

**First Principles**

**WHAT DOES OUR JUNTO STAND FOR**

**Role of Government**

**MORE GOVERNMENT IS LESS FREEDOM**



**WEALTH BUILDING POOLED INVESTMENT ACCOUNT**



**TIME THE MARKET? MORE TIME IN THE MARKET**

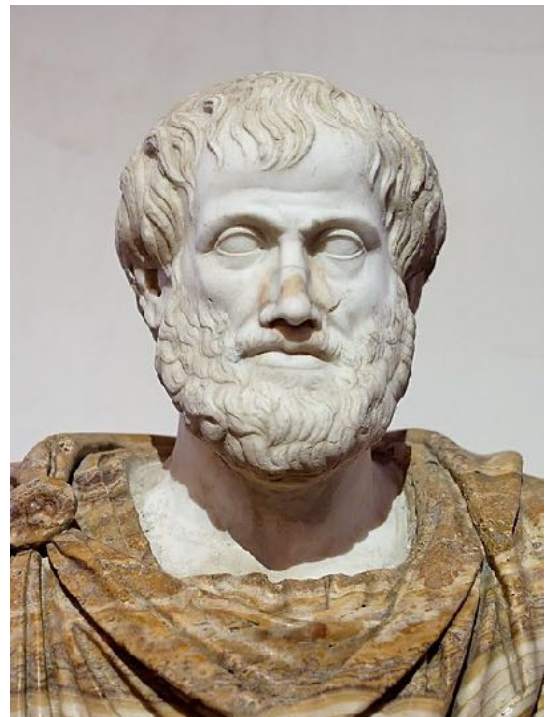
# THE UNDERGROUND

## First Principles

If we were able to have an honest conversation with any of our Socialist friends would we find any common ground. If we drill down to a set of First Principles would we find we agree on anything?

We could start with a set of Morals such as, don't kill, lie, cheat, steal or procrastinate. Be courageous, productive, genuine, humble, civil, respectful, kind, self reliant, dependable, trustworthy, loyal, thrifty and have grit. We should all list of preferred behaviors should all emulate when we are dealing with friends or business associates.

But there is a problem using morals as a set of first principles. There are exceptions to most of them. Would we choose to let our children starve or would we steal? Do we choose slavery or war? Would we lie to an enemy to protect valuable information? We all like to be self reliant but reaching out for the help of a friend makes us a better community of friends.



**Aristotle: First Principles**

We need to develop a list of behaviors that do not require exceptions. An initial proposal would include:

- Display Courage
- Faith in a Higher Power
- Pursue Knowledge
- Employ Critical Thought
- Create Wealth
- Pass this Heritage to our Children

Would our Socialist friends agree with any of these? They might agree with Knowledge; would not understand Courage, or Critical Thought; and attack Faith and Wealth and believe education is their domain.

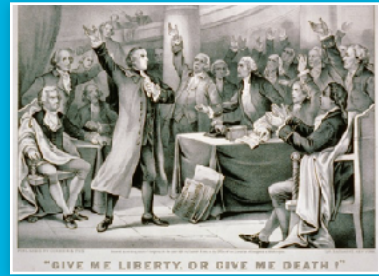
I am sure there are a few more behaviors or beliefs we could include here. Please send me your ideas.

## Role of Federal Government

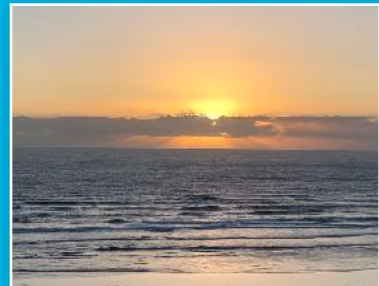
Finding a consensus with the Socialists describing a role for our Federal Government is unlikely. What does it mean for our government to, “Provide for the general welfare?” Our perspective might be limited to ensuring the rule of law or reduce regulations so business can function. Socialists believe government needs to provide or approve everything you need. If we push past the general welfare clause, we find a short list of roles for our Federal Government:

- Ensure Free and Fair Elections
- Enforce the Rule of Law
- Provide for the Common Defense

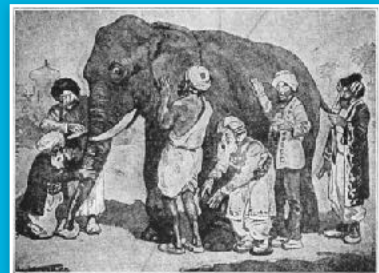
### First Principles



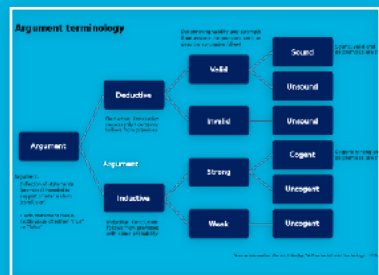
Courage



Faith in God



Knowledge



Critical Thought



Create Wealth

- Financial Management of the Federal Gov
- Police Powers - Limited by the Bill of Rights

Free and Fair Elections allow the people to have a voice in the management of our government. The Rule of Law enables the people to defend themselves against the government and criminals. Providing for the Common Defense includes diplomacy, military activities and border control. Police Powers are needed to enforce federal laws and govern public health and safety. The recent overreach by the Federal Government in this area was finally ended by the Federal Court System. Thankfully the actions of the Federal Government are restricted by the Bill of Rights as long as the judicial system does their duty.

