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Introduction

The following report provides word-by-word transcripts of the General Session presentations from the 2017 New Orleans Investment Conference. It represents an incredible value — hundreds of pages jam-packed with some of the most insightful, enlightening and entertaining investment information you'll ever encounter.

We are confident that you'll deeply enjoy the analyses, forecasts and specific recommendations provided.

However, by the very nature of getting these presentations transcribed by an independent service, there will be errors in the resulting document. We've tried to catch most of them, but please forgive those that snuck through.

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Chris Blasi

"Bitcoin, Gold And Financial Technology: The Truth And The Trap"

Speaker 1: All right, next up for those of you ... Are any of you crypto people? One, that's it? Anybody else? You guys ... one more? Okay, you've heard of Bitcoin before, you're going to get a little bit knowledgeable here about some things that you may or may not know. I'm going to introduce to you an expert, a recognized expert, in the financial and technology industries with over 30 years of experience, Chris Blasi. He's contributed to publications such as, you might have heard of it, the Wall Street Journal, Investor's Business Daily, Market Watch, TheStreet.com, USA Today, and CNBC. Chris is also the creator of the patented PMC Ounce™, a dynamic and innovative physical precious metals investment assessment. If you would please, give him a warm welcome.

Chris Blasi: Thank you. Good evening everyone, my name is Chris Blasi and I'm the president of Neptune Global, before we get started is the ... have to go through that usual disclaimer. Okay you're going to hear a lot of my opinions tonight, I'm not a registered investment advisor and this is all for informational purposes. As you know this session's presentation is looking at cryptocurrency, gold and technology and really how technology is getting more into the world of money. I know you were just asked, a couple of people who are involved in the coin or the cryptocurrencies? Yeah, Okay.

I just like to point out that I do have a background in both, for the last 15 years I've been in the precious metals market as the founder and the president of Neptune Global Holdings and before that I was in big technology, and not on the consumer side I was actually working with firms like Citigroup, JP Morgan, AIG, New York Life Insurance, in the world of technology. So hopefully that gives me a little bit of insight into this. Now these are really hot topics, especially regarding bitcoin and cryptocurrencies and they tend to get quite a reaction out of people, at least those who are involved with it.

Now I'm going to be looking at cryptocurrencies. I'm not looking at it from the perspective of what did the price of bitcoin do and should you buy it or sell it right now. I think I'm looking at a little bit more long term perspective to kind of understand and share what the technology is and where it's probably taking us. So that makes tonight's presentation on money and wealth preservation. It's going to be a comparison between two options, and these options present themselves as a refuge from central banks and government control of fiat money and that's going to be cryptocurrencies, digital money and gold.

Now there's some analysts on the subject that say crypto currencies are the new gold. That they're going to be the replacement for gold. They're the modern manifestation and therefore they're a better and more natural substitute. In reality, they are both options, they both are something that people outside of the mainstream or want to do, invest in something that's outside of government control but they come from completely different angles. The most striking difference is something that's quite obvious; one is as old as recorded history and the other is a relatively new and really bewildering phenomenon to most people. So we're going to take a little different look at money, wealth preservation and economic freedom tonight and how emerging technologies is encroaching in that world.

Now, we are in an age of technology and technology is dominating everything. It's completely disrupting and transforming what people consider the natural order of things on every level, so it's important that we remember a few key points about technology before accepting everything at face value. First, the following are proven truisms about technology. Technology is not well understood by most people, and I'm talking about on the surface or what they call the user experience right? Knowing technologies isn't how to really use your smart device to the maximum. I'm talking about what's underlying, so when people talk about cryptocurrency and bitcoin and they use a term like, distributed database, do people really know what that means and how that functions.

Second, technology enjoys an enormous and I believe somewhat dangerous amount of blind trust. A great example I believe, is recently Equifax. People would think a company that is allowed and entrusted with all the keys to all your personal financial kingdom, all your data, would have the most robust technologies regarding securing this data and the ability to detect an intruder before the intruder came in and copied or hacked a hundred and thirty million records. On top of that you would think, that with the couple of firms that have this data that's really of paramount importance, there must be some government oversight and regulatory watchdog, and we know it's not there. So there's a lot of blind faith put into technology.

Third, technology changes and becomes commoditized and obsolete at a rapid rate. If a lot of this audience were peers and one of the leading edge technologies as far as operating systems used to be MS DOS, well that's gone, long by the wayside. If you ever wrote an application to run on DOS it's useless, and the Internet actually became viable for the masses in the mid ninety's because of the Netscape browser, and Netscape is gone. Nowhere to be found, so technology is a rapidly changing technology. What people believe is, here today and here it's going to stay, it's not necessarily true.

Fourth, a lot of changes driven by technology initially appear to be liberating but in the vast majority of the cases the technology is co-opted by the very entities or constraints that it was supposed to free us from. An excellent example is the internet itself. When it first came and became ... the masses started embracing the internet and that was in the mid 90s, everyone thought it was a wide open frontier where information would flow freely and unencumbered. Further the internet was supposed to break up market share owned by handful of companies within certain market segments and distribute that market share to a bunch of smaller more nimble companies that didn't have their overhead because they can operate on the internet. And this was supposed to be called what they call the decentralizing benefit of technology.

So let's talk about what really ... how it morphs. Okay, now we can pretty much still say what we want on the internet, at least here in the United States not so much so in China North and North Korea but you can hardly say there's any anonymity. I mean Google and Facebook continue to build and maintain a profile on everyone who accesses the internet and regarding the free flow of opinion, these same behemoths they manipulate the flow and serving up data news. Okay, so and as far as the decentralization and retail being the initial victim, far from a proliferation of these little small companies, we've got Amazon who's basically taking over retail on every level. So additionally, we all know that email traffic is filtered and monitored and I think that makes it safe enough to declare that there's been a certain amount of co-opting anyway.

I'm just setting the stage because we're going to be talking about a technology and your money that really thrives and needs this environment and that's the purpose of laying this groundwork. I just think that we shouldn't confuse convenience with freedom. We're rapidly surrendering a lot of our freedom for perceived conveniences and comfort and that could be a classic and dangerous trap. I'm not here, it's not about taking on cryptocurrency or digital, it's coming right? It's just that I think I have an understanding of where it's taking us and also it'll dovetail into what people perceive is that substitute or it's a substitute for gold. I'm just going to break this down into three parts we're going to talk about digital money otherwise referred to as cryptocurrency, and its most notable example, which is bitcoin. Then we're just going to visit this widely circulating notion that cryptocurrencies are the modern manifestation for gold, and then we're going to take a quick look at talking about diversification within the precious metals space.

So if any of you have either been in precious metals or are looking at it and usually talk about gold and silver you know there's a lot of benefit for diversification and there's something that's been created, which actually gives you instance of diversification. It's a very robust product that does leverage technology to a certain degree, to better leverage the value and most positive attributes of physical precious metals.

Jumping into cryptocurrencies. As we all know, cryptocurrency is all the rage if you're following anything and I can say without reservation that cryptocurrencies are not going anywhere they're here to stay. They truly are, and cryptocurrencies, they're being championed as a means to break free from the fiat monetary systems, that are controlled by central banks and enforced by governments around the world. Now because of this view regarding cryptocurrencies, it is thought that digital currencies are the arch enemies of central banks and governments. I would agree with this if I knew that cryptocurrencies could and would remain free and independent forever. But I'm a little skeptical of something that's a widely held view especially when there's so little understanding of the underlying technology. So I really want to take kind of a contrarian perspective and kind of validate this claim.

This includes the euphoria regarding cryptocurrencies and, which is probably driven by the awe everyone is in by bitcoin's rise in price. Not a deep understanding of the technology and where that technology is taking us. As a matter of fact, contrary to the belief that governments and central banks hate digital currencies and wish they would be vanquished, I believe that the banks love it, they love the potential the cryptocurrencies offer for them. We're going to come back to that in a bit as we kind of converge the co-opting of technology with digital money and the motivation to do that.

At the heart of cryptocurrency you may have heard is something called the block chain. To keep it simple the block chain is a public ledger, an associated database that executes and keeps a permanent record of every digital transaction. Each transaction is recorded on this database and they're stacked one on top of the other to create a history and that's known as the block chain. Now let's just demystify the block chain for a minute. It is a sophisticated and robust software so it's still software though, it's not a new magical technology.

I'm a little bit, a little bit leery of claims especially that they're made on such absolute terms, that bitcoin, which is just a cryptocurrency that uses the block chain and block chain are completely free of the same issues that pose a challenge to any software. And there's a good recent example of that. Just several months ago, bitcoin had a scaling problem and if anyone knows in technology what scaling means and it needed the intervention of developers to come in and correct it. One question is who are these developers? Are they always going to be around and if it requires some human intervention, you're subject to problems. And that should raise some yellow flags if you're going to evaluate cryptocurrencies objectively.

In regard to digital currency like bitcoin, that utilizes the block chain, the block chain will manage and execute each bitcoin transaction and forever record it on this public ledger. So if you trade bitcoin I mean, this is a little tongue in cheek but if you trade bitcoin and down the road some terrorist or criminal, exchanges and trades in that same bitcoin you're on the same transaction history. Maybe that doesn't mean anything but to me it's a little unsettling. And there are a lot of other things, people who have been trading cryptocurrencies and bitcoins and made money in them, a lot of them haven't reported their gains, they think they're totally anonymous. It's just my opinion but I know the IRS doesn't view it that way and being that every transaction is on a permanent public ledger there's probably some risk in taking a position like that.

I just want to show one thing this is a ... That's a picture of what happens during a transaction that's on that public ledger and block chain. That's a lot of computing and a lot of data creation for a simple transaction especially a small purchase as people see using cryptocurrencies for. But you can see the appeal of this record keeping for someone who wants absolute control and visibility into all that you do. Now we're not going to go any further into the technology behind cryptocurrencies because we don't have the time to do it justice and it is an enormous subject.

I just want to make the point that cryptocurrencies are a form of money that exists solely as an output of technology and they require ongoing management maintenance and upgrades just like all technology. Remember that technology can be commoditized. Think about this for a second, what is bitcoin? This is ... Again I am not here to denigrate anything I'm just pointing out what they are. It is a ... we hear about the algorithm. All technology gets copied someone else is going to develop an algorithm that's just as robust. Therefore, you have to ask yourself if that starts proliferating, why would you continue to bid up the price of the bitcoin if it's really just ... the value of bitcoin is that it's quote unquote unhackable and could be going to public ledger. So that just means there's money chasing, that could be a mania that's just my opinion.

Despite the belief by many that cryptocurrencies are bulletproof to risk such as hacking because they leverage block chain technology, I'm not quite on board with that yet because the history of the block chain and the bitcoin is short. Case in point there's been a lot of losses, stolen bitcoins on exchanges, cryptocurrency exchanges over the last several years. This isn't a direct result or problem with the block chain but these exchanges are a key part of the transaction process of cryptocurrencies. And because of these problems, and I think and I'm going to demonstrate why I believe this is going to be part of the co-opting process. So remember, I am not saying that cryptocurrencies and bitcoin may not continue to provide investors a lot of big speculative gains, and I'm not telling you when to sell or buy. That's your choice. But I want everyone to keep in mind the digital currencies are still technology and they are not exempt from the risks all technologies have.

Further, as far as the future of digital technologies go, the probability of them being co-opted by the same governments and central banks that issue and control today's fiat currencies is extremely high and not as difficult to do as some people believe. Let's just consider this scenario. First it's going to be an acceptance and belief in the benefits and validity of digital currencies and that's already taking root. That's happening right now and a lot of that is of course being driven by people seeing the rise in the bitcoin price. So the greed factor will help to blind people from questioning the future personal risk associated with digitizing their wealth and putting it up in cyberspace. Also, there's a drumbeat about how convenient, or there will be a drumbeat about how convenient it will be to kind of surrender to a digital currency and let the public ledger handle all your record keeping, and that will definitely come from the governmental perspective.

Next the weak links in the process of transaction cryptocurrencies will have people demand that some order and safeguards be imposed. That's how it always starts, so the current and most obvious risks are the exchanges we just talked about and failed ICOs. If you're not familiar with the term ICO, it stands for Initial Coin Offering. That's the launch of a new cryptocurrency, like an IPO for stocks.

Just so you know since 2011 there have been approximately three dozen attacks and thefts on these crypto currency exchanges with many even collapsing soon after because of it. Thieves have netted 980,000 plus bitcoins in these and that's worth about five billion dollars today, and just keep in mind that there's been virtually no restitution to the victims of this. For the ICO's, you know a lot of people are chasing these ICO's because you know bitcoin's like 5,000 dollars and an ICO says you can buy cryptocurrency at a dollar, well many have failed shortly after their launch for a variety of reasons some because they are just poorly put together from a technological perspective, and some were just outright frauds from the start but both reasons have cost investors millions of dollars.

So this environment we just talked about, this wild west in the exchanges at least at this stage, is laying the groundwork for the co-opting of digital money. And that's because the masses who are going to be enabled with it are going to demand that cryptocurrency is guaranteed by the government and ensured. They're going to be looking for like a digital FDIC. Now there's an argument that some say that renegade investors can transact in the digital world with a private digital currency free from sovereign powers and nation states can't coerce and control it, and at this point I really can't buy it for a lot of reasons. But we don't have to go into that now but here's one thing let's just point out.

One of the examples they use is, the drug trade. They say that the government outlaws drugs but people are still buying and selling drugs. I don't know how good an example that is because there's very few people really in the drug trade and how many people like yourselves would be willing to risk prosecution in jail in order to trade cryptocurrency? And how are you going to use this cryptocurrency if all the ones that you'd want to accept it all the retailers, the hotels, the restaurants, Amazon won't deal in it because the government forbid it. I mean, they're not going to risk prosecution for your private cryptocurrency.

Now the governments are already starting to make the move into the digital money market or the digital money and just recently, earlier this month the first one is Russia. They announced the launch of the CryptoRuble. That may not excite many people here but you can be sure that other governments are going to do the same thing soon and remember government hates competition. So it's not likely that they're going to let private cryptocurrencies just run free. I just want to wrap up this part by saying the digital currencies, they are here to stay in one form or another. Block chain technology is going to manifest itself in many ways and transform business processes and financial transactions. But the flip side to streamlining these processes and driving transaction costs down with block chain, will be the risk of full and complete exposure of everything you do and surrendering your money and wealth to digital management control.

Let's now just talk about this thing that cryptocurrencies are the new gold and just let me repeat. I'm not against cryptocurrencies. I'm not saying you shouldn't be in it you should be in gold, you should not substitute one for the other though. I believe money will be made in trading some of these cryptocurrencies but not all and with some you'll lose everything, like some of these coming out of the ICOs. Now the only commonality between gold and cryptocurrency, is that they're both considered outside the mainstream. But the role physical precious metal serving a portfolio cannot be substituted by digital money.

First, just the physical composition of one and the lack of it in the other, between gold and digital money, make them polar opposites. Second, one is 100% dependent on ever changing technology and the other can sit buried under the ground for 5,000 years and remain intact. Now remember, there's no such thing as gold 2.0 but we do have windows 10 which is still buggy, still crashes, and still victim to hackers and malware. Also, digital money, it resides in cyberspace and it has to traverse the internet, which is subject to control and monitoring. Thereby, limiting its potential mobility, which is contrary to what many believe about the internet.

Now think about it, as vast as the World Wide Web is, it is really quite small and confining. You can't go online without Google, the NSA and who knows how many other agencies and cyber thieves tracking and recording your moves. And that's just what we know of, which is probably really a very small part and besides the internet, to access the internet you need a device; smartphone, iPad, desktop and everyone knows, it's common knowledge, it's already admitted that every device manufacturer has created a backdoor into their device for government agencies and this back door also exposes your device to hackers and thieves.

Now, for those that know gold and precious metals especially in the physical form, one of the most compelling and loved attributes of physical precious metals is that they do not have counterparty risk and what I've just outlined, regarding cryptocurrencies and the reliance on the internet, the need for ongoing development, rapid technological change, access devices, that's something that's laden with counterparty risk.

As I stated earlier, bitcoin and other cryptocurrencies will probably make some investors a lot of money at least for the time being. The world will move to digital currencies, global digital currency for better or for worse. But there is no substitute for gold and other precious metals in physical form and these time tested stores of wealth should remain in your portfolio. And if you don't have it, it should be added to it when they can still be gotten.

Now I want to introduce you to a precious metals asset that has all the benefits of the more contemporary investment assets, yet stays true to the time tested benefits of physical precious metals. It's called the PMC ounce and what that stands for is the Precious Metals Composite. Now the objective of the PMC ounce and it's delivered on this, it's to provide a turnkey physical precious metals investment that gives the investor a number of advantages. One, it's a logically weighted and diversified precious metals position. Basically, it's a turnkey precious metals portfolio within each PMC ounce.

The design of the PMC ounce provides a blend of returns that captures the upside potential of all four precious metals; gold, silver, platinum and palladium. Now as a result of this blended and weighted allocation, the PMC ounce smooths out the volatility where violent price spikes are common on an individual metal. Remember metals do not move in lockstep, which anyone in that space knows. Now this tempering of price volatility is simply good risk management which is one of the highest goals of smart portfolio management and remember, portfolio management is not just chasing returns but it's managing risk. And additionally the PMC ounce is highly liquid and trades in real time.

Now, one well known economist portfolio manager and market commentator had this to say regarding the PMC ounce after he did a deep analysis of it. And this included going through the depository, looking at all the processes, not just the logic of the composition of the asset. He said that precious metals are an essential part of any investors' portfolio in the face of persistent central bank policy designed to cause inflation. But precious metals can be volatile and it can be difficult to time entry points just right. The Neptune Global PMC Ounce solves these problems by diversifying among the four precious metals in an easy to trade and easy to track form. Owning the PMC Ounce hedges inflation, reduces volatility and mitigates counterparty in exchange risk and he summed it up by saying, "The PMC Ounce is one of the most intelligent innovations of precious metals investing ever devised." This observation quote as you can see from the slide was by Jim Rickards, some of you might know, may have read some of his books like Currency Wars and The Death of Money and The New Case for Gold.

Now, regarding the performance, the P.M.C. ounce is not a managed fund, it's a logically way to portfolio. But how does that how has it been performing? Again it came out in 2008 almost nine years ago. So there's the chart. And what you see is something that is not as volatile as let's just look at silver, right. Silver had a big run and outperformed the PMC Ounce up until about 2011-12 and then came crushing down. So 2008 was a good starting point but if you had gone all in or heavy into silver back in 2011 and 12, you would have been better in the PMC Ounce.

Now, up to this point it's actually out performed gold silver and platinum. Palladium is part of the PMC Ounce, but just know that it's not there because it actually skewed the chart because palladium moves to pretty volatile moves also obviously for the last five years has been to the upside. But just by this logically weighted portfolio and again this isn't a managed fund but this is just the logic of the weighting. So at since its inception 2008 the PMC Ounce is up 70% with less volatility, gold is up 50.8% and silver's up 63.7. So when this thing was architected and constructed, it was logical and it's doing what it was designed to do.

So how does the P.M.C. ounce work? There's two ways ... there's two components to look at. First, there's the fix weighting, so think of it as a pizza pie with four slices so we can see there is the percentages of each PMC Ounce that each metal is represented by. Now when you first look at that, you say, that's a lot of silver right. But that's the physical composition, we all know big price disparity, the gold silver ratio and things like that. When you really measure how much is going into particular asset you look at how many dollars are going into it. And this is the flip side, this is from a dollar perspective. So that same fixed configuration based on the market price when this came out and that's the spot price right there, beauty of the PMC Ounce is that it has a spot price just like gold of silver so just calculated based on his configuration.

Before where you see there is the amount of money that went into the total amount into gold silver, platinum, palladium and there's the percentages as you can see gold is a little over 50% that changes a little bit with the different moves in the prices but it's been pretty true all those nine years anywhere from 50 to 53% depending on what silver, platinum, palladium are doing. So you can see the logic, it's logically weighted, you're not putting as much into platinum or palladium as you are gold. Gold is still the primary go to metal. Silver is actually down, it was a little higher but as prices so depressed when it finally rallies and comes back it'll be a much better contributor to the PMC Ounce. That's the way of looking at it.

Now, to help, well this is just a good visual to kind of visualize what happens when you do the trade right you think of a pizza pie again with four slices depending on how many PMC Ounces you buy, it aggregates up to a total that's in an allocated account in the depository and the depository is actually recording the ownership at their level. Another unique aspect and this product is a patented product because it's kind of bridge the gap of the world of E.T.F. than the kind of the benefits of the ease of trade and such with actually being pure physical precious metals and you know being at the depository level it's a storage account, you're not buying a security.

Now if you're interested and like to learn more that's a shot of our website it's Neptune-Global.com. Along the top there is a tab that says products you can click on that will give you more written detail of the PMC Ounce. But there's a really good tool I think on the site, if you look toward the bottom there's a yellow circle that says the P.M.C. calculator it lets you experience the real time trade in the product. So if you click on the link in there it takes you to this page and there you can see up in the left hand side with the red circle, you can enter a number PMC Ounces, it's going to be exactly real time pricing and it will show you all the details, the per ounce price, the total trade amount but more importantly you look to the right and you see all the details, how much metal it's been acquired, how much is getting allocated out, how much is getting assigned to you and what percentage of your money is going into each of those metals. So, it's a good tool to really kind of get your head around it and understand it in a real world way.

I appreciate your time tonight, and I'll be around if anyone wants to chat about any of the subjects. I encourage you to, if you have any questions you can email us at that address, call us or visit our website and learn a little bit more about us. Thanks a lot.

Peter Boockvar

"It's Still All About Central Bankers As We Look At The Other Side Of The Mountain"

Gary Alexander: Our next speaker, Peter Boockvar, you can read his bio, and just the first line I'll give us is Chief Market Analyst for the Lindsey Group, a macroeconomic market research firm. But I want to put this in historical perspective, I do these historical things, everybody's heard about the 1929 and '87 crashes and memorials in October, but 20 years ago there was a 12% decline in the Dow in just four days leading up to Halloween '97, it was all around the Asian currency crisis. 10 years ago in 2007, in October, the stock market peaked five years after the beginning of a bull market, and it had a terrible 55% decline in 17 months into early 2009.

The reason we need to know those facts is that the Federal Reserve built up a mountain of cash, starting in late 2008, as did other central banks, then came quantitative easing, several rounds, Operation Twist, Europe got in the fray, Japan negative interest rates, the landscape of the last 10 years has been unprecedented and often chilling and threatening deflation, but our speaker is going to now let us peek over the other side of the mountain. Are we going to have quantitative tightening? Is it going to go the other direction? What does the future hold? His subject is called the other side of the mountain. It's still about central banks. Please welcome, Peter Boockvar.

Peter Boockvar: Hi, everyone. All right, notice on the front page of the slide I have these little bubbles because we're dancing in a bubblicous world so we got to stay away from those that pop.

Okay, so when the year began, I thought it was going to be a tug-of-war between hopes for tax and regulatory reform on one hand and the reality of monetary tightening on the other hand, and considering where markets are, it's clear who won. On the left-hand side is the two-year note, which has essentially doubled and is at a nine year high. As of today it was at 1.6%. On the right-hand side is the S&P 500, and you can notice that it did that irrespective of the level of interest rates. As the Fed raised twice, they're going to raise again in December, and they seem very much intent on raising many more times next year. Now, I say many, many is a relative word, for this Fed three is many.

All right, so let's just talk about tax reform because the markets have made it seem like it's this black-and-white thing, tax cuts, good, no tax reform, bad, but let's go through some of the numbers. I'm sorry if I'm repeating myself if you heard me yesterday, but according to the CBO, corporations with total tax revenues from businesses are about $310 billion as of fiscal year 2017. So let's assume that the tax rate gets cut to 20 from 35, even though a lot of companies don't pay 35, the pay in the mid-20s, now that's a 43% decline in the tax rate. Let's just say companies get to collect or get to keep $130 billion more of their money, so let's put that into context of a $19 trillion economy, it's very small.

Now, the last point in that is the estimates for the S&P 500 is if that corporate tax rate does go to 20%, you will see a 5% to 10% increase in EPS, which will get you about $150 per share in earnings.

Not everything happens in a vacuum, not all else is equal, so if we do get this tax-cut, if the economy actually does accelerate, if we get further wage increases with the unemployment rate still near 4%, well, a 1% increase in the cost of labor would add $84 billion to the expense line of companies' income statement. So more than half of the money they would save from the cut in the corporate income tax would go to labor. Great for labor, not so good for employers.

Now, in terms of debt, we also have to think what will interest rates do in this kind of environment. Well, I argue they're going to continue to go higher. Right now we have $13 trillion of total business debt, so for every hundred basis point increase in interest rates, that's $130, $140 billion extra in interest expense. Now, it's not going to all happen in one year, a lot of companies have turned out their debt, but you can understand that when you do the analysis of tax reform, don't look at it just that. They're always going to be added effects that will offset the benefits of lower tax rates.

Okay, so this is a chart actually laying out how little labor has gotten in this recovery. You can see up until just a few years ago, the labor portion of profits got to the lowest level since World War II. So what I see over the next couple years is that labor is going to start to get a bigger piece of the pie, which is great for them, but it would crimp corporate profit margins, which are just off all-time record highs.

Getting back to what I said about total business debt, which totals about $13.5 near $14 trillion, this is that number divided by GDP, and you can see that we are approaching the peak.

Okay, so this is the Fed's balance sheet, which we know is beginning to shrink. I like to call that shrinkage, quantitative tightening. The Fed refuses to use that line, they say normalization, they say roll off of the balance sheet, they say shrinkage, they refuse to say quantitative tightening, even though they stood on the mountain tops and called it quantitative easing when they were doing it. But it's not like watching paint dry, it is liquidity that's coming out of the system. This month, it started at $10 billion a month, it will accelerate every quarter throughout next year, and I total now until the end of next year, $450 billion will come off that line item in their balance sheet, which would get them to about $4 trillion. Then the following year, about $600 billion will come off their balance sheet. We're talking over the next two years or two years and a quarter, more than $1 trillion will be reduced from their balance sheet. Literally, money sucked out of the financial system.

Okay, so the ECB laid out their plan yesterday, they said their run rate in the beginning of the year was 80 billion euros a month, as of April first, they cut that to 60, as of January one, that will be 30, and as we get to next summer, they'll reevaluate to see whether it ends in September. Just some perspective also, in 2019, Draghi is gone, and it's highly likely that a German becomes head of the European Central Bank, and the Germans certainly are not fans on this policy.

They want an end to QE, they want an end to negative interest rates. So Mario is saying, after their QE ends, negative interest rates will end sometime in 2019, but if it's Jens Weidmann that becomes of the Head of the Central Bank in Europe, you can be sure that not only will negative interest rates end quickly, but he'll be more inclined to be raising interest rate into positive territory thereafter.

Now, last year I made the argument that the bond bull market ended last July, and a large part of that was at the bottom in yields, after Brexit, there was $12 trillion of negative yield in paper. I think that European Central Bank and the Bank of Japan actually got some religion on the negatives of negative interest rates because their banks, if you look at the topics banks stock index, and the European stocks bank index, they fell 50%. 50%. The value of the equity disappeared after these central banks initiated negative interest rates, and I think that that was a timeout on the concept of negative interest rates.

If rates aren't going further negative that, in my opinion, was by definition, the bottom in yields last summer. The question is what happens now? That German tenure, which got to -19 basis points is now about 40 basis points. That Japanese 40-year bond, and the reason why I look at the 40 years is because it's the furthest out on the curb and less subject to manipulation, got to seven basis points. Seven basis points for 40 years. Who is the person who bought that piece of paper? Raise your hand. That yield right now is 1.1%, so it'll take you about 500 years of interest income to get back the capital that you just lost. And we have the US ten year, of course at seven month highs.

This is the rate of change in the Bank of Japan's balance sheet. Bank of Japan is the poster boy for money printing, with the balance sheet being about 90% approaching 100% of GDP. Well, they're even in a subtle taper because they are more focused on yield curb control, which means pinning the ten year yield at basically zero, give or take five or 10 basis points. Therefore, they've been in the market at a slower pace at about ¥60 trillion a year, down from 80, and I expect that trend to continue. Looking at this chart, you can see the rate of change is clearly slowing for the Bank of Japan.

Here you have three major central banks that are injecting less liquidity into the market, and someone will say, "Well, there's still this money that's going in," but I the analogy I like to give is imagine the bubble, you have air going into the bubble that's inflating it, but if there's less air going in the bubble, yes, there's air going in, but less air going in starts to contract that bubble.

