Inflation Is Improperly Defined

In August 2009 I wrote:

> *I do not believe in cost-push inflation. By example, union pressure to increase wages is not an inflationary event. An economy will adjust for higher wages without a general increase in the level of prices across the economy. Inflation is strictly a monetary event: i.e., too much money chasing too few goods. Milton Friedman was the dean of the monetary inflation fraternity. Whenever you come across an article on M.F., be certain to read with care as you will improve your understanding of a lot of things.*

Writing for *Real Clear Markets*, John Tamny echoes my sentiments, and those of Milton Friedman, that inflation is a monetary event, writing:

> *To witness the search for actual inflation (a decline in the monetary unit) among economists and pundits is like watching a hunt for green M&Ms in a bowl full of yellow ones. It's futile.*
>
> *Which is something to keep in mind with "inflation" well in mind. Searches for it will be fruitless, misleading, or both, so long as the problem (inflation) is improperly defined. And improperly defined it is.*
>
> *Consider the focus on wages at the moment. Supposedly rising wages are evidence of inflation. Don't you get it? If people have more money to spend, spend it they will on the way to rising prices. Except that it's not as simple as economists and their lickspittle media enablers make it out to be.*

If employees have higher wages, logic dictates that someone is paying those higher wages. It’s not as though the funds directed to workers are pulled from another planet, or picked off of a tree on which they grow. For an employee to receive more pay is only mathematically possible insofar as the employer has fewer dollars. In other words, even if you believe that rising wages cause higher prices born of “demand,” you can’t ignore that someone, somewhere has reduced “demand” born of funding those higher wages.

Prices are no different. If chicken breasts are pricey, and they seemingly are at the moment, life is about tradeoffs. If chicken breasts are enjoying increasingly sizable wallet share, logic dictates that some other market good (perhaps popsicles) is being left behind at the grocery store as a vivification of the truth about tradeoffs.

Back to wages, logic dictates that they would rise the most amid a lack of inflation. Which is kind of a statement of the obvious. Compensation doesn’t just happen any more than jobs are “created” or just “happen.” Jobs are an obvious consequence of investment in new businesses and/or new ideas altogether. And when investors invest, they’re plainly pursuing future returns in terms of a monetary unit, in our case the dollar.

From the above it’s no reach to conclude that investment would shrink amid periods of currency devaluation. Put more bluntly, inflation is anti-investment. Really, why would those with title to money put it to work in search of returns coming back in dollars that are shrinking in value? Why indeed.

Still, lost-in-the-stone-age economists and the pundits who hang on their every word believe higher wages cause inflation. They don’t. To say that higher wages or higher prices cause inflation is like saying upset stomachs cause chocolate. Causation is plainly being reversed.

Read that last paragraph again. Then watch Milton Friedman's Money and Inflation talk given at the University of San Diego in 1978 below.

DeSantis Calls CBDC Central Authority an Obvious "Wolf"

In a recent interview with John Stossel, Gov. Ron DeSantis explained that some wolves come dressed in sheep's clothing, so you don't see them until it's too late. Others are obvious. DeSantis says the problems with the central authority granted by central bank digital currencies (CBDCs) are obvious. In his words, "This is a wolf coming as a wolf." Stossel reports:

> *President Joe Biden and the media are excited about something new: a Central Bank Digital Currency, or CBDC. It's a currency like Bitcoin, except controlled by the federal government.*
>
> *Not everyone is a fan.*
>
> *"Sometimes government does things that may appear to be benevolent but really are kind of like a wolf in sheep's clothing," says Florida Gov. Ron DeSantis in my new video. "This is a wolf coming as a wolf."*
>
> *For months, I've tried to get DeSantis to sit down for an interview. What finally got him to agree was government's plan for digital money.*
>
> *"If you don't trust central authority," DeSantis says, "then you should see this immediately as something that is very problematic."*

Of course, a lot of people do trust central authority. The Biden administration says a CBDC will “protect consumers, investors … and the environment.”

“That last one’s a tell,” laughs DeSantis, “they would impose ideology certain criteria … ‘You’re filling up too much (with gas). Wait a minute — climate change. You can’t be doing that! You bought another firearm? No, no, no.'”

