. Bankers should have been forced to live with the consequences of their bad lending practices. But, as you know, that is not what happened.

The Federal Reserve engaged in a temporary, emergency measure called 'quantitative easing'. The Fed created new money out of thin air and began to buy these bad loans from banks.

Essentially, the Fed went to the bankers and said, "here's some fresh money in exchange for your bad mortgage loans. We'll keep interest rates low so you can do it again."

In the world of banking and economics, nothing happens quickly. There is a time lag between cause and effect.

Since 2009, the Fed has been printing money and has given it to banks. Interest rates have remained near zero and more recently we've seen helicopter money in the form of stimulus checks.

Instead of allowing the credit cycle to play out and have deflation, the Fed has doubled down and doubled down again to keep the credit cycle from reversing.

This credit cycle applies to both the private sector and governments.

Government spending is financed via tax receipts and borrowing. In their infancy, governments often operate with a balanced budget; government spending is fully funded by tax receipts. But, that doesn't take long to change.

In a financial system where money is loaned into existence, credit expansion (borrowing) leads to temporary prosperity. I use the word temporary here in the context of decades not months or years. As noted above, when discussing economics and monetary policy there is a significant time lag between cause and effect.

As credit expands, everything seems to be hitting on all cylinders economically speaking. It seems prosperity is everywhere.

As credit expands so do tax revenues and as the prosperity illusion intensifies, political promises become more generous. This pattern repeats itself time after time historically speaking.

Generous political promises are eventually funded in part by government borrowing when the politicians collectively overspend. As time passes, more of this spending is funded by borrowing.

Governments are not insulated from the credit cycle. Just like in the private sector where there is a limit on borrowing, there is also a limit on the amount of money a government can borrow.

As spending becomes more reckless, willing lenders begin to disappear. No individual, no entity or government wants to loan money that they may not get back. Like in the private sector where individuals and entities become credit risks, the same principle applies to governments; at a certain point, governments become a credit risk as well.

When that point is reached, when willing lenders cannot be found in sufficient quantity to loan a government money, there are two choices.

Choice one, the government defaults on the debt. The government simply goes to its creditors and says "sorry, I can't pay you".

Choice two, the government begins to create currency to fund it's reckless spending paying off prior creditors with newly created currency with a diminished purchasing power.

Here is the point to remember: when governments reach the end of the credit cycle and begin to create money to fund spending, it accelerates the currency cycle.

In 1929, at the beginning of The Great Depression, the private sector had the credit cycle peak, deflation set in and the US Government implemented many different programs in an attempt to lessen the pain for the general population.

In 1929, the US Government was not at the end of the credit cycle. In 1929, the US Government had debt that totaled 16% of GDP or Gross Domestic Product[1]. That means for every dollar the US had in production, there was 16 cents of national debt.

In 2021, the US Government has official debt approaching $28 trillion and a debt to GDP ratio of more than 146%. That means for every dollar of economic output today, there is debt of nearly $1.50!

In 1929, when the policymakers decided to have the US Government make up for the lack of spending in the private sector, the US Government was not insolvent. Frighteningly, that is not the case today.

In 1929, when the private sector reached the peak of the credit cycle, the US Government was early in the credit cycle. And, the currency cycle was still in stage one, gold was circulating as currency. One ounce gold coins were worth $20 as they had been for nearly 100 years with only a couple exceptions.

In 2008, the US Government and the private sector reached the peak of the credit cycle. The currency cycle had been in stage three since 1971; the US Dollar was a fiat currency.

Beginning in 1982, the Fed began to lower interest rates.

The chart illustrates this reduction in interest rates from 1928 to the present time. Notice the flat line on the chart beginning in 2008 when interest rates dropped to zero. That is when the Federal Reserve began the 'temporary' and 'emergency' measure of quantitative easing or money printing.

From 1982 to 2008, whenever the Fed wanted to create more money, the Fed just reduced interest rates. It worked until 2008 because the

private sector had peaked on the credit cycle. The reality is that if you can't afford another payment, it really doesn't matter what the interest rate is.

The brutal reality is that in 2008, the US Government was nearing the end of the credit cycle. At that time, there were still lenders for the US Government as demand existed for US Government debt.