Okay, so this is the chart of the benchmark rate from the Bank of England. Next week, on November 2, next Thursday, the Bank of England will raise interest rates, but all they're going to do is take back the rate cut that they initiated after Brexit last summer. You can see they went from 6% down to 25 basis points that are going to go to a whopping 50 basis points. This at the same time, that consumer price inflation in the UK is at 3%. So even going to 50 basis points, you have negative real interest rates of 250 basis points, and the Bank of England is still hemming and hawing on whether to do this. Now, they're doing that because they feel like they're somewhat paralyzed by Brexit. We saw some really disappointing data out of the UK this week in terms of retail sales that fell dramatically and also industrial orders which fell, but a precursor to a healthy economy is low-inflation, and the Bank of England is in a stagflationary type environment right now that by raising interest rates, counterintuitively will actually help them because if you can control the rate of inflation, you would improve real wages, which can help them get out of this.

This is the Bank of Canada. The Bank of Canada cut rates in 2015 in response to the collapse in oil prices. Well, this year they took back those two rate cuts and raised rates 50 basis points in two 25 basis point increments. They're on hold for now, but you see a pattern here, central banks are looking at how to take away that punch bowl, not continue to fill it. It's a change in obvious mentality, not just that, but there's a change in liquidity.

Okay, so here's the bottom line with that, we've reached peak easing. The question is when does that matter for asset prices? If we looked at the first picture between Yellen and Trump, we know tax reform went out. Also, a big story this year has been the rise in global growth as Europe is growing 2%, as Asian economies have recovered, as global trade has recovered, and those stock markets have rallied substantially, but more playing catch-up to the extraordinary rally the US markets had over the last bunch of years. Here's just a visual on this liquidity flow. Next year is going to turn into a drip.

Okay, so next gets evaluations. We all know stock market is overvalued, that's been the case for years, just some visuals on how overvalued the stock market is, this actually needs to be updated this was as of last week, not as of today, so the S&P 500 on a price to sales ratio, and the reason why I look at price to sales is because earnings of course can be adjusted and manipulated, can be increased through lower interest expense, stock buybacks, lower tax rates, not necessarily clean organic earnings growth. This is more of a clean version of evaluation metrics because it's really looking at sales, which is difficult to manipulate.

Here we are 3% away from touching the peak in March 2000. This is the median price to sales ratio. The previous chart was the total price to sales ratio on a share basis, this is taking the median stock of the S&P 500, and you can see we're actually 50% above where we were in year 2000. The reason being is because back then it was really concentrated in technology stocks that were overvalued, whereas now almost everything in the market is overvalued.

I stole this from John Hussman, it's a margin adjuster CAPE ratio. The CAPE ratio is to show a CAPE ratio. If anybody doesn't know it, it basically smooths out changes in profit margins, takes a blended average real PE ratio of a 10 year earnings stream, and this actually adjusts ... Because right now we have very elevated margins, so what he did was let's just take a long-term average in profit margins and create a new CAPE ratio. You can see we're actually above where we were in the year 2000. Okay, this is another metric of taking total market capitalization of the US stock market compared to GDP, and you can see we're approaching the levels of March 2000.

Let’s discuss now where earnings have gone relative to stock prices. In this slide you can see, since 2013, so for the last five years ... Because every day I’m sure you turn on CNBC, you read the papers and, especially now in earnings season, you hear it’s an earnings driven market. If I had a dollar for every time I heard somebody say it’s an earnings driven market ... Well, the last five years, earnings, assuming they come in in line as of Q4, which we won’t see until January, will be up about 30%. The S&P 500 is up 80%. This is not an earnings driven market, it is a PE multiple expansion bull market. Just as we pretty much saw in the ‘80s and ‘90s, it’s happening again now where on a going forward basis, we’re trading about 18 times earnings, on a last 12 month basis we’re trading north of 20, and if you look at it as a gap basis we’re trading at about 25 times last 12 month earnings.

Okay, now, I did this a couple days ago, predicting that Jay Powell would be the next Fed Chairman, there was speculation today that he does get the job, I think he does get the job, so who’s going to win in 2018? Is it going to be a continuation of optimism with Trump and tax reform and regulatory relief or is it going to be a deepening of monetary policy and tightening, not just here, but in the European Central Bank and possibly in Japan that ends up winning out? Because valuations don’t matter until they do, and I argue that next year when this tightening intensifies, they will begin to matter.

Okay, now, getting back to the discussion about bubbles, and you can see again on all the slides, I hear also sometimes, “Well, it’s not the stock market that’s a bubble, it’s the bond market that’s a bubble,” which to me is really idiotic. In July 2007, no one talked about an equity bubble, it was a credit bubble and a housing bubble, but that didn’t stop the equity market from falling by 50%. Equities are priced off interest rates, so if the bond market around the world is a bubble, well, by definition, the equity bubble is as well.

I think what’s most dangerous right now is the European bond market. I sat on a panel earlier today, but if you missed it, to quantify the intensity of European Central Bank buying of European bonds, is that they were buying seven times the net issuance of bonds that European governments were issuing. So if European bonds were issuing one euro bonds, the ECB was buying seven times that, whereas in the US, the Fed never bought more than one times the issuance. That’s why you didn’t see a dramatic drop in interest rates in the US, relative to the collapse you’ve seen in Europe.

Just to quantify, I said earlier, the German 10 year is at 40 basis points, they have negative rates out to seven years, the European high-yield average index is about 2.3%, which is below a US government bond. So European junk credit is yielding less than a US government 10 year bond or note. Think about that for a moment.

You also have central bankers that say I want inflation, they’ve obviously quantified inflation as 2%. I say stop saying inflation and replace that word with cost-of-living. How do you think that would work out for them? If they got on TV and said, “We want higher cost of living,” it’s the same thing. The result would be different for them if they actually came out and said that. The point is, is that the European bond market is an epic bubble, that's where I am most worried about, and Mario Draghi is telling you we're buying less bonds and in 2019, negative interest rates is most likely going away. I can promise you that the German ten year will not be at 40 basis points, I can promise you European high-yield will not be yielding 2.2% and I can promise you that French 10 year bonds will not be yielding below 1%.

That last point, there's a lot of pressure on Kuroda to get off this 2% inflation. They're still printing less than 1%. If you take out food and energy, they actually have true price stability. Inflation is basically zero in Japan, which is the real definition of price stability. Actually, over the last 25 years, inflation has averaged .2% in Japan. So all this commentary about deflation in Japan, they've actually had true price stability.

Okay, so I mentioned the Japanese 40 year JGB yield, you can see back in July it touched seven, and the dramatic move we've had since. This is the German [inaudible 00:19:58] yield, which got as low as almost -20 basis points. Now we're about 40. Back in 2015, this yield was six basis points, and within [inaudible 00:20:08], it got 200 basis points. The point of me saying that is when risk happens, it happens very fast. This is the Barclays European high-yield to worst, this is actually yielding 2.8%, and that's quite a comedown. This is junk credit in Europe yielding 2.8%.

Okay, let's talk about the US budget deficit because this potentially can be an issue for US interest rates. We're in our ninth year in a recovery, on paper you're not supposed to have a budget deficit after this many years of an expansion, but here we are with the biggest budget deficit since late 2013, at the incredibly magic number of 666. It's 3.5% of GDP, as you can see on this chart, and obviously the highest since 2013. This is in the ninth year of an expansion, and the budget deficit is now beginning to increase. Expect trillion dollar budget deficits again in the next couple of years. So you have the US government that's going to be issuing more debt, you have foreigners that are buying less paper and you have the Fed that is interested in shrinking their balance sheet and thus not buying incremental bonds.

Okay, so I'm going to use the last third of the report in this in that there's still opportunities out there, there's always opportunities. Just as I tell my son if he goes somewhere, just be careful of your surroundings, be aware of your surroundings. With valuations being very high, with central banks that are no longer your friend, you have to be much more aware of your surroundings. It's easy to be buying Amazon and Google and riding the momentum wave, but if you're quick enough to get off the train, bless you. But if you're not, I'd be much more careful here.

So gold and silver, I'm obviously preaching to the choir here, but just some charts backing this up. This is a chart of the dollar index. Gold bottomed in December 2015 after the four-year bear market as we were approaching the first Fed rate hike. Everyone said the Fed is raising interest rates, there are these policy diversions. how can you not belong the dollar, sell gold, it ended up being one of the most crowded trades we've seen in years. Fast-forward, the Fed is about to raise a fourth time in December, and gold is almost $250 off that December 2015 low, and that is because the dollar can knock it out of its own way. Whether that's because of Trump, whether that's because fears about his trade policy, whether that is because other central banks are beginning to ease up on the pedal as well, or maybe just some concerns about the US economy relative to growth overseas, where Europe has growth just as good as we do.

This is a chart on real rates. Something that I like to look at because you really can't look at nominal interest rates when you decide whether to buy or sell gold. You should be looking at real rates. I think this is ... Actually, no, this is the dollar index. I apologize. Okay, actually I screwed that up. Okay, so the five-year real rate is below where it was in December 2015. So here we are four hikes later, and real rates are actually below where they were. That's why gold is above where it was at the bottom of 2015, on December.

Okay, so global demand for food. This is my ag play, and I'll steal Dennis Gartman whenever he talks about going from the lower left to the upper right. The demand for food is on a straight line ... Or, I shouldn't say a straight line, a linear line from upper left to upper right, so the question is can you get the supply-side right? There's been excess supply in corn, soybean, wheat, over the last few years. They all topped out in the summer of 2012 with droughts that we saw, but I think we're beginning to see a change, at least in corn and soybeans on that supply-side.

Okay, this is a chart of the global corn ending stocks. You can see that we're beginning to roll over, we reached a peak in the harvest of last winter and we're beginning to roll over. Same thing with soybeans, I believe we topped out. I've seen some recent estimates that is now headed further south. So, how do you play this? Well, you can buy an agriculture ETF like DBA. I particularly like the fertilizer stocks, potash and Mosaic. Mosaic is a $20 stock, $21. It was $150 back in 2007, it's an investment-grade credit, paying about a 2 1/2% dividend yield. Potash was about an $80 stock, it's down to 19. I think they're getting the supply demand imbalance corrected, and if these crop prices begin to turn up, which I expect, I think they'll be a good trade in those stocks. This is a chart I love to see, love to show people, it's Chinese imports of soybeans. You want to talk about a voracious demand for food, that's quite a chart.

Okay, this is the last idea, a year ago I recommended Italy when not one hands in this crowd raised their hand when I said, who's thought about investing in Italy? Who has actually thought that investing in Greece? Raise your hand. Two people. Okay, so the Athens stock market is down 85%, the Greek economy has contracted about 30%, the government right now, the Syriza party, is as left as can be and, Tsipras, who is the president, is left of Bernie Sanders, but if Kyriakos Mitsotakis wins, who runs the opposition party, new democracy party, which they may ... Now, it's not a scheduled election for next year, but there's the potential for a Snap election next year. If he wins, the Greek story is going to change an incredibly positive fashion. You have bank stocks there that are trading at 50% of book value after two recapitalizations. Pay attention to this guy's name because I think there's tremendous value in Greece if he wins. Again, if he wins. That's it. Thank you very much

Tucker Carlson
"Today's Political Landscape"

Speaker 1: Tucker Carlson, whom you just heard from in the panel, delightful. I'm glad I didn't come at him with any loony left wing ideas or I'd be mincemeat by now. Since we've talked about Charles Krauthammer, he had a wonderful book of personal reflections called, I Think, The Personal, The Political, and The Passionate, something along those lines. Tucker has written a book with three Ps in the title as well, which has to do more with his program. It's called Politicians, Partisans, and Parasites: My Adventures in Cable News. I hope you do watch his program every night. He's going to talk about the political landscape, kind of take-off from where we left on the panel. Please welcome Tucker Carlson.

Tucker Carlson: Sorry, I was chatting backstage. Whoa. Thank you for having me back, I feel like I was just here. I never give speeches anymore, and it's just, and this is totally heartfelt. By the way, no matter who I was speaking to, I would suck up, because that's what ... if this was the asbestos manufacturers, I'd be thanking you for your contributions, but this is totally sincere because I never get to leave Washington and I'm never around people I agree with and I'm never around people who are adding to the sum total of the American economy, ever, because I live in D.C. where everybody has a talking job.

Literally, everyone's either a lobbyist, or a politician, or a cable news yapper. I mean, take your kid to work day is the most confusing hour of the year, as people try to explain that lobbying for Robert Mugabe is a real job. It's a lucrative job, judging by my neighbor's swimming pool, but it's not actually like, a job you can be proud of, so it's just nice to be around people who are doing something real for a living and it's nice to be out of there.

I want to give you a quick overview of what I think is going on and where I think it's going, but I want to stop, at some point fairly soon, to take your questions, because I'm a talk show host so I can literally talk forever, as my many children can attest. I just get going, and I can't stop. Also, by the way, don't wait for that. If I say something that you don't agree with, or you think is insane, or needs to be parried in any way, please shout out or ball up paper and throw it. Most speakers hate to be interrupted or heckled, but I mean, I work in cable news, so it's not like you're going to hurt my feelings, not that I have any left after 21 years of doing this.

No, I'm sincere, I actually like to hear. Let me just give you a quick news overview, since this just happens to be one of those days where everybody's checking his iPhone to find out what's going on. As you've probably heard, or perhaps, you didn't since you were doubtless in the French Quarter last night, the Mueller investigation, apparently, has produced an indictment, sealed, came down from the grand jury last night. We don't know who the target of that is. We're gonna find out, apparently, Monday. We know all of this because of leaks, and the two obvious candidates for this are Paul Manafort, the President's campaign chairman, briefly, who's a well-known lobbyist in Washington, who's represented foreign clients, notably pro-Russian Ukrainians for a long time and is, therefore, at the center of this investigation.

The other candidate would be General Flynn, who was National Security Advisor, or on his way to being briefly, and who got in trouble for a couple of different things. One was taking money from the Erdogan Government in Turkey to push its agenda in Washington, which may seem shocking to you but as I noted a second ago, basically the career of everyone I live around. Pretty conventional in DC, pretty unconventional for someone assuming a job like that to do it, so he may be in trouble for that and for tax reasons. That's the idea that one of those two guys is going to be indicted on Monday. The conventional belief around town is that both will ultimately be indicted. Those indictments grow out of this larger thing that has really been the focus of all our attention and energy in Washington because I think when people voted in November, this is what they voted for, a never-ending Russia investigation, which is predicated on the idea that Trump became President because Vladimir Putin wanted him to be.

Let me just stand back, by the way, and note this is not a defense of Trump or whatever Russia ties he had but just note, what this is really about. I mean, as I said twice and let me say it one more time, Washington is a city where like half the adult, college educated population is in fact working for a foreign government trying to subvert our democracy on behalf of a foreign government. Some of them are governments we like, Great Britain, Israel, whatever. Some of them are governments we don't like, and who don't like us. Yet lobbying for foreign powers is not just done in DC, it's like near universal. You're required by law to register under something called FARA. I think it's, Foreign Agents Registration Act, I think, FARA, and nobody does. This is like, everybody does this. I have relatives who do it. Like, everybody does it.

With that, I'm against it. I have always been against it. I'm against it to this day but the idea that Russia is unique in pursuing policy aims in Washington by paying agents, American agents to carry its water is like, ridiculous. If you were to write a list of the 10 countries with the most influence in Washington, Russia would be like number 13, okay, behind a lot of other countries, not all of them good countries, not all of them whose interests overlap with ours at all but all of which have big presences in Washington.

What is this really about? It's the story of the last year. Nobody in DC has internalized the fact that Donald Trump is the president. When I say nobody, I mean I'm including Donald Trump in that, by the way. People haven't accepted it at all. You think, well, how could that be. I mean, whatever you think of Trump's election, like, it happened. It was in the news. It's not like there's any question that it happened. Most of us watched it unfold live but people still don't believe it happened. I was actually thinking about this on the plane. One of the beauties of getting out of town and getting on a plane is a chance to think a little bigger. I live in a totally micro world, right, of the daily news business where, you know, every little development is the beginning or end of Western civilization. But I thought of this on the plane. I thought, actually people are like that.

I have a really good friend, I see him at the gym every single day, who had this sort of awful divorce a few years ago. Both nice people but these things happen as you know. He gets divorced. He's got a couple of kids. She gets the kids. They live in different parts of the city. One weekend two years ago, he goes over to visit the kids, stays for dinner, has a couple glasses of wine, bam, third kid. By the way, just for the record, I'm for kids. Like, I have four. Yeah, I am. I mean I don't kind of care where they come from. I'm for children. I wish I had more. I'm with Mark Skousen on this, pro children, so I didn't judge. I'm not against it but I did think it was a little weird so at lunch, about a year later, I was like, "Well, but you're divorced and actually you hate her and she really hates you. How did this happen?" He goes, "You know, for a minute I forgot we were divorced."

I thought, you know, that's kind of how people are. It takes a while. There's a lag between when something happens and when you accept that it has happened, that you internalize it. That is really the case in Washington. I hate to go back 11 months, almost 12 months now to the election but it's useful to explain where we are today to remember that there was not one person thought Trump was going to win, and I'm including Trump in that. He really was the dog who caught the car, like, he never thought this was going to happen. You know what I mean? His staff didn't think it. Nobody in the press thought it and more than anything, nobody in the permanent class, the ruling class, sorry to say it but it's true, in Washington believed that on either side, the Republican leadership or the Democratic leadership.

Washington, by the way, is like 90 ... it's the most democratic city in America. It was 94% for Hillary. Literally every Prius on my street has a Hillary sticker on it. I mean, they come that way from the factory but they have not taken them off. But even the Republicans, all of whom joined the Bush family in voting for Hillary, so everyone preferred Hillary, not necessarily because they liked her as a person. There's not anybody in that category but because she wasn't a threat to the grubby little sinecures they hold. I mean, not to be mean but that's true. Like, you sort of know if Hillary Clinton gets elected, then the whole kabuki starts again, and "We're the loyal opposition," and you know what I mean? The billing cycle never ends, okay, because you know what you're going to get.

Uncertainty rattles political markets as much as it does equity markets. It's like, nobody wants uncertainty at all. Nobody wanted Trump. Even if they kind of agreed with him, they thought, you know, "This guy, who knows what he's going to do." By the way, that turned out to be a valid concern. Let's be honest, it did. To this day I wonder, who knows what this guy could do? No idea. They didn't want him. They were assured that he could never be president in no uncertain terms by the people whose job it is to make these predictions. All of whom ought to be unemployed right now but none of whom actually are, to my great sadness.

When he became president, they decided, you sort of have two options at that point, right, when something unexpected happens? Either you can pause and you go through the appropriate mourning period but you can pause to think about, like, what do I do next. Or you can just pretend it didn't happen. It's like when your wife says to you, "You drink too much and you've got to quit or I'm leaving." There are only two places you go. You go right to the AA meeting or you go right to the bar. That's it. There's no kind of middle ground there. Everybody in DC went right to the bar. They're like, "No, didn't happen. He's not president, couldn't have happened." By the way, this was their posture throughout the entire process.

Now, I was always sort of, I mean, it's not about me but just to give you some context of where I stand on all this, I was never a Trump supporter because, like, it's Trump, whom I've known for 20 years. I've always liked him because he's hilarious. You know, turn the codes over? Different question. But I always appreciated the issues that he brought up. I appreciated the fear and terror he struck in the hearts of people who have messed things up so badly. Honestly, I mean, I really liked that about Trump. He terrified my neighbors. Good for him. Sort of watching this with some, I think sympathy and detachment was kind of my posture throughout the whole thing.

The first thing that I noticed was, nobody who was losing to Trump was willing to spend 15 seconds considering why Trump beat them. Instead, they were wedded to the idea that they had power because God handed it to them, and that Trump's entire campaign and victory was inherently legitimate as a result of that. I watched that in Republican primaries. Trump looks like he's going to win. Then he does win. What's the response of the Republican establishment? It should have been to say, "Holy smokes! Our voters just voted for the guy we hate, who doesn't agree with us. Maybe our voters don't agree with us either," which, by the way, they don't and haven't for a long time. Obama hid that because Obama was so loathsome and destructive that Republicans could just focus on Obama. You know, I get it. I did too but they didn't ever think about this massive divide between their own views and those of the people they were purportedly leading. That's not a small thing. In fact, it's everything.

Political parties exist to represent, in a representative democracy, the views, the fears, the aspirations of their voters. That's the only reason we have them. They don't exist for their own sake. They exist to represent people, period. You'd think when this guy beat like Jeb Bush and all these other, you know, who'd raised 116 million dollars, maybe from some of you, sorry, that they would say, "Wow! Something big is going on here. Maybe it's bigger than Trump even. Let's think about what it ..." Nope! Their first reaction was, "We're going to take it from the convention because we own this party. It's not his party." Well, they're half right. It's not his party and it's not their party either. It's the voters' party and the voters just expressed a preference. But they ignored that completely. "We're going to take it from the convention."

When he won, what was their first reaction? "We'll take it from the Electoral College." There are a couple of problems with this. The most obvious one is that it's destabilizing to the entire system because it sends a really clear, indeed unmistakable message to voters, which is, this whole democracy thing, sham! No, I'm serious. "We don't believe it." That's what they're saying. That's what the political leadership is saying, "We don't believe that this is a democracy. By the way, you may have suspected that we didn't believe it. You may have read our behavior as the behavior of people who believe, really, in an oligarchy and you're right. We're ripping off the mask. We're in charge. Shut up and obey."

This has massive consequences. You know what this does more than anything, is it guarantees future political volatility, which has incalculable costs. The only reason this is a rich country is because it's politically stable. That's the difference between America and, I don't know, Venezuela, where I went as a child. You know, Caracas was a pretty great town actually. It was pretty first world place. Venezuela's not a mess because the people are dumb. They're not dumb. Go to Miami. They're all there now. They're super smart actually and they're impressive people. They are. They're great. I mean, the problems of Venezuela do not come from the inherent deficits of the Venezuelans. No, the reason they don't have toilet paper in Caracas is because you can't build a market economy or a stable civil society upon a substrata that's shaking.

That's the point. Everything we have is built on the promise that our politics will remain basically stable. Why have they, in contrast to Venezuela's or pick a country? Why have they remained stable for over 200 years, because of the promise of democracy. I have deep, like any person in this room if you're really honest, I have deep reservations about democracy. The people who wrote our constitution had deep reservations about democracy. But like, as Churchill famously noted, like compared to what? The main benefit of democracy is it keeps people calm. It's the safety relief valve for frustration.

We tell this to our children. In America, if you grow up in this country, you learned in like first grade, if you have a problem in this country, settle down, don't storm the bastille, you know, don't torch the police station. Vote! Two, four, six years you get to choose your government and that actually has been enough to keep people pretty calm. They get frustrated but like, in the end, they know they can change it. If you tell people that actually that's a lie and they're not in charge, you know, you don't know what's going to happen. Our political class, because it's shortsighted, selfish, and stupid, did that very thing.

The second problem with doing that is, you don't learn anything. It's like having an argument with someone you love. You never learn anything until you acknowledge it's at least probably 60% your fault. As my father would always say when I was little, the ... I'm not going to use the swear word but, "The root of all wisdom is knowing what a jerk you are." He'd always say that. Meditate on your own deficits and you will gain wisdom. That is true and it's just practically true. It's not a moral question. I'm an Episcopalian. I'm not here to give you moral lectures, trust me. But it's true in a practical sense. You don't learn anything until you understand how far short you personally have fallen.

People who blame others never learn anything. That's like a fact of life. They blamed others and the others were, of course, Trump and his equally repulsive voters who live out there somewhere in the dark space between Georgetown and Malibu. You know what I mean? Like that place we would never go to. If our plane is forced down for lack of fuel, we could be eaten, wind up in the stew pot. They decided that Trump got elected because the people were as disgusting as he was, as I noted during the panel. That is their operating assumption. They never paused to learn the truth, which is, Trump got elected, not because of Trump but because he was an alternative to policies that were demonstrably not working for the rest of the country.

This is what personally changed my politics watching all of it. I'm a pretty conventional, lifelong conservative, Libertarian, certainly pro-market and I remain pro-market but for my entire life, I'm 48, I've instantly reacted to the term income inequality because I know it's a term that grows out of the French Intellectual Left, or that's what I associate it with anyway, you know, Piketty and all that crap. Basically it's a code word for stealing my stuff.

It's also kind of a juvenile Leftist reaction to the reality of human nature, which is inequality, actually. It is. I mean, people are not created equal. They're regarded as equal by God. That's my view. In the end, we all stand naked before whatever judge is out there, you know, stripped of our worldly success and we're judged on moral terms. But in the temporal world, the truth is, you know, like my neighbor runs McKenzie because he's really good at math, because he was born that way. He worked hard and all that but like, I lack the basic tools to do what he does because we're not equal actually. That's the truth and 20 minutes living in the world confirms that.

Talk, about income equality, to me, seemed ludicrous. What I missed was that income inequality is important, not because it's the beginning of a powerful moral debate about equality, which I'm totally uninterested in having since I quit smoking marijuana and left college, but because if your goal is social stability, it's meaningful, actually. I learned this about 20 years ago, 25 years ago. I wrote a book once on crime and it was a crappy book actually but I spent a year writing it. I was way too young to be writing a book but anyway, I was writing this book and I learned all this stuff.

But the only thing, 25 years later, that I remember is this. This was actually a stat that changed my view of the world. I was looking at crime rates in the United States throughout the 20th Century. Federal Governments kind of kept these pretty assiduously throughout the year so you can kind of compare them. They're interesting. What was the decade with the lowest crime rate in the 20th Century? Anyone know? I'll give you a hint. It's the one you'd expect least, 1930s. The lowest crime rate by a lot.

I'm reading something, thinking, "Wait, that doesn't make any sense at all," because that was of course the poorest decade in the 20th Century. It was the Great Depression, 33% unemployment, what, and crime went down? How does that happen because we know that crime is fueled by poverty. That's wrong. Crime is not fueled by poverty. In fact, you have seen an increase in the crime rate in a bunch of different decades, including the ‘60s with an increase in GDP. What? No, the truth is, poverty does not cause crime. You know what causes crime, envy. Envy causes crime, causes and justifies crime. In other words, it actually makes sense because like, for most of human history, people were subsistence level poor.

You think in Medieval Europe, like, serfs were killing each other just because they were poor? No, because the system seemed just. If you and I were living on a feudal estate, and we believe the lord is lord because the Lord made him lord, and we inherited our station, and said, like, “It’s pretty crappy eating gruel every day but, you know what I mean? Like, we’re not in charge. There’s no reason to hurt you.” But if I wake up one morning and my neighbor has a new cow, and I believe he got his cow because of an inside deal with the lord, I’ll kill that cow and I’ll probably kill my neighbor too. No, I’m serious. If people feel that their neighbors are doing better than they are because of some inside deal or because of corruption, it drives them insane, and it justifies crime and all kinds of other anti-social behavior.

Actually, if you look around, the societies that have the highest crime rates tend to be, not always, it’s complicated but tend to be ones with the most dramatic space between income categories. In other words, countries where a small group of people control all the wealth, tend to be really dangerous and volatile places. That’s the main reason ours has never been that. If you see a growing economic trend where a smaller number of people are consuming a larger percentage of the GDP over a short period of time, which, is exactly what we’ve seen recently, then the one thing you know is going to happen is social instability, volatility, chaos, crime, actually, literally crime and crime rates are indeed going up.

The second I realized that, then I thought, well, wait a second, it’s not really ... The traditional Leftist argument is, “Well, you know, your neighbor has less than you and that’s your fault, and you’re a bad person.” Stupid argument I turn off immediately. But the real argument is, if you’re in charge of devising a country’s social policy, your number one goal is always stability, even above growth, if you’re wise. It’s always about growth.

This is how the Chinese see the world, right? We always make fun of, like in the Washington Journal, we’d just be, “Oh, it’s ridiculous. They’re building bridges they don’t need.” Yeah, okay. Well, if you’ve got a hugely lopsided demographic picture with way more men than women, who are never going to get married, what do you do with those men? The Chinese think this way. A lot about China is repulsive but having governed the same country for like a thousand years, they tend to think long term. How do you keep the civilization, the society, the culture stable, is a main concern, and it’s baked into almost all of their policy decisions. It’s not just about accumulating wealth. It’s about keeping the place from melting down.