Next month we can build on these governmental roles and create a New Contract With America. Contact Underground Capitalist to let us know your thoughts on Morals, First Principles, Role of the Federal Government and the Contract with America. We look forward to hearing from you.

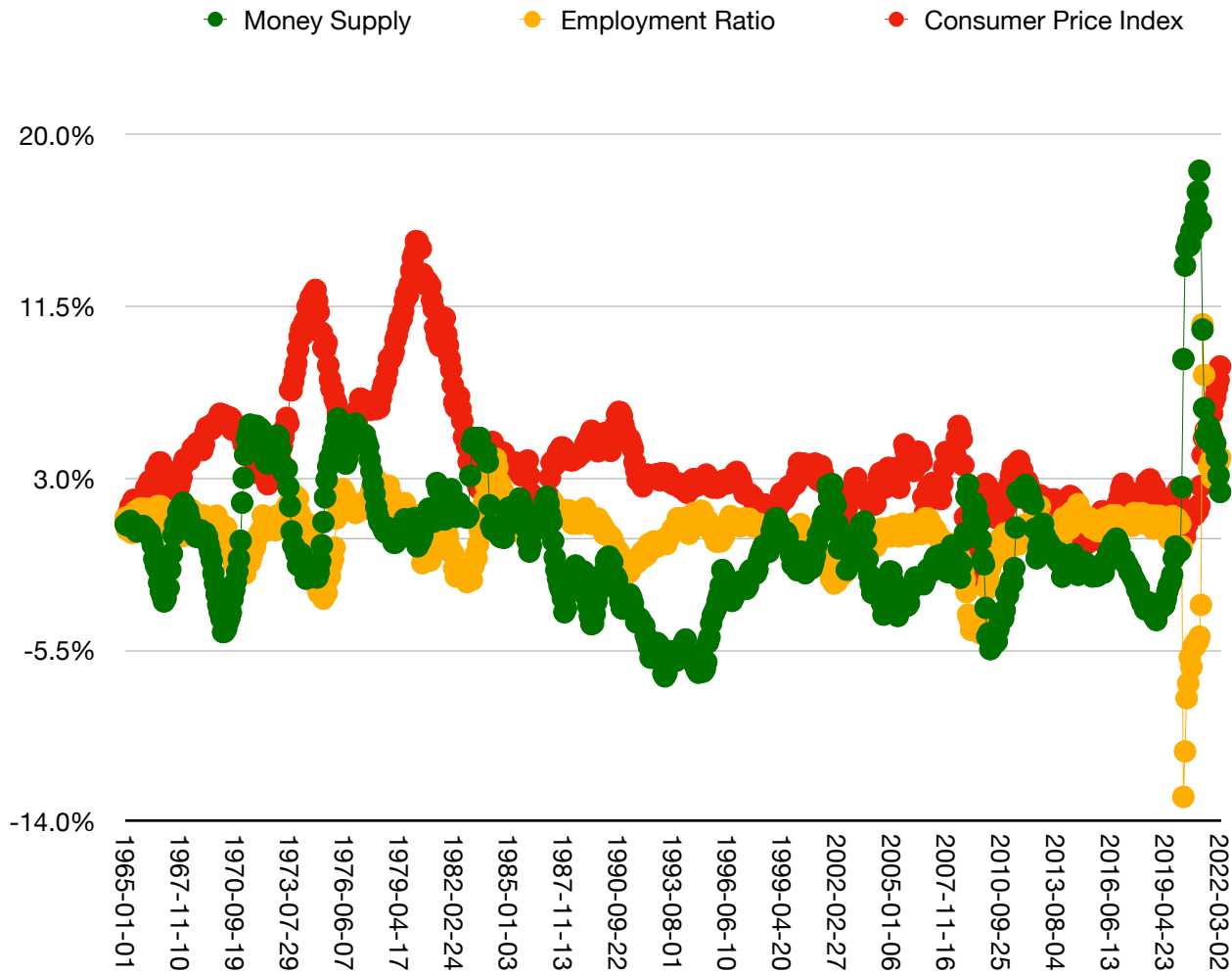
## Economic Statistics

In an attempt to understand the macroeconomics of our economy we are presenting some statical data. This month we are looking at the money supply, the employment ratio and the consumer price index. Money Supply is the % change in M2 reduced by .6% for the previous 12 months. Employment ratio is the % change in employed persons (age 25 to 54) over the past 12 months. Consumer Price Index is the % change (Urban Consumer Unadjusted) in CPI over the previous 12 months.

