



Tesla stock plunged nearly 13% today on news that the company will lay off about 3,000 employees or 7% of its total staff as speculation mounts that demand for its Model 3 sedan is falling.

Here's an excerpt of the [email](#) Tesla Chief Executive Elon Musk sent to employees:

As we all experienced first-hand, last year was the most challenging in Tesla's history. However, thanks to your efforts, 2018 was also the most successful year in Tesla's history: we delivered almost as many cars as we did in all of 2017 in the last quarter alone and nearly as many cars last year as we did in all the prior years of Tesla's existence combined! Model 3 also became the best-selling premium vehicle of 2018 in the US. This is truly remarkable and something that few thought possible just a short time ago.

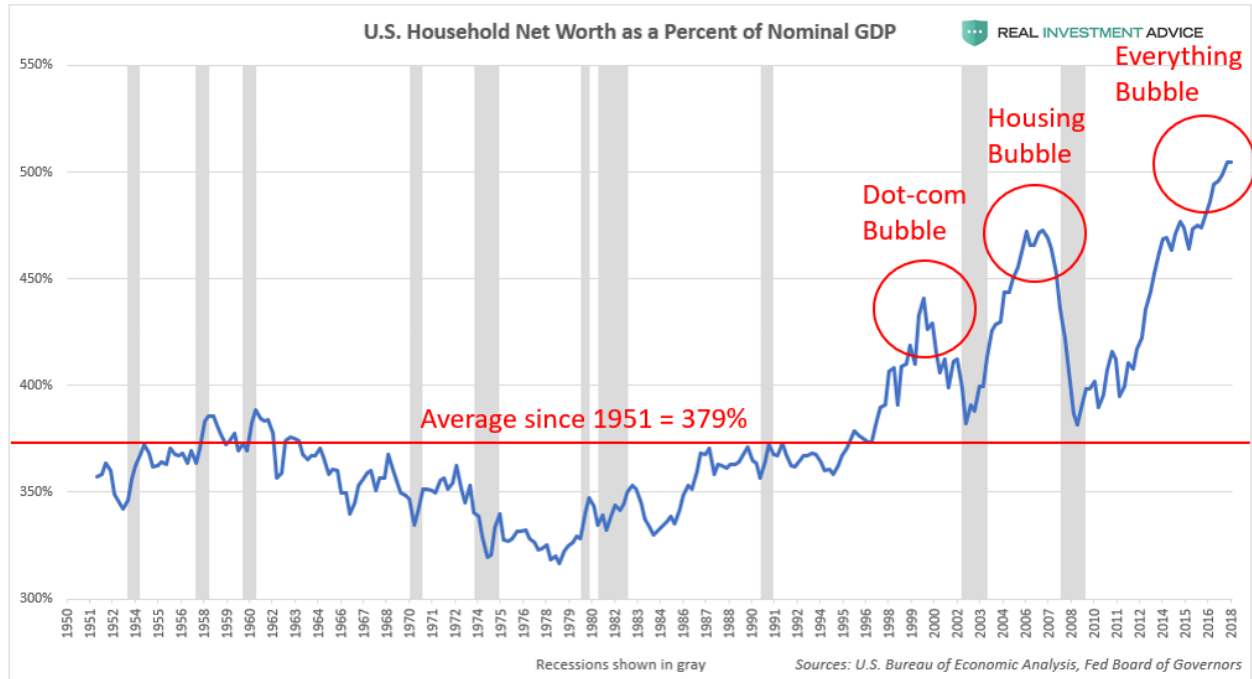
Looking ahead at our mission of accelerating the advent of sustainable transport and energy, which is important for all life on Earth, we face an extremely difficult challenge: making our cars, batteries and solar products cost-competitive with fossil fuels. **While we have made great progress, our products are still too expensive for most people.** Tesla has only been producing cars for about a decade and we're up against massive, entrenched competitors. The net effect is that Tesla must work much harder than other manufacturers to survive while building affordable, sustainable products.

Today's unfortunate news confirms a warning I made in early-November in a piece called "[Here Are The Hidden Risks That Will Sink Tesla](#)":

Elon Musk's Tesla has been struggling financially since its inception and has lost over \$1.1 billion in 2018 alone despite a surprise profit in the third quarter. ***As much as Tesla has been struggling, I just wanted to point out that Tesla's struggles are occurring during the largest wealth bubble that has ever occurred in America's history. Tesla is a luxury car company that sells expensive cars to affluent people***, the U.S. is responsible for [approximately half](#) of Tesla's sales, and U.S. wealth is artificially inflated and heading for a bust. ***Simply put, America's wealth bubble is***

enabling many more people to buy Tesla automobiles than would ordinarily occur in a non-bubble environment.

As I explained in a [recent presentation](#), U.S. household wealth has surged by approximately \$46 trillion or 83% since 2009 to an all-time high of \$100.8 trillion. Since 1951, household wealth has averaged 379% of the GDP, while the Dot-com bubble peaked at 429%, the housing bubble topped out at 473%, and the current bubble has inflated household wealth to a record 505% of GDP (see the chart below):



If Tesla can't make it in this frothy environment, just imagine what will happen when America's wealth bubble truly bursts and consumers are forced to dramatically tighten their belts...

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