That is not a component in our policy maker’s thinking ever and that’s why they’re loathsome. That’s how we got Donald Trump. I’m serious. I mean, I’ll just say, I mean, I've actually lived this. I grew up in La Jolla, California and moved to Georgetown so obviously, you know, I'm a natural populist. No, the truth is, I have lived that massive increase in wealth. I've seen it up close my whole life. When I was a kid growing up in La Jolla, which is one of the richest zip codes in the country, always has been, it was a very affluent place but there were non-affluent people living there. I mean, I was thinking this the other day. This is probably too much information, but it just tells you, I think, something about the country.

When I was growing up, we had a house in Tahoe, like every single person in La Jolla. Rich town, right, house in Tahoe? It's 12 hours away. We drove. We'd just get in the car with the dog, and we'd drive. We always ate at Denny's. We always stayed at Motel 6 and that wasn't weird. It wasn't like my dad's like, "We'll just see how the other side lives." No, it's just like, that's what you do. You drive, and you stay at Motel 6 because it's right near the highway. You eat at Denny's because you're American. How many people in ... No, I'm not joking. That's the country that, if you're my age or older, you grew up in. It was a middle class country and even if you weren't exactly middle class, you didn't feel a world apart. Does anyone recognize what I'm talking about? I think you do if you live here.

Ask the question now, how many people in La Jolla still have houses in Tahoe? All of them. How many drive? Let's see, none. That's what a housekeeper does. Are you joking? You're going to drive to Tahoe? It's 12 hours. No, you're going to fly. Stay at a Motel 6? You'd get killed. Eat at a Denny's? Are you kidding? You know what they put in the food? The people I grew up with, and the people I live with now, exist in a universe that actually has no physical or cultural contact with the rest of the country. They just don't. It's a totally separate country. This is the fruit of the SAT obviously, just like a lot of things. It's the fruit of the meritocracy.

The SAT was designed to make the system fairer and to stop giving preference to people based on birth, right? Who gets into Harvard, oh, guys who went to Exeter. That's not fair. Let's devise a test that locates ... Let's sort by IQ. That's what the ... I mean, let's stop lying. It's an IQ test or was designed as one by cognitive ability, and let's locate every smart person in every little town in America and give them a chance. What's wrong with that? Nothing. Great idea, I support it. I was penalized by it, by the way, but whatever. My grandfather went to Yale. Yeah, I don't think so. No, I didn't go to Yale.

Anyway, but the point is, great idea but as Jonah, I thought, noted in one of the deepest points you could make about anything, there's always a downside to everything, okay? If you wake up one morning and there's no downside to something, you are dead, and you have gone to a better place. But in this world, it's always a choice of more good than bad rather than more bad than good, period. The downside of the SAT was total segregation of the ruling class. The creation of an aristocracy. That's exactly what happened. You locate every smart kid in every little town, and you shunt them into a pretty small number of elite institutions of higher education, and they go to a probably even smaller number of elite positions in companies and fields. Then they move to an even smaller number of zip codes, where they reproduce, and the process starts anew.

Try that for three or four generations and see what you get. You get what we have now, where the people in charge literally can't even understand the motives of the people they disagree with. They can't even understand it and probably vice verse I would say. I don't live in fly-over America. I live in Northwest DC, so I only have answers on one side. But I can tell you, the people I live around, really don't even understand at all how anybody could vote for Donald Trump. They just don't understand it at all.

When Hillary Clinton came out with her, now famous, deplorable speech, you know, "They're disgusting," and, "Who could do this," and she's literally at a fundraiser at Barbara Streisand's apartment in the Upper West Side. You couldn't make this up. If you were like, devising an attack ad, you'd be like, "Hillary Clinton, in Barbara Streisand's apartment in New York City, attacking you is deplorable." But that actually happened so everyone's like, outraged, and "I can't believe this." It was like the perfect distillation of everything that's repulsive about her, and her campaign, and their worldview, and everything.

My first thought, which I'll be honest, I did not immediately express on television was, those are the same views of the Republicans I know. Like, you could have heard that exact same conversation at the Republican National Committee two years ago. They feel that way about their own voters. By the way, to be fair, I don't think they understood at that time, that those were their voters. I think they imagined, and this is another component, unattractive but still a component of human nature, is you imagine that everyone's like you. Everyone has your same concerns, and your same instincts, and your same dislikes and phobias. Not true. People are different.

People in DC have, and again as Jonah noted, this conceit that they're all the same category. I don't care. It's Paul Ryan, and it's Hillary Clinton, and it's everybody in between. They're all, and I'm sure it's everybody in this room, and everyone you've ever met, it's everyone I've ever met, they're all fiscally conservative and socially liberal. They describe themselves that way and that's kind of code for, "Like, I get it okay? I get it. Like, I understand. I believe in math, but I don't want to get too in your face about what you do in your private life." That's what all affluent people say to each other and that's fine. I mean, I'm not against that at all. What I'm against is the unwillingness to recognize that the country that we lead is the mirror image of that.

The truth is, and this is knowable by their behavior and by polling data, the rest of the country is literally the opposite. They are not fiscally conservative in any meaningful sense. They may not like waste, or $900 toilet seats at the Pentagon. Who does? But where it really matters, when you say fiscally conservative, you're basically talking about entitlements and people in my neighborhood are like, "Well, how could we spend so much on Social Security, and Medicare, and Medicaid, and by the way, veterans benefits." No one will say it but it's a huge category. The truth is, those are our biggest expenditures because they're the most popular. People like that stuff and in a lot of cases, they rely on it. By the way, I'm not endorsing like, broken budgets. I'm just saying that's true and in a representative democracy, you have to reckon with what people actually think. That's a relevant fact, what people actually think, because they're voters.

By the way, you could just suspend all this and like, stop pretending, and just say, if you didn't go to Princeton, you can't have a vote. Maybe we should do that. I don't know. I'm open but as currently constituted, you have to pay attention to what people actually want. We just know, from watching their behavior, they're not fiscally conservative, and they're not socially liberal either. Now, in DC, in New York and LA, when you say socially liberal, what you're really saying is, "I'm pro-choice, and I'm okay with gay rights." That's what you're really saying but that's not what they're saying. I mean, I think, you know, those are debatable issues or whatever, and the polls move on those, and they're pretty evenly split on abortion but whatever. It's not about those issues. It's about the pace of social change.

People who are not rich are not in favor of brisk social change. They're threatened by it. It scares them and why wouldn't it? They're the ones being ground beneath the wheels of progress, actually. When things change really fast, people always get hurt. Is it us? The demographics of my neighborhood have changed not at all, literally not at all. My neighborhood, my zip code, 20016, probably demographically looks identical to what it looked like in 1955. I'm not saying anyone was racist, trying to keep any ... But it's just like, that's what it is. It's the same. Nothing has changed in my world. No one gets divorced. Kids go to bed early. Yeah, everyone's above average. People go to bed at 10 o'clock. It's like very much Mayberry, an entirely democratic neighborhood. Nothing has changed.

In the margins, like you can drive out to Falls Church and like, there are awesome, awesome Bolivian restaurants. Those didn't exist. It's all upside for us. All the change is great. Better food, better looking women, more interesting ethnic festivals. It's like, it's great. But for people making below whatever that threshold is, I mean, I can only guess, $400 grand? It depends where you live. For people making below that threshold, who are actually like, I don't know, sending their kids to public school, or taking the bus, or using the emergency room for health care, their lives have improved, let's see, not at all. Those people are actually dying younger, literally dying younger. That's never happened in American history. You've never had a major demographic see its life expectancy decline. Not one 10 year period in Census taking since 1790 when it was first taken, has that ever happened and its happening now.

Guess who cares? Let's see, nobody. Nobody cares where I live. Such is the disconnect between the people who run things, and the people they govern that there's no acknowledgement that its even happening. That tells you everything, and I'll stop on this. Let's just, thought experiment. If we found out tomorrow that the life expectancy for Syrian refugees to the United States have declined, they come here from Syria fleeing this terrible civil war, they arrive in Lewiston, Maine, and they die younger, what do you think the response would be, "Oh, that's fine?" No! There'd be a front page editorial in the New York Times, "This is not who we are! This is not the America we stand for. We have to fix this problem right now!" Like, that's true of the entire American middle class. Nobody cares. What message does this send?

By the way, into this steps someone like Trump or maybe next time, who knows, the message is, "We don't care about you. We don't care about what you believe. We don't care about you on the issues, but we also don't care about you as people." I guess I would argue that disqualifies you for leadership, actually. I'm not a touchy feely guy at all, okay. I'm like a life-long right winger. I'm just noting the practical effect of this, empathy is a pre-requisite for leadership, not because it's like, sweet, and kind but because it's impossible to exercise effective leadership without it.

Would you be a good parent if you hated your kids? No! They'd be in rehab next week. They'd spend the rest of their lives on the shrink's couch. You need to love your children in order to be a good parent. Would you be a good, I don't know, officer if you didn't care about the safety of your men? No, they would die. Would you be a good CEO if you didn't care about your employees? I mean, you see the point. You have to care if you want to manage effectively. If you want to be an effective leader, not just a compassionate one, an effective one and our leadership class, for all those reasons, no long is.

I'll stop with this one thought. We are caught in this weird and ominous cycle where the crappy behavior, the bad choices of the elites is creating space for demagogues, whose behavior justifies the elites in their unwillingness to understand how that happened in the first place. It's this weird vortex, this negative feedback loop where each side's behavior justifies the excesses of its own side, if you see what I'm saying. I think it's bad. Gold? No, ammo.

No, I'm just kidding, but you really gotta hope the only way that this stops is if somebody on either side, or from no side, or it doesn't even matter, steps forward and basically says, "Look, I'm going to listen to what you want, and I'm not going to try to do all of it." You don't want a mob rules situation. The system was not design - it was designed to prevent that. But it has to be kind of democratic, this democracy, this representative democracy or else you're going to get revolutions. Somebody needs to just listen and try to faithfully translate those desires and those fears into policy, and convince the population that he's actually doing it or else the cycle doesn't end. Anyway, I will stop there and take your hostile questions. Thank you.

Audience Male 1: Hey Tucker.

Tucker Carlson: Yes sir? Huh?

Audience Male 1: How do we turn it around?

Tucker Carlson: Huh?

Audience Male 1: How do we turn it around?

Tucker Carlson: I mean, look, I always think that everything, I mean, look, you know, if you're a hammer, everything's a nail. I run a debate show so of course I would say, every problem is solved with a debate but I actually believe that. That's part of the reason I do what I do. I think that if you want to change things, the first move always is to change people's minds. Still, the best way to do that, even in our increasingly hysterical and irrational society, all of that driven by the internet, by the way, the worst thing ever to happen to anyone. It is. It's wrecked everything. When was the last time you read a book cover to cover? Ask your friends, "When's the last time you read a book?" No one reads anymore. People, "Well, I read." No, they dip in and out of books because screen time eliminates your ability to concentrate over, you know, the 12 hours required.

Anyway, sorry, not to get off on that. You can see I've become kind of a crank in my old age. No, what you need, again, is someone to explain what's going on and not speak wholly in symbolic terms. What frustrates me about the President is, he has this kind of brilliant animal instinct. He is like a dog. He can smell stuff really, really well but like a dog, it's harder for him to articulate it. I think it's really important. No, I'm serious. I think it's really important to explain why this is happening. The President gets out ... I'll just give you why. I could give you a thousand examples. I'll just give you one. This is how things get fixed.

The President's watching television, as he often does, and he sees these athletes kneeling for the American Anthem and at the sight of the flag, and it drives him freaking crazy. He hates it but he doesn't think through why he hates it. He just gets on Twitter and he's like, "You're terrible! You should be fired!" Like about 50% of the population or probably 60%, it's like, "I agree," so I'm not criticizing that, I mean, and I agree.

It would have been so helpful for him to stand up and say, "Look, here's why that's bad. We live in a country in which no huge part of the population has anything in common. We don't share an ethnicity. We don't share a religion. We don't share a history. We don't share increasingly even a language and you know, that's great. No country has ever pulled this off before but we're going to pull it off. But we need to find something that unites all of us and that thing is patriotism. It's our country. It's love of country. We have nothing in common but we both love America.

That's why attacking our national symbols, especially when it's like, pampered rich people doing it, but when anyone does it, we need to push back against that because it's not like the national flag of Greece. Everyone in Greece is Greek. They don't need to wave the flag because there's never any question about who they are. They're Greek. They look Greek. They speak Greek. I'm serious. They're all related to Aristotle, if you ask them. You know what I mean? There's no national insecurity about identity. But in America, because of the nature of our population, and because of our history, there is deep, fundamental insecurity about our identity. We solve that with our national symbols. It's so very important that we have this kind of veil around our national symbols, that we revere them in this civic religion. I know it's silly. It's stupid. It's embarrassing, whatever. It doesn't matter, it's really important."

If the President said that, I think that would be really edifying. That would be really good. That would actually bring us together as a country. You just need people to explain things and increasingly, no one explains things. Everything takes place on the level of symbolism. “Well, I’m for transgender bathrooms.” Okay, well, I’m not. Like, what does that even mean? Nobody explains anything. What they’re really saying is ... What we’re really doing is we’re engaging in a theological debate. What I’m really saying is, you know, “I’m a good person and unfortunately, you’re not.” You know what I mean? “I’m going to heaven. I’ll intercede for you when I get there but doesn’t look good because I’m virtuous and you’re immoral.”

That is the worst kind of politics you could ever have because it’s irresolvable. If we’re mad at each other about an issue, issues come and go, you know, or we change our feelings about them. If our debate is about which of us is good and, which of us is evil, you know, that’s almost like an ethnic battle, like that never changes. We hate each other forever and so we need someone who can deescalate it and make it about, expose the ideas beneath, and you do that by making a case that people can understand. Sorry, excuse me. Whoa, I’m out of control. Yes sir.

Audience Male 2: You talked about voting being the safety valve under which people can get their frustrations out.

Tucker Carlson: Yeah.

Audience Male 2: How do you square that with the electoral college and that the current president lost by roughly three million votes?

Tucker Carlson: Yeah, he did and it’s a problem. I mean, you don’t want that to happen because it’s confusing to people. I mean, of course there are reasons that we have the electoral college. I mean, there are literally more ... Someone told me the other day, I think it’s true, there are more people caught in traffic right now on the 405 in Los Angeles than vote in Wyoming and yet each of them has two senators, California and Wyoming, the biggest and the smallest states. That’s the compromise that made us a union and, you know, I don’t really know what you do about it. If you change it, it causes all kinds of other problems, which I won’t bore you with but whatever. But the truth is, yeah, you’re right. The electoral college exposes this as not a true democracy. It’s not. It’s a representative democracy and you know, it’s worked pretty well. I’m speaking in general terms.

By the way, in the age of the internet, I don’t think you want to get to a pure democracy because the truth is, the internet allows hysteria to move at speeds that no one can contain. If you’ve ever covered any event or been in a foreign country when mob violence breaks out, and I’ve seen it. I saw it once and it’s scary. I mean, it’s unbelievable. It’s like a tsunami. It’s unstoppable and it kills people. You want to be very careful of that so there’s a balance. I mean, this is, trust me, I’m not a social scientist, I’m not a political scientist. I’ve overdrawing this in a lot of ways and I agree with you, that’s troubling. I hate it when that happens but it doesn’t mean that the democracy itself is a sham and you need to keep reassuring the population, in the end, we'll represent you for real. If you consistently say you don't want something, we're not going to try to give it to you.

But they're not saying that. I mean, I could think of a bunch of different issues the public is just not interested in and yet politicians are like, "No, this is the most important issue!" You can't keep doing that.

Yes Sir?

Audience Male 3: Hi Tucker. I want to thank you for humiliating the left, or exposing them.

Tucker Carlson: I really enjoy it. Thank you.

Audience Male 3: I think we all do.

Tucker Carlson: I'll never claim to be a good person because I'm not.

Audience Male 3: My question was, what role do you think that the state should play? Like, what entities do you think, you know, what entities or departments do you think that they should control, inside of the private sector for example, if any? I'm hoping if any but ...

Tucker Carlson: It's a great question. I mean, this is my personal view. I think that government is, contrary to ... and I spent seven years as a fellow at the Cato Institute so like, I know from Libertarianism, I could say. But one place where Libertarians get it wrong is just like everybody who's addled by ideology and caught in college, is that they overdraw things. Actually the government is good at certain things like building the interstate highway system. Pretty good. Pretty good at toppling dictatorships. Pretty good at invading countries and killing people, which, by the way, I'm only for in very rare cases but sometimes, you know, you kind of have to kill a lot of people and they're really good at that. I guess to put it in human terms, government has like fantastic gross motor skills. Like they could knock every wine glass off a table, you know, more effectively than any other institution. But could they make wine glasses? No, fine motor skills, not good at. Anything that requires nuance, subtlety, precision, not something you want a large ... But it's not just for governments but any large organization.

The problem with the government is not that it's the government. The problem with it is it's, by definition, a massive bureaucracy and bureaucracies, having worked in them in the private sector, every bit as pernicious as the government. But let me say one thing really quick. I mean, I make the obvious point that people don't want radically smaller government and I feel bad about that, which is true. But I would also say there's a growing recognition, I think, that yeah, governments the problem; it's not the only problem.

Who has more power over you, I mean, if we're being honest, Google or the Federal Government? Well, Google by a lot and what's your recourse against Google? Does the Government have all your private information? Any creepy picture you sent to your girlfriend ever? Your entire search history? Let's stop lying to each other. We don't want that public. I mean, really they have all of that. Okay, how much do we trust them and what can we do about it if it turns out they're not worth trusting? Let's see, oh, nothing. Actually the rise of the tech sector, which is a great American success. I think all of us are proud of it. I am. We've benefited from it in a lot of ways. You can do Facetime with your grandkids. It's great but we've given up a lot and we've allowed these companies to get to a place where they challenge the legitimacy of the Federal Government.

I mean, I won't ... One sentence, the progressive movement, if you read about it, it's kind of an interesting time, from you know, 1890 for example until maybe Howard Taft, 1912. The main rationale for it was not simply that, you know, the Industrial Age crushes workers, which it did, but the rationale was, if you have private sector companies that are more powerful than the government, it creates a crisis of legitimacy with government. Like, you can't really have that for the same reason you can't have a mercenary army that's bigger than, you know what I mean, the 10th Mounted Division. You can't have that. We're there right now and I guess it's a long way of saying, yeah, I'm concerned about government overreach but I think, in terms of its actual effect on my life and the capacity to shut my life down, and hurt me, Google is a way bigger threat.

Conservatives, because they've been raised to defend big business because the Left was against big business, have been really slow to recognize that. The Left, since Clinton, have become basically apologists for like, any, you know, any kind of capitalism because they're benefiting from it. Just, I'll sum up this way. Conservatives have been really slow to recognize that every institution in American life, perhaps with the exception of like, natural minerals, you know, the energy sector for example, all of them are now controlled by members of the hard cultural Left, okay, all of them.

If you're raised in a country, you felt like, actually, you know, Boeing and General Motors are my friends and I'm defending them against Tom Hayden, it's a very different world now. Actually they're not your friends. They hate you. They hate your family. They hate everything you believe. They hate the capitalism that has made them rich and they'll hurt you if they can. That's just true, actually and I tell this to my conservative friends and they're like, "No, but I thought we liked business." Yeah, okay. They'd crush you in a second. You can see that I've really gotten crazy but it's heartfelt.

Audience Male 3: Thank you.

Tucker Carlson: Yes sir.

Audience Male 4: Mary and I watch your show just about every night and one of the common themes is people that fail to answer your questions.

Tucker Carlson: Yes.

Audience Male 4: You continue to press on and ask them three or four times. It gets kind of frustrating.

Tucker Carlson: Yeah.

Audience Male 4: I was wondering if you ever consider asking them twice and then just answering for them because by not answering, they actually answer?

Tucker Carlson: You've just described the dream of every talk show host where you can occupy both sides of the conversation. I love that. I love that. It's a soliloquy posing as a colloquy. I love that! "Glad to have you. Say Congressman, what's your view on this?" "Well, I'm stupid and in the pocket of my donors and so ..." I could totally do that. Actually, I would love that! I think that's known typically as ventriloquy but I'm up for it. No, but, by the way, I'm not mocking at all. Of course, if you think you're frustrated, how do you think I feel and I don't even drink? I do chew massive amounts of nicotine gum, like more than is allowed and I think my intake has gone up since this show began because yeah, I find it really frustrating.

I marvel, I just won't go on, but I marvel at, people really feel like they don't need an argument, that it's enough to demonstrate their moral superiority. That is kind of the posture of the entire leadership class and I'm sorry to say this, but I would say Paul Ryan is, you know, probably marginally smarter than some of the democrats I marginally interview. But his default position is no different, like, "I believe these things because I'm a good person, because I care and you disagree because you're not and you don't." Those aren't arguments. That's moral preening. That's childish and yet that's what I get night after night. Just explain yourself, like, whatever and occasionally you'll have someone who is so off the grid mentally that he'll just like tell you what he really thinks.

I was once interviewing the head of the Sierra Club and I was like, "Well, why are you guys for abortion? What is that? Whenever you think of abortion, like, what does it have to do with saving the environment?" He's like, "Fewer people," and I was going to say, "Well, obviously that's like grotesque," but I didn't. I was so impressed by his honesty and his willingness to follow through his own argument to its logical conclusion. I was like, "You know what? I appreciate that," and I really did.

Last question, yes sir?

Audience Male 5: Two questions: Are you going to do the equivalent of throwback jerseys and bring back the bow ties? Two, having talked to a lot of your guests, can you define some of the generational difference you see and any concerns you may have?

Tucker Carlson: Oh God. Quick on the bow tie. People hate you when you wear a bow tie. It's a provocative act. It's a middle finger around your neck. You, basically, you're inciting people. I wore one, I went to a high school, I went to a boarding school where it was like, that was okay. I didn't realize I was in a fringe population, but I really was. Just like, by the time I was 35 and like the 119th person that screamed FU to me at Penn Station, I was like, is it worth it? No. I gave it up, and

I joined the mainstream. The funny thing is, the moment I joined the mainstream, I actually started to go a little crazy. You know what I mean? I became way less mainstream in my thinking. I don't know how that works.

Anyway, your second question, I mean, I have four children as I've said, and one graduated from college. I have one at UVA now. I have another, I think going to Dartmouth, and then I have one in high school, so I've kind of seen the whole thing, you know? There are a lot of things I could say about young people, and the attitudes I disagree with, and it would reveal my age and how grouchy I've gotten. But I will just say this. From my third child, who's really one of my favorites, I'll be honest, who's coming home from boarding school right now. In fact, just texted me and I'm meeting her for a late dinner tonight in Washington. I'm going to say to her, and she's totally smart, and she's done well by all the stupid metrics, you know, whatever tests or whatever. I hate all that crap but anyway, she's done well. She'll go to like a top school or whatever and I'm going to say to her, "I really don't want you to go to college."

I've told her this like 20 times. I said it to my son. I said it to my oldest daughter, who's now working in town. I said it to my youngest, who's 15, "I don't want you to go." I don't think it's good for you. I think if you want to become a physician or an engineer, of course, go, you know, Godspeed, Mazel Tov. But, no, if you're like everyone in my family, no one can do math. They're all liberal arts people. They've all been in the media, or writers, or whatever, for like a hundred years. There's no upside and there's massive potential downside, and not just ideologically, by the way. You know the ages of 18-22, and you know this, if you're my age, those are the ages of the onset of severe mental illness for a lot of people. There's a huge mental illness problem in college.

There's a massive drug problem, massive, that has nothing to do with cocaine and LSD, and all the things that you remember, that you thought were scary, nothing. That's nothing compared to the Xanax ODs going on, on campuses right now that the average person knows nothing about. The chances that your child is going to emerge from school less impressive than he went in, are very high, if you're studying liberal arts at a selective college, very high. Not only will he learn to hate you, and the system that made all of this possible, we know that. FOX talks about it all the time. But there's a very high likelihood that, that kid will be addicted to something and will at the very best, best case scenario, be confused about what to do with his life, feel insecure because really, if we're going to stop lying, the whole thing's a joke, okay? It is for most people.

I mean, probably you all have HBS degrees or whatever and it worked, but for your average person who's, like really trying to do well on the SAT to go to Wesleyan, to study Post Modern Feminist Poetry, it's a freaking joke. We're stealing from these kids, and I'm sure everyone here is rich, and you're all paying, me too, and we're all paying college tuition but like, the average person can't pay it. It's the biggest expenditure of his life, going way into debt.

There's all these ripple down effects but even factor all that out, you're stealing from a kid, the four most vigorous years of that kid's life. Sitting around doing nothing, with your thumb up your butt, becoming less effective, less secure, less intelligent, and more likely to be wasted all the time. Like, okay, where's the upside again? You can tell your friends, "I've got a kid at Princeton," who cares?

This is a bubble and normal people, I'm obviously on the crazy fringe of everything because I actually, I have a four year contract, a five year, I don't care. But it's not just me. I think there are people in my position, with kids heading off to college, who think, "There's nobody in the world I love more than this child, nothing more important to me than this child's happiness and success, nothing! I'd die for this child." Every parent feels the same way, and you're telling me this kid is going into that environment? No. I don't care. I will risk the embarrassment of telling my friends that my kid's not in college.

By the way, I should say I'm the only person in my family to graduate high school. I mean, both of my parents got thrown out of boarding school. The same with my brother and they did well, you know? I mean, they're anomalies or whatever but I'm just ... When I went to college, my dad, who joined the marine core at 17, he's like, "Really, college?" I was like, "Yeah, you know, like, all the kids are doing it." He's like, "But, like if you were creative and had some, you know what I mean, had some huevos, like you wouldn't be going to college with all the other lemmings would you? You'd be like, doing something like, how about you write the great American novel, or become a stevedore." I was like, "Pop, there are no more stevedores, okay. We have container ships." He's like, "I don't care. Do something. You know what I mean? Like, go do something!"

I don't know who thought up this system. The system was designed for 5% of the population and now it applies to 100% and it's a freaking disaster and no one has the courage to say so. But I'm saying so. Ha! See ya!

Speaker 1: Thank you very much, Tucker Carlson.

Doug Casey
"Bad Investments, And Good Speculations"

Speaker 1: Doug Casey is one of the speakers who's been around here from the beginning. I first met Doug in the fall of 1980 in Georgetown, Washington D.C. His publisher and friend, Robert D. Kephart, invited me to dinner to meet Doug. And we've been good friends ever since. We talked about the organization, the Eris Society, which he founded, and turned into a great institution for about 25 years. In addition to his exceptional investment writing, especially focusing on speculation, with the number one best seller. At the time I met him he was writing The Waves as the number best seller with Crisis Investing.

He's also conducted a new extra-curricular activity in the last few years. A series of novels, I believe they will total seven, two have come out. "Speculator" is number one and that talks about what we do. It talks about mineral exploration and the games being played in certain developing countries. And the second one is "Drug Lord" which is not as the title implies about a lot of addictive drugs, but about legitimate drugs trying to reach the street market at an affordable price. And then the government intrusions that come into that. So he is attacking social and financial issues in a novel form with co-author John Hunt.

Doug in the past has had quite a few controversial speeches. I believe from what I know so far he's going to talk about the decline of Western civilization and maybe all civilizations. So let's hear from what Doug has prepared for us tonight. Doug Casey.

Doug Casey: Thank you. Thank you. Okay. Let me get right into it because I'm going to take you from the lower Paleolithic to the future and I've got to do that among other things within a half an hour. It's going to be a tough task.

Now as many of you know I'm a notorious bear and being a bear during a stock and bond bull market demands an explanation. So I want to put my bearishness in context. I've got some good news and some bad news for you. Over the next generation advances in science and technology are going to be not only better than you imagined considering how good things have been in that area recently, but probably better than you can imagine. So, that's the good news.

But at the same time what's going to happen in the areas of economics, politics, and personal freedom are likely to rival your worst nightmares. So I'm going to tell you why this is going to happen in both of these areas.

Why is technology in hyper drive today, which it is? I'd say it's because of a variation of Moore's Law. You'll recall that's been around since the 60s and basically it says that computing assets powers doubles and costs halve every 18 months. But that's a very narrow definition. I want to give you a broader definition of Moore's Law. I don't know if I've come up with this or not or inadvertently stolen it from somebody else. But let's think of term of a big picture Moore's Law. Here's how I'd define it. I'd say that the technological revolution we're now in actually started about 200,000 years ago in the lower Paleolithic when men first learned to knap flint and make primitive hand tools.

