



FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

Issue #83
September 9, 2022

Will the Stock Market Always Go Up?

I just finished reading a book by a guy who runs a website that provides data about stocks (so the next quote seems a little self-serving). In it, he wrote, "Over the long term, the stock market as a whole always goes up. This seems obvious....Over time, these companies will produce more products and provide more services due to the growth of the population and the improvement of living standards. The average prices of their products will go up due to inflation. The overall revenue and profit will increase, and they will be worth more over time."

Well that's encouraging. It seems pretty "obvious," right? The population and our standard of living will increase, and inflation will make all of the dollar amounts larger, so corporations will be more profitable and generally, everyone will have more money, right? It's as sure as the sun rising every morning or gravity pulling everything towards the ground.

Well, here's the thing: The free market system is both spontaneous and miraculous, both persistent and somewhat delicate. It can only flourish if a number of conditions (such as private property rights, sound money, enforcement of contracts, lack of coercion and fraud, etc.) are present. The percentage of times and places in human history where all of the necessary conditions have been present at the same time is extremely small. To claim

that “the stock market will always go up” is a lazy and dangerous assumption.

First let's examine the author's claims. He says that the stock market always goes up. OK, so how does one measure the return of the overall stock market? Ah, with indexes! OK, so as a company declines and its market cap shrinks as it heads towards bankruptcy--the ultimate (and fairly frequent) fate of ALL companies—what happens to its stock? It gets removed from all of the indexes! It's like claiming that people live forever, because as they get old, you remove them from the study. Stock indexes suffer from *survivor bias*, and those terminal declines to zero don't get included in the calculation of the stock market's return.

Second, does the stock market go up in real terms, after inflation and taxes? That depends on how high those percentages are and how long that lasts, but there have been long periods where the stock market has returned virtually nothing after the government takes its share via inflation and taxes. And I'm pretty sure that both will be heading higher in the future.

OK, what about a growing population with more consumers who have a higher standard of living? Let's assume for the sake of argument that those factors contribute to a company's bottom line. Population size is affected by fertility rates, mortality rates, and immigration (or emigration). Today women in the U.S. are waiting longer than ever to get married. Part of the problem is that society has told men that they are no longer needed. There's that whole problem with “the patriarchy” and “toxic masculinity.” The federal government has replaced men as providers and fathers, with catastrophic consequences. So many men have simply checked out, and now spend their days playing video games, viewing porn, smoking weed (which [is now more popular than cigarettes](#)) and eating junk food on the sofa. These men aren't marriage material even if women wanted them, which after four years of Gender Studies at Wellesley, they probably don't.

Family formation is also declining because young adults are drowning in [\\$1.768 trillion of student loan debt, or over \\$40,000 per student](#)! Imagine a young couple trying to buy a house and start a family with \$80,000 or more of student loans hanging over their heads. It sounds like the federal government is going to forgive some of this debt, but that will only make the long-term situation even worse.

The mortality rate is affected by health (including mental health), the availability and affordability of health care, the suicide rate, the murder rate, and exposure to toxins and diseases. After almost three years of lockdowns, social isolation, depression, addiction, “vaccines” that were not adequately tested, and cowed and defunded police, all of this is headed in the wrong direction. The cost of health care has become exorbitant, and life expectancy in the U.S. [has plunged to the lowest level in decades](#).

Immigration could bring a wide variety of people, including people who are destitute, those who come here to collect generous welfare benefits, and those from “sh*thole countries” who aren't on board with the Western way of life. That assumes that anyone would want to migrate to a dying country. Then there's emigration. As the situation in the U.S. deteriorates, more high net worth individuals will flee.

But hasn't the standard of living in the U.S. increased? Well, we do now have “advancements” such as TikTok, pain pills and mobility scooters, but [the average real hourly wage has hardly budged since 1973.](#)

But won't inflation increase the prices that companies can charge, and thus increase their revenue and profits? Different companies have different amounts of pricing power. Even if a company can increase its prices, its costs of production will probably increase by a commensurate amount. If printing currency could make us all rich, we'd already all be living like kings by now. Inflation can only destroy wealth. Remember that one of the requirements for a free market to function is sound money.

Finally, here are some thought experiments. What would happen to the value of stocks over the long term if:

- Most large corporations [decided to become de facto non-profits?](#)
- Most investors invest in index funds, and then the managers of those funds [pressure management to manage their companies for the benefit of “stakeholders”](#) instead of for shareholders?
- [The federal government imposes a minimum tax on corporations](#) that is unrelated to their taxable income (i.e., corporations become the federal government's ATM)?
- A large generation (Baby Boomers, who also happen to be the wealthiest generation currently) wanted/needed to sell their stocks to help finance their retirement and to de-risk as their time horizon diminishes? Would they be more inclined to sell after a large stock market crash? Other than Gen Xers, who would they sell to? Their children the Millennials, who generally eschew investments, have a lot of student loans and tend to be underemployed?
- The currency is hyperinflated until it becomes litter?
- People don't want to work because they're too lazy, drunk/high/addicted, “disabled,” can't physically move, etc.?
- The supply chain starts to break down and [companies can't get the inputs they need](#), including [energy?](#)
- Countries such as Russia and China continue to invade and occupy countries with market economies?
- [Socialist politicians](#) take over completely, nationalizing companies and saddling the rest with even more taxes and regulations.
- A computer virus, natural disaster (especially a coronal mass ejection), etc. takes down the power grid, fries electronics, shuts down communications (including the Internet), the transportation system, the military, etc.?

- Governments, central banks and NGOs (such as the UN, WHO and the World Economic Forum) continue to make catastrophic and wide-scale policy blunders (e.g., massive pork barrel spending programs, extremely low interest rates, massive currency printing, the COVID-19 response, The Great Reset/Build Back Better, 5G, the Green New Deal, etc.), the results of which become endemic?
- A real pandemic (e.g., Ebola, Bubonic Plague, Marburg) hits the U.S. or the world?

Would it then be time to Buy The Dip?

What You Should Be Doing Now

I just finished reading [Enjoy the Decline: Accepting and Living With the Death of the United States](#) by Aaron Clarey. This is a worthwhile book (4 stars) that encourages you to accept America's fate, and shows you how you can survive, thrive and maybe even enjoy it as everything goes to Hell around you. A nice addition to the collapsology genre.

I also just finished reading [Boomers: The Men and Women Who Promised Freedom and Delivered Disaster](#) by Helen Andrews. I can't really recommend it (3.5 stars) as it's not really about Boomers but about a handful of famous Boomers. Here are some excerpts:

“It is interesting to note how closely drugs have tracked the boomers as their needs and tastes have changed with age. Marijuana gave way to cocaine when they became old and rich enough to prefer [it]....the fad for Ritalin conveniently arose at exactly the right time to make the boomers' school-age children easier to manage.”

“Men without jobs have video games the way men without girlfriends have pornography, and growing numbers of men are finding the substitute good enough to be going on with, declining to pursue either permanent employment or marriage. The historian David Courtwright calls this 'limbic capitalism,' the redirection of America's productive energies into inducing and servicing addictions.”

“...the most salient and striking economic fact about the baby boom generation: they have more debt than any other people in history.”

Interview to watch: [Dr. Mercola interviews Edward Dowd](#).

Series to watch: [Pirate Gold of Adak Island](#) on Netflix. Fascinating!

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I would love to hear from you! I thrive on feedback from readers. If you have any comments, suggestions, insight/wisdom, or you'd like to share a link to a great article, please [email me](#).

Generally, I don't have time to answer questions about your specific situation, but if you have a general question that I think other readers also have, [let me know](#) and I will

provide an answer in a future issue.

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