Last year, by my calculation, the US Government peaked on the credit cycle. By a long shot the biggest buyer of US Government debt was the Federal Reserve.

Where did the Fed get the money to buy these US Government bonds?

You already know the answer.

Let's go back and revisit our discussion from above once again.

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Here is where we now find ourselves.

The private sector has peaked on the credit cycle.

The US Government has peaked on the credit cycle.

The currency cycle is late stage three approaching stage four which is fiat currency failure unless drastic action relating to spending and money creation are taken.

That seems increasingly unlikely.

In past issues of this publication as well as the weekly "Portfolio Watch" newsletter, I've written about the fact that a reset is inevitable. I've provided you more background as to why I've reached that conclusion in this month's issue.

There are two possible resets, one would be reactive and one would be proactive.

Most times historically when a government reaches the end of the credit cycle and the currency cycle, the reset has been reactive. More and more money is created until faith in the currency is lost.

At that point, a new currency is put in place.

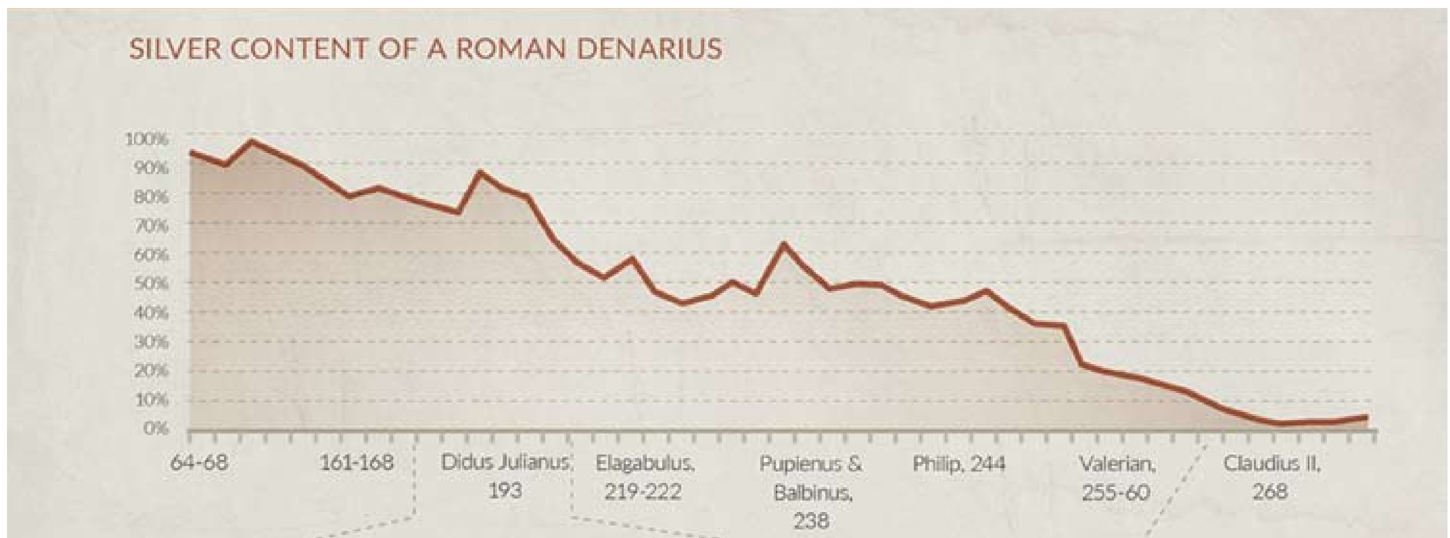
Reactive resets are most common because of the pain involved in a proactive reset.

Let's take a quick look at some reactive resets that have occurred in the past.

As the Romans during the Roman Empire reached the end of the credit cycle, the Emperors began to debase the currency accelerating the currency cycle. The chart illustrates the silver content of a Roman Denarius.

By the time the Roman Empire fell, the Denarius contained no silver and was comprised of only almost worthless metal alloys.