Then about 150,000 years ago, who knows exactly, the spear was invented. Then maybe 75,000 years ago the bow was discovered. Then maybe 5,000 years later the dog was domesticated. Things worked very, very slowly in those times, but at an accelerating rate even back then. So progress was glacially slow with tens of thousands of years passing from one invention to the next, but then by the late Paleolithic the pace picked up. Where things were happening, not just every few tens of thousands of years between major innovations, but much more quickly. And you gotta remember 95% of our existence as a species was during the Paleolithic period.

So by the time the Ice Age came, the last Ice Age, came to an end about 15,000 years ago aided by these technological advances men had already spread throughout the world. Then of course at the end of the last Ice Age people learned to farm. This signaled the start of the Neolithic period, 12,000 years ago. Then people invented pottery. 9,000 years ago domesticated cattle and pigs. Pottery enabled the invention of beer and wine. Cloth was invented about 8,000 years ago then stone architecture. So inventions started doubling and re-doubling slowly at first, but always picking up speed. This is the important thing. This has been going on for a long time. So what I'm saying is that Moore's Law doesn't apply just to electronics in today's world. I believe it's always applied to technology of all kinds and the assumpted man itself.

Now despite wars, programs, persecutions, regulations, taxations, other political things these developments have always compounded upon themselves and accelerated. You know the bronze age 5,000 years ago. Iron Age 3,000 years ago. Scientific Revolution 500 years ago. Industrial Age 200 years ago. It's an accelerating rate and it's happening now with new things not just every year, not just everyday, but a number of times a day. Major breakthroughs every hour.

So what's the take away from this? It's that the technological advances we've seen in the last few decades aren't anomalous. They're part of a trend that's always existed. Since we generally, right now anyway, only live 70 or 80 years we don't really notice these things in the span of a lifetime. But it's only been four lifetimes ago since the Industrial Age even started. So this is not trivial. Now here's the analogy I like to use, the context you ought to put it in. Imagine you are in a giant stadium and there's a drop of water at the 50-yard line. Half an hour later there is another drop of water. You don't notice that, but the amount of water's doubled. Then 15 minutes later there's four drops of water. You don't notice that. Then 8 minutes later there's 8 drops. You don't notice that. But there's more water coming at a faster pace and the way this works, exponential things work, is that by the time you can see the water on the bottom of the stadium you're about a second from drowning because of the exponential rise. And that's where we are now.

Alright. The interesting thing in this context is I think that the biggest changes because of this exponential rise are now about to come and very, very quickly. Right now there are teenagers in their parents garages with CRISPRS. If you don't know what that is, you'll have to look it up. Genetic modification machines that are going to change the world and the nature of the world far more than Bill Jobs and Bill Gates every did. Artificial intelligence is going to integrate with biological robots. They're going to be hard to distinguish from humans in the next generation, 20 years I think. Among other things this may mean the end of marriage kind of like the consequences of that.

Nano technology which is the creation of machines on an atomic level controlled by microscopic super computers will offer us pixie dust. They will be magic. And when you step into your virtual reality suit you may not even care about the scores of millions of people who will be mass migrating. You may not even care about World War III and IV once you step into your VR suit. So the point I am making is that there are more scientists and engineers alive today than have lived in all of earth's previous history put together. And they're working.

Now what's the bad news. This sounds like wonderful news I just gave you. The bad news is that these things are the result of civilization, that's to say Western civilization which is declining rapidly. Western civilization peaked. I can't explain all this obviously. The reason I say this is in 1913 it's been going downhill as a civilization. World War I, World War II. That's Europe. Europe is a sinking ship, it's a dead duck. The U.S. has been isolated from a lot of this. The U.S. reached its peak in the 50s and 60s when all of the world's skyscrapers, most of the world's aircraft, cars, production, innovations, industry, everything was in the U.S. I mean we were 3-4% of the world's population and half of all the world's activity. So that's changing too. Even now the U.S. is estimated to be only 13 in the world in standard of living and about to descend really rapidly in the next few years in my opinion.

Now despite all these wonderful things that I've mentioned the down trend is accelerating. What am I worried about? I'm not worried the stocks are at ridiculous manic high partly because of $7 trillion dollars of buy backs that have been financed by a flood of cheap money from the Federal Reserve benefiting mostly brokers and corporate suits that have options. It's not that I'm not really worried about the fact that a lot of pension funds are bankrupt now even with stocks and bonds at all-time highs. That doesn't worry me much. I'm not worried about the hyper bubble in the bond market which is much bigger than the stock market and is a triple threat to your capital from the risk of the currency depreciation from interest rates going up, bonds going down from the default list. The Enron-sized things happening in the years to come.

I don't really worry about real estate even though it floats on the sea of this cheap debt. This is the most obvious thing for bankrupt governments to tax. I'm not even worried that the world is so financialized with scores of trillions of new currency units flooding out of the central banks all over the world mainly going to the pockets of the rich and well-connected first. So the rich are getting richer also at an exponential rate. I'm not even worried that there could be a revolution or civil war where all the people that voted for Bernie and Hillary join up with disillusioned Trumpistas in an effort to eat the rich as all of their standards of living fall.

We've always had economic and financial upsets. I'm not saying that the world is going to resemble Berlin in 1945 or even Detroit today. I'm not actually saying that. What I'm worried about is Western civilization itself. The actual culture of the west has resulted in all of the good things around us, all of them. But it's fashionable now everywhere in the entertainment world, academia, colleges, universities, the media, the literary world, the Democratic party to deplore and despise western civilization. These people are termites, they're worms, they're dry rot eating away at the foundations of civilization. Western civilization appears to have no effective defenders. Certainly not conservatives. Conservatives just conserve the status quo by definition. And the status quo is already rotten.

We're pretty much like Rome was in the mid-fourth century. It'd been rotting from within, like we are, for well over a century. But then when the gates collapsed basically with the battle of Adrianople in 378 the Barbarians poured in. This is interesting, it's actually much worse today for us than it was with Rome in the mid-fourth century. Because those Barbarians, believe it or not, were already pretty Romanized, pretty culturally similar, believe it or not. They wore beards and pants and so forth. But today's Barbarians come from totally different culture, race, ethnicity, everything, and they don't want to integrate the way the Goths and even the Huns did, which is a fact incidentally. There were only a million Barbarians that poured into the Roman Empire. Now you're seeing a million Muslim immigrants a year flow into Europe. And I promise you it's going to go to ten and twenty million a year. London is going to look like Karachi. Paris is gonna look like Kinshasa. And these are not pleasant places. Well tough luck for Europe.

I'm more worried about Western civilization itself because it's the only culture in the world that amounts to a hill of beans. All the rest of them together aren't worth the powder it takes to blow them to hell. I don't mean to insult our Chinese and Indian friends. I mean, I've lived outside the U.S. in those places most of my life at this point. I like them. I'm just stating a fact. Why? Why is Western civilization different?

It is the only civilization in the world that's all about free speech, free thought, free markets, individualism does not exist outside Western civilization, science, the rule of law, a quality before a law. Western civilization is responsible for all of the world's great music, great art, great literature, and the idea of progress itself. So these things I just mentioned are completely alien to non-western cultures.

Now Ayn Rand said that east minus west equals zero. I love Ayn Rand, but actually she went too far. That's not right. There are some good things from the Orient. I like yoga. I like tai-chi. I like sushi. So she went a little too far.

But you never hear Western civilization defended. You never even hear it discussed anymore except as an evil patriarchy run by a white man who must be feminized and then over thrown and its gotta be replaced by multi-culturalism. Which is - the very idea of multi-culturalism is stupid and destructive and retrograde. Unfortunately, political correctness and trigger words and safe spaces and hate for the patriarch is winning the day. Now I'll give you an example, right here and now in our midst, this is kind of a free market, oriented community, but just recently, last week actually, Marc Faber, who I'm sure most of you know very well, he's spoken here many times was told he's no longer on about 4 or 5 boards. He's no longer on major networks including Fox. Why was that? Because in his newsletter, a private paid subscription, he said that America was fortunate it was colonized by Europeans, not Africans, otherwise it would be as dysfunctional as Africa. Now this was simply a statement of fact. I mean it is incontrovertible. But it's a cause for ostracism. I fault him only for not going far enough.

Incidentally I say this as a lover of Africa. I'm very familiar with the continent and the Islamic world. I'm not a lover of the Islamic world incidentally, although there is overlap. I recommend any young person who wants to make a fortune go to Africa, not stay here in the U.S., a sincere recommendation. Incidentally I'm happy to discuss charges of racism, sexism, and so forth afterwards if you want to go into it. I don't care about saying these things, unlike Marc, because I'm not associated with any corporations that are big enough or stupid enough to have diversity officers. And incidentally there are corporations with diversity officers today. Talk about supernumeraries.

You'll recall last year I made an outrageous prediction. Donald Trump would win, I said. I gave a number of reasons for that and I was right. Predictions are cheap, but I bet on my own predictions with my own money. As I said early on in the panel, Donald Trump has been very, very good to me so far. But he's got a lot of problems. He's got no philosophical or ethical center. He's a narcissist. Lots of problems. See he's done some smart things. He's fired a bunch of government employees, restricting migration from non-western countries. He's gutted the EPA. Very, very good.

But he's done a lot of dumb things too. Why is his, why do I say his term is going to be a disaster? Because the greater depression, which I've discussed at some length, which we entered in 2007 leading edge of the hurricane, went through it 2008-9, we've been in the eye of the storm papered over by trillions of currencies. We go out the other side it's going to be much worse, much longer lasting, and much different than what was in 2008-9 or for that matter from 1929-1946. So this is going to be fascinating to watch and I hope I can watch it on my wide screen from an isotian, in the middle of nowhere as opposed to out my front window. We'll see.

Now I know some of you out there are politically involved and you're counting on a change in politics via the Donald to bring us back to the days of father knows best and Leave it to Beaver. Forget about it. That's not going to happen. Politics follows culture. Culture doesn't follow politics usually. Forget about Zuckerberg and Cuban, Mark Cuban who are going to run for election along with Kanye West. This is all getting crazy.

Both of these political parties, the left and right wing of the Democrats and Republicans are going to disappear. And that' a good thing. Let me tell you why. Democratic party is nothing but a cesspool filled with leftist, socialist, angry, identity politics, illegal Hispanics, third world migrants, under achievers… LGBT and 48 genders. There are 48 incidentally. Facebook says so. Sadists, soft-headed nincompoops, and envy-driven opportunists, and haters of western civilization. They have very little in common, but bad ideas and psychological aberrations. Say a kind word, it's true. The Democratic party is the honest party because they say what they believe even if it's repulsive to anyone who values things like liberty. Interestingly there are no democrats in name only. Unless they are Stalinists or Troskyites who think the others aren't going far enough. The Democratic party has absolutely no redeeming values.

The Republicans on the other hand, I can see a lot of y'all. I'm a republican. You're smiling and cheering. On the other hand, they're just a conglomeration of knee jerk traditionalists… trying to stay off welfare and opiates, miscellaneous Christians, war mongering neo-cons, rhinos, and the politically homeless who just find the democrats objectionable. But unlike the democrats, republicans actually have no ideology. They're pragmatists. Republicans like to say they believe in free-markets, but they really don't. That's why they come off as hypocrites. That's why the younger generation despises the republicans. But republicans generally are sincere when they oppose personal freedoms so if the democrats are the evil party, the republicans are the stupid party.

So here's how it plays out, okay? The economy start rolling over, stock, bond, and real estate markets head seriously down, since Trump and the deep state both think war is good for the economy they'll start one, the U.S. government is already bankrupt, they're going to have to put on lots of people controls.

Now here's a new thing you've probably never heard of. This is very, very serious. In addition to all of the usual nastiness that comes during bad economic times and war times there's something very, very big on the horizon. This is called, in China, a social credit system. And the Chinese already have millions of people involved in it. By 2020, the Chinese have said it's going to be a law of the land in China that everybody is going have to join. It's going to be universal. It's also called sesame. Why? Sesame, it opens doors. So if you don't have sesame you can't open a door. You're going nowhere. It's diabolically clever and you'll see it here too in the United States. And it relates to the ongoing technological revolution that I briefly discussed earlier.

Now you guys all have credit scores. A lot of people are obsessed with their credit scores from three big agencies. Okay, that's bad enough. But sesame uses an algorithm, very sophisticated, algorithm to combine not only all the stuff that's in your credit score, but all of your financial information of whatever type, anything, what you've got in your stock accounts, everything that they can get. And they can get everything because it's all online today being sifted by artificial intelligence computers. That's going to be combined with your personal data which is where you live what you drive, what's your education, everything about you personally, how many kids you have, where they go to school, everything, everything you can imagine. The big one after that is your behavioral preferences, whether you play video games, an hour a day, 10 hours a day. Do you gamble online? What do you read? How much time do you spend reading? What kind of books? What kind of movies do you watch? What do you look at? Everything that you do. Your behavioral patterns.

And this is the really big one, your personal relationships. If you associate with or have Facebook friends or anything with people of this type or that type, that's integrated into you. You have a friend who's got a low score, it lowers your score.

So what's this mean? Once people have their sesame scores in China and soon here, it means that you're gonna try because you'll get lower mortgage, in China visas, better jobs. You can't even get on a dating site if you've got a lousy sesame score. It's going to change everything about what you do so people are going to compete for a high score. What does that mean? It means they're going to compete to be good, little citizens according to how it's defined by the state.

Now you might say that's a good thing. Crime will go down. Well, maybe. I think it's a very, very dangerous and bad thing. It's Orwellian, but where people are competing to do what they're told as opposed to fighting against doing what they're told. So everybody will do that because you won't want to be left behind so you lose benefits if you're not a good, little lamb.

Now it's all a consequence of technology evolving much faster than ethics and philosophy. Technology is going exponential with all the consequences of that, but clear thought and the study of ethics and philosophy is flat lining. Sounds like a disaster in the making for me in a world with nuclear weapons.

So I just wanted to mention that to you. It's kind of a toss away. It really deserves a whole speech on itself, what I was just saying. So the question is what do you do about it, okay?

I suspect we are going to have an increasingly chaotic environment. It's going to make it hard to invest which investing is allocating capital in a way that creates more capital. That's what investing is. You're gonna be forced, I fear, to become a speculator. Which is to say not an investor, but trying to capitalize on bubbles, crashes, and politically caused distortions in the market place. It's much harder and much more dangerous. The only way to insulate yourself from the bad things that are gonna happen and take advantage of the good things that are going to happen too is to become as wealthy as possible. That's my — I mean you know this, but I think somebody has got to say this overtly. You want to become as wealthy as possible as soon as you can.

So in addition to the tips I've given you on the big markets. I just want to throw out a few things in the remaining few minutes I have on some current areas of investment. Bitcoins and cryptocurrencies. I got involved in these things, somebody gave me a Bitcoin in Argentina back when it was $13. Idiotically I didn't understand the value of a Bitcoin. I don't mean financially, I mean utility wise. It's a transfer device. In other words, three quarters of the people on this planet use currency like kwachas, pulas, and ringgits that are very bad within their country, almost worthless as are the banks and totally worthless outside of the country. So since the first thing a third worlder buys after food, shelter, and a t-shirt for clothing is he buys a cellphone. They're all gonna go to Bitcoin or another crypto currency.

It's a bubble right now, no question about the fact it's a bubble at 5,500 or whatever it is. But I think the bubble is getting bigger. So pay attention to this. And there's going to be a class of mining stocks that are coming up. First one which is high blockchain came out about a month ago, it's already gone from — it came out at like fifty cents went to $3.50. It's gonna be a lot of that stuff. It's gonna be like a bubble stock market in the miners of these things too.

So billions of people are going to go into them, "Well, hey this is a good way to profit from the coming collapse of western civilization." You'll want to do that. All these migrants are going to hit Europe in scores of millions and won't be totally penniless when they land on the Spanish and Italian shores. They'll have their cellphones. They'll have a few fractions of a Bitcoin so capitalize on that fact by joining the Bitcoin bubble.

But careful, it's going to blow up when they come up with Bitcoin 2.0. What happens to Bitcoin 1.0? Lot of problems. Just making you aware of this.

Second area, politically incorrect, marijuana. The medicinal properties of this humble plant are amazing, but they're just barely discovered because it's been a Class I felony to know anything about it for years. And that's completely insane because the hemp plant is going to totally destroy the wood pulp and paper industries, much better, cheaper for all kinds of things. It's going to overturn a lot of stuff in the clothing industry, competitive to wool and cotton. Now there's a lot of companies who went public, bubble stuff again. This is what happens when you create trillions and trillions of new dollars, they've got to go somewhere. So there's been a bubble in the pot stocks, but the bubble's broken. And now you can pick up the pieces with the good companies.

Why do I like it other than the utility of hemp as a plant? There's no question in my mind that the industry itself is gonna grow ten times in size in the next decade. It's gonna be as big or bigger than alcohol. So you pick the right company now and you're gonna make some money.

Gold. Gotta talk about gold. I don't know if any of us has talked about gold here much. It's not $35 anymore, it's not even $250 anymore which it was in 2001 when it was cheaper in real terms than it was at $35 in 1971. But at $1,250, whatever it is right now, it's a good buy especially on the edge of a gigantic crisis where we are right now. And when these governments come out with their own Bit currencies, electronic, they'll be able to monitor every dollar you have, everything you buy and sell. I think people are still going to still use the private Bit currencies as opposed to fed coin or whatever they come out with.

Here's the point I'm trying to make, it's that since they're going to eliminate cash, $100 bills and such, what are you going to do? I think people are going to start using gold coins again and eventually the central banks are going to have to back their currencies by gold when they destroy the current ones. When you buy gold, buy the little ones. Buy the quarter ounce pieces, buy the British sovereigns and French Louis Do'r. Not the big maples leafs and krugerrands and stuff, those one ounce coins. And why? I travel a lot and these customs people have all been alerted. These governments work together. They see a big, fat coin they want to see it. I mean see it on the machine, the x-ray machine. And you can get in trouble. But if you just have little sovereigns and things, and quarter ounce things, it looks like nickels and dimes. Nobody cares. Tip when you're crossing borders.

The last thing, this is my old favorite, okay? I've always been into these things and this conference has too. It's gold mining stocks, junior mining stocks of all kinds. Why own them? On the face of it, it makes no sense at all. They're remnants of 19th century choo-choo train industry. The odds of finding a deposit, it's a low odds Easter egg hunt in a world that's been picked over for thousands of years. Even if you find a potentially economic deposit after spending many, many millions of exploration expenses you're gonna find that you're gonna have to spend scores of millions more in developing and permitting the deposit. And then hundreds of millions more to produce it. All the while you're fighting NGO's, and natives, and the local government. It's a stupid industry, but so why am I in it and why do I recommend you look at it? Because right now commodities are coming off, I think, a six year bear market. They've been cut in half, most commodities across the board. So they're cheap right now and it's the most volatile speculative industry in the world where 10-1 shots, 100-1 shots, even 1,000-1 shots. I've personally had two 1,000-1 shots in recent years in the mining industry. Crappy industry, Warren Buffet wouldn't touch it. Smart, but you're living in a speculative environment now.

And now is an excellent time to go back into the exhibit hall and start talking to these mining companies and give yourself an education so that when the market gets hot you're already gonna own them. It will get hot with all this money being created and commodities being about the only cheap thing in the world, the next bubble, I think, is gonna be in gold commodities and these crappy little mining stocks. I think you can make 10-1 easy in the next few years. We'll see. Maybe we're back here next year, I'll have to eat my words with a fork and spoon, but I'm just telling you what I'm doing.

Okay. There's lots of other stuff investment wise that I could talk about, but I thought the important thing to talk about, generally, was this conflict between where technology and science is going and where civilization is not going and they really relate to each other. So, that's the good news/bad news thing. You might have some questions. I might have to

Speaker 1: No, we don't have time.

Doug Casey: Oh, I didn't mean now.

Speaker 1: Okay.

Doug Casey: I'm about to go. I'm just giving my parting thing. Stop by and visit me at the booth. I'll sign a copy of "Speculator" and "Drug Lord" for you. Okay. Thanks guys.

Brent Cook

"Taking Advantage Of Desperation In The Gold Industry Via Junior Miners"

Announcer: Some of you had a chance to see our next speaker early, as he did a pre-conference session, which is one of the things that Brien often does is have some folks speak before the event starts, and we had a nice full room for that. But in case you haven't met Brent Cook, I'll introduce him to you. Brent is an economic geologist and mining analyst, who's evaluated and valued from grass roots all the way through feasibility stage projects involving nearly all deposit types in 60 countries, in fact more than 60 countries. In 1997, he got tired of promoters making all the money on questionable properties, while he was out left standing, working wet in the rain, in the jungle, and he joined Rick Rule at Global Resource Investments, now of course Sprott Global, and he was principal mining analysts at Global until going independent again in 2002. Exploration Insights is his independent newsletter that discusses what Brent and his partner Joe are buying, selling and avoiding in the junior mining and exploration investment sector. Here to talk about the new reality for the mining industry, please welcome Mr. Brent Cook.

Welcome back.

Brent Cook: Good afternoon. I am back. Okay, so my presentation for my workshop this morning, we got into a lot of geology, a lot of details and I wanted to take a bigger picture look at the mining industry as a whole and where I think they're at, and more importantly, where I think we should be at. I did use this slide this morning. Exploration Insights is a fact based approach to mining speculation. What we're going to cover today is production reserves, discovery, high and low margin deposit, what miners need, as well as positioning yourself for the coming 'boom', we are not going to discuss alternative facts. I use this one as well, the greatest enemy of knowledge is not ignorance, it is the illusion of knowledge. That makes sense sometimes.

Okay, get this out of the way. We good?

Alright, a fact. Majors have got a problem. This is a chart that shows on top bare gold, on the bottom mining, and that is their reserves as they play out up until 2040, what's obvious the red are reserves and throw in the grey that's reserves and resources, what's clear, is that they are running out of ore, they don't have ore to keep the current production profile. This is almost all major mining companies, are facing this problem. This isn't on the slide, but what is also taking is that, it takes on average, 10 to 20 years to put a mine in production from discovery. That involves drilling it out, doing the technical work, the metallurgical work, the permitting, the water issues, the environmental issues, social issues, etc. so, they're not going to fill this gap with finding something today. And they haven't had much luck in the past either. This shows the impairments to the major gold mining companies each one, that's a total of almost $78 billion they've written off in things they've bought over the past seven years. Same goes for base metal mining companies, what you see there is they've written down 130 billion in assets that they bought, and just didn't turn out to work well.

I think that an important point is that they don't need new marginal deposits. This is a slide from Newmont. What is shows is with a $200 increase in the gold price, they increased their reserves without doing anything, just changing the gold price in those deposits by 11 million ounces. So, they don't need deposits that work in higher gold prices, they need deposits that work today, and they're just not finding them. This is a list of some of those marginal deposits that are out there right now, that in my opinion, are probably not the projects that the majors are looking to buy on the whole. You can see the names of the companies and deposits, that's a total of about 225 million ounces and 79 billion pounds of copper, that are out there but don't really work, in my opinion.

So, why are they cheap? This is a marketing gimmick that a lot of companies use, where is shows you, you're paying x amount of dollars per ounce of ground we own in the resource. As you see, Chesapeake, $8 an ounce, in International Tower Hill, $10, Vista $18, Midas $22, 71 for Victoria, and $75 an ounce for gold in the ground for these deposits. I think it's got to do more with, we need to look at the profitability of these things, the internal rate of return, and again, I show you 8% return for Chesapeake, this is at 1250 gold, half a percent for Tower Hill, etc.

Why don't they work? What's the problem? Let's check Chesapeake, you're paying the lowest dollars per ounce. They've got, this is from their website, 18 million ounces of gold, 526 million in silver, and a bunch of zinc. The gold is double refractory, what that means is, it's really tough to recover, not only does it occur within the lattice of pyrite, but there's carbon there, and carbon, once you do get the gold out, takes it back in again, so it's a very complicated process. Mining this thing, and this is a fairly positive, optimistic feasibility study they did, or pre-feasibility. it's going to cost 1.2 billion to build it, and another 1.6 to keep it going. When the grades are low, payback 10 years on this positive feasibility study, or pre-feas. Poor metallurgy, low-grade, difficult access, a major is not going to buy this. And just real quick, don't worry about what that is, except that is the flow through diagram for the flow sheet for this deposit to recover the gold, it's extremely complicated.

This is an interesting chart put together by Pullet and Company, it shows the IRR of Nova Gold's Donlin in deposit in Alaska, that's a big deposit, at gold price versus the IRR. In 2006, at about $500 gold, it showed a 12% return. In 2009, at about 900 gold, it showed a 9% return. 2012 at $1200 gold, your IRR is down to 6%. I think that this is a really important concept to get, is that usually when the metal price goes up, particularly gold, your input costs go up, that's just the way it seems to work.

Alright, I've used this slide, I think every year here, at least the past four years or so. What this shows is that this is discoveries ounces per year going back to 1990 I think it is, and it's clear that discovery ounces are going down. The line across the middle, that one, is production, annual production. We're producing about 90 million ounces a year, we're finding about that much, that's 40 million ounces that we're not making up, and this goes back to 2006, is the last time we found that many ounces, that was a big deposit over in Toga that put us over the top for that year. Looking at more recently, again, initial gold resources announced, you can see that we're nowhere close to the 90 million that we're producing, big problem, but a good one for us.

Exploration has fallen off as well. Exploration is down 20% since 2012, and again, you can see what's happening, and importantly, grass roots exploration, the black line continues down. Grass roots exploration's where you find the big stuff, that's what we need. Interesting chart from, this one Joe Mazumdar, my partner put together, on what Barrick spends on exploration versus GMA. You can see it is not looking well. Exploration has been coming, but their cost of operating has been going up. They're not exploring as efficiently as they used to, and they're recognizing this problem. Direct investment of majors into juniors is the highest in 10 years. This has a been a big change I've seen this year, I've seen. I think this is really important for us in the junior mining sector.

They've put about 370 million bucks into this sector via placements and joined ventures. More than half the money raised in the junior sector, and you can see some of the companies are participating. We're also seeing a lot more joint ventures and strategic alliances with companies, and I think that's a good sign in two respects, in that it shows that they're outsourcing their exploration to people that are confident in that particular field or jurisdiction, and some of the companies that are doing that at this show, Eurasian, Riverside and Millrock. They're out there, I think you can talk to them. Others, that we own in the newsletter, Evrim, Mirasol, Australian listed Hammer Metals, and they're doing this to establish in foot holded areas that they recognize ... I think Riverside's out there too, I didn't put that in, oh no I did. They recognize it's much more cost efficient for them to invest in someone that's operating in a jurisdiction that they might not be that comfortable with yet, for instance Columbia and Newmont. And the junior companies are much more nimble, and they're actively looking.

Again, this is the Precious Metals Summit in Beaver Crook, Colorado, which is the big event for the junior and upcoming mining companies. We saw 39% increase in the mining companies that are showing up and having meetings with juniors, so they're actively looking, that's great. And they're buying too. These are recent acquisitions, El Dorado, [inaudible 00:11:23], and I want to point out, our investment philosophy here, our strategy at Exploration Insights, is primarily buy something that a major is going to buy. And after I put this together, I actually recognized that those asterisks are companies that we held in the portfolio and did get bought out, and you can see that they're buying in jurisdictions; Canada, the US, Australia. They get a premium grade and margin. If it's high grade, high margin, those are very valuable deposits.

Comfort zone. If they're working in Berkina Faso or Mali or whatever, they're comfortable there, they can afford to go in and buy these companies. Finally who knows why Gold Corp bought Exeter, I don't. Summarizing the facts. Minors are running out of profitable ore. They're not exploring or finding new deposits, I think I showed that, they've been buying deposits that fit their deposits, that fit their specific criteria, whether it be rate of return, jurisdiction, that sort of thing. They're partnering, we're seeing a lot of that, and I think we're going to see a lot more of that as time goes on, as the next few years role on, I think we're going to be invested, we want to own those companies that the majors also see as a valuable investment. And the available economic deposits are shrinking at down to kneel.

There really aren't that many high margin deposits out there that are available that are socially and jurisdictionally acceptable, and I will throw out two companies at this show that I think might at some point in the future meet that criteria, and that would be Sabina Gold and Midas Gold. Sabina's got a deposit up in the great north of Canada, and

Midas is Stibnite, Idaho, so there out here so talk to them. But, those are two deposits, that at least from a high margin standpoint, make the grade.

