



Guest Expert: Karl Denninger
Market-Ticker.org

Date Aired: December 7, 2025

Produced by:

Retirement Lifestyle Advocates
961 Four Mile Road, NW
Grand Rapids, MI 49544

Phone: (866) 921-3613

Email: info@planners.com

Website: www.RetirementLifestyleAdvocates.com

Dennis Tubbergen:

This is the Retirement Lifestyle Advocates Radio Program. I'm your host, Dennis Tubbergen. Glad you decided to listen in today. Joining me in segment two of today's program is Mr. Karl Denninger. If you're a longtime-listener to the program, you'll recognize Karl as the proprietor at market-ticker.org. I'm going to get Karl's take on the jobs report that was just released. I'm going to get his take on the health of the US economy. We'll talk about whether or not a recession is imminent and what that recession might look like. Will it be deflationary or inflationary? You'll want to stay tuned for that. That is coming up again in segment two of today's program. If you've not yet visited retirementlifestyleadvocates.com and created your free login to that site, I'd encourage you to do that. When you create your free login, it will give you access to the weekly headline, roundup newscast, the podcast, as well as the weekly portfolio watch newsletter. Again, that's retirementlifestyleadvocates.com. Creating the login is free and all the resources there are also available on a complimentary basis.

In this segment, I want to share with you some research that I recently did and I found this research to be absolutely eye-opening. So in this segment, I want to talk about why are many Americans struggling? Why are many Americans having trouble making ends meet? Well, I think the real reason might surprise you. Let me tell you what I mean. I was recently reading a review of a book that was written about life in the Panama Canal Zone in 1910. Now, everything else aside, what I found to be the most interesting part of this review was the pay that employees working in Panama earned for their efforts. It's also worth noting that income earned at this time was completely income tax free since the income tax did not come around until 1913. So the year again is 1910, and a junior engineer working in the Panama Canal Zone earned \$250 per month or \$3,000 a year. Now in 1910, the US dollar was not only backed by gold, the US dollar was gold. A \$20 gold piece contained one ounce of gold. So every dollar earned in 1910 was paid in one 20th of an ounce of gold.

So if you worked an entire year in the canal zone as a junior engineer and you earned \$3,000 for your efforts for that year, you would've been paid 150 ounces of gold, and this was probably your first career directly out of college. Now, let's fast forward to today. Gold is somewhere north as I record this, of \$4,200 per ounce. An employee earning 150 ounces of gold annually today would be paid more than \$630,000 a year. That's enough to be in the top 1% of income earners in the United States. Incidentally, you have to make \$407,500 a year or more to be in the top 1% of income earners in the United States. So in 1910 being paid \$3,000 a year in gold would be the equivalent of earning \$630,000 a year today.

But the historical examples don't stop there. Let's go back to 1964. 1964 was the last year that silver coins in the United States contained silver coins minted in 1964 and years prior were comprised of 90% silver. For every \$100 in coin face, you had 72 ounces of silver. So to be clear, if you had a hundred silver dollars, you had 72 ounces of silver. If you had 200 half dollars, you had 72 ounces of silver, 400 quarters totals a hundred dollars face amount. That meant you had 72 ounces of silver. A thousand dimes meant the same thing. Any combination of these coins with the exception of nickels and now the extinct penny, any combination of these coins containing a hundred dollars in face value meant that you had 72 ounces of silver in your possession. Now, if you go to the Department of Labor at dol.gov, you'll find a history of the United States minimum wage posted there. Well, in 1964 Venture a guess as to what the minimum wage was.

I've asked a number of people just to guess and everybody guesses higher than what it really was In 1964, as of September of 1964, the minimum wage in the United States increased to a dollar 15 per hour. So a minimum wage worker in 1964 who worked 40 hours a week at a dollar 15 an hour, earned \$46 per week. At the time, that was the equivalent of being paid about 33 ounces of silver per week. Now, silver has been hovering between 56 and 58 and a little north of \$58 per ounce. So if we take \$57 an ounce as an approximate average, if US dollars were still redeemable for silver as they were in 1964, that would translate to a minimum wage worker earning 33 ounces of silver per week, earning the equivalent of \$1,880 per week or about \$94,000 a year. So if you want to know why many American workers are struggling, look no further than the extreme devaluation that the US dollar has experienced.

