

Cash: King or Trash?

Some say cash is king and that may be true if you happen to time your investments effectively, but over the long term we believe cash may be closer to trash. That is because the U.S. government reliably prints more money and the resulting increase in supply puts downward pressure on the value of a dollar.

Purchasing Power of \$1 in Hershey Bars



Source: Food Timeline and Alger.

- Back in 1928, a one and a half-ounce Hershey's bar cost about \$0.04, giving the holder of a one dollar bill the purchasing power of approximately 25 candy bars. After World War II, its price doubled to around \$0.08. During the 1980s, the candy bar cost about \$0.40 and today it is more than \$1.00, meaning that the same dollar bill cannot purchase even one delicious Hershey's chocolate bar.
- Economics 101 teaches us that increasing the supply of a good puts downward pressure on its price, all else equal. The U.S. money supply (M2¹) has grown 7% annually over the past 60 years. However, just since the start of the pandemic, it has grown over 30% or nearly \$5 trillion.
- In the face of such strong supply growth, we do not favor large asset allocations to cash. We prefer stocks to potentially protect purchasing power over the long term. In our view, growth stocks that are less susceptible to the pressure of rising input costs, such as online marketplaces for goods or professional services, as well as payment networks or processors, may even benefit from higher pricing.

¹ M2 is a measure of the U.S. money stock that includes M1 (currency and coins held by the non-bank public, checkable deposits and travelers' checks) plus savings deposits (including money market deposit accounts), small time deposits under \$100,000 and shares in retail money market mutual funds.



The following represented the noted percentage of assets managed by Fred Alger Management, LLC as of June 30, 2021: Hershey Co, no position.

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