Extrapolating from the facts. This is our conclusions. Minors are becoming increasingly desperate for new discoveries. That is our number one exit strategy. This is a discovery driven market, it's amazing to me that the three companies that I can, off the top of my head, come up with that have done exceptionally well, are exploration stories, Nova Gold, Aurion A-U-R-I-O-N, and Garibaldi. What's stunning to me, is not none of them have yet released any drill holes, you're looking at market caps of over a billion for Nova, 400 something million for Garibaldi, and close to 125 million plus for Aurion, and they have yet to release any drilling results. So, that tells me that there is a really strong demand for this sort of thing in the retail sector, I should point out also, that Kirkland Lake put money into Nova Gold ... and gosh I forget, it wasn't Gold Corp., Neumont, i forgot, I'm sorry, Put money into Aurion in Finland. So, you got majors also participating in this mania is what it really is.

Scams, fake news, and misinformation, that's bound to increase, you're going to see this coming in your email boxes, you're going to see people talking about this. Be very careful. Know who's sending it out. Know the people that are convincing you that this is a great deal, what every it is at XYZ Company. Read the fine print. How are they getting paid, how are they making money, why are they doing this? Do they own the stock? Are they selling into this recommendation? Number one I think, know what you're investing better than everyone else. This diagram below is a really important chart. This is the typical pattern a new discovery makes over time. You can see there's flat line, they're doing the work, they're doing the soil sampling, geophysics, etc, they start getting some success, the share price increases, that's when you really got to keep track of what's going on because we know that by and large, most of these are going to fail, that's just the way it is in Exploration, but we can make very good money on a stock that eventually doesn't working, a project that eventually doesn't work. If we follow it close enough to spot the problem, be it metallurgy, be it a size problem and that the mineralization doesn't continue off in some direction, or rise up to depth, that sort of thing.

Watching these close enough and plotting them, we can do well on stocks that eventually follow back down. Then on the far side there, if you buy a company that's going into production, if it works out you can do well there, I don't really focus on that side of the equation, our focus is this, that's where the fun is. So, what you need to recognize as speculators, is the odds are low. I spend most of my time killing a project. Every day we see news releases and such, what's wrong? why doesn't this work? I know it's a great release, but what is that problem? Know the funding requirements.

What's it going to take in terms of the treasury, for the company to advance to the next hurdle. Do they have that money? This is a good one. Know the go and no-go points. Too many people aren't companies, they get enamoured with a project, and don't recognize when it stopped working. They've told you all, this is the greatest thing since whatever, it's Boise's bay. It's great, give us the money, we got the money. At some point, it generally fails. Do they know failure looks? Or on the opposite do they know what success looks like? Do they know what their deposit looks like geologically, metallurgical, what's the infrastructure, what's the capex going to be/ when I go out and look at a project and look at a rock, the first thing I start doing is, I look around, where are we, what's it going to take to get here, how are we going to get the metal out the rock, all those things play into it.

So, that's the economic, geological parameters. Is this thing sitting next to a church? I've been to a project that looked good on paper, you get there, and there's this nice beautiful white church there, and a nice field out here. It's not going to happen. Is it meaningful? Too many companies in my view, are looking for deposits that even if they're successful, they're too small to make a difference. This is a high risk game, if you're going to spend this much money, go big or go home. Does it translate into share price increase? That's important too. You'll see companies release news release, but it really doesn't effect the share price because it's really not that important. And behind that, in the background, are two companies that put out what a lot of people I guess, assumed to be good projects, and you can see how they've gone.

Alright. This is where we are right now. This is a good clock that tells us generally how the mining cycle works. Crash, we went through that. We're starting to see, we did some, we have seen declining exploration, I've put that together, we've seen that. We're seeing the mergers and take outs. We're not seeing a lot of cash take-overs yet. We are seeing new companies start up, particularly in the zinc and lithium space, and we're seeing exploration start to pick up, not big, but starting to. So, I'm guessing we're right about here. It's about cocktail hour folks.

This is another one, investor sentiment. And I think we all go through this, and it kind of matches that claw, people tend to think great, I'm in, I finally got the stock I wanted. They're too late. Down here it just gets worse. You sell down through here, and you start watching the stocks go up and go, you know I could have bought that last month for 25 cents, now it's 50 cents, I missed it. You keep waiting, it's going to come back, it's going to come back. It doesn't come back. Finally. Top of the boom, you're in. We want to sell here. Buy here, sell here.

Alright. That's as far as I wanted to go today. I'll tell you a little bit about Exploration Insights, if you're not familiar. It's run by Joe Mazumdar, myself. I'm the ugly fella on top, Joe is the guy down below. I met Joe three or four years ago in the field. I've done a number of projects with him. He's one of the straight shooting, honest, smart guys I know. He's got a degree in geology, and a masters in mineral Economics and such. Anyway, he brings a lot to the story, and I think a number of our subscribers who are here, have commented that he's headed a lot as well. So, that's us, explorationinsights.com, is the website, there is a lot of information available there. Go there, pick up some of the stuff, and I'll be at the show. And come see us. Thanks a lot. That's as far as I had. Thanks a lot. Enjoy the show.

Adrian Day
"Investing In Wonderland"

Bob: Our next speaker is certainly one of the better known names in financial management and related areas, Adrian Day; and his speech tonight is titled 'Investing in Wonderland'. Adrian is a British born writer and money manager, a graduate of the London School of Economics and president of his own money management firm, Adrian Day Asset Management, where he specializes in global diversification and resource equities.

His firm is also the sub-advisor to the EuroPac Gold Fund. And that gold fund, EuroPac, for the last two years has been the number one performing gold fund in the world; so you will want to pay careful attention to what Adrian has to say. Because of his expertise and prominence in money management, he has also been a frequent guest on CNBC and the Wall Street Journal radio. His latest book is, 'Investing in Resources: How to Profit from the Outsized Potential and Avoid the Risks'. It's one of those books with long legs, as they say in publishing. It's available on Amazon and you should definitely consider getting a copy.

Adrian's insights and the fact that he brings a rich classical education to his analysis, makes him a formidable money manager with a superb record. So at this time I would like to bring Adrian to the podium.

Adrian Day: Well thank you very much, ladies and gentlemen and thank you very much, Bob. I wondered who you were talking about there for a while.

So last year those of you who were here remembered we journeyed with Alice down the rabbit hole and we visited the mad hatter's tea party to see what was happening in Wonderland. So it's time to revisit. Let's go down the rabbit hole and see what the results of the Federal Reserve and World Central bank's policy of artificially low interest rates. We'll see the result of that policy and then we'll also look at what's likely to happen or could happen when things start to turn.

Over the last twelve months there's been a slight tick-up in rates, not just in the US, but in many countries around the world. But despite that, interest rates still remain very, very close to their lowest levels in all of recorded history. If this table suggests to you at all that the world is returning to sanity, this is a chart of the amount of bonds that are trading with negative yields, and as you can see here they've declined since pretty much all year and particularly in the last few months. If this table suggests to you the world is returning to sanity, think again.

Nearly 7 trillion dollars trades in global bonds at negative yields. It's important to emphasize that when you buy a bond at a negative yield, you are guaranteed to lose money. Ireland has just issued a 100-year bond and more recently, about a week or ten days ago, Austria issued a 100-year bond with a 2% dividend yield; 2% on a 100-years. That's less than 10-year treasuries.

The wonder isn't that Yellen and Draghi and Kuroda and all of the rest are issuing such bonds, the wonder to me is that anyone is actually buying them.

Now over the last twelve months has been some fascinating developments in the Wonderland bond market. Euro junk, as you can see on this graph, that's the red line, Euro junk bonds are now yielding the same as US treasuries. Now I'm the last person to suggest that the US government finances are in good order, but surely this is pure, pure fantasy.

And there are some other developments as well. I'm sure many of you have heard about the 50-year bonds issued by Italy. These are euro denominated bonds yielding 2.8%.

They were oversubscribed almost four-fold. Hey why buy a German government bond with a negative yield when you can get nearly 3% from the paragon of fiscal rectitude, the Italian government.

So think about it for a second, 50 years. Italy has only been around as a country for a little more than twice that, and during the last 50 years it's had two different republics, 42 different governments. It hasn't even been in the euro for 50 years and yet we're going to buy bonds denominated in the euro, I would venture to bet that Italy will not be using the euro 50 years from now. And so 2.8 is clearly not even beginning to reward an investor for the risk. Now, Italy is a lovely country. It has wonderful food, nice music, not to mention the women. But to lend them money for 50 years, I don't think so.

I hope there is no one here from Argentina and if there is, I don't mean to insult you. Argentina also has wonderful food and music and women. But this particular poster child for financial stability has just issued a 100-year bonds, again hotly demanded, oversubscribed by more than four times, with a 7.1% yield. Now this is less than one year after the government just settled its latest international bond default. In case you forget or you don't know, there have been multiple defaults in Argentina over the past 100 years.

Let's start by going backwards: 2014 they defaulted, 2011, 2005, 2001. I think you get the point; we could go back over the last 100 years, but we don't have time. There has also been several different forms of government over that time. And remember these bonds are issued in US dollars. Again, I'm not going to hold up the US dollar as the paragon of stability, but will Argentina be able to repay these bonds, in dollars, when they mature a 100-years from now?

Well the peso 100-years ago was valued at one to one against the dollar. If you take that same peso, not the new peso, and the new peso and the even newer peso, but the same peso; that's now 72 trillion to one. So the odds would seem against it. And then for English soccer fans still seething over that 1986 World Cup final, I don't know if there is anyone here from England, anyone who remembers this, the chap on your right is the English goal keeper; he is allowed to use his hands. The chap on the left is an Argentine forward; he is not allowed to use his hands. So the questions is would you buy a 100-year bond from this man? I wouldn't.

So there has been a slight tick-up in interest rates around the world, but rates remain abnormally low with many, many abnormalities in the market. I think we have to realize that abnormally and artificially low rates have consequences and I'm going look at a few of them.

Now the supporters of central banks, and there are some, say that look, the central bank not only saved us from disaster in 2008, and that's a debatable point but we won't get into that now, but their policies since then have led to global growth where all major economies around the world are growing in sync. I would simply say to you, that's true but let's look at the last time that all major economies were growing in sync and that was 2007, right ahead of the great recession. So be careful what you wish for.

Certainly the Federal Reserve and other central bank panjandrums believe that they have succeeded in saving the world and it is now time to start slowly reducing their staggering balance sheets. The Federal Reserve's balance sheet as you know more than quintupled since early 2009. It stopped growing but the Fed is now talking about starting to shrink it. A so called quantitative tightening. The balance sheet, as I say, grew from about 900 billion to over 4.5 trillion. And the Federal Reserve plans to cut this by 2021 to 3.5 trillion. Now that sounds like a big reduction, but that would still leave us at four times the 2008 level.

Initially, they're simply going to cut back by not rolling over bonds that mature. George Selgin, some of you may know him; he is the Professor of Economics at the University of Georgia. He suggested the Federal Reserve calls this, Operation Snail. Snail stands for, you know the Fed loves these acronyms, so this is an acronym for stall now and inch along later.

I think it's fair to say the Fed and other central banks are probably going to be as cautious in reducing their balance sheet as they have been so far in increasing interest rates. And the same of course, goes for the European Central Bank. Japan, needless to say, isn't even talking about tightening. It's in a world of its own.

The next graph here shows a breakdown by type of assets in the Federal Reserve's portfolio. These are assets, for the large part, that they purchased over the last eight years. I'm only going to refer to one of them. They have nearly 2 trillion dollars in mortgage-backed securities. That is 25% of the entire market. Just as the Federal Reserve's buying binge had significant effects on that particular market, the mortgage-backed security market as well as the bond market in general, when they stopped buying and when they eventually start selling, so too will that have serious consequences for the market.

How can the Federal Reserve off-load a quarter of the entire mortgage-backed securities market over a short period of a number of years at the same time when it is raising interest rates, and that's important to remember, without creating chaos in that market. So again, quantitative tightening may sound like a good idea and certainly long, long overdue. But it's unknown how it will happen. The truth is nobody really knows how it will happen and what the consequences will be, because we have never been in this situation before.

Now if we think the Fed's buying of 25% of mortgage-backed securities and all these other assets is bad enough, it is by no means the most egregious buyer of assets in the world. Sorry, this is a quote from Lewis Carroll, Alice; "Sounded like an excellent plan, but the difficulty was she had not the slightest idea to set about it", that is reducing the balance sheet.

As I say, the Fed is not the most egregious buyer of assets. The Japanese National Bank now owns two-thirds of the Japanese ETF market; two-thirds of the ETF market owned by the central bank. In Switzerland, those erstwhile paragons of fiscal rectitude, are now the eighth largest holder of US stocks in the world. One might ask what a central bank, particularly in a conservative country, is doing buying 3 billion dollars worth of Apple stock?

You know it's not so long ago that central banks held gold bullion and the dollar, the reserve currency. But at least the Swiss central bank converting into a hedge fund is is helping its share price. As you can see here, it's just shot up. The central bank of Switzerland, by the way, Swiss National Bank, like a few other central banks in the world, actually trades on public markets as a public stock.

What is going to happen when central banks start unwinding their assets? What's going to happen to the US stock market? What's going to happen to the US bond market?

Another effect of artificially low interests rates, as one would expect, has been a massive increase in debt. And this is at all levels. We can see here the global debt has increased over 35% since the credit crisis and that's despite talk in many countries of austerity. And its continued to go up even in the last few years. I mean with rates so low, why bother paying back debt? Why not just borrow more?

I'd like to highlight a few matters of particular concern on this debt binge. One would be the huge increase we've seen, this graph goes back to 1995, the huge increase we've seen in the last few years in the issuance of dollar denominated debt by emerging economies. Now it's absolutely true, I've said it many times, it's absolutely true that many emerging economies, particularly those in Asia, are much stronger financially then they were 20 years ago during the last Asian crisis.

But for companies who borrow large amounts of money in a currency for which they are not, for the most part, in which they are not earning, is certainly a cause for concern. And we can see a huge increase of this happen in the last couple of years.

Consumer debt has also gone up since the crisis. The idea of the central banks in lowering rates, of course, was so people would spend more. That hasn't really happened. But certainly consumer debt has gone up tremendously since the credit crisis.

This shows you the total consumer credit of all US households and then this shows you bank by bank credit card write-offs. You can see just from last year to this year there's been an enormous increase or an increase of nearly every bank in the amount of credit cards that have been written off in the United States.

Another area of concern in the US is margin debt. Margin debt is now at all-time records and why not? When stocks continue to go up, we know they can only go up, When stocks continue to go up and the interactive broker will lend you money on your stocks at less then 2%, why not borrow the money and buy more? But what happens when rates start to move up? Perhaps just at the same time that stocks start to wobble. You can see on this graph the previous peaks in margin debt were in the year 2000 and the year 2007. So not particularly auspicious occasions given they came right before market corrections.

U.S. debt has also increased significantly, as one would expect. Its been going up for decades, of course. But since the credit crisis it has moved up almost exponentially. The government is now paying about 265 billion dollars a year just to service its debt. That's the federal government. Now that is not much more than what they were paying ten and even twenty years ago. But the important point to remember is that the level of interest rates today is so much lower than it was ten or twenty years ago. And the structure of government debt is also completely different. The federal government today has so much more of its debt in one year and even six month treasuries and very little in 30-year treasuries. And of course, interest rates tend to be lower at the short end.

So, consider the level of interest rates today and consider the structure of the treasuries debt market, and the government is paying out more or less, the highest its ever paid out, what is going to happen when rates start to go up? Right now, on all of the federal government debt across the board, including the 39-year bonds issued 29 years ago, the federal government is paying 2.3% on its debt, 2.3%. That is barely a third of the 40-year average. So with debt increasing, with maturities extending, and with rates slowly moving up, it's no wonder that analysts are looking at interest on the debt to increase much faster, even in social security, Medicare and healthcare.

This particular projection is looking at interest payments going up almost 200% over the next decade. At that point interest would represent almost 30% of the total federal budget; almost 30%. That's a level at which historically, with other countries, things begin to careen out of control. And I think this is the major reason in my mind that I do not see the Federal Reserve raising interest rates significantly any time soon.

Now low interest rates have also had a perverse or strange effect on savings. You would think that when interest rates came down the consumer would, contrary to what the Federal Reserve expected, which is we'd all go out and spend more money, but you would expect people would pay down their debt and start saving more because despite rates being low, they would have to spend more to get any return on their savings. But that simply hasn't happened.

I'm showing this graph which has a revision in it. The red line is the original and the black line is the current revision. And that's because there has been a lot of talk recently about savings going up in the United States in the last few years since the credit crisis. But you can see there really has been no increase, particularly since 2009 and in the last two, two and a half years in fact the saving rate has gone down. When you think about it that's not really surprising.

What consumers are doing is trying to pay down their credit card debt particularly and other debt. We have essentially zero being paid to you on your deposits, particularly bank balances you're getting zero, but your credit card balances are still paying 20 or even 30 percent, making it all the more difficult for people to pay down notwithstanding good intentions. And so I don't see much change in this in the foreseeable future.

As rates begin to go up, of course, then banks will be forced to pay more on the deposits. You're seeing that already with many large depositors almost threatening banks that they'll withdrawal their money and put it elsewhere if banks don't start paying interest on deposits. So as rates go up, people will begin to earn something on their balances and that will enable them to pay down their debts levels much faster.

Another thing we have to look at with abnormally low interest rates. Ultra-low interest rates have worsened the wealth disparity, but already existed but they've worsened it. Despite household wealth moving up here as you can see, and now exceeding significantly 2007 highs, the disparity between the top wealthiest and the lowest has widened. The latest numbers of release by the government, they are always a little bit behind, these are from 2013. They are the latest numbers from the Census Bureau. But the bottom 50% of the population in terms of wealth have less wealth than they did in 2007

Between 2007 and the date of these numbers, though the average net worth increased, the medium was down 40%. And that's a clear sign of an increasing wealth concentration. This shouldn't really surprise us, when you think about it. Although the wealthiest had very significant declines in 2008, they bounced back so much quicker. Higher-end home prices have rebounded much more than low price homes. Equities which are owned more by wealthier households and less by less wealthy households, equities have increased and so on and so on.

But I think the number one reason for the increase in widening wealth disparity is the artificial ultra-low levels of interest rates, which enable and encourage wealthier households to borrow cheaply, to buy homes, to buy stocks, to buy over appreciating assets and that's simply not available to the less well off. So artificially low interest rates have certainly had a very deleterious impact on the wealth disparity.

This chart again shows the red line there, you can see the numbers, but the top level has gone up, the bottom level is actually declined, although it was pretty static over ten years and its actually declined marginally over 30 years. So the lowest by wealth and the lowest by income percentages in the population, are actually going backwards as opposed to seeing any increase at all.

So government debt has gone up, household debt has gone up. One area where absolute levels of debt are not up much is the corporate sector and that is because the corporate sector has been able to refinance their high interest debt with new, low interest debt. So the absolute level of debt is not increased much as they lock in these low rates. But, again for the corporate sector, ultra-low interest rates have had very negative effects. Corporations have been borrowing money to increase their dividends, to buy back more shares where there is an immediate payback. But this is at the cost of long-term capital investment.

You can see here how capital investment over the last few years has actually declined. And goodness knows, this country is in need of capital investment. The capital stock of corporations in the United States is now about 23 years old on average, which is the oldest its ever been in the country's history. But companies are not putting that money to work. And this is another unintended consequence of ultra-low interest rates.

Another consequence, of course, is the ongoing decline in the value and the purchasing power of the dollar. I like starting this graph in 1913 because that was when the Federal Reserve started and so we can see what a wonderful record, how well the Federal Reserve has performed in one of their two main objectives, mandates which is to preserve the purchasing power of the dollar. But they certainly haven't done a very good job at it.

But the dollar has continued to fall in the last eight years now with these ultra-low interest rates. So the decline in the purchasing power of the dollar is another consequence of low interest rates; that's the dollar.

Lastly another consequence of low interest rates is on pension funds. Low interest rates have hurt the returns of the most conservative investors who typically don't invest a lot in equities, but they do invest in bonds and long-term annuities and so on and so forth. Pension funds in particular have been hurt. The funding gap here for the largest hundred corporations in the United States is now over 400 hundred billion dollars. That's a 400 hundred billion dollar funding gap at 100 corporations.

I can only agree with Alice who says; "What a very strange world we live in." Again as ultra-low interest rates have had this effect on all these various sectors and various groups: households, credit cards, emerging markets, people issuing 100-year bonds at 2% and so on. As these policies reverse as interest rates start to move up, albeit very, very slowly and tenuously. As the Federal Reserve, the European Central Bank and other banks start to shrink their balance sheet, this will have the opposite effect that we saw with loosening money. We'll start to see defaults on bonds. We'll start to see people losing money on bonds. We'll start to see emerging market defaults on dollar denominated. We'll start to see the dollar go down more, and so on.

So all of these policies will have very, very important consequences not only on the economy, but also on markets affecting bonds, affecting stocks and thankfully affecting gold in a positive way.

So I appreciate your time, ladies and gentlemen. We're going to get into some details on investments in my workshop tomorrow night. But I wish you a good rest of the evening. Thank you.

Danielle DiMartino Booth

"Fed Up: An Insider's Take On Why The Federal Reserve Is Bad For America"

Lindsay: All right. Up next, you are in for a treat. Danielle DiMartino Booth is a global thought leader on Monetary Policy, Economics and Finance. She's the author of Fed Up, an insider's take on why the Federal Reserve is bad for America. Fed Up rose to number 22 on Amazon's bestseller list. DiMartino Booth founded Money Strong LLC in 2015. Through her economic consultancy, she's published a weekly newsletter for 140 consecutive weeks.

Her writings are regularly featured on LinkedIn, Seeking Alpha, Nasdaq, Talk Markets and dozens of other websites. In affiliation with Gartman Media, DiMartino Booth also publishes a weekly newsletter subscribed to by institutional investors. DiMartino Booth is a full-time columnist for Bloomberg View, a business speaker and a commentator frequently featured on CNBC, Bloomberg, Bloomberg Radio, Fox News, Fox Business News and other major media outlets.

She holds an MBA in Finance and International Business from the University of Texas at Austin and an MS in Journalism from Columbia University. If you would please, give her a very warm welcome.

Danielle D. B.: Lindsay was not kidding, she can talk fast, can't she? Good morning. Never easy to be first up this time of the morning in a place like New Orleans. The only thing I could imagine that would be worse would possibly be Las Vegas at this time of the morning. Regardless, thank you all for coming, I appreciate your being here. By all appearances, I had a look at the program, what an extensive program! That thing weighs a ton. But by all appearances, I'm in great company.

Speaking of which, you may have noted that legendary hedge fund manager Ray Dalio has been in the news quite a bit of late, promoting a book he has just written. To say that Dalio has been provocative is an understatement. In one recent CNBC appearance, Dalio compared today's investment environment to that of 1937, when the Federal Reserve was poised to make a historic policy error that would put the Great in the Great Depression.

No doubt Mr. Dalio has many nuggets of wisdom to offer us all, and why shouldn't we listen? The man manages $160 billion. Dalio often sings failure's praises. He says, "It's the one thing that makes us successful in the end," and I happen to agree with him. As for our greatest fallibility, in Dalio's words, "The biggest mistake most people make is to not see themselves and others objectively." If nothing else, it makes you take a hard look in the mirror, which I've always tried to do. Hence my surprise when a CNBC anchor remarked a few years back that I didn't look anything like any central banker that he'd ever seen.

That interview took place in the summer of 2015, just after I had retired from the Federal Reserve. Now, granted I hadn't gotten out much, the crisis had been a bit of a distraction for the better part of the prior decade. Still, his off the cuff remark helped open my eyes to the obvious, that I would never be perceived as a central banker. That was especially the case when I was on the inside looking out.

But then I didn't join the Fed to become a central banker per se. That would have meant having a pre-set agenda the day I walked through the door of what I came to know as the most political institution in this country. Eventually, politics and hubris stopped the Fed from using the financial crisis as a good excuse to reinvent itself. That opportunity, I'm sad to report, was squandered. The outrage, it awoke in me, would eventually become a book.

I'm proud to report that Fed Up has been a raging success. That means two things. One, I will never get another card over the holidays from anyone inside the Fed. Two, and curiously I might add, I hope Peter Schiff is not awake yet. I've become public enemy number one for the conspiracy theorists, the ones who imagine the Federal Reserve to be a secretive order of corrupt bankers set out to destroy the world.

You see, the Fed is actually a much quieter, genteel institution, controlled by a silent majority of academics who've largely been trained in the same school of thought. Its leaders tend to get along in the most civil manner imaginable, and therein lies the problem, because the Fed is anything but powerless. In fact, I've come to refer to this cabal of unelected officials as the fourth branch of the United States' government. The problem is, what's missing. The checks and balances that our forefathers wisely put in place to prevent any one arm of the government from attaining too much power over we, the people.

One of the reasons I ended up as fed up as I am today is that the overly-intrusive actions of those who shepherded our financial system since Greenspan took office over 30 years ago have taken a grave toll on our economic wellbeing. How so? In a normal state, markets function as price discovery mechanisms.

Let me share a story to illustrate. Close your eyes, envision a perfect Robin's Egg Blue Box sealed with a satin bow. The iconic representation of Tiffany's Jewelers. As it so happens, a story about Mr. Tiffany and J.P. Morgan, the banker, relayed to me by my great friend, Arthur Cashen has proved immensely valuable in explaining the financial system to my four children.

Being the astute jeweler that he was, Mr. Tiffany knew that Mr. Morgan had an acute affinity for diamond stickpins. One day, Tiffany came across a particularly unusual and extraordinarily beautiful stickpin. As was the custom of the day, he sent a man around to Morgan's office with the stickpin, elegantly wrapped in that Robin's Egg Blue Gift Box with the following note, "My dear Mr. Morgan, knowing your exceptional taste in stickpins, I have sent this rare and exquisite piece for your consideration. Due to its rarity, it is priced at $5,000. If you choose to accept, please, send a man back to my offices tomorrow with your check for $5,000. If you choose not to accept, you may send your man back with the pin."

The next day, the Morgan man arrived at Tiffany's with the same box in a new wrapping in a different envelope. In that envelope was a note, which read, "Dear Mr. Tiffany, the pin is truly magnificent. The price of 5,000 may be a bit rich. I have enclosed a check for $4,000 dollars. If you choose to accept, send my man back with the box. If not, send back the check and he will leave the box with you."

Tiffany stared at the check for several minutes. It was indeed a great deal of money, yet he was sure the pin was worth $5,000. Finally, he said to the man, "You may return the check to Mr. Morgan, my price was firm." The man took the check and placed the gift-wrapped box on Tiffany's desk. Tiffany sat for a minute thinking of the check he'd returned, then he unwrapped the box to remove the stickpin. When he opened the box, he found not the stickpin, but rather a check for $5,000 from Morgan, and a note with a single sentence, "Just checking the price."

Just checking the price. That, my friends, that is how markets are meant to operate. Today, though, we trade in the dark. We have since 1987. Now, that year may stick in your minds for two good reasons. A, that was the year the stock market crashed, but B, and much more importantly, there was a new sheriff in town. Alan Greenspan, who would eventually be referred to simply as The Maestro for his ability to suspend the business cycle, but more importantly the magical way he created mountains of wealth, a skill he passed down to his two successors.

How did it all begin? Well, there's actually another story there and yes, it does involve a fateful day in October 1987, though, the date was not the 19th, as you may be thinking. On that Monday, Alan Greenspan happened to be in the air aboard a flight from Washington, D.C. to Dallas, where he was to deliver a keynote address the following day at a prestigious Economics Conference. A hairy Dallas Federal Reserve staffer greeted him the minute he stepped off the plane, informing him that the Dow Jones Industrials had lost 508 points in one trading session, a near 23% loss, one that remains to this day the worst in U.S. history. Suffice it to say Greenspan never made it to the podium.

The first thing the next morning, he was aboard another plane headed back to D.C. to do damage control. He directed the Fed to release a statement that said the following, remember these words, "The Federal Reserve, consistent with its responsibilities as the nation's Central Bank affirmed today its readiness to serve as a source of liquidity to support the economic and financial systems."