Canada’s government used its banking system to control people when truckers protested vaccine rules. The government blocked their bank accounts. That stopped the protests.

DeSantis is so upset about the Fed’s and Biden’s plan for a CBDC he just got Florida’s legislature to ban its use in their state.

I ask, “This will be a national issue. Why is it the business of a governor?”

“This is part of our role,” he responds, citing federalism. “There’s a back and forth between the federal government and the states. We’re pushing back about things we don’t think are good.”

DeSantis questions the CBDC’s legality. “The Federal Reserve has come out and said, We would only do it after ‘consulting with the legislative and executive branches. Ideally, we’d get specific congressional authorization.’ Wait a minute! It’s not ideal that you get Congress. That’s what the Constitution requires!”

Of course, the media is enthusiastic about a government-controlled CBDC.

CNBC says it will be “as trusted as cash, as convenient as a payment app, yet also benefit from the same blockchain technology which underpins cryptocurrencies.”

“When I started talking about some of the dangers from privacy,” DeSantis tells me, “the corporate press … all of a sudden (said) ‘DeSantis is trying to promote conspiracy theories!'” MSNBC even called it “unhinged conspiracy theory.”

DeSantis wonders why the media even care. “Is it really because they are really that invested in cross-border transactions?” he asks. “Of course not. It’s because this is something that could help them advance their ideology of having more central authority … over the average American.”

I push him, “America’s going to fall behind!” The Wall Street Journal says America’s financial system is outdated and CBDCs will modernize it.

“Oh, please,” DeSantis sneers. “They want to move to a cashless society, which would basically mean the Federal Reserve, Treasury Department would have supervisory jurisdiction over all of your transactions.”

“Cash is independence,” adds DeSantis. “You have the cash in your wallet … It’s not dependent on somebody else.”

In other words, cash is private. So is cryptocurrency, like Bitcoin. People can buy gas and guns without using government money at all.

Advocates of government digital money don’t like that.

What Do You Know About

Vanguard’s Wellesley Income Fund?

I was recently asked some questions about Vanguard’s Wellesley Income Fund by a business associate. Below is a short summary of the questions and my answers.

The first question was, “Who manages Wellesley Income Fund?”