There are some interesting observations that can be made in the chart. 1970 Money Supply Injection: The money supply increases in from April 1970 until July 1971 and remains high until January 1973. The Consumer Price Index began to respond in February 1973 and peaked in December 1974.

1975 Money Supply Injection: A second money supply injection starts in February 1975 until February 1976 and remains high until August 1977. The Consumer Price Index began to respond in May 1978 and peaked in March 1980.

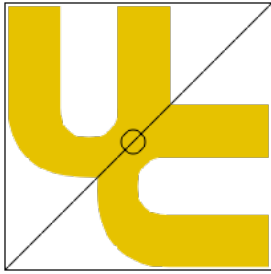
Looking at these two Money Supply Injections we see that the inflation response appeared just under three years after the injection. Both injections were just over 13% producing 12.3% and 14.8% inflation.



Next we observe four small Money Supply injections in 1983, 2002, 2007, and 2011. All of these injections were small and short lived. During those years there were no spikes in inflation and only a couple of periods with minor inflation.

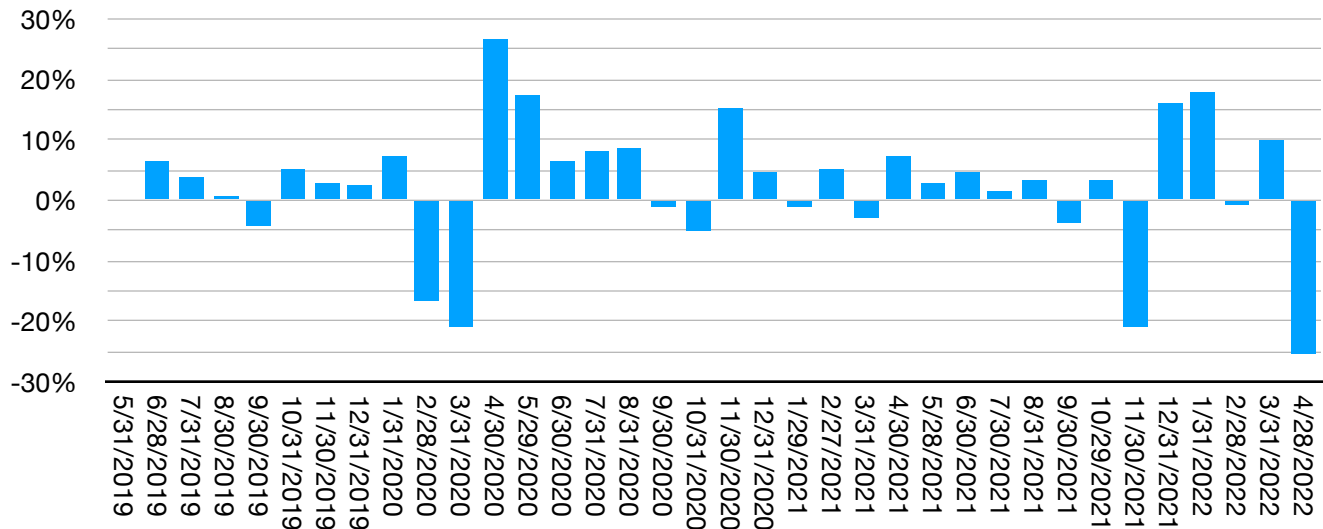
The largest Money Supply Injection on the chart begins in February 2020 and continues until February 2021. The Injection is a 26.9% increase but is reduced quickly after February to nominal levels. Since this injection is twice as much as the injections from the 1970s will it result in twice as much inflation?

## Historic Returns



In April 2022 TQQQ dropped from \$58.18 to \$36.53, a 37.2% loss. Since we are invested in TQQQ exclusively our returns were negative as expected with an 25.5% loss. Our losses were less than the market because a sizable portion of our holdings were in cash at the beginning of the month.

This loss highlights some key things to understand about investing in equities. Never invest anything in equities you will need in the short term. Diversify your investments: We invest in equities, fixed rate of



return products, and real estate.

Has the market reached bottom? We do not know. If we were guessing we would expect at least a few more weeks of market losses.

## Imparts

Underground Capitalist is very interested in your contributions, questions and suggestions. Please contact us at [admin@undergroundcapitalist.com](mailto:admin@undergroundcapitalist.com).