He was not kidding. In the months that followed, Greenspan went so far as to sanction the New York Fed, leaking information to bond trading desks ahead of Fed moves to inject liquidity into the system. In street parlance, he'd invited those who profit the very most to front run the Fed. Know that the rules of engagement changed with the birth of the Greenspan put, not on the 19th, but on the 20th of October 1987.

In the rollercoaster years that follow, Greenspan would pull out all stops to prevent creative destruction from taking hold. The Fed's extraordinary exertions fed the inflation of the housing bubble, which eventually led to the great financial crisis and the Fed's subsequent overreaction. The $24 trillion in paper wealth, created during the housing boom and largely destroyed, has since been displaced by the 38 trillion and counting in paper gains that have been generated since the stock market bottomed in March 2009. Today, households collective net worth stands at a record seven times that of disposable income. To put that into context, the long-term average is five times.

I'll ask you, are runaway asset prices apparent to most of those inside the Fed? Well, the short answer is no, which makes it mighty difficult for those on the inside to recognize for one thing, the fact that commercial real estate has never been as richly priced as it is today. Prices have long since pierced their prior record. As for bonds, at over $220 trillion, the size of the global credit market dwarfs that of the stock market. Moreover, the growth of the debt market has been extraordinary since 2007, contrary to the widespread perception that we've lived through some era of deleveraging. The question is whether that risk is being adequately rewarded.

A recent Deutsche Bank report, which I hope you've all seen, looked back to 1800, and found that no single parallel in history comes anywhere close to today's level of overvaluation in the bond market. As for the stock market, you tell me, should we be worried? Well, the answer is actually yes and no. If we're in the latter innings of a late 1990's style rally, the one you hear about 24/7 on CNBC, well then, no, there is absolutely no need to stress. But if you're not comforted knowing that stocks are more overvalued than at any time since the Dot Com boom, well then, yes, be worried, be very worried.

February the 1st crossed us over into the third longest economic expansion in U.S. history. You have to ask yourself, “What is going to keep this economic recovery going?” Maybe, just maybe, the time has come to ask the central bankers of the world who’ve assumed more power than any politician, to step aside and allow the business cycle to go back to being cyclical.

It’s fair to say that central bankers have long since made decisions based on the belief that they were undertaken for noble reasons. The truth is, the time has come to own up to the negative consequences of so many good intentions. It is time for central bankers to take a hard look in the mirror. If they did, they might realize what they’re asking of our retirees who can no longer afford to be prudent in their investment allocations.

Consider that at the current rate of return on cash you’d have to have $10 million set aside, just to have enough in income to stay above the poverty line. I ask you, “Do your parents have 10 million?” Mine don’t. That’s not to say that there haven’t been beneficiaries of the Fed’s policies. One name in particular that of Uncle Sam, is a name that comes to mind.

As you’ve no doubt heard, our government’s debt has exploded to $20 trillion and counting. And I mean counting. The United States accumulates a quarter of a million dollars of debt every single minute of every single day. Debt is projected to hit $25 trillion by 2019. Yet, we’re told that the only thing that matters is the cost to service this debt. To that end, the country paid about 1.8% on its debt in its most recent fiscal year, despite the fact that outstanding debt has tripled over the course of the past few years. Had we been paying what we term normalized interest rates the deficit that recently hit a seven-year low would have been over double, double what was reported. Hopefully, you can see how politicians have benefited thanks to the Fed. But make no mistake, the citizens of this country will ultimately pay the price.

I think, I hope we all agree that it’s high time that those in Congress started earning their salaries and doing right by their constituents. I hope you too can now appreciate that it’s well past the time the Federal Reserve stop enabling congressional misfeasance, and in doing so, restore the markets to their proper function as price discovery mechanisms. After all, uninhibited price discovery is the bedrock of a free market economy. Living within our means, saving our hand-earned dollars, sacrificing today to ensure a better tomorrow. These are the disciplines that helped foster a superpower economy. But the fact remains lower for longer has ravaged those who dare save, while richly rewarding those engaged in reckless investment behavior.

I’m here this morning to tell you that the current era has outlasted its welcome. Policymakers keeping interest rates near the zero bound may have intended to revive animal spirits by making debt so cheap that it was impossible to not play along. But nearly 30 years later in the wake of one speculative boom and bust after another, I’m afraid to say we haven’t learned nearly enough. You see, it’s not the creation of debt that makes a lasting impact on economic prosperity. Rather it’s investment in the future that promises to retain its value for generations to come. We have to get back there. Someway, somehow. That's why I wrote Fed Up.

Not only does the book walk you through what's led us to this precarious position, it provides a blueprint to get the country's economy back on a more stable footing. Not by ending, I am sorry Ron Paul, but by upending the Fed. We might all agree that our new President is a bit unpredictable, perhaps even erratic, but he's also beholden to no one entity or special interest group, and his party still has control of the Congress. That's mighty convenient, as it would take multiple acts of Congress to right the wrongs at the Federal Reserve, to take it down to the studs and rebuild it from the ground up.

Start with cutting the dual mandate in half. Take it back to a single mandate of safeguarding the buying power of the U.S. dollar. Leave job creation where it belongs, in the private sector. This will begin to reign in the mission creep that's encouraged the academics at the Fed to overstep their bounds.

Next, redraw the lines of Federal Reserve districts and de-concentrate the power base away from Washington, D.C. and the New York Fed. The economy of 1913 may have justified three districts in the Midwest, but I'm sorry, things have changed since then. California is the largest economy in this country, followed by Texas and then New York. The Chicago Fed could easily ... I'm not very popular in the Midwest, but the Chicago Fed could easily absorb three economically less relevant districts while, by the way, the West could use another one.

After you've done that, give all remaining 10 district voters on the Federal Open Market Committee permanent votes. California and Texas don't cease to be the largest inputs to U.S. GDP every three years, so why should their presidents roll off of voting rotation that often?

After you've accomplished that logical feat, ensure you only confirm leaders to the Fed who conform to the original and still valid requirement of the original Federal Reserve Act to appoint people to the Fed who come from a diversity of industries. Never again allow those running the Fed to not be on the receiving end of the policies they make. Institutionalizing intellectual diversity will reintroduce dissent and make sure that no is never again a four-letter word. This will in turn ensure the Fed has the wisdom and insights to know that it's the Fed's job to take away the punchbowl just as the party gets going. I love that punchbowl punchline!

Did you know that it was William McChesney Martin, the longest-serving Fed Chairman in its 100 plus year history who said it? The funny thing is Martin was no PhD. He studied Economics at Columbia University, but he never even earned a graduate degree, much less a doctorate. Martin did, however, start out at A. G. Edwards, before moving on to the New York Stock Exchange just two years after the 1929 crash.

His subsequent groundbreaking work at the SEC landed him the Presidency of the New York Stock Exchange at the tender age of 31, leading newspapers across the country to call him the Boy Wonder of Wall Street. This is why I really like him. Martin was also famous for warning politicians that they need always keep PhD's on tap, but never on top. That's my kind of wisdom. Martin was one heck of a well-rounded leader of the Fed, one whose legacy of independence and sound governance has yet to be bested. Donald Trump, can you hear me?

In short, Martin's wisdom and success suggest that taxpayers could save a lot of money by streamlining the Fed. I'm sorry, but you don't need 800 PhD's to monitor this economy. I'll take the streamlining argument one step further. Why not eliminate the alphabet soup of regulators down to, I don't know, one?

Allow me to refer to Janet Yellen, who just loves me, for the best example I can come up with. Her San Francisco Fed was trying to extend a credit lifeline to IndyMac the very same day the OCC was shutting it down. Need I say more? Now, with all the money that you've saved, hire the best banking regulators that money can buy. Bring in the brightest minds, those who can read the most complicated balance sheet conceivable. Never again allow the Fox of Wall Street into the hen house.

One last note. It might be wise to reexamine the inner workings of the world's most influential Central Bank more often than every 100 years. Just saying. That way, we never again flirt with the zero bound, a point of no return that unleashed quantitative easing and the biggest experiment in monetary policy history.

I'll end this morning with a quote from Fed Up related to the day the Fed crossed that line. "Were there voices of dissent to be heard in that conference room on that December day in 2008. Did anyone argue for the little guy, the cautious investor? Did someone in the room speak on behalf of pension fund managers now forced to take undue risks? What about the leadership of firms and big banks whose incentives are perverted to the extent that they no longer invest in our country's future?"

The short answer is yes. I worked for one of those who pushed back against the majority. He was the lone member of the FOMC who fought against the professors' theories at that fateful meeting. He fought the good, but lonely fight, and I in my capacity, as his trusted advisor, waged many a battle with him. But the sad truth is we lost the people's war. In a world rendered unsafe by banks that were too big to fail, we came to understand the Fed was simply too big to fight.

I'll be around at about 9:10 to answer any questions you might have. I hope you don't have any sharp objects in hand. You might need to put your hurricane goggles on, that's for you Peter, as opposed to your beer goggles to get through the rest of the day. I do appreciate your attention this morning, thank you.

Economic Panel

Mark Skousen (MC), Peter Boockvar, Dennis Gartman, Peter Schiff, Judy Shelton

Speaker 1:	And we've got a fantastic economic panel for you this afternoon. It will be moderated by Mr. Mark Skousen. You have before you, Peter Boockvar, of Bookmark Advisors in the Boock report. You have Dennis Gartman of the Gartman letter. You have Peter Schiff of Euro Pacific Capital, and also please welcome Judy Shelton of Atlas Network.
Mark Skousen:	Glad to see you here, let me see the whites of your eyes if I can see. John, I heard you laughing. Great to see you. Welcome everybody to our afternoon session. We're gonna talk about the economy, and I thought we would focus particularly on the U.S. economy, and we're going to start with I think an important personal question. We're gonna go to Peter Schiff at the end. You now live in Puerto Rico, and my understanding is the infrastructure has totally been destroyed. It's not being rebuilt and 80% are without electricity. How are you doing? You obviously made it here, so I guess you were able to get on a flight, but what is happening in Puerto Rico?
Peter Schiff:	Well you know I still have a home in Connecticut, so I've been there.
Mark Skousen:	Oh, you have?
Peter Schiff:	Puerto Rico is basically the fiscally responsible portion of the United States, because (audience laughter). They actually have less debt per capita than we do, even if you adjusted for their lower income, but the difference is they don't have their own central bank willing to do a quantitative easing program to bail them out. But it is kind of a-
Mark Skousen:	They can borrow money, sadly.
Peter Schiff:	Yes, just like we did. We borrowed more than they did, but yeah Puerto Rico is an example of why socialism doesn't work as if we needed more examples of that. But it's not even the hurricane that's done all the damage. It's the proximate cause, but the damage has been building for a long time because of big government, because of the lack of real free enterprise. You have 40% of the population that could work working. The labor force participation rate in the US is 63%, there it's 40%. A lot of people are living off the government, both the federal government through welfare, food stamps and the largest employer in Puerto Rico-
Mark Skousen:	So, why are you in Puerto Rico?
Peter Schiff:	Well, I'm in Puerto Rico, because see, Puerto Rico should be Hong Kong, it should be what Hong Kong was to Great Britain, because the key to Puerto Rico is it's really the only place that American citizens can be free, because you can move to Puerto Rico and you longer have to pay federal income taxes on any of the money that you earn from Puerto Rico. You don't have to pay any capital gains taxes. There's no Obamacare tax, so it really is the lowest tax place that you can live. And the reason Puerto Rico isn't booming is because they just thought of this a few years ago. They should have done this 20, 30 years ago. But also, they don't exempt local

residents. So if you have been living in Puerto Rico all along, they have their own 33% income tax that's almost as high as ours. But if they didn't have that tax, they would've been booming, but they didn't, they had their own high taxes. But we hurt them with the Jones Act which is now in the media. We apply our minimum wage to Puerto Rico, which does a lot more damage there because the wages are about half of what they are. The minimum wage in Puerto Rico is like having a 15, 16-dollar minimum wage, so creates a lot of unemployment.

And we encouraged all their borrowing, because we made all their bonds triple tax free, so every [inaudible 00:03:44] bond fund in the country couldn't get enough Puerto Rican debt, and the Puerto Rican government was happy to oblige because it meant they could promise all kinds of free stuff to government workers, and so they went into lots of debt.

Mark Skousen: Have they officially defaulted on their bonds, or are they still selling just at a deep discount?

Peter Schiff: They've defaulted. They're selling at a deep discount that's not deep enough. I think they're still 30 cents on the dollar. They should go to zero, because they're actually borrowing more money now. The joke is the federal government is helping Puerto Rico not with grants, but with more loans! So they're going even deeper into debt, and now after the hurricanes. So the bonds that they have now are worthless. They're not gonna get repaid.

Mark Skousen: So, Judy Shelton, let's talk about your background. We're delighted to have you here, and in fact, we were just noticing on Rick Santelli on CNBC that your name came up as a possible governor in the Federal Reserve, so is this going to happen?

Judy Shelton: That was very nice.

Mark Skousen: Can't take a pay cut.

Judy Shelton: Rick Santelli I think is terrific, and I did hear about it. He happened to be interviewing Robert Heller, who was a former Federal Reserve governor, someone I respect very much. Robert Heller believes that there's something wrong when central banks are trying to raise inflation, and he goes back to the idea that stable prices means that you're not dealing with inflation, and so he brought up my name and then Rick Santelli, who I have done a few interviews with, kindly said, well she's a hard-money person and he said it gave him goosebumps because it would bring religion to the Federal Reserve. So I took that as a compliment, and I don't know if I'm ... I think I'm on a list, but probably not the short list. It would be an interesting experience.

Mark Skousen: Unfortunately, Donald Trump is not a religious man. He tried to quote the Bible and he said 2 Corinthians instead of 2nd Corinthians. There's lots of examples of that, but speaking of the Federal Reserve, there's a very good chance of a good sound money man, in my opinion, John Taylor as a possible Fed chairman. Do you think that's gonna happen or do you think Donald Trump is now warming up? The latest is that he kinda likes Janet Yellen, so who has no religion other than Keynesian economics.

Judy Shelton: Actually, I have been fortunate. I've had a chance to weigh in. There's a four-man committee who put together the choices for the President. I've met with two of them on a couple of occasions as recently as last Wednesday, and also weighed in with people in the Vice President's office, Mike Pence interviewed Kevin Warsh last Thursday. Of course, Trump interviewed Yellen last Thursday as well. The other contenders are Jay Powell, who's already on the Federal Reserve board. He's looked upon as a Republican alternative to Janet Yellen. That is, he would bring the continuity to keep rates low, but on the other hand, he's a Republican, that he also brings something with regard to his outlook on the need to cut the regulatory burden, especially on community banks.

I know John Taylor very well. We were together at the Hoover Institution for ten years. I worked with him in 1996 on the Bob Dole, Jack Kemp presidential campaign. The Taylor rule would be an attempt to impose some discipline on the Federal Reserve so that it wasn't just wholly discretionary, which has come to mean kind of a seat-of-the-pants approach to making interest rate policy. They call it data-driven, but it really means we'll see at the next meeting what we want to do.

The Taylor rule would potentially, if it were to be implemented, suggest a higher interest rate today, which some people would say that'll sabotage the whole pro-growth economic agenda of the Trump administration. I think one approach would be for John to suggest that, over maybe a two-year period, the flight path will be to go from where we are today to what my Taylor Rule would recommend. And I suppose that would be a way to appease markets, not cause a disruption, but at the same time show that you're moving toward a more disciplined approach.

Mark Skousen: So, Judy you have been involved with government and government officials as a consultant for many years. You worked with Jack Kemp, you've worked with George W. Bush, you've worked with Fed chairmen. You know all of these people, and it says in your bio that you have testified many times in front of Senate and House committees. Can you name me one example where they were actually listening to what you had to say?

Judy Shelton: Well, one time I was testifying when Paul Ryan was a newly minted Congressman. He had a hearing through financial services, which at that time I think Barney Frank was the chairman. But they were asking, "What would be the optimal international monetary regime for the world from a growth point of view?" And yes, there was an array of economists, some arguing for floating rates and some, let's just say evenly-balanced Democrat and Republican or conservative views. I was the token gold standard proponent. But I had a fair hearing, I don't know that I would say they changed the regime as a result of that. Most of my testimony had more to do with the nexus of international monetary and financial developments and national security implications or considerations.

So I was more testifying quite often in those days, working with the defense department about, what do you do when a massive nuclear equipped nation such as the Soviet Union is going bankrupt? Is that going to cause them to be more aggressive? Should the West make loans to them to pacify them until the sick bear goes into the corner and dies? Or should we confront them because they're vulnerable? So I definitely know that that kind of testimony, which then played out in some war gaming exercises was taken seriously.

Mark Skousen: So, Dennis Gartman, our community guru, I don't know if you've ever testified in front of Congress or not, he's shaking head with zealousness. But we know that you've been on CNBC a lot, including Fast Money.

Dennis Gartman: They'll let anybody on, believe me.

Mark Skousen: But I do think that everybody wants to know about oil. I think oil is a very important issue. So I'd like to first ask you for the U.S. economy, oil has been been great. Donald Trump is pro oil and energy in general rather than alternative energy. But is this a dying industry? Are we in a secular decline in terms of demands? Supply seems to be very positive, you would agree with that?

Dennis Gartman: Yeah.

Mark Skousen: But what about demand? Are we going to see a gradual secular decline in demand for traditional energy sources?

Dennis Gartman: I think the fellow to pay the most of the attention to when it comes to the demand for crude oil going forward would be the new crowned prince of Saudi Arabia who's made it abundantly clear that he's going to do everything that he can to steer Saudi Arabia from being an economy solely dependent upon the price and the demand for his product into a consumer-driven and far more modern society. He is, I think, abundantly aware of the fact that, whether it shall be in 10 years, 15, years, 20 years, 25 years, 30 years, that the demand for crude oil shall fall to probably 0. That over some period of time, that technology will triumph over the demand for carbon dated fuels or carbon fuels. There will be, whether it's nuclear fission, more than likely it'll be nuclear fusion. There'll be an increase in the amount of the use of solar energy, which probably will not be dramatically increased over the next ten years, but something shall replace it. Something always replaces that which went before.

And if Crowned Prince Muhammad Salman is cognizant and confident in his forecasts and I shall follow the same rule. Is that gonna in the next five years? Is it gonna happen in the next ten years? I would seriously doubt that. When it comes to the supply of crude oil here in the United States, everyone knows what fracking has done. It's just been an extraordinary experiment in technology. To make it simple, we have learned how, instead of sending our soda straw down into the ground hoping to hit a finitely-defined source of energy, we now realize that those sources of crude oil and natural gas look more like your hand rather than fist with fingers that extend for miles out in various directions, and we have now learned how to send one soda straw down and bend it and suck crude oil and natural gas from those fingertips in profitable manners that didn't exist a mere five or ten years ago.

What's important to understand is that fracking is only being used thus far in the United States, they've only drilled one fracked well in the former Soviet Union in Russia at this point, but I guarantee you this. In the next ten years, there will be hundreds of fracked wells drilled in Russia. There will be hundreds of fracked wells drilled in China. There will be hundreds upon thousands of fracked wells. They will steal our technology, which is ... I understand that. In Africa. There will be fracked wells drilled in Canada, in Australia, and the amount of crude oil that shall be and natural gas that shall be found in the coming decades will dwarf what we have found thus far.

I can always remember when I was in undergraduate school in the late 1960s, we were told, absolute we were told that we would be out of natural gas and crude oil by 1984. That was the [crosstalk 00:14:50], that peak oil. That was the given. I don't know about you, but I've driven my car, I've flown in airplanes, I've cooled my house, so has everybody else, and yet we continue to find more crude oil and natural gas every day than we had the day before. So supply is going to be abundant and will continue and I think that if we should pay attention to anybody who understands the crude oil market and the demand, pay attention to what Saudi Arabia is doing. They are turning away from their one product. They're making that abundantly clear and they're not going to deviate.

Mark Skousen: Now we would be remiss or I would be remiss if we didn't ask you a political question, and it's one that would be appropriate for you, Dennis, and that is the latest scandal that is developing with Uranium One, this Now-Russian controlled company that used to be owned by Frank Giustra in Canada, involving the State Department, involving Hillary Clinton and I remember one of my quotes, one of my favorite quotes from my book, The Maxims that I have you quoted in "There's never just one cockroach." I quote you quite a few times in this book, and so I'm just curious if there really is just one cockroach when it comes with the Clintons.

Dennis Gartman: There seems to be an abundant supply of cockroaches in this circumstance. If you'd have asked me the question two weeks ago, three weeks ago if Hillary Clinton would be brought forth and charged with anything, I would've said probably not, this will be swept away. But the decision last night to allow this FBI agent to make comments has changed the game considerably. I still suspect that Mr. Clinton and Mrs. Clinton will avoid being found guilty of anything, but has the game changed dramatically? Yes. Are we learning more every day? Yes, and what we've found out is that when the press learns something, the manner in which they learn something new to ask a different question to go to a different person becomes geometric in size.

It's astonishing, it turns parabolically ugly. This is getting parabolically ugly and it may well end up with some charges being brought. Do I think that they will actually be proved guilty of anything? No, probably not. Should they be? Yes. Is this bad optics? This is really bad optics. But the game has changed with this FBI agent now being allowed to comment upon it.

Mark Skousen: It's definitely a pay-to-play kind of scam from what everything-

Dennis Gartman: Yeah, there's no question. This would not be unusual in Nigeria, this would not be unusual in Venezuela. This is becoming far too usual in the United States I'm afraid, however.

Mark Skousen: Last but not least on our panel, Peter Boockvar. I would like to get your view, since you worked closely with Lawrence Lindsey who is a former Fed chairman and chairman of ... Not chairman, but a governor and former chairman of the National Economic Council and so-forth worked with Bookmark Advisors as money managers? Or advisors? So Larry Lindsey is known as a real supply sider, and I presume you are in the same camp. I think everyone would like to know, are the tax cuts really going to stimulate economic growth? There's really not a lot of evidence that it did that well in the last Bush tax cuts. Some say it was because they were temporary rather than permanent, but what's your assessment of these tax cuts, the national debt problem? Is this corporate tax cut, is this going to happen and is it going to stimulate economic growth as the supply siders and Donald Trump are predicting?

Peter Boockvar: Let's focus only on the corporate tax rate. The purpose of that is not to stimulate economy, it's just to make the U.S. a more attractive place to do business. It's to make the CFO and the CEO decide to invest in the US, build a factory here rather than doing it overseas. So it's not a stimulus from that perspective, it's not gonna jolt the economy, because this takes many years for decisions like this to play out. So it's really an influencer on telling the world, we're a better place to do business. That's really the purpose of cutting the corporate income tax. But I wanna put it into perspective, because U.S. corporations don't really pay much in corporate income taxes. According to the CBO in 2017 fiscal year, they'll pay less than $400 billion. So let's just say the corporate tax rate goes to 20%. Corporations will save about $130 billion in the context of a $19 trillion economy.

But we can't analyze this in a vacuum. What happens if interest rates continue higher? Well U.S. business have $13.5 trillion of debt, so for every 100 basis point increase in interest rates and their cost of funding, that's $135 billion in higher interest expense, therefore immediately offsetting the cut in the corporate tax rate. Also, U.S. corporations and businesses pay about $8 trillion in labor costs. Let's just say that in the context of a tight labor market right now, if U.S. growth did accelerate. We're already seeing some signs of wages going up. Let's say wages went up 1%, well that's $80 billion of extra labor costs. So when you hear about people talking about the corporate tax rate and what it's gonna do to the S&P 500 earnings estimates, everyone's looking at this in a vacuum, they're not analyzing what the ripple effects are if this were to happen. But again what my original point is, it's not a stimulus, it's just trying to make America a more competitive place to do business.

What you didn't mention about the budget deficit, the U.S. government reported its budget deficit a few weeks ago, was $666 billion, it's about 3.5% of

GDP. Now when you're in the 9th year of an economic expansion, that percentage should be much smaller. So it tells you that when the next recession happens, and I promise you it will, we're gonna see trillion dollar plus deficits all over again, and it could happen rather quickly.

Mark Skousen: I would make one different perspective in a sense about the size of the economy, because we do all use GDP as a statistic, and one of my contributions to economics is the measure, which is now called gross output that the government now comes out on a quarterly basis, and I don't know if Peter or Judy are aware of this new statistic that the BEA is coming out with, but it measures spending at stages of production. GDP actually leaves out the entire supply chain, which is worth $21 trillion in the United States according to the latest data.

So the economy in terms of total spending is really $41 trillion. It's not really $19 trillion, because you have to include the supply chain. So this suggest that the business sector is much bigger. We often hear, well, consumer spending is 70% of the economy. It's not, it's only about a third. Two-thirds of the economy is business spending at all stages of production. So the corporate tax cut is going to have significance, especially on the supply chain. The supply chain is growing faster than GDP right now, it's growing at 5 to 6 percent, and it has been growing faster since Trump was elected. There's definitely been a Trump effect in that respect.

Dennis and I were talking earlier about his fear and my fear, and a fear of a lot of economists that, yes, we're bringing jobs back to America. But there's a downside to this, and the downside is the anti-globalization, it's the protectionist attitude that Trump has. And we see this in the renegotiation of NAFTA. How serious is this threat of protectionism, and yes, bringing jobs back to America, but maybe it could backfire on us and we may end up with slower economic growth rather than faster economic growth. Does any of you wanna comment on how Trump's protectionism could end up in backfiring on economic growth?

Peter Schiff: The problem that I perceive is that it's not just the United States that's moving in a protectionist manner. We're seeing protectionist legislation, protectionist administrations, protectionist elections taking place all around the world. We just had an election in Austria this past week, and a manifestly Austria-First candidate won, very young man, probably has no sense of history whatsoever. We've seen that happen there, we're gonna see it happen in Italy. Thankfully, France has not gone that way, but there is a rising trend of trade protectionist legislation and theory evolving that has evolved in Germany recently.

So I find this whole global circumstance disconcerting, and it reminds me far too much of the philosophies that existed in the early 1930s that gave way to manifestly ill trade legislation.

Mark Skousen: Smoot-Hawley

Peter Schiff: Smoot Hawley, yeah.

Mark Skousen: Peter Schiff

Peter Schiff: On that first, it even happened to one of my favorite countries I've been investing in a long time, New Zealand is that-

Mark Skousen: What just happened in New Zealand this weekend is extraordinary. What'd they do?

Peter Schiff: They have a 37-year-old socialist as the prime minster, and basically she's been put into power by a populous Winston Peters who was the kingmaker in the election, even the national party, the Conservative Party that has been doing a pretty good job and they've had really good economic growth in New Zealand the last nine years. And he got the most votes, but not enough to beat the Greens, New Zealand First, and Labour, and they formed a coalition and they anointed her ... She's a socialist, she's never really had a job. She's worked in government her short adult life, and she says capitalism has failed New Zealandand she's going to save it with government programs and government spending.

They're also very populous. They wanna ban foreign ownership of property, and they wanna stop the immigrants from coming in. I wanted to get to your point about Trump. Perfect example just recently is the appeal to exempt Puerto Rico from the Jones Act. And the reason Trump doesn't want to do that-

Mark Skousen: Can you tell everyone what the Jones Act is?

Peter Schiff: Yeah the Jones Act is a 100 year-old law that says that no ship can transport merchandise from one U.S. port to another unless it's an American flag ship built in America and crewed with Americans. Therefore, you can't ship something from Puerto Rico to the mainland unless it's in a U.S. ship. So let's say a ship is coming to Puerto Rico from Asia, it can't stop off at Puerto Rico, drop a few things off, pick up some new cargo, and then go onto Miami. It has to take everything to Miami, unload it, put it back on a ship, send it back to Puerto Rico. But also this means that a foreign ship can't drop stuff off in Florida and then keep going up the east coast and dropping off a little bit in North Carolina, dropping some off in ... They have to unload it, put it on a truck, ship it, so the Jones Act is increasing the cost of shipping all over the United States.

Mark Skousen: In fact, I believe, Dennis correct me if I'm wrong, gasoline prices in the United States are 10 to 15 cents higher per gallon just because of the Jones Act, but nobody knows about it. A show of hands, how many of you have ever heard of the Jones Act? Boy we got an intelligent group, we don't even have to tell you what it is.

Peter Schiff: There are ripple effects that makes the economy less productive, it robs people of purchasing power. Things are being shipped from Hawaii on airplanes because boats are too expensive. We bring oil in from Europe because it's cheaper than moving it from the United States. But Trump is buying into this political nonsense that, "Well, I've gotta save the jobs of these American merchant marines."