Now, why do I bring this up? I bring this up because this devaluation will have to continue. The Federal Reserve has just noted that the central bank will continue with devaluation. Now, they didn't use those words obviously, but what they said was they're going to end quantitative tightening that reduced the balance sheet of the Federal Reserve. The Fed is now once again poised to continue inflationary or devaluation policies as they have ever since the Fed was formed back in 1913, devaluation has just gotten to be more extreme. Now, there have been many instances of devaluation historically, and history tells us that devaluation will have to end at some point. What is that point? That point is when the confidence in the currency reaches a tipping point. At that point when confidence in the currency reaches the tipping point that enough people do not trust it, are not confident in it, at that point, there will be a mad scramble for tangible assets, but at that point, it'll be too little too late. The time to do an income plan and determine the ideal level of tangible assets in your portfolio is now. I'll be back after these words with my special guest, Mr. Karl Denninger.

Dennis Tubbergen here, host of the Retirement Lifestyle Advocates Radio Program. If you've not already done so, I'd like to invite you to go to the website retirementlifestyleadvocates.com and create your free login. Once you've created that free login, you'll get access every week to the podcast. You'll get access to the headline roundup newscast. You can also participate live in that newscast every Monday at noon. You'll also get a copy of my Portfolio Watch newsletter every Monday. Again, the website, retirementlifestyleadvocates.com. It's free. What are you waiting for?

Welcome back to RLA Radio. I am your host, Dennis Tubbergen. Joining me once again on today's program is returning guest, Mr. Karl Denninger. If you are a longtime-listener to the program, you'll recognize Karl as the proprietor of market-ticker.org. He is a prolific commentator, very bright guide. Encourage you to check it out the website again, market-ticker.org.

And Karl, welcome back to the program. Thank you for having me on, Dennis. So Karl, let's talk a little bit to get started about the US economy before we started to actually roll tape to use an expression, we don't hear much anymore. You talked about the ADP jobs report. So what's your take on the health of the US economy jobs in particular?

Karl Denninger:

I think there's a really serious problem brewing here and it's being ignored and overlooked to a large degree by a lot of people. The ADP number was quite punky, but the really bad news has been in these numbers for quite a while, and that is that pretty much all year you've had negative prints in the small business area, and yet in medium and large businesses, the numbers have been okay. The problem with this is that stress in the economy typically always shows up in the small business sector first. And some of this has become structural and it comes out of what they did after the great financial crisis, the 08, 09 timeframe in that between the removal of reserve requirements on banks. So you went to essentially paying interest on excess reserves as a policy tool as opposed to having an actual reserve ratio within the banking system, and then the variable nature of haircuts based upon the credit quality of the borrower.

What you end up with is a situation where a company like Apple or Amazon can borrow at very close to the short-term treasury rate, even over fairly extended periods of time. And the small business ends up paying credit card style interest rates because their debt is, if it's syndicated and sold, or even if it's held in a portfolio, has a 15 or 20% haircut on it or a 10% haircut on it, and Amazon's has a zero. So as a result, the small business person gets screwed by comparison in access to capital. And there's really, I mean, it's a

structural thing that was built into the financial system after the crash in oh eight. And as an example, I know people quite well that have very strong cash flowing small business operations going on right now, and they're being offered what amount to operating lines of credit, but it's not with an interest rate on it.

It's an upfront fee, and when you calculate it out, it comes out to about a 20% interest rate and it's upfront. So I mean, it's not like, well, if you borrow it, pay it back in two months, that's gone, right? You only paid it during the two months, you had the money out. No, no, no, no. It's a fee for the processing, that kind of thing. That's worse than payday lenders when you get down to it and it just strangles people from a capital perspective. So that and the ramp up in the healthcare cost environment, which has all of a sudden gotten, I mean it was extended to try to keep it from blowing up everyone's face during Biden's administration with the COVID stuff and the subsidy changes, but that's expiring at the end of December. And so that's hitting people too. So between those two things, it's not surprising. I'm seeing a lot of very severe weakness in small business around here. And yet Black Friday you go down by the outlet mall and it was stuffed full of people.

Dennis Tubbergen:

Kyle, there's so much you covered there, but let me back up a minute and just talk about debt. I mean, when you look at non-financial private sector debt, the last numbers I saw, it's approaching like \$80 trillion. So more than two and a half times GDP, don't we have to see some type of a recession, excuse me, recessionary or deflationary reset. I mean this debt level is just not payable.

