By: Daniel Lacalle

Gold shows why Americans are depressed

In a recent comedy monologue commenting on the surprisingly poor ratings of the Biden administration, Bill Maher said to Americans “cheer the f… up”. It seemed to him illogical that Americans have a negative view of the administration when headline figures suggest a great economy.

Obviously, Maher’s comment is a fun comedy rant, but if we think about it in detail, it shows why the Biden administration played a dangerous game ignoring the real economy.

Average hourly wages have increased by just 0.76% over the past four years, when in the previous four years real wages rose three times more, or 2.8 percent.

Accumulated inflation soared to 20% under Biden despite enjoying the entire recovery (2021-24). The Biden administration has also increased debt by $6 trillion in a recovery to an unsustainable $34 trillion.

Labor participation rate and employment to population remain below pre-pandemic level. It is important to remember that all this happened in a presidency that caught the entire recovery and none of the pandemic slump.

The accumulated loss of purchasing ability

The average American does not care if the annual rate of inflation is slower, they care about the accumulated loss of purchasing ability. 20% accumulated inflation is insane in the country that enjoys the world’s reserve currency.

And yes, inflation is a monetary phenomenon created by Gold may have the answer to Bill Maher’s surprise.

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Americans are living a period of massive destruction of the purchasing power of the currency. Insane deficit spending in a demand recovery means perpetuated inflation and a weakening of the average citizen’s ability to make ends meet.

Furthermore, considering the path of deficit spending, markets are discounting another unnecessary and damaging round of central bank easing.

This destruction of the average citizen’s real wages and deposit savings makes the perception of the economy worsen, and it is no surprise that the consumer confidence index continues to be poor.

Artificial money creation always hurts real wages and deposit savings while bailing out government excessive spending.

Gold is sending a clear message

Gold is discounting exactly that. A massive financial repression period with constant monetisation of fiscal irresponsibility.

We should be worried because the latest estimates show that headline PCE inflation will likely grow 0.4% in February (vs. 0.3% previously) and 2.5% on an annual basis, up from 2.4% in January. This is on top of the already accumulated inflation of the past four years.

Core inflation will likely show an 0.3% gain according to Bloomberg Economics, with the annual rate at a stubborn 2.8%, building on top of the inflation increases of the past years.

Even with income and spending growth, Americans will continue to perceive an excessive inflationary burden, and rightly so.

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Gold and bitcoin are reflecting the insanity of wrongly called “expansionary” fiscal policies that are only driving debt higher.

The headline GDP growth and unemployment figures may look optimistic, but GDP discounting the accumulation of debt and employment considering the public sector increase and temporary jobs are showing the opposite.

That is why Americans are so depressed. They are suffering the engineering of headline economic figures, and they will pay for the newly created debt with higher taxes and lower real wages.

Bill Maher’s funny monologue reminds us that the insanity of Keynesian policies is that they destroy what they want to defend. These monster spending plans are allegedly designed to help the middle class and they are destroying it, putting the US dollar at risk at the same time.

Gold is sending a clear message: Stop playing with the world reserve currency status by bloating deficit spending because you may lose the dollar’s position.