But what he doesn't see is the unforeseen consequences of all the jobs that are not created because of the artificially inflated cost of shipping, but nowhere is it more damaging than in Puerto Rico where the per-capita income is so low and you have yet the highest costs in the country for basic goods because of the cost of shipping. But this is an example of protectionism philosophy actually backfires. By the way, I testified before Congress twice.

Mark Skousen: Yeah, what happened?

Peter Schiff: If you go to YouTube, you can see both of my testimonies, and you will know why they will never invite me back for a third time. I'm amazed that the guy got fired who invited me on for a second time, lost his job.

Mark Skousen: Judy, Donald Trump is kind of like a big elephant and there's different parts to his body and some of them you say, "wow, this is great" and others you say "oh my gosh."

Judy Shelton: Well, let me say, protectionism can certainly be a dangerous route to go as we saw in the '30s, and maybe that set the stage for World War II. But I will say this, that Donald Trump is a candidate tapped into a very deep feeling among a lot of Americans who felt like they weren't benefiting from this globalization.

Dennis Gartman: But they were.

Judy Shelton: But you saw a lot of manufacturing jobs, you saw auto workers in Michigan and Ohio who would say "Look, I am not against free trade. I believe in open competition and I think American products can compete against any country in the world," but they would also say "I can't compete against the Bank of Japan." So I credit Donald Trump for bringing up the issue of currency manipulation.

Dennis Gartman: Who manipulates? Tell me one country that has manipulated. He blames China for manipulating its currency, except its currency has gotten stronger, not weaker.

Judy Shelton: Well, during transition, that was a task that fell to me in a major way. I think from '94 through the early part of this century, there was no question that China had a devalued yuan, it was not working the way Milton Friedman would have liked us to have floating rates, and they were accumulating trillions. They got up to four trillion in U.S. dollar reserves, and China is still quite blatant about it. Every day, the central bank tells the market what their target range is within 1% plus or minus where they want the yuan relative to the U.S. dollar. It's mechanical how they want the exchange rate not to be determined by markets, but by what they think is in China's best interest.

At the time when it was important strategically for China to export, then they were manipulating their currency downward. What you see now, and this also has implications for geopolitical strategic security issues for us, I think China is holding the yuan artificially high, one, because they don't want people to panic and see capital flowing out of China, cuz a lot of the smart money was doing that, and they started to go into a tail spin, and that would send a bad message about the internal financial fragility, and I also think the government, very active in these currency decisions, wants to maximize the purchasing power of the Chinese currency for buying U.S. dollar denominated assets. And we see within treasury now CFIUS, the Committee on Foreign Investment In The United States, is now consumed with attempts by Chinese entities, most of them government-directed enterprises wanting to purchase strategically sensitive U.S. assets.

So you can wanna manipulate the currency for up or down for your own reasons, because this new path is now more in keeping what China's trying to do with its one belt one road philosophy, to really dominate the United States in the future economically.

Dennis Gartman: But, the point that Mr. Trump ran under in his campaign was that the Chinese were manipulating the currency downward, and that simply was a blatant, unmitigated lie for the course of the past seven years.

Judy Shelton: Well that was coming from Peter Navarro, who's still-.

Mark Skousen: It wasn't a lie. He didn't know that he was wrong, but he was wrong.

Judy Shelton: But that situation had turned around. That situation had turned around..

Peter Schiff: The interesting is if the Chinese don't wanna buy our debt anymore, if they wanna actually buy our assets, then who's gonna buy all the additional debt?

Mark Skousen: But we've seen this before. Japan did the same thing in the '80s. This is a natural tendency for these countries that do really well, correct Peter, that do this sort of thing. I do think that if Donald Trump had gone to Akron, Ohio, he would have seen how a city with the city fathers worked together to change that city from rubber and so-forth and more the Rust Belt and totally transformed it into a very energetic high-tech kind of company, and they've solved that problem. A lot of these problems in Detroit and so-on were made at home, and they were not really the fault of the federal government or the Chinese or what have you.

Judy Shelton: And we know unions played a role in this and we know that our labor costs are quite high. But through technical innovation, when you deliver quality and your product is the best thing out there in the international marketplace, you deserve to get the sales, you deserve to make the profits. I think it is illogical to talk about globalization and an open, international marketplace and not address this chaos we have in the way currencies align with each other. And I would say that central banks today, including our own, are the biggest currency manipulators in the world.

What I fear as a threat to the pro-growth economic agenda under the Trump administration is that what we're trying to achieve through tax reform and through trade reform could be neutralized or even reversed by a shift in the currency. Let's say you're a U.S. company and you have located overseas and you're tempted now to come back to a more enticing corporate tax environment or you want to repatriate some of that cash into the United States. And then the dollar, Euro rate starts changing, and if we start raising rates while they don't do it quite as aggressively, we could see the dollar strengthening. Well now you have to take into consideration that, what you could possibly gain on the tax-changed environment, you could lose through a currency effect.

I think the same applies ... I'm against tariffs. I thought we should always be dealing with China and other countries through treasury, not through commerce, because commerce is a little too quick to wanna apply countervailing duties, and then you get into tariffs, and that's bad territory. But I think that, let's say you wanted to say, it's not fair to have imports coming in from Mexico, so maybe we wanted to put 10% as a tax on that. I wouldn't support that, but let's say that was an initiative that the administration wanted to take. Well, you can see the Peso-Dollar rate change 15, 20 percent with just a statement from someone on the Federal Reserve or from the President.

So what I fear is the lack of a stable monetary platform, I think that undermines the legitimacy of globalization and fair competition. I have heard President Trump on many occasions say I believe in free trade, but it has to be fair.

Peter Schiff: repatriation, is it necessarily bullish for the dollar, because most of that money is already in dollars, and if companies bring it back into the US where it gets spent. Right now, it's sitting offshore in treasuries in a debt instrument. But if foreign companies bring the money back home, they're already dollars, and now they start spending them into circulation, that's more, now they start bidding up prices of goods as opposed to propping up prices of bonds. So that movement of dollars is actually a dollar negative event, because it reduces the domestic purchasing power of the dollar, because you have more money chasing whatever the supply of goods is domestically.

Mark Skousen: So we have three minutes left, and I would like us to look forward to the next New Orleans conference next year. And we have a crystal ball out there, I think it's a punch bowl or something. We're looking into our crystal ball a year from now, we come back to the conference. What will we be saying? What is your outlook for the next ... What is the most important event that's going to occur, whether it's tax reform, replacing Obamacare, a new Fed chairman or chairwoman. What is your number one prediction? Will the stock market be again at an all-time high? Will gold be going through the roof? Give us your best outlook prediction, one prediction for next year that we can hang our hat on for next year's New Orleans conference. We'll start with Peter Boockvar.

Peter Boockvar: The most important story in 2018 is The Fed taking out, beginning this month through end of next year, $450 billion of liquidity through quantitative tightening, and the ECB lowering their amount of purchases on a run-rate basis by about a half a trillion dollars. You have a trillion dollars of less money that will be out there. A year from now, we're gonna be talking about ... Well we've already see peak easing, and now we're gonna see the other side of it and the implication that's gonna have. So yes, gold will going through that time.

Mark Skousen: And Dennis, what are those implications?

Dennis Gartman: Less than a minute. I think the most important thing for the next year will be the fact that the spread between commodity prices and stock prices is going to move dramatically in the favor of commodities relative to stocks. I think you want to be less long in the stock market and more fundamentally invoked in the grain markets, more fundamentally involved in probably natural gas, not particularly crude oil. But I think on balance you wanna be less long on stocks and longer of commodities. I think the expansion that has been going on for the past several years will continue.

Mark Skousen: Judy, are we gonna have a tax cut?

Judy Shelton: I think so, and I'm generally positive about that. I think, even if the message is just that America is a better place to do business, that's pretty important. That's powerful. I'm positive, because I see increased confidence, a sense of draining the swamp if you will. I know how difficult it is to make change in Washington. At the same time, I do think we have vulnerabilities. I would never try to predict the stock market. We're not even talking about what could happen with North Korea. We still have tensions with China and other places around the world, Russia even potentially.

So, with that caveat that we are vulnerable and I think especially with these exchange rate shifts, I think if the dollar changes dramatically against other currencies, that will effect our own economic performance. But generally, I think we're on a good path.

Mark Skousen: All right, Peter, are we gonna see the end of the Jones Act?

Peter Schiff: Probably not.

Mark Skousen: Probably not.

Peter Schiff: It'd be nice at least if they could exempt Puerto Rico, we'll see. I think next year, when we're here next year, it'll be very political because we'll be the 2018 midterm elections will be right around the corner, and that is gonna be key, because there's gonna be a lot of disillusioned Trump voters will see how they vote when their lot in life has not improved significantly since voting for Trump two years earlier. We probably will get the tax cuts, but we're gonna get bigger government and that's a bigger problem. So if the Republicans lose control of maybe the house in 2018, the politics could start to look very different, a lot of people might start wondering what's gonna happen in 2020, because you talk about permanent versus temporary tax cuts. No tax cuts are permanent. Every tax cut can be undone by any administration. Believe me, if in 2020 we get somebody to the left of Bernie Sanders in the White House, you think those tax cuts are permanent? You think deregulation? So you can imagine what would happen if we go hard left because people are disappointed by the lack of progress.

Mark Skousen: We wanna thank our wonderful panel, the two peters, Dennis and Judy in the middle, please give them a big hand. And Dennis, since I can't plug my own book, how about a plug for my book, The Maxims of Wall Street.

Dennis Gartman: You have to get a book, the Maxims of Wall Street, I have a copy on my desk every day. This is a great lesson in the things that you learn about the street. The common sense that you need to bring to trading and investing every day can be found in this wonderful book. As I said, I have a copy on my desk, and whenever I get confused, I flip it open, read one page or two and say "that makes sense."

Mark Skousen: Thank you very much. Thank you all!

Mickey Fulp

"Seasonal Trading Of Gold And Junior Resource Stocks"

Speaker 1: Our next gentleman is Mickey Fulp and he's going to share with us some cool stuff, they call him the mercenary geologist, Michael "Mickey" Fulp is a certified professional geologist with a Bachelor of Science and Earth Sciences with Honor from the University of Tulsa and a Master of Science in Geology from the University of New Mexico. Mickey has over 35 years of experience as an exploration geologist and mining analyst in North and South America, Europe and Asia. Here to share with us seasonal trading of good and junior resource stocks, please welcome, Mickey Fulp!

Need that?

Mickey Fulp: Yeah

Speaker 1: A big green button

Mickey Fulp: Hey

Thanks Robert for the introduction, thanks to Brien Lundin for inviting me to speak once again, and thanks to Winston Lambert for my Trump genuine Donald J. Trump Inauguration tie. Now, you may or may not like Trump but I'll tell you one thing. Trump has been good for the mining business. I've seen four new deals come around in gold space this year, or in the last couple of months that would not have happened under an Obama administration. I don't know if you're aware but Trump has regulations that any EIS that is started must be completed within a year. And it can be no more than 150 pages long unless under extenuating circumstances, and then it can be 300 pages long.

That said, this is who I am, I'm the mercenary geologist, we're gonna talk today about seasonal trading of gold and junior resource stocks. I'm gonna show you how to make money in short periods of time. My disclaimer nothing I say can be construed as an offer to buy or sell or go long or short any financial instrument.

Let's look at gold. Before we start here I want a show of hands, how many people in the audience, have at least 10% of their net worth in physical gold in their physical possessions? I do. Other people? So we're hoarders. We don't trade gold, I don't trade gold, I buy gold on dips, I buy gold when I think it's at the bottom. And you can see from 2002 to 2017 we've had some bottoms. This is basically the bull market. Started in 2002, and went, kinda messed around, flattened, stayed around that $400 range to ‘06 then it went exponential, it had the blip of the global economic crisis but that didn’t last more than about four or five months and then it went exponential and of course when things go exponential, any financial instrument, it has to go parabolic which it did in about late 2012.

It had the big downfall, gold lost about 40% of its value and since it bottomed in late December of 2016 if memory serves at $1,046, it’s been choppy since then. Now what we do ... well let’s look at gold and here’s choppiness in 2017 and a lot of this has to do with Trump because as the dollar goes since Trump has got elected, so goes Gold, inversely correlated. So when Trump was elected, he had ... Gold the month before had a -.17 correlation, that’s no correlation at all. The month that Trump was elected and until he was inaugurated the correlation was negative -.96.

So a lot of the perturbations we’ve seen in gold this year are the strength of the U.S. dollar. Now what we do to figure out seasonal trading is we take the yearly start of the gold price and we calculate on a daily basis the percent change and we normalize every year. So we start every year at 0% and we see how the gold price reacts. Then we take that and we’ve done this for 16 years in case ... gold in this case, we have data going way before that, but we normalize that gold price and make a composite chart. So I want to show you what goes on from June 1 to February 29th. June 1 of any given year to 29, this is the performance of gold on a yearly basis.

You can see it mucks around in the Summer Doldrums starts the first of June, and you can buy gold at a relatively low price in an average year in any and it’s not every year, but this is a composite up to basically the middle of August. So each of these trading days represents about a month. Day 21 would be about July 1. August 1 would be about day 41. Labor day would be about day 62 or 63 when the gold price starts rising. So if you look at this chart, it will tell you if you buy gold some time during the summer doldrums and you sell it at the end of February, on average you’re gonna return 10% annualized return on investment. Of course this doesn’t happen every year, but if you’d done this every year since 2001, you would have annualized 10% return on your money. That’s pretty hard to beat, folks.

So here’s an example when it did not work. And that was last year. It was the screwiest year I’ve ever seen for gold. From June 1, during the entire summer doldrums, gold hit its yearly high. I’ve never seen that happen before. Hit a high of about $1,360 if memory serves on July 7th of last year, it repeated that high at $1,356 something like that in the first week of August but by about this time last year, in the middle of this conference, gold was on a slippery slope. This would have been about day what, 115 or something and you see this downturn of gold. But still if you would have bought gold at its December low in early December when it hit $1,046 by the end of February you would have return for about 10% on your money once again.

So you need to look at these charts, buy gold on dips, if you’re a trader, if you’re unlike me and you actually sell your gold ever, this is a way to do it and make money, year after year after year.

This is what gold's done this year since June 1, we had this peak what three or four weeks ago at $1,350 I dare say and I will predict by the time that the end of February comes around we're gonna see this usual rise in gold.

Now let's switch tactics a bit and we're gonna talk about the Toronto Venture Exchange and we're gonna talk specifically of the Toronto Venture Exchange Index. There's about twelve or thirteen hundred junior exploration and mining stocks listed on the Venture Exchange. The top 400 stocks in terms of market capitalization is what composes the index. So these are the good stocks, these are the best stocks. A lot of these stocks are the exhibitors at this conference. The cream of the crop, if you will.

I want to show you with this chart overlay, the way that the Toronto Venture Exchange tracks or even front-runs the price of gold. If you look, we saw the market rising, what you'll notice is the Venture Exchange is always more volatile than gold, kind of like silver is for example but you see the same sort of patterns. We see the rise through 2006, the exponential rise, we see the global economic crisis in both charts in late 2008, 2009. The interesting thing I see is the front running of the venture exchange for the price of gold. For instance the venture exchange reached its parabolic high in early 2011 if memory serves the high was March the 4th, one day before PDAC started in 2011. Gold didn't peak until September and you see how the Venture Exchange goes off the shelf in a parabolic fall earlier than gold does.

They both bottomed on about the same day in late 2016, jeez that was not much more than a year ago or less than a year ago actually and the Venture Exchange has flat lined since then and gold actually has become more volatile. Here's what we want to show you about the Toronto Venture Exchange. Realize this is the index and this will show the best stocks and the way this 400 packet of stocks that comprise the index collectively move. In this case we want to look at November 1 to January 31 of what is a 15 year record. So December 1 would be about day 21, day 41 would be right around New Years or 42, 43. So what you're seeing here is the phenomena of tax loss selling.

Of all the stocks we deal with, what stocks are more susceptible to tax loss selling? Well often they're the best stocks that have had a big run up during the year. People are fed up with them and they say "well I need to generate some tax losses so I'm gonna sell this stock or that stock" and when do they sell them? They sell them ... the selling really hits home in December 15th plus or minus two trading days.

We've done extensive research and this happens year after year after year. So sometime around day 31 to 36, which would be somewhere, say December 12 to December 20th, and we're talking trading days so realize that eight-day period would only have five or six trading days with it. And if you buy beaten down stocks on December somewhere plus or minus December 15th you can make good money, folks. The index shows that so let's say you bought on December 15th and I'm looking at a chart here and you sold the first week in December on average you'd make about 7% on your money every year. But what we want to focus on are individual stocks.

Here's what happened in last year. From November 1 of 2016 to January 31 of 2017, we hit the bottom on day 36 and December 20th was actually the bottom. If you bought the index and I don't even think you can buy the index, I don't think there's an ETF or a proxy for the Toronto Venture index like there is the S&P500 but if you could have bought the index, you would have made 7.5, you would have made 10% on your money by selling the first week in January.

But let's look at specific stocks. Before we do this I want to show you how the liquidity the volume correlates to this. The bottom there on December 20th last year was, we saw this volume come in two days before which knocked it down to this candlestick ... this is a candlestick chart ... on December 20th and you see that exponential rise in something on the order of seven or eight trading days maximum 'til the first week of January.

Now let's look at some specific stocks that illustrate this very well last year. Here's a stock Gold Mining Inc., they're exhibitors here, they used to be called Brazil Resources. I have to say I am a pre-I.P.O. shareholder of this company, I covered this company several times in the past, I will cover them again some point in the future.

If you bought Gold Mining Inc. sometime between those three or four days in there where it was mucking around at about \$1.50 and sold it on December 29th when it was at \$2.40, you made over 60% of your money. Now let's say well, nobody can trade the tops and bottoms, we're not able to do that, but that gives you an illustration. If you'd bought it any time within that period of time at say \$1.55 and you sold it even in the first week of January at \$2.10 or \$2.15, you still made 30% on your money.

So this stock traded as high in 2016 as high as \$3.35 it traded as low as if memory serves in December of 2015, 54 cents. So a high of \$3.55 well in November it's trading at \$2.50, by early December it's trading at \$2. That's a logical tax loss sell for people that want to exit that stock.

Here's another one, Midas Gold, Midas Gold is an exhibitor here, it was hanging around over \$1 until tax loss season started. It went down to the 95-cent range and it held in there until ... look at the volume start to increase in the second and third week of December, it went all the way to 62 cents folks. And this is a really good stock, Christ they've got four million ounces of gold and resources and reserves in central Idaho, it will be a mine one day I'm convinced, especially with the Trump administration which is a "can-do" administration vs. the "can't do" we had for eight years with Obama. But if you bought it say at 62 cents and sold it at its early January high of 95 cents you made 50% on your money.

Of course you're not gonna hit exactly the highs and lows but let's say you bought it at 65 cents and held on until the first week of January and sold it at 90 cents you've already made what is that, 20 ... 25 cents ... you made 40% on your money right there.

So it's a way to trade, it's something that I do, keep some powder dry for the end of the year, pick off these bad stocks ... you want to buy these when they're in the depths of tax loss selling and you can flip 'em in a week or two and make really good money.

So I want to talk just a bit about junior resource stocks and how they trade. They trade in 10-year cycles. Why is that?

Well commodity bull and bear cycles last somewhere between four to six years. We are in a [inaudible 00:17:40] bull market for commodities that started about mid last year. Let's double that and let's say that every eight or ten years there's a half a generation of new young professionals who area looking or they're at that magical age of 35-45 when they have discretionary income and they want to diversify and play in a high-risk, high-reward market so that comes right back to our market. Also every 8-10 years there's a half a generation ... a generation is 18 years ... there's a half a generation of retirees who in low interest rates and wealth management where everybody gets puddled into the same mutual funds year after year after year, they go into panic. They're looking, they're going to retire in five years let's say and they look and they go "jeez, I don't have enough money to live til I'm 90 or 100" which is gonna be the life span by the time any of us pass on here.

And they go into panic and they say "I got to get into some higher risk, high reward stocks" so they come back into our realms. Institutions and low interest rates, they take on speculative things and finally the hedge funds go in and out of commodities in group movements.

Our contrarian philosophy ... I'm running out of time so I'm being quick here ... early mover on targeted stocks we want unknown, unwanted, unloved, undervalued, contrarians must have patience, and we apply a very conservative trading philosophy in a very high risk market. How do we do that? We call it the power of two. Find me a junior that high or a low less than a double. I challenge you ... I know of one that doesn't have a running 52-week high low, so the key is you buy low, you wait for the double.

You sell half on the double that means you have a zero cost basis, you preserve that capital, you move that capital into another one. And you still own half of your position. You do it again, you still preserve your capital, you have double you position in equities, third time, you got three, you got triple your position. Fourth time, etc, etc.

We also program a sell on the up-tick and the down-tick, but you must beware of frogs masquerading as princes in this very high-risk, high-reward, speculative venture. Lots of frogs out there folks, do your due diligence, be careful, I run a free subscription service, Monday Morning Musings from Mickey the Mercenary

Geologist is my newsletter, go to my website, mercenarygeologist.com, join 6,500 subscribers. Our twitter feed now at 63,500 followers, and you can always email me at contact@mercenarygeologist.com. I promise I will respond unless you're a troll. Thank you very much.

Dennis Gartman
"Investment In The Changing World: A Hampered Congress: A Politically Naïve President And Enemies Everywhere!"

Speaker 1: You might be able to guess our next speaker by the color of his ties. Mr. Gartman has been directly involved in the capital market since August of 1974 after his graduate work at North Carolina State University. In 1987 Mr. Gartman began producing the Gartman Letter on a full-time basis, and he continues to do so today. Clients of the Gartman Letter LC include many of the leading banks, brokerage firms, mutual funds, hedge funds, energy trading companies and grain trading companies. Mr. Gartman has lectured on capital market creation to central banks and finance ministries around the world, and has taught classes for the Federal Reserve's school for bank examiners on derivatives. Mr. Gartman now serves on the investment committee of both the University of Akron and the North Carolina State University. He often appears on CNBC television and Bloomberg Radio, and speaks before various associations and trade groups around the world. Please welcome his knowledge, Mr. Gartman.

Mr. Gartman: I tell every group before which I speak to be careful about applauding for the speaker before you've heard him. You may regret it by the time he's done. I left my lovely bride back in the hotel. We've been married for 26 years, and I said, "Can you believe that they've invited me back for 10 years to this conference? Can you believe that I've done TV shows, that supposedly I'm on a couple of endowment committees. In your wildest dreams did you ever think this would occur?" My lovely bride took my face in her hands and said, "Hey, big boy, we've been married 27 years. It's been 29 since you've been in my wildest dreams." Sadly, she's probably too close to the truth.

My job every day it to be the liberal arts major of the capital markets. I know a fair amount about the grain market. I know a fair amount about Federal Reserve policy. I know a fair amount about foreign exchange. I know a fair amount about crude oil and natural gas. I know a little bit about how the foreign exchange market functions. My job is to look at how all of those markets impinge upon one another, effect one another and, at the same time, write cogently, hopefully humorously at times, eight or nine pages every morning and send it to my clients around the world. I also trade solely for my own account, so what I do and what I write is what I do for my own account. I don't run several billion dollars. I just have 10 or 15 million of my own, and it is very important to me to keep that money intact and to move ahead.

What I want to talk about today is where I see investment and investing ideas over the course of the next three, four, five, six years. More importantly, where do I think investing is going to go over the next two, three, four or five months?

Let's talk about the foreign exchange market. We're going to talk about interest rates. We'll talk about agriculture, and we'll talk about stock prices. Let's first of all talk about interest rates. Let us understand that the Fed does not lead interest rates. The Fed follows interest rates. The Fed has always followed interest rates. The Fed follows interest rates now, the Fed shall follow interest rates in the future.

When I first got into the business in the early 1970s I can remember trading Fed funds at 21%. I can remember trading the long bond at a 14.25% coupon. When I got my seat on the board of trade in Chicago and traded bond futures for seven years I can remember when the long bond was trading at a 12.5% coupon at the time. I remember in August of 1982 when the bond market changed for the next 35 years. As a floor trader in Chicago at the time it had been for the previous decade and a half, and since the advent of bond futures it had been a requisite and unrelenting bear market. Rates were going higher, bond prices were going lower.

The floor traders on the floor of the board of trade had an old line. You filled up the red side of your card, the red side of your card being the selling side of your card. You filled up the red side of your card early in the morning, and you filled up the blue side later in the day because you always sold bonds, they always fell until August of 1982 when the bond market changed. It was astonishing how many great traders, how many wonderful traders, how many kids that had come down to the floor of the Chicago Board of Trade without a penny to their name and had made several million dollars trading a bearish bond market could not understand how bonds could indeed rally, but they rallied, and they rallied again, and they rallied again, and they rallied again, and they rallied again.

Here we are in 2017 four decades after the turn in the bond market, and rates had still been going down until last October. Take a look at a chart of bond futures. Last October the bond market changed. Why it changed last October is still quite beyond me, but there's no doubt in my mind that rates have been going higher since then, 35 or 36 or 37 years of a bond bull market has come to an end. I think we're going to end up seeing bond rates trading rather markedly higher over the course of the next several years, perhaps, five years, maybe 10 years. If I've learned anything in the last 40-something years of being in the markets is that once a bond market gets new direction it remains in that direction far longer than anybody could have anticipated that it might.

Can this bear market in bonds last five years? Certainly. Can it last 10 years? Probably. Can it last 20 years? I would not hazard a guess against it. Can it last 30 years, historically that's what they do. We are now in a period of time when interest rates at the long end of the yield curve are likely to be higher, but not dramatically higher over the course of the next three or four years because understand this: When interest rates begin to move up, and let us pause it that we might see 30 or 40 years of higher interest rates. If I've learned anything it's that in the first 20 or 25 years of that 30 or 40 year duration, in that first 25 years rates move their slowest. They are laborious in how they move, and as it always happens in almost all markets the last 10% of a market's movement encompasses 50% of that price movement.

We're going to see the higher rates over the course of the next several decades, but for the next two or three or four or five or 10 years if rates go up they will go up laboriously. They will go up boringly. They will make it very difficult for you to remain bearish. They will get you to come into the market at times to take a bullish perspective on the bond market, and you will be wrong. The Fed will begin to follow rates higher at the same time. Mark my words on this, before this is over, and probably within the next year, we'll see the yield curve move to an inversion. That is, we'll see short rates higher than long rates. Historically, inevitably, when you get the yield curve to move to an inversion, that anticipates a recession. A recession shall come, certainly it will.

The yield term will move to an inversion across its entire term structure. Before this is done we'll have Fed funds probably at 4.5 or 5% in the course of the next three or four years. The long bond will rally. The long bond yield will go up but not nearly as fast. That's how those things function. When it happens, when we finally get an inversion, it will invert and invert and invert and invert and invert further and further. I have lived through inversions that were several hundred basis points in size. Do I anticipate that we will see that severe an inversion this time? No, I do not, but remember the Fed follows rates. The Fed does not lead them.

Let's talk about who the Fed shall be next year. This is probably something that not enough people are talking about. We talk about Mr. Trump having the right or the ability in the next several years to appoint one, two or three more Supreme Court justices. But what people don't understand is he's going to get the ability or have the time or be given the opportunity to appoint not just a new Fed chairman, but three or four more Fed governors. There's an interesting circumstance that prevails on the Federal Reserve Board.

Most people don't understand it, but the governors of each of the regional Federal Reserve banks rotate on what is known as the committee in the rota. They move one year to the next to be a voter. Only the voters, governors vote every time, regional presidents vote every alternate year or two and a half years, depending on which Federal Reserve bank you're talking about. The governors vote permanently. The only regional president that votes permanently is the president of the New York Federal Reserve Bank. Mr. Trump is going to get the right to nominate and put into place three, at least, and perhaps even four Fed governors.

Let us understand that Mr. Trump being a real estate developer wants, intends and will force and push the Fed to keep interest rates as low as possible because real estate developers always and everywhere want interest rates to remain as low as they possibly can. He will make certain that he appoints people to those positions, to the governors positions on the Federal Reserve, that are expectant of lower rates on balance, or will try their best to vote against letting rates go higher.