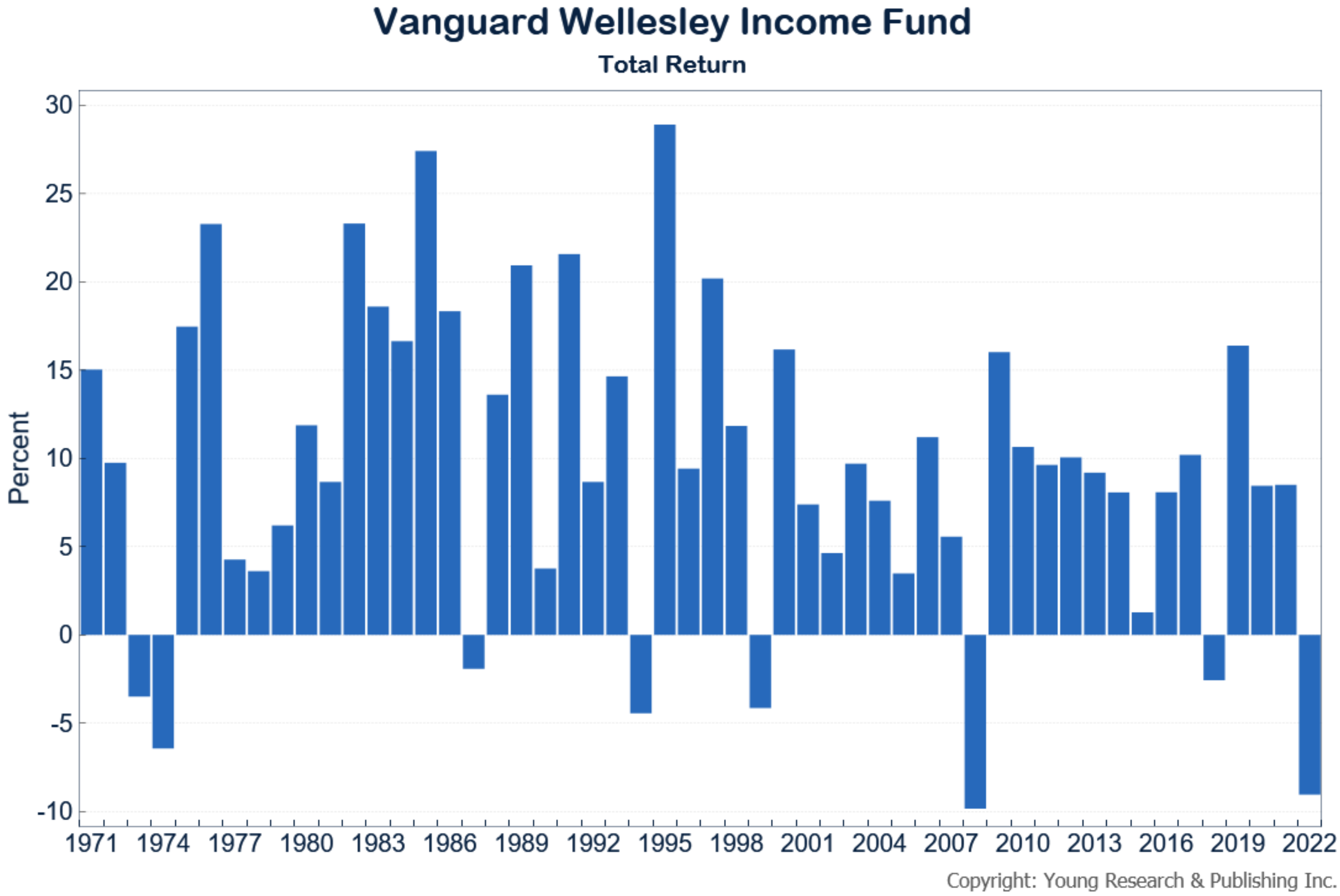
The answer is Wellington Management Company, which I have had dealings with from my earliest days in the industry at Model Roland & Co. on Federal St. in Boston, where I began work in August of 1971. Wellington was founded in 1928 in Boston, and is one of America’s oldest institutional money managers. The two Wellington managers currently tasked with managing the Wellesley Income Fund are Loren L. Moran, who has been with the fund for six years, and Matthew C. Hand, who has worked on Wellesley for two years.

The second question about the Wellesley Fund was about how the fund is organized and diversified.

The fund is organized into bond and stock components, with 60%-65% of the fund allocated to bonds, and 35%-40% allocated to stocks. Wellington invests the bond component in “short-, intermediate, and long-term investment-grade corporate bonds, while seeking to maintain an aggregate intermediate duration.” The stock component is invested in “large-company value stocks with above-average dividends and potential for income growth.” The portfolio usually holds fewer than 100 stocks.

The final question from my associate was about Morningstar’s rating for the Wellesley Income Fund.

Morningstar has assigned a rating of five stars to the Vanguard Wellesley Income Fund. That’s the highest rating Morningstar assigns to mutual funds.



CBDCs Not "Just Another Form of Money"

At the Cato Institute, Norbert Michel and Nicholas Anthony explain that a "CBDC (central bank digital currency) is *not* 'just another form of money,' as some of its supporters have claimed." No other form of money gives governments the ability to control what you spend your money on, how much you spend, or even to take money back out of your account at a moment's notice. Michel and Anthony slam the recent defense of CBDCs by Paul Krugman. They write:

> *This April Forbes column describes why central bank digital currencies (CBDCs) are a fundamental issue related to Americans' freedom and much bigger than just politics. It argues that New York Times columnist Paul Krugman, famous for being wrong about the Internet, was wrong for claiming presidential hopeful Ron DeSantis was merely playing politics with CBDCs.*
>
> *Nonetheless, Krugman has doubled down. As Crowdfund Insider explains, now he's taken to Twitter to re-promote his original opinion piece and to liken DeSantis's warnings about CBDCs to former presidential candidate Rick Santorum's fight against the National Weather Service.*
>
> *Contrary to Krugman's framing, DeSantis's claims about the risks of CBDCs have merit. As the Forbes piece demonstrated, proponents of CBDCs, even some government officials who would be in charge of implementing CBDCs, have openly discussed using CBDCs for exactly the purposes DeSantis claimed. (Nick and I have a longer list here.)*
>
> *A CBDC is not "just another form of money," as some of its supporters have claimed. A fully implemented CBDC is a complete government takeover of money and payments. As the experience in China and Nigeria have shown, the introduction of a CBDC comes with the removal of people's freedom to choose their methods of payment.*
>
> *CBDCs mark a fundamental threat to both economic and political freedom. But it should surprise no one that Krugman is wrong on this issue.*