Notice that it took a long time for the Denarius



and the Roman Empire to fail. I believe this can be attributed to the fact that the Denarius was, at the time, the reserve currency of the world. Certainly, the Denarius was the most widely used currency in the world at the time.

The pattern with Rome followed the same predictable sequence:

Private sector peaks on the credit cycle, government peaks on the credit cycle and currency is created or debased accelerating the currency cycle.

In past issues, I've discussed the same pattern in France in the early 1700's under the leadership of John Law. France repeated her mistakes 80 years later issuing a paper currency known as the Assignat. Here is an excerpt from an article[2] written on the topic by James Narron and David Skeie of Liberty Street Economics (emphasis added):

> *In the late 1700s,* ***France ran a persistent deficit and by the late 1780s struggled with how to balance the budget and pay down the debt.*** *After heated debate, the National Assembly elected to issue a paper currency bearing an attractive 3 percent interest rate, secured by the finest French real estate to be confiscated from the clergy. Assignats were first issued in December 1789 and* ***initially were a boon to the economy. Yet while the first issues brought prosperity, subsequent issues led to stagnation and misery.*** *In this edition of Crisis Chronicles, we review how fiat money inflation in France caused the collapse of the French assignat and describe some interesting parallels between the politics of French government finance in the late 1700s and more recent fiscal crises.*
>
> *It was not without grave reservation that the National Assembly elected to pursue a new issue of paper currency.* ***Some who spoke out against issuing the assignat recalled the wretchedness and ruin to which their families were subjected during John Law's tenure as head of French finance and the Mississippi Bubble of 1720. But there was also great political willpower against raising taxes of any sort and deficits were already high. So the only option was to turn to the printing press once again.***
>
> ***But this time, the National Assembly was convinced it would be different.*** *The currency would be secured by confiscated church property, issued in large denominations appropriate only for major purchases, and would bear 3 percent interest, incenting the government to redeem the currency early.*
>
> *By 1791, France saw that each new issue brought a round of depreciation. Specie disappeared more and more from circulation as Gresham's law saw bad money (assignats) driving out good money (specie),* ***so smaller denominations were printed to fill the void of disappearing specie.*** *And with each currency issue, prosperity decreased and business further stagnated until manufacturing essentially stopped, leaving thousands unemployed—except at the print works, which added four hundred workers.*
>
> *But deficits persisted and the French government still needed to raise money, so in 1792, it seized the land of emigrants and those who had fled France, adding another 2 billion livres or more to French assets. War with Belgium that year was largely self-funded as France extracted some rents, but not so for the war with England in 1793.* ***Assignats no longer circulated as a medium of payment, but were an object of speculation. Specie was scarce, but sufficient, and farmers refused to accept assignats, which were practi-***

Top 10 Hyperinflations in History

Location	Start Date	End Date	Highest Monthly Inflation Rate
Hungary	Aug. 1945	Jul. 1946	4.19×10^{16}%
Zimbabwe	Mar. 2007	Mid-Nov. 2008	7.96×10^{10}%
Yugoslavia	Apr. 1992	Jan. 1994	313000000%
Republika Srpska	Apr. 1992	Jan. 1994	297000000%
Germany	Aug. 1922	Dec. 1923	29500%
Greece	May. 1941	Dec. 1945	13800%
China	Oct. 1947	Mid-May 1949	5070%
Danzig	Aug. 1922	Mid-Oct. 1923	2440%
Armenia	Oct. 1993	Dec. 1994	438%
Turkmenistan	Jan. 1992	Nov. 1993	429%

Source: Steve Hanke and Nicholas Krus, "World Hyperinflations". Cato Working Paper no. 8, August 15, 2012. Forthcoming in: Randall Parker and Robert Whaples (eds.) (2013) *The Handbook of Major Events in Economic History*, London: Routledge Publishing, (expected publication date: Summer 2013).