Karl Denninger:

Well, yeah, that's the basic problem is that when you get down to, we have two areas that you have to address in terms of consumer cost, and the first one is that you have to break the medical monopolies and you have to collapse the cost of the medical system. There isn't any other way to do this. The treasury statement for the month of October came out and the spending on prescription drugs within CMS was 400% of last October's. That's not a few percentage, it's four times. Okay? Hospitals and doctors were both up more than 50 on a year over year basis. I have long warned that this is a trend that will go exponential, and the curve fits very clearly with an exponential curve. Well, now it's gone vertical. So if this is not addressed now, it will collapse first starting with small businesses and then on through the rest of the economy and the federal budget, if they attempt to print their

way out of it by admitting more credit, all they do is drive inflation to the moon.

The buffer is gone, the ability to extend and pretend is gone. Now we have to deal with it. And the second issue is housing. You can't manifest and you can't manifest either doctors or houses, okay? You can't wave your hands and make them appear. So the reality there is that the only policy lever you realistically have is to kick out all the illegal immigrants, and now all of a sudden there is a surplus, especially at the lower end, which of course, those are the people that are having the most trouble affording things right now, all of a sudden you have a surplus of housing available instead of a deficit because you can't possibly build the required housing. Even if you could get the permit, even if you get all the equipment, even if you had all the labor, you can't do it in the amount of time that's available before everything goes down the toilet.

Dennis Tubbergen:

So Karl, let's just circle back to these rising healthcare costs. Black Friday, I think I read in Armstrong economics that the majority of Black Friday shoppers are expecting to take on debt to do their shopping. That's just going to exacerbate the problem. You look at healthcare costs that squeezes discretionary income, and we have a US economy that is 70% dependent on consumers spending money. So is a recession imminent? And if so, how severe is it going to be?

Karl Denninger:

I don't see any way to avoid a recession. Of course, what we've done over the last few years is in the face of anything that's considered a crisis, let's find some way to put it off until tomorrow. And the way we do that is by wildly expanding credit emission, we had a bad virus that came through a few years ago, rather than deal with the fact that people that are scared are going to sit at home, they're not going to go out, they're not going to go to the bar, they're not going to go spend money instead of just, okay, this too shall pass. No, no, no, no, we're going to hand everybody two, three, \$4,000 worth of just flat out checks that we have absolutely no tax receipts to pay for.

And people thought somehow that doing that wasn't going to have an inflationary impact. Well, that's silly. Of course it's going to have an inflationary impact, and it did, and it's not one party or the other. Trump started that when he was president and then buying double down on it. So whether you happen to be a Republican or a Democrat doesn't make any

difference. They both stuck it in the same way and gave you the knife in the back, right? And so now we're sitting here looking at this. We've disrupted supply chains. We allowed price to skyrocket because you had all this money flying around. What did that do to building materials? What did it do to all these kinds of things? You have houses that were built during that period of time when a hundred dollars roll of Romex was selling for two 50 at Home Depot. Alright? Now, if you built the place and you paid two 50 for it, that's a sunk cost. That roll of Romex is a hundred bucks. Now, again, okay, well, nobody cares what you have in something when they go to buy it. That doesn't make any difference, but someone's going to eat that loss and that is a deflationary loss.

Dennis Tubbergen:

So Kyle, when you look at the policy response, I mean it seems to me, correct me if I'm wrong or if you have a different perspective, but it seems the Fed has one play left in their playbook. Quantitative tightening is now history. We're going back the other way. The administration's pushing for much lower interest rates. It remains to be seen if that will be reflected in the broader market. I have my doubts, but I mean, isn't it just same song, different verse, and they're going to have to create a lot more currency to try to reflate this, and is that going to create more inflation or stagflation? What's the end game here in your view?

Karl Denninger:

Well, how do you fix this by adding more? It's not currency, it's credit because you haven't produced anything. Currency is what you have left after you pay your expenses and producing something. They didn't produce anything. They just pushed a button. So the problem that you have with that is when you do that, it inevitably comes back as inflation. And so what you're doing is you're robbing, you're taking somebody and you're saying, I'm going to give you \$500 to go buy groceries. But what you've done is you've taken that \$500 and you've stolen it from everybody else in the country. Now the other people see it, they don't realize that you stole it from them because it was a fraction of a penny a person. But the fact of the matter is, is that if you do this millions and millions and millions of times, my grocery basket goes up 50 bucks and my gas bill goes up and my insurance bill goes up and everything else goes up, the dentist to clean my teeth goes up.