Successful Investing Is a Mindset

By maxsattana @ Shutterstock.com

I wrote in the October 2015 issue of *Intelligence Report*:

> *As you know, I do not check the prices of my investments daily, weekly, or even monthly. I do an annual checkup only at tax time. When I make a significant investment, I have no intention of liquidation anytime soon. I am in for the long haul. Thus, short- or even medium-term volatility is of zero concern to me, beyond keeping an eye out for a name on my*

> *watch list that may have taken a temporary beating due to no particular fault of its own. So, then, successful investing is a mindset based upon a master plan that allows an investor to find comfort through thick or thin.*

June Is Retirement Compounders Month

I designed the Retirement Compounders (RCs) using the dividend and interest model explained in Ben Graham's books while still a student at Babson College. The RCs went on to form the basis of my two decades long *Young's World Money Forecast* and *Richard C. Young's Intelligence Report*. Using my research, I spoke around the country at investment management conferences. In 1978, in Newport, RI, I started what became the award-winning Richard C. Young & Co. Ltd. (*Barron's* (2012-2022) and *CNBC* (2019-2022) Disclosure). My son Matt has now run our family business for nearly three decades, and Debbie's and my daughter, Becky, is CFO.

Our son-in-law, E.J. Smith, has become known in the investment community as Your Survival Guy and has staked out a position as our face with investing families and small business organizations around America. Debbie and I still research and write seven days a week for our clients and multiple websites, and this June, as I headed above, we will be concentrating on the dividends and interest-centric Retirement Compounders.

Young Research's Retirement Compounders® Investment Program

When we developed Young Research's Retirement Compounders®

investment program, our goal was to help investors like you achieve investment success especially during bad times. Our strategy was to accept underperformance during speculative market runs, with the potential trade-off of better results during down markets.

The idea was never to beat the market over time or on a consistent basis. Rather, we fully expected the Retirement Compounders® program (both price risk and business risk) to trail the major market averages.

Why would we design a program to underperform?

The ugly reality of investing that nobody likes to talk about is that the average equity investor vastly underperforms the market and the funds he invests in. This is true even for investors who own market-beating mutual funds.

Dalbar, an investment analytics firm, is the authority here. Dalbar's data shows that the average equity investor regularly underperforms the S&P 500 by 3-5% over long periods of time.

Volatility and Emotionalism

High volatility and emotionalism are to blame. When stock market volatility rises, many investors panic and sell near the lows, only to add to their stock positions once again in the dying days of a bull market.

Young Research's Retirement Compounders® program is comprised of dividend paying common stocks selected from the over 40,000 global publicly traded companies. The Retirement Compounders® program favors high dividend payers, those with a history of dividend payments, and companies with a long record of consecutive dividend increases.

Some of the companies included in Young Research's Retirement

Compounders® program have paid a dividend every year for over a century. Others can boast a more than five decade record of annual dividend increases. The combination of high dividend payments today and dividend growth tomorrow can help you become a more confident, comfortable, successful long-term investor.

Retirement Compounders® Investment Program Helps You Stay the Course

Young Research’s Retirement Compounders® seeks to help investors avoid the emotionally charged investment decisions that can sabotage returns. Investing in high-quality businesses with long records of regular dividend payments may offer the comfort necessary to stay the course when financial and economic stress arise.

For investors looking to pass on the burden of daily portfolio management, Richard C. Young & Co., Ltd. crafts dividend-focused common stock portfolios that are based on Young Research’s Retirement Compounders® program. You can sign up for Richard C. Young & Co., Ltd.’s monthly client letter (free, even for non-clients) here.