

## John E. Silvia of Dynamic Economic Strategy to be Featured on Close Up Radio

LUTZ, FLORIDA, UNITED STATES, June 14, 2024 /EINPresswire.com/ -- With many Americans feeling an economic squeeze at the grocery store and with housing, John Silvia wants you to know that the situation is improving. "The cost of living is an interesting subject. From the policy maker's point of view, the Federal Reserve, the Administration, the argument is that the rate of inflation has come down over the last 18 months. That's a very positive development. The problem is that on an individual level, people are seeing that eggs are up 100% over what they were seeing 4 years ago. Meat, coffee, bread, all those essentials are up. For many, prices have gone up faster than wages or income. For many, real income has actually declined over the last 3 years because inflation has picked up at a faster pace than wages and salaries. We see this convergence more critically than we did in the last 2 decades. So there is a big disparity."



John continues, "Inflation was created when the Federal Reserve printed a lot of money to deal with COVID and the state shutdowns. That liquidity in the system boosted prices and barriers to a higher standard of living. In addition, the federal government, in terms of fiscal policy, spent a lot of money during COVID, so that gets into the system, causing the total demand on the economy to go up."

As an economist, John blames supply and demand. "What happened, under COVID, was shipping became limited across countries, trucking was limited and the net result was a big increase in domestic demand without a commensurate increase in supply. This tension caused prices to go up. During the past 6 months, timelines have improved and unfilled orders are down, so we're

catching up in terms of the supply chain, but many are still experiencing the tension between supply and demand.”

One of the best ways for Americans to insulate themselves from inflation is to invest in the stock market. John explains, “The problem goes back to being actively involved in the stock market. Not everyone owns stock, pensions, or IRAs. Forty percent of Americans do not own stock, which is an issue.”

It’s important to keep in mind that stockholders are people who own IRAs, pensions, etc., Wall Street refers to institutional investors. Explains John, “There has been a long term debate that management and CEOs cater to the short term focus of generating profits and returns instead of the long term benefits of their companies and society in general. For example, when institutional investors are making estimates that a company ought to earn \$0.10 this quarter, management often feels they need to at least come close to \$0.10. So the temptation is there to manage the company with that short-term goal in mind. Over time, management has to think about the end-run goal for his or her company and for society. Too many companies, managers, and investors, are in this game for the short run.”

Another challenge facing Americans is home prices. “If you own a home, you are wealthier on paper because your home price has gone up over the last 4 years, significantly. The problem comes in with younger people, who don’t own property and are finding themselves stranded. With higher mortgage rates (6-7%) and higher home prices, this cohort does have barriers to entry,” laments John.

Another challenge facing the economy is consumer credit. “When we look at consumer credit data published by the Federal Reserve, we are seeing delinquencies in terms of credit cards and auto loans. When we look at those statistics by age (although not a perfect proxy for income but pretty close), we see that younger cohorts are having a much higher delinquency rates than older cohorts (45 and up). This disparity is historically a problem for policy makers,” shared John.

Wages are also contributing to the disparity. According to John, “If you need a machinist and can’t find one offering \$35/hour, the time has come to consider paying \$40/hour. Employment is a



negotiation between the business owner and the worker. If you can't negotiate, you shouldn't be in business. We saw this 6 or 9 months ago when fast food restaurants began raising entry-level wages independent of government action. These restaurants needed workers as they had customers who knew they wanted to buy hamburgers or chicken tenders. Restaurants had customers, but they didn't have enough employees to serve their customers. From my point of view, if you cannot find workers, raise the wage and find new ways to recruit employees. Business owners need to be able to step up to the plate and negotiate."

Money does not create loyalty. "Offering money alone creates a problem as someone will always outbid you. Employers have to create an environment where employees feel the company they work for is doing something good, whether it's helping out the community, or offering a great service. At Wells Fargo, we did a lot of work with Habitat for Humanity, which was wonderful for creating a sense of community and purpose," shares John.

Overall, policy makers need to be more sensitive to the reality that their jobs are not just about lowering inflation. "We have to look at the broader impact to society when we see just the top 60% doing fine. Simply lowering inflation isn't improving the standard of living for people who do not own stock. We need to acknowledge that they have a tough time keeping up for many reasons: health, education, location. Right now, many Americans are feeling dissatisfied because their economic situation, in their minds, has not improved compared to what they've seen in the past. And as a result, we are seeing a lot of disenfranchised voters, which is a huge challenge. This is a tough scenario for many Americans," explains John.

Author of 4 books on economics, John's latest book, *Financial Markets and Economic Performance: A Model for Effective Decision Making*, focuses on the details and mechanics of the economy and the financial system. "It's not glamorous, not about making a ton of money after investing for 5 days. It's about the fundamentals of economics and finance that came out of an MBA course I taught at Lake Forest University and Northwestern University."

Although officially retired, John is in demand offering limited consulting services to investment managers, bankers, and finance experts around the world through his consulting company, Dynamic Economic Strategy. He also lectures and holds seminars for select groups, and offers a weekly newsletter for subscribers at [JohnSilvia.com/newsletters](http://JohnSilvia.com/newsletters).

Close Up Radio will feature John E. Silvia in an interview with Doug Llewelyn on Tuesday, June 18th at 2pm Eastern

Listen to the show on [BlogTalkRadio](http://BlogTalkRadio)

If you have any questions for our guest, please call (347) 996-3389

For more information about John E. Silvia or Dynamic Economic Strategy, please visit <https://www.johnesilvia.com/>

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