So because that guy has to pay the higher price that gets engendered by this and supply and demand is the first law of economics. We destroyed the buffer that we had from trade volume increases that we had enjoyed in the

United States for decades when the war between Russia and Ukraine started, we did that by our own policy. We decided we were going to sanction anything that had any connection to Russia, anything, whether it was directly involved with the government there or not, didn't make any difference. If you had anything to do with Putin and Russia, you got sanctioned. Well, we had over the course of more than 20 years, enjoyed approximately a \$400 billion deficit writing capability without inflationary impact. And that had become embedded into the viewpoint that our Congress could turn around and run deficits of that kind of size without it showing up in inflation at all ever.

And so that's what they've done, and that's what we trained those people to do. And the Federal Reserve had this idea that they could do it as well for the same reason. Because for 15, 20 years we had been doing it and that had been the result. And people would say, but that's impossible. It's not impossible. Mathematics is an exact science. You just have to figure out where it's being absorbed. And that was the answer. Well, that's gone and it's never coming back because we'll never be trusted to not do that again. So now we have to live with a world where if you spend in deficit, you get inflation, period.

Dennis Tubbergen:

So Karl, do you see the end game here being that we have this debt reset and it's deflation like the thirties, or do you see the Federal Reserve going back and pursuing heavy duty, easy money policies and we see maybe deflation in real terms, items priced in gold, but we see off the charts inflation or maybe hyperinflation? Where do you see this coming down?

Karl Denninger:

Well, if it goes the second way you get a civil war, you get the destruction of American society because anybody that thinks they can avoid this by buying gold is out of their mind. You can't, first off, you can't put enough of your assets in there and there's no leverage on that. And if you take a leveraged bet and you're wrong, you get blown up. Witness the people that were short Capricorn last night and this morning got a 400% spike up in the price up their back door, the margin clerk's on the phone and he wants his money, right? But that wire transfer will go out this afternoon. Okay? So I mean that's the problem is that you can't hide from that kind of thing. The fix for this is policy related. The idea that people have these huge paper gains, if you haven't realized them, they're not real.

They are numbers on a screen. They can disappear just as fast as the guy who was short that company had happened to him this morning. And the same kind of thing can happen the other way around. We've all seen this in housing where the place that was a \$250,000 house three, four years ago is 500 now. It has no more bedrooms, it has no more stuff in it. It has no more value as a place to rest your hat and sleep or take a shower than it did four years ago. In fact, it has less value unless you've put maintenance into it because everything, it turns into dust if you let it sit long enough. So the idea that these things are all of a sudden worth twice as much is just pure folly. It's nonsense. No, it's not. And the other problem you have is that this AI bubble is in the process of starting to crack.

And I have said this for a while. This is becoming a commoditized market and when it does margins, Nvidia reported extremely fat margins in their latest earnings report in the neighborhood of 50%. Anytime you have more than 10% margins, people shoot at you. That's just the way it is. Their moat's gone in terms of actually having patentable protection on most of their stuff. You've got a MD, you've got Intel, you've got Qualcomm, you've got Broadcom, you've got all these different people coming after 'em. Now Google is coming after them directly with their tensor based chips and everything else. That margin is not going to hold. And yet that's where these valuations are coming from. So if you take a company like that and you take that 50% margin and you cut it down to a commodity based margin, which is about 10%, which is where everything always ends up heading, eventually you just took four-fifths of value of the company off. Okay, now all of a sudden, instead of trading at \$150 a share, it trades at 30.

Dennis Tubbergen:

So Kyle, you mentioned if it goes the other way, if we get this stagflationary or Hyperinflationary outcome, we have civil war. It occurred to me when you said that the us, the populace if you will, seems to be pretty bifurcated. You've got the top 10% that seem to be spending and borrowing and conducting business as usual. For the most part, they're doing just fine. And then you've got the lower and middle income Americans that are really, really struggling. We kind of headed in that direction already based on the monetary policy we've seen over the past several years.