THE HYPERINFLATION TABLE

LOCATION	START DATE	END DATE	MONTH WITH HIGHEST INFLATION RATE	HIGHEST MONTHLY INFLATION RATE	EQUIVALENT DAILY INFLATION RATE	TIME REQUIRED FOR PRICES TO DOUBLE	CURRENCY
Hungary[1]	Aug. 1945	Jul. 1946	Jul. 1946	4.19×10^{16}%	207%	15.0 hours	Pengő
Zimbabwe[2]	Mar. 2007	Mid-Nov. 2008	Mid-Nov. 2008	7.96×10^{10}%	98.0%	24.7 hours	Dollar
Yugoslavia[3]	Apr. 1992	Jan. 1994	Jan. 1994	313,000,000%	64.6%	1.41 days	Dinar
Republika Srpska†[4]	Apr. 1992	Jan. 1994	Jan. 1994	297,000,000%	64.3%	1.41 days	Dinar
Germany[5]	Aug. 1922	Dec. 1923	Oct. 1923	29,500%	20.9%	3.70 days	Papiermark
Greece[6]	May. 1941	Dec. 1945	Oct. 1944	13,800%	17.9%	4.27 days	Drachma
China§[7]	Oct. 1947	Mid-May 1949	Apr. 1949	5,070%	14.1%	5.34 days	Yuan
Free City of Danzig[8]	Aug. 1922	Mid-Oct. 1923	Sep. 1923	2,440%	11.4%	6.52 days	German Papiermark
Armenia[9]	Oct. 1993	Dec. 1994	Nov. 1993	438%	5.77%	12.5 days	Dram & Russian Ruble
Turkmenistan††[10]	Jan. 1992	Nov. 1993	Nov. 1993	429%	5.71%	12.7 days	Manat
Taiwan[11]	Aug. 1945	Sep. 1945	Aug. 1945	399%	5.50%	13.1 days	Yen
Peru[12]	Jul. 1990	Aug. 1990	Aug. 1990	397%	5.49%	13.1 days	Inti
Bosnia and Herzegovina[13]	Apr. 1992	Jun. 1993	Jun. 1992	322%	4.92%	14.6 days	Dinar
France[14]	May 1795	Nov. 1796	Mid-Aug. 1796	304%	4.77%	15.1 days	Mandat
China[15]	Jul. 1943	Aug. 1945	Jun. 1945	302%	4.75%	15.2 days	Yuan
Ukraine[16]	Jan. 1992	Nov. 1994	Jan. 1992	285%	4.60%	15.6 days	Russian Ruble
Poland[17]	Jan. 1923	Jan. 1924	Oct. 1923	275%	4.50%	16.0 days	Marka
Nicaragua[18]	Jun. 1986	Mar. 1991	Mar. 1991	261%	4.37%	16.4 days	Córdoba
Congo (Zaire)[19]	Nov. 1993	Sep. 1994	Nov. 1993	250%	4.26%	16.8 days	Zaire
Russia††[20]	Jan. 1992	Jan. 1992	Jan. 1992	245%	4.22%	17.0 days	Ruble
Bulgaria[21]	Feb. 1997	Feb. 1997	Feb. 1997	242%	4.19%	17.1 days	Lev
Moldova[22]	Jan. 1992	Dec. 1993	Jan. 1992	240%	4.16%	17.2 days	Russian Ruble
Russia / USSR[23]	Jan. 1922	Feb. 1924	Feb. 1924	212%	3.86%	18.5 days	Ruble
Georgia[24]	Sep. 1993	Sep. 1994	Sep. 1994	211%	3.86%	18.6 days	Coupon
Tajikistan††[25]	Jan. 1992	Oct. 1993	Jan. 1992	201%	3.74%	19.1 days	Russian Ruble
Georgia[26]	Mar. 1992	Apr. 1992	Mar. 1992	198%	3.70%	19.3 days	Russian Ruble
Argentina[27]	May 1989	Mar. 1990	Jul. 1989	197%	3.69%	19.4 days	Austral
Bolivia[28]	Apr. 1984	Sep. 1985	Feb. 1985	183%	3.53%	20.3 days	Boliviano
Belarus††[29]	Jan. 1992	Feb. 1992	Jan. 1992	159%	3.22%	22.2 days	Russian Ruble
Kyrgyzstan††[30]	Jan. 1992	Jan. 1992	Jan. 1992	157%	3.20%	22.3 days	Russian Ruble
Kazakhstan††[31]	Jan. 1992	Jan. 1992	Jan. 1992	141%	2.97%	24.0 days	Russian Ruble
Austria[32]	Oct. 1921	Sep. 1922	Aug. 1922	129%	2.80%	25.5 days	Crown
Bulgaria[33]	Feb. 1991	Mar. 1991	Feb. 1991	123%	2.71%	26.3 days	Lev
Uzbekistan††[34]	Jan. 1992	Feb. 1992	Jan. 1992	118%	2.64%	27.0 days	Russian Ruble
Azerbaijan[35]	Jan. 1992	Dec. 1994	Jan. 1992	118%	2.63%	27.0 days	Russian Ruble
Congo (Zaire)[36]	Oct. 1991	Sep. 1992	Nov. 1991	114%	2.57%	27.7 days	Zaire
Peru[37]	Sep. 1988	Sep. 1988	Sep. 1988	114%	2.57%	27.7 days	Inti
Taiwan[38]	Oct. 1948	May 1949	Oct. 1948	108%	2.46%	28.9 days	Taipi
Hungary[39]	Mar. 1923	Feb. 1924	Jul. 1923	97.9%	2.30%	30.9 days	Crown
Chile[40]	Oct. 1973	Oct. 1973	Oct. 1973	87.6%	2.12%	33.5 days	Escudo
Estonia††[41]	Jan. 1992	Feb. 1992	Jan. 1992	87.2%	2.11%	33.6 days	Russian Ruble
Angola[42]	Dec. 1994	Jan. 1997	May 1996	84.1%	2.06%	34.5 days	Kwanza
Brazil[43]	Dec. 1989	Mar. 1990	Mar. 1990	82.4%	2.02%	35.1 days	Cruzado & Cruzeiro
Democratic Republic of Congo[44]	Aug. 1998	Aug. 1998	Aug. 1998	78.5%	1.95%	36.4 days	Franc
Poland[45]	Oct. 1989	Jan. 1990	Jan. 1990	77.3%	1.93%	36.8 days	Zloty
Armenia††[46]	Jan. 1992	Feb. 1992	Jan. 1992	73.1%	1.85%	38.4 days	Russian Ruble
Tajikistan[47]	Oct. 1995	Nov. 1995	Nov. 1995	65.2%	1.69%	42.0 days	Tajikistani Ruble
Latvia[48]	Jan. 1992	Jan. 1992	Jan. 1992	64.4%	1.67%	42.4 days	Russian Ruble
Turkmenistan††[49]	Nov. 1995	Jan. 1996	Jan. 1996	62.5%	1.63%	43.4 days	Manat
Philippines[50]	Jan. 1944	Dec. 1944	Jan. 1944	60.0%	1.58%	44.9 days	Japanese War Notes
Yugoslavia[51]	Sep. 1989	Dec. 1989	Dec. 1989	59.7%	1.57%	45.1 days	Dinar
Germany[52]	Jan. 1920	Jan. 1920	Jan. 1920	56.9%	1.51%	46.8 days	Papiermark
Kazakhstan[53]	Nov. 1993	Nov. 1993	Nov. 1993	55.5%	1.48%	47.8 days	Tenge & Russian Ruble