Karl Denninger:

Yeah, we are to a degree, but I wonder to a large degree, exactly how much of that supposed advances those people that are out there blowing all that money. How many of those people actually have 200 grand sitting in a bank or in a money market account? Much how much of that alleged wealth is in

Nvidia 150 a share or whatever it's trading at today, 180 5 as we're talking 180 1. Because what happens when that stock trades for 30? How much do they spend then? How many of those people backed up by a two or \$3 million portfolio went out and refinanced a house in? They're 65. Okay, and now they've got a 30 year note as a 65-year-old person. That's nuts. I saw a statistic the other day that 40% of people over the age of 65 are carrying back mortgages on their primary residence.

Dennis Tubbergen:

That's Crazy.

Karl Denninger:

I mean, it used to be that you had mortgage burning parties because by the time you got to about 60, your note was paid off because the latest that you took out 30 year was about 30 when you were having kids, and then by the time you got done raising the kids, you had no mortgage. Okay, well, if there's a crash in that situation on property values, yeah, your house is worth a lot less money, but the one that you replace it with is also costs much less money. So you didn't really lose anything. And conversely, if it goes the other way, it's the same deal. You pay too much, but you got too much. Okay? So there's really no loss, but these kinds of changes, if you're 65 and you got a \$3,000 a month note and something happens to your cashflow, you're absolutely screwed. Everything sounds wonderful when you've got a couple of million sitting in stocks, but that's a number on a screen. I mean, I've got a number on my screen right now, but unless that's all sitting in short-term money market instruments, that number can change awfully fast. It changed in the positive way very fast for me this morning, but it can go the other direction too.

Dennis Tubbergen:

Well, the clock says we're going to have to leave it there. My guest today has been Mr. Karl Denninger. His website is market-ticker.org, the website, again, market-ticker.org. I'd encourage you to check it out. Karl, always a pleasure to catch up with you. Thank you for joining us today and let's do it again down the road.

Karl Denninger:

You bet.

Dennis Tubbergen:

We'll return after these words.

Dennis Tubbergen here, host of the Retirement Lifestyle Advocates Radio Program. If you've not already done so, I'd like to invite you to go to the website retirementlifestyleadvocates.com and create your free login. Once you've created that free login, you'll get access every week to the podcast. You'll get access to the headline roundup newscast. You can also participate live in that newscast every Monday at noon. You'll also get a copy of my Portfolio Watch newsletter every Monday. Again, the website, retirementlifestyleadvocates.com. It's free. What are you waiting for?

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. Thanks again to Mr. Karl Denninger for joining us on today's program. I did you see the recent NBC news poll, it found that two thirds of registered voters now believe that a four year college education is simply not worth the cost. Only one third of registered voters polled stated that a four year college degree is worth the cost because people with a four year degree have a better chance to get a good job and earn more money over their lifetime. Two thirds or twice the number of people that believe a college education is a good investment, say it is now a bad investment.

They give a couple reasons. One, the graduates typically do not have specific job skills, and two, there's a lot of debt to pay off. Now, that is a seismic shift from just a dozen years ago. A dozen years ago, 53% said a four year college degree was worth it. That number has now dropped to 33%, and this shift in perspective is occurring across all social groups, including those that have a college degree. Now, when you adjust the cost of a four year college degree for inflation, the cost of a four year college education has more than doubled since 1995. I have been commenting on this for a long time here on the program stating that we have college tuition in a bubble in order to have a bubble in anything, whether it's college tuition, whether it's real estate, whether it's stocks, no matter what it is, there has to be easy money or easy credit available. That has certainly been the case with college tuition. Student loan debt is now more than \$1.7 trillion, and delinquency rates are rising.

It's not surprising that this perspective change has occurred rather abruptly. We've had much higher education costs and we've had obscure degrees emerge. I would argue on practical degrees emerge. And when you combine these degrees that do not provide specific job skills with ridiculously easy student loan accessibility and rising tuition rates, you have created a problem. We are now seeing this tuition price bubble begin to unwind. There

are many liberal arts colleges, one that I know of in the West Michigan area that are now continuing to cut staff and programs. This is the case with many liberal arts schools around the country, and I fully expect that this trend will continue. That's my program for this week. Hope you got something you can use. I'll be back again next week. Have a good week.