cally demonetized. In February 1793, citizens of Paris looted shops for bread they could no longer afford, if they could find it at all.

In order to maintain its circulation, France turned to stiff penalties and the Reign of Terror extended into monetary affairs. During the course of 1793, ***the Assembly prohibited buying gold or silver at a premium, imposed a forced loan on a portion of the population, made it an offense to sell coin or differentiate the price between assignats and coin, and under the Law of the Maximum fixed prices on some commodities and mandated that produce be sold, with the death penalty imposed for infractions.***

France realized that to restore order, the volume of paper money in circulation must decrease. ***In December 1794, it repealed the Law of the Maximum. In January 1795, the government permitted the export of specie in exchange for imports of staple goods. Prices fluctuated wildly and the resulting hyperinflation became a windfall for those who purchased national land with little money down. Inflation peaked in October 1795. In February 1796, in front of a large crowd, the assignat printing plates were destroyed.***

By 1796, assignats gave way to specie and by February 1796, the experiment ended.

See the pattern?

Private sector peaks on the credit cycle, government peaks on the credit cycle and the currency cycle accelerates eventually ending with a fiat currency failure.

There are many historical examples of this

pattern repeating itself. The chart lists the top ten most destructive hyperinflations in world history.

If you dig in and do some research, you'll find that in each case the pattern we've been discussing is evident.

Since 1923, worldwide, this pattern has repeated itself 52 times[2]. That means that somewhere in the world, every 23 months, this pattern emerges and leads to a hyperinflationary, reactive reset.

The charts on the previous page illustrate.

The country of Hungary has the distinction of being the place where the worst hyperinflation occurred. Prices doubled every 15 hours. Shockingly, that is significantly worse than the Zimbabwe hyperinflation of 2007 – 2008.

Many of you are already using the two-bucket approach outlined in the book "Revenue Sourcing" to manage your assets.

The two bucket approach has you allocating assets into one bucket that has stable assets that will not decline in a deflationary environment and another bucket of assets that will perform well in an inflationary or even hyperinflationary climate.

Here's the one very important thing that we have not yet discussed. Even in a hyperinflationary situation, the debt doesn't go away. It simply gets redenominated to a new currency.

In the book "Revenue Sourcing", this approach is outlined in detail.

If you are not using this approach and would like to learn more, read "Revenue Sourcing", the book that was released in 2020. If you don't already have a copy, call the office and we'll be glad to share one with you. The office number is 1-866-921-3613.

I believe it will be vitally important to use this approach moving ahead.

Hedge Funds Get the Short End of the Stick

As this issue goes to press, the big story from the financial markets is how hedge funds took it on the chin from millennial investors. Past radio program guest, John Rubino wrote a piece[3] that explains (emphasis added):

> *Wall Street traders have traditionally played hardball with each other. They'll take a position and then "talk their book" on CNBC, or short a competitor's favorite stock while spreading negative rumors about it, or do any number of other ethically-dubious things to profit at the expense of their peers. When they end up on the losing side of such a scheme they don't like it, but they understand that this is how the game is played.*
>
> *Then the game changed. The government sent billions of dollars of covid relief checks to video game playing Millennials who had just discovered free stock trading apps like Robinhood. And – no surprise for people who have been organizing cooperative video game raids their entire lives – these newborn day traders figured out that by targeting heavily-shorted stocks and buying them en masse, they can force hedge fund short sellers into a panicked short squeeze, sending the target stocks through the roof. Et voila, easy money, over and over with no apparent end in sight – all at the expense of the market's former top predators.*

GameStop, a moribund bricks-and-mortar video game retailer (and thus a familiar name for Millennials) was the test case. A few weeks ago, packs of Robinhood traders sent the price from around $10 to over $450. Imagine being short that stock with millions of dollars of other people's money, and you'll understand Wall Street's angst.

Now consider that these hedge-fund-hunting wolf packs can do this with any thinly traded, heavily shorted stock — and that the government is getting ready to send them another round of stimulus checks – and suddenly the threat looks existential.

However, allowing one group of people to trade stocks while banning others seems just a little bit unconstitutional, so opposition from across the political spectrum is lining up. Here are the last few paragraphs of a CNBC article from earlier today:

> *Rep. Alexandria Ocasio-Cortez weighed in on Twitter, calling Robinhood's new parameters "unacceptable."*
>
> *"We now need to know more about @RobinhoodApp's decision to block retail investors from purchasing stock while hedge funds are freely able to trade the stock as they see fit," she tweeted. Republican Senator Ted Cruz tweeted "fully agree" in response to Ocasio-Cortez.*
>
> *Law firm ChapmanAlbin LLC announced Thursday it is "investigating claims on behalf of Robinhood users that were affected and suffered losses as a result of investing in GameStop or AMC through the Robinhood brokerage platform."*

This could end up as one of those epic court battles that illustrate the fundamental divide between the ruling class and the rest of us. Can't wait.

Time Deposit Rates

At the time of publication, these rates were valid:

1-Year	1.25%
2-Year	1.75%
3-Year	2.10%

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Best wishes to you for a happy and healthy New Year!

Sources

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