Who do I think will be the next Fed chairman? I think that this is an interesting question. Right now if I had to be a better, who I would like to see as the Fed chairman would be Kevin Warsh, but he's not going to become the Fed chairman. I wouldn't mind seeing Mr. Taylor become the Fed chairman because he's an outsider. He's probably not going to become the next Fed chairman. If I had to be a betting man I would probably bet my money on Mr. Powell being nominated to the Fed chairmanship. He is an insider on the Fed. I think that will be sad. There is some reason for continuity. There's some sense of stability in continuity, but on balance I would rather see Taylor or Warsh as the nominees. They will not be. Powell will probably be the next nominee.

On balance, therefore, the Fed, as I've told you, follows rates. They will be slow to allow rates to go higher, but rates, on balance, shall be higher six months from now, a year from now, two years from now, three years from now, four years from now, and five years from now. In that environment you probably don't want to be an owner of bonds. In that environment you probably want to be as short-term oriented in your bond portfolio as you possibly can be. You want to avoid the long end of the yield curve. I think that makes sense. I think that's the best way to go.

Stock prices are preposterously, egregiously, stupendously, comically, sillyly, if there is such a word, high. We have gotten to places where the price-to-earnings multiple by any historical measurement is unsustainable. We have gotten to a level where the price-to-book value compared to anything historically represented is unsustainable. We have gotten to new levels of margin usage that are unsustainable. We have gotten to levels of euphoria that I find comical in nature.

Allow me to talk about an anecdote. I go to the gym three times a week. I'm getting old and I'm fighting the demands of older age. My trainer, very smart young man, nice fellow, asked me about two weeks ago what I thought about stock prices, and I told him I thought they were egregiously overpriced. I thought it was wise to be as uninvolved as one could possibly be. I don't think that one should be short because as the wonderful elderly gentleman in one of the greatest books, and if you haven't read this book, read Reminiscences of a Stock Operator. You should not be allowed to trade anything, invest in anything until you've read Reminiscences of a Stock Operator, which was written, I think, in 1903, and proves that human nature has not changed at any time in the past, is not changing now, nor shall it change at any time in the future.

My trainer, having heard that I thought that stock prices were high, said, "Oh, that's good. I don't own any stocks." I said, "Oh, that's interesting. What do you own?" He said, "I have ETFs and mutual funds." He doesn't own any stocks. He only has ETFs and mutual funds. I heard this just before 2007 when my wife and I were traveling to New York and things were coming apart. It was a gentleman being interview on the radio at the time saying he was not concerned. He didn't own any stocks because all he had were mutual funds at the time. That's the public's perception right now. They don't own any stocks. They just have ETFs and mutual funds. Be careful. Watch the yield curve. As the yield curve moves to an inversion the pressure upon stock prices, I think, is going to become preponderant.

Today is an interesting day in the stock market. As you get later in bull moves, just as you get later in bear moves, as you get later in bull moves the activity becomes more egregious. The movements become more dynamic. The size of the changes becomes psychotic in nature. Microsoft is up five points today. There is no reason in God's Earth for Microsoft shares to be up five points today, but that's the kind of activity you get at market tops. Be careful out there. What I do find interesting is that good stocks are being thrown overboard. General Electric at $22 a share down from $48 a share yielding 4.8% dividend and likely to pay it seems to me to be a decent thing to own. Microsoft up 5 points, Tesla at a euphoric, stunning, shocking price-to-earnings multiple in a market that's going to become saturated with electrical vehicles is selling at some astronomic price-to-earnings multiple. I think that things are becoming a little bit extended, overtly extended, fantastically extended and shockingly so. Be careful about stock prices.

I'm the chairman of the University of Akron's investment committee. I made the decision, and this was a very difficult decision for me to make, and something that it took time for me to influence the other members of my committee to undertake. Where we had been 90% involved in the equities market and nothing involved in real assets, and I'm not a gold bug, and we'll talk about gold in just a few minutes, I finally got the committee to say, "You know what? The relationship between stock prices and commodity prices has become so vastly overextended, so shockingly divergent," that it seemed to me only reasonable and wise to reduce our stock portfolio by 10% and to begin the process of owning real assets, which brings me to a discussion of agriculture and commodity prices in general.

First of all, let's talk about the dollar because that's the most important driving function of the commodity markets on balance from one day to another. I'm phenomenally bullish of the U.S. dollar, shockingly bullish of the U.S. dollar, stunningly bullish of the U.S. dollar. Every other country, or I should say when I come to a conference such as this, which is dominated by people with an interest in the gold market, I'm shocked at how many people are concerned about the U.S. imbalance of trade deficit. Nothing has proven to be more worthless as a piece of economic information than the U.S. imbalance of trade, nothing.

As I've been in the business for 40 years every single year, except for 2007, 2008 and 2009, the U.S. imbalance of trade got larger every month, every quarter, every year, every five years, every decade, period. The U.S. imbalance of trade has gotten larger every single time. Is the economy in the United States stronger now than it was 30 years ago? Absolutely. Is it stronger than where it was 20 years ago? Absolutely. Is it stronger than where it was a decade ago? Absolutely. Is it stronger than where it was five years ago? Absolutely, and, yet, every single time the trade deficit has gotten larger it is something you should pay absolutely no attention to whatsoever.

I used to tell the story that the gaining of the knowledge, the getting of the numbers, the putting together of the data for the balance of trade shocked me one time, so I went to the port in Norfolk, Virginia where I live. It's been 10 years since I did this, but it stunned me when I went down to the port and talked to the fellow who was responsible for aggregating the port's movements in and out of goods. Couldn't tell about services, all we could tell was goods. We moved coal through that port. We moved cotton through that port. We moved paper through that port. We moved software through that port. We moved everything. It's the third largest port in the Unites States. It is quintessentially, it shows what the Unites States does.

I asked the gentleman who was responsible for aggregating the data how he did it and he said, "I weigh them. I weigh the 20 foot export units because there's no other methodology of aggregating what we move in and out." In other words, a 20 foot export unit of coal was as important as a 20 foot export unit of computer software. That was preposterous. It made absolutely no sense. It was comical in nature, and I doubt that it has changed much since. It's one of the reasons why I don't pay even the slightest bit of attention to what the trade numbers show on a monthly basis, nor should you.

All you need to understand is that over these four decades the economy has done well, thank you very much. The attention paid by the current administration in an attempt to become protectionists and do something to curtail the imbalance of trade, that is all Mr. Trump talks about, is we must do something to curtail the imbalance of trade, and that something almost always becomes trade protection, and it is almost always materially deleterious to economic activity. Attempting to curtail trade, whether it's to import or to export, makes no sense whatsoever, so pay no attention to that.

On the other hand, pay attention to what the monetary authorities are doing. The monetary authorities in Germany, Europe, Japan, anywhere else other than the United States are remaining preposterously expansive in their additions of reserves to their banking systems. Yesterday was an ECB meeting, great apprehension as to how that ECB meeting would end. Everybody anticipated that the ECB would announce a curtailing of the 60 billion Euros each month added to its reserve position. There was expectations that they would cut that back to 40 or maybe even 30 billion. They cut it to 30, which on its face should have sent the Euro higher because that was a lesser amount of money being added on a monthly basis. Except, after the announcement was made, after that announcement of cutting from 60 to 30, Mr. Draghi also said that he was going to extend the period of time with which they would add those reserves to the system by another nine months, and should there be any economic disquiet, any economic weakness they will reserve the right to return to and even above the 60 billion dollars.

The Fed, if you could only look at one piece of data, if you only had one data point to look at what the Fed was actually doing with its management of its balance sheet, look at the Federal Reserve Bank of Saint Louis, which is still the keeper of the flame of monetarism. If I had to quantify myself as an economist of some sort I still tend to believe that monetarism, that inflation is, always has been and it shall always be a function of money supply. The Fed Saint Louis keeps an adjusted monetary base, reports it every two weeks. Over the course of the past five years, despite all of the screaming and agony that the Fed has become overtly and manifestly expansive over these past five years, they have not. The adjusted monetary base has gone absolutely nowhere.

Now, I shall not argue with the fact that having expanded from a trillion dollars to four trillion dollars between 2007 and 2011 was a manifestly large expansion of the monetary reserves. I think properly done because the world was in 2007, 2008 and 2009 that close to imploding. I think they did exactly the right thing at exactly the right time, force-feeding reserves into the system to keep us from falling over the precipice. They've probably maintained that position too long and for too long a period of time, but they have not added to it one iota since. Where the ECB is expanding, where the Bank of Japan is expanding, the Federal Reserve Bank has held policy steady.

In that environment, knowing only that, you have no choice but to be a buyer of the U.S. dollar, a seller of the Euro, a buyer of the U.S. dollar, a seller of the Japanese Yen. When I first started trading foreign exchange in the early 1970s I can remember trading the Japanese Yen at 325 Yen to the dollar. People were stunned when it went to 285. People were stunned when it went to 200. People were stunned when it went to 150. People were stunned when it went to 100. People were stunned when the Yen went all the way to 50 Yen to the dollar from 325 Yen to the dollar it went to 50 for one brief moment in time. It is now 117, excuse me, 113.

Given the demographics that are involved in Japan, and please remember this, Japan is imploding demographically. It is dying. It is getting old by the day. There are fewer people in Japan living today than there were last year. There will be fewer next year, and its own government has said that in another decade the population in Japan will fall by half. That is a stunning statistic, and nothing has shown me that that's going to change. Under that environment, Japan has no choice but to continue to force its Japanese Yen to ever steadily lower levels. Can I imagine the Japanese Yen trading at 150? I can imagine that readily. Can I imagine the Japanese Yen trading at 200 Yen to the dollar in the next five years? I can imagine that readily. Can I imagine it getting back to 325 Yen over the course of the next two decades or so? I really have trouble thinking of that, but I can imagine the Japanese Yen moving from the low one-teens to the 125, 135, 145, and 150 level over the course of the next several years.

As far as the Euro is concerned, given the fact that the ECB remains as expansionary as it has been, has every intention to continue to be as expansionary as it has been, has told you that if there is any weakness in the economy it will return to its previous expansionary policies immediately, and given the further demographics that are not quite as egregiously bad as are those in Japan, but are nonetheless egregiously bad because only we in the United States, Canada, New Zealand and Australia are showing population growth, and believe me you need population growth to keep economies moving from the lower left to the upper right. Every country in Europe is watching its population decline and get older by the day. Under that environment you have no choice but to err bearishly of the Euro.

Finally, the political situation in Europe is so much more fractious than is ours. Pay attention to what is going on in Catalonia and in Spain. It is just endemic of what's happening elsewhere. There is a separatist movement now incumbent in Northern Italy. The Lega Nord, you don't hear much about it, but they now have about 30% of the Italian Parliament bent on separating from the rest of Italy because Northern Italy is tired, as are the Catalonians, from sending their tax dollars to Rome and getting nothing back. If Catalonia hoves off, Northern Italy will hove off. If Northern Italy hoves off, the Belgians, who are the most fractious country imaginable, the Flemish and the Walloons hate each other, they went for 485 days before they could put a government together a year and a half ago, will hove off. The Basques in Spain and France will hove off. Pay attention to what's going on. It is a fractious society, and it's not one that you want to be an owner of its currency.

Which brings me, then, to agriculture and commodity prices generally. Under normal circumstances, all things being otherwise equal, one of the great palliatives of the economic profession, all things being otherwise equal a stronger dollar shall always beget weaker commodity prices. That's just almost an axiom, and so it's difficult, even though I think the dollar shall get stronger, I will be fighting over the course of the next several years that trade wind of a stronger dollar relative to commodity prices in general. If you look at where stock prices are relative to commodity prices, commodities are preposterously inexpensive, preposterously inexpensive.

If there's anything in this world that you can, in fact, count upon, count upon this: Every year, every year, every year X-droughts, X-egregious weather conditions. American farmers grow more grain, more corn, more cotton, more sorghum, more soybeans, more wheat per acre this year than they did last year, will grow more five years from now than they grow now, and will grow more 10 years from now than they grow five years from now. If there's one thing you can count upon it's the incredible nature of technology and its effects upon agriculture.

Although European populations are falling, and although Japanese populations are falling, and although Chinese populations in another decade will begin to fall, the populations elsewhere in Southeast Asia and Africa are moving from the lower left to the upper right at a pace certainly to overtake and undercut any of the declines in populations in the other nations. On balance, we will have more people needing more grain, more people being fed more cattle, more people needing more clothes. It appears to me at this point despite the fact that we will be fighting the headwind of an ever-increasing U.S. dollar, you probably want to err upon the side of owning agriculture in some manner.

Now, whether that means you own grain futures, whether that means you own fertilizer, whether that means you own land, and I'm not going to be a great proponent of doing that, but that's another story for another time, I think on balance you want to err upon the side of owning commodities generally. You don't have to rush out to do it. If I've learned anything in 40-some years of watching markets, especially in the Ag markets, after long, protracted bear markets, and we have been in a long, protracted bear market in the grains. We have been in a long, protracted bear market in cotton. We have been in a long protracted bear market in general in commodity prices universally.

If I've learned anything it's that after bear markets things go sideways and are painful in how they turn for the better. It may be two years, three years, it maybe two weeks, two months, but it will be some period of time before commodity prices actually get sporty on the upside. If you miss the first 10%, if you miss the first 20%, if you miss the first 30% of the next bull market in commodities you will still be early and you will still be fair. I think that the turn is coming. I think the turn has been had. I think that the lows have held. I think it's important to note that the lows have held in corn, wheat, soybeans and in sugar, coffee, cocoa across the board.

Which brings me to gold. I can tell you without equivocation I am not, first of all, a gold bug. I do not believe that the world is going to hell in a hand basket. I don't believe that you have to have 40% of your portfolio in gold. I don't think that the governments around the world are terribly corrupt and falling apart. I don't think that big brother is… I'm not one of those people. But since December of 2015 gold has refused to make a new low, and every interim low has been higher, and every interim higher has been higher.

More importantly, gold predicated not just in dollar terms because if you own gold you want to own gold relative to all other currencies. You want to own gold in dollar terms. You want to own gold, more importantly, in Yen terms. You want to own gold, more importantly still, in Euro terms because those currencies are going to devalue relative to the U.S. dollar. Gold might rally slightly in dollar terms, but in Euro and Yen terms it's going to be dramatically higher. I can tell you without equivocation that the lows are in because I had two ETFs listed on the New York Stock Exchange, G-Euro and G-Yen, which got absolutely no participation, none. All we had was a scant 50 million dollars in them at the best, and I was forced to close them four weeks ago because we couldn't get 100 million dollars in. Since those two ETFs were closed gold, in Euro terms and in Yen terms, has never traded lower. Such is the business that we're in. Turning points occur when those sorts of things happen, so you want to own gold in non-U.S. dollar terms.

To finalize, because my clock is running out, you want to avoid stock prices at this point. I think they're egregiously high. I think they're terribly over-extended. I think the public is involved, but, again, the public doesn't own stocks. They just have ETFs and mutual funds so they have no real exposure, but they will once things start going down. Interest rates are going to be higher three months from now, six months from now, a year from now, five years from now, 10 years from now. You want to avoid the long end of the bond market.

Remember, the Fed does not lead rates, it follow rates. And, on balance, you want to err upon the side of being short of the Euro, short of the Yen and long of commodity prices. I hope I've been clear. I hope I have not confused anybody. Thank you for your time. Thank you for your apt attention, and as I send off every newsletter every morning, good luck, good trading because you're going to need it. Thank you for your time.

Nick Giambruno

"Is the Decline Of The Petrodollar Good For Gold?"

Lindsay Hall: Alright, up next you have Nick Giambruno. Nick is Doug Casey's globetrotting companion and is the senior editor of International Man. He writes about economics, offshore banking, suck it passports, surviving a financial collapse, foreign trusts and companies, geopolitics, and value investing in crisis markets among other topics. He is also the senior editor of Crisis Investment Publication. In short, Nick's work helps people make the most of their personal freedom and financial opportunity around the world. If you would please give him a very warm welcome, Nick Giambruno.

Nick Giambruno: Thank you, Lindsay. All right, I want to start my presentation with a quote from Ron Paul. I'm sure you guys all know Ron Paul. And this quote comes from a little known speech, but I consider it to be the most important speech he's ever given. And it's relatively unknown because it happened before he really broke through on the national stage, and it occurred during an otherwise boring session of Congress. So it's not a very well-known speech, but it's a very important speech. And here is the most important part of that speech. And I'll read it:

"The chaos that will one day ensue from our experiment with worldwide fiat money will require a return to money of real value. We will know that day is approaching when oil-producing countries demand gold or its equivalent for their oil rather than dollars or euros. The sooner the better."

So, what Ron Paul is talking about here is the post-Bretton Woods system ... international monetary system and what to look for when this is breaking down. I'd encourage you to check this speech out. It's called The End of Dollar Hegemony and you can just Google it. But it is a fantastic speech, and I highly recommend you check it out. So, I think we are on a cusp of another paradigm shift in the international monetary system as fundamental as the breakdown of the Bretton Woods system in 1971. I'm going to talk about that for my speech today.

So, that takes me to President Trump. And President Trump, like all politicians, has flip-flopped on various issues, but I think his biggest flip-flop doesn't get nearly enough attention that it really deserves. So one of things Trump did as a candidate that was very unusual is that he used uncommonly harsh language to criticize Saudi Arabia. Nobody ever would ... no politician of his stature ever talked about Saudi Arabia the way Trump did as a candidate. He called Saudi the biggest funder of terrorism in the world. He said, "The Saudis are using our own petrodollars to fund terrorists that seek to destroy us while we protect them." And at one point he said, "Who blew up the World Trade Center? It wasn't the

Iraqis. It was the Saudis," referring to I think 16 or 15 of the 19 hijackers in 9-11 were Saudi nationals. And of course Trump is correct on all these criticisms.

He also criticized Hilary Clinton for taking Saudi money for the Clinton Foundation. It's a little fact that the Saudis were the largest donors ... "donors" of the Clinton Foundation. And he even challenged her to return the money, which of course she didn't. And then he got into a Twitter spat, which he often does but with a member, a prominent member of the Saudi Royal Family. And here is ... so here's an example of his Twitter spat. And this is very, very unusual. People who are candidates for president or presidents over the top level of the government, they don't talk to the Saudis like this. So it is a very unusual situation as a candidate. No other politician had really dared to go to that territory. But after he took office, Trump did a complete 180. It was rather astounding. So instead of criticizing the Saudis, not even at all, much less the way of using severe language he did as a candidate, he stopped criticizing them completely. And instead, he's singing their praises. So it was weird. It was as if somebody put a severed horse's head in his bed, and he changed. It's very bizarre.

So months after this criticism that I showed you in the previous slides, he was on Air Force One for his first trip as president ... his first foreign trip as president, he went to Saudi Arabia to hang out with his new friends and do the sword dance and also this. So how does he go from what I just said in the previous slides to singing the Saudis' praises and accepting this and showing deference to the Saudis. Well, I'll show you why in this presentation. It's really no different than any previous president. All the presidents of late have done similar things. There's Obama. There's George W. Bush. But, Trump is just falling in line with all the previous presidents here. But the thing that's astounding is his complete turnaround on this in a matter of months and his attitude towards the Saudis.

So here's ... well one aspect of it as the Saudis have purchased a lot of treasuries. Look at this chart since the election. And this actually used to be secret data. The Treasury used to not release how much U.S. treasuries the Saudis owned. It used to be secret information. They would not release it. They started releasing it I believe last year. But anyways, if you look at this chart it clearly shows right after the election their holdings of treasuries have gone up 40%. It's Quite remarkable. So, that's just a little another data point here.

So, anyways, so I'm gonna tell you why Trump did his abrupt turnaround and more importantly, what it means for the broader commodities markets and geopolitics in general. So, to understand that, you kind of have to understand where we are coming from. So it makes sense to start of how the U.S. dollar obtained its status as the world's reserve ... premiere reserve currency. And this happened after World War II. After World War II, the U.S. has the largest gold reserves in the world by far and of course the U.S. won the war. So those two factors allowed the U.S. to really reconstruct the international monetary system with the dollar at its center. So that's how the dollar became the world's reserve currency in what is known as the Bretton Woods system. And the Bretton Woods system fixed the US dollar to gold at $35 an ounce and it was said that the dollar was as good as gold during this period. It was pseudo gold standard. And then basically, most countries around the world fixed their currencies to the dollar at a fixed rate too. So, that's how the Bretton Woods system worked.

So the U.S. promised that it would redeem $35 for an ounce of gold. But not surprising ... I mean whose surprised that the U.S. was not going to keep that promise? Any government wouldn't keep that promise. So what happened was in the 1960s, throughout the 1960s, the U.S. started spending way too much ... printing ... creating too much money than it could otherwise back with gold at the promised price. It was spending on welfare. Spending on the Vietnam war. So other foreign countries figured the jig was up and they started to convert their dollars for gold and at an alarming rate. So, there's a huge drop, a 70% drop by the late 1960s from post-World War II and U.S. gold reserves. So to stop the drain, Nixon came out and he ended the Bretton Woods system. He said, "Oh, we're temporary ... temporarily suspending this conversion of the dollar to gold." Of course, this temporary suspension is still in effect today.

So what he did is default on the promise that was the bedrock of the US dollar's role in the international financial system. So this eliminated the main motivation for other countries to hold dollars in their reserves because it was, the dollar was no longer as good as gold. And in certain cases, you looked at like old pack and oil producing countries, they started to want to ... they started discussing accepting gold German marks, yen, for oil after the Bretton Woods breakdown because they didn't want to trade their valuable commodity resource for now an unbacked fiat currency. So the U.S. kind of saw the international financial system in their financial position in the world starting to fall apart in the 1970s after the Bretton Woods broke down. So they needed to create a new system.

And so what they did is they made an arrangement with Saudi Arabia. And this occurred in the early 1970s with President Nixon and Kissinger. They made a deal, actually it's a political, a geopolitical master stroke. It's a very smart deal. So what they did is they would guarantee the survival of Saudi Arabia military ... they protected militarily, diplomatically and so forth if Saudi Arabia would use its influence as the largest oil exporter in the world, and the largest member of OPEC to make sure oil transactions only occurred in US dollars. So what ... and also that they would use the dollars that they earned from selling oil to recycle them back into the U.S. Treasury markets, which would help the U.S. finance deficits and so forth.

So this is where the petrodollar system comes from. And it comes directly from the breakdown of the Bretton Woods system. So it's important to understand the continuity of these international monetary systems here. So the petrodollar really was what the U.S. government implemented after the Bretton Woods system broke down. And it gives the U.S. enormous, enormous benefits. So, I'll just outline this. Oil is by far the largest and most ... the largest in terms of value commodity and most strategic commodity in the world. It dwarfs all other commodity markets combined. So this is the value of the oil market, oil produced in 2016 last year. It dwarfs all the other commodities. It's about $1.7 trillion. The vast majority of that occurs in US dollars.

So what that means is that every country that wants to transact in oil, which is any country in the world needs ... has a very compelling reason to keep dollars on reserve. It also creates universal demand for dollars because if you want oil you have to have dollars. And this is what helped underpin the dollar as the world's reserve currency Bretton Woods system broke down. And today 80% of all international transactions involve US dollars of some sort. Even, if it has nothing to do with the United States. For example, if like say Italy wants to buy oil from Kuwait, it has to go on the foreign exchange market and buy dollars to pay Kuwait for their oil. Even though this transaction had nothing whatsoever to do with the U.S. product or service, they're still needing, creating demand for dollars, and it's an enormous artificial market that's been created in this way. And it's not just oil. Oil is just the biggest and most valuable commodity. So all other commodities are basically priced in oil because if countries are trading oil in dollars, it just makes ... it's just easier to trade everything else in dollars. So it's really the benchmark for everything else.

So it creates enormous benefits for the United States and enormous demand for US dollars that otherwise would not exist. So it's why businesses and countries around the world really want to take dollars, and they really don't have a choice for now. Why they have to use dollars because they need oil. All countries need oil. And it's ... it requires no effort for the U.S. to create dollars. They can create as many dollars as they want or create as many treasuries as they want. And in return, they can buy all these nice imports from Korea, Europe and so forth. So it really is a huge benefit to the United States, and it also keeps interest rates lower, and helps keep interest rates lower than they otherwise could because you have all of these petrodollars being recycled and to treasuries that otherwise wouldn't be if there wasn't this arrangement.

So this is how the U.S. is able to really finance the biggest military in the world it's bigger than the seven largest ... other largest ... next largest militaries combined. It's how the U.S. is able to finance an enormous welfare state where basically around 50% of the population is on the dole, whatsoever ... similar to that. So it's really enabled, in short, it's the ultimate enabler of big government. And I agree with Ron Paul; the sooner it goes, the better.

But this the reason. This is the reason why Trump did the abrupt turnaround. Petrodollar is the reason. So that's why, if you're ever wondering why the U.S. politicians shows so much deference to the Saudis it's because of this. So it's no surprise that the U.S. government protects this system very zealously. I call it "The Cardinal Sin of International Finance" when countries start to use non-dollar currencies to transact in oil. We've seen this happen a couple of times and leaders who have challenged the petrodollar system have quite frankly have ended up dead. You can just see the examples of Saddam Hussein and Muammar Gaddafi in recent times.

Thanks to Wikileaks' release of Hilary Clinton's emails, one nugget that doesn't get nearly enough attention, one nugget from those releases, is something called the Blumenthal Memo. And I encourage you to look this up. It reveals that one of the primary concerns for intervening in Libya in 2,010 or 11, was ... it was human rights blah blah blah, but they were really concerned because Gaddafi had plans to create a Pan-African gold currency that they would use to transact an oil. And of course, Libya being a major oil producer. And they ... you can see in these emails that this is a serious concern because there's a version of the French franc that's still used in Central and Western Africa. And that's how the French maintain influence in that part of the world. And they were worried that if Gaddafi created this gold-backed currency that he was talking about, well geez, that might displace the French franc and French influence. So, you can check that out. And of course, Saddam Hussein looked at ... a few months before the invasion, I believe in November 2000, he switched the currency to euros, and he started to accept only euros for his oil.

Now, of course, there were other reasons for these interventions. But I would say at the very least, maintaining the petrodollar system was at least as we can see from the Wikileaks was at least a very serious consideration. So, what do we have? We have the petrodollar ... excuse me, the Bretton Woods system lasted about 27 years. And so far the petrodollar system has lasted over 40 years. But I think it's ... I think if you look at the trends and where we are, it's really starting to break down. And I think we're on the cusp of another paradigm shift in the international monetary system as fundamental as the end of the Bretton Woods system in 1971. I think a recent development in China will be a big catalyst for this move.

So you look at China. China is the world's biggest producer and buyer of gold. It's also the biggest importer of oil. And it's no secret that China has been accumulating gold at a very rapid pace. And now we know why for sure because they are about to launch, and they've announced this, a game-changing mechanism that's going to give a genuine alternative to the petrodollar system. And I call it "China's Golden Alternative". So what this is, they're launching a future's contract that is ... oil's future's contract in Shanghai that's denominated in Chinese yuan. And what this will allow is any oil producer in the world who wants to sell to China, and China being the biggest market, biggest importer of oil and growing by large numbers. So oil producers want to get access to this Chinese market.

So, China wants to of course, they don't want to pay for their oil in dollars of which they need to be in the good graces of Washington because of course, the U.S. kick anybody it wants out of the dollar for any sort of pretext it finds convenient, such that China doesn't want an adversary to be able to control its strategic imports of the strategic commodity. So they would rather be able to print their own money to buy oil, just like the U.S. does. So this is why they're launching this exchange. And it's already gaining traction and what it does is it completely bypasses the petrodollar system and any sort of sanctions, regulations of the U.S. financial system. And I recently spoke with some folks at this exchange in Shanghai and the idea for them, they're going to launch this before the end of the year. So this is something to really, really watch.

So they have built-in customers of countries that are on the so-called "naughty list" of the U.S. Russia, enthusiastically, sells its oil and Russia's the largest oil producer in the world, to China in Chinese yuan. And now, Russia is the number one supplier to the Chinese market. It grew over the past few years. And the primary reason for that is because Russia is willing to pay for that oil in Chinese yuan. They don't want to use dollars. In fact, they had problems with the U.S., with the U.S. sanctions from Ukraine and Crimea. So this has really pushed China and Russia together, but they have built-in customer base willing to do this just of the oil producing countries that the U.S. doesn't really like. So Russia, Iran and so forth, there's a lot of them. But even besides that, there's a strong economic reason for countries to do this because they ... oil producers, they want to gain market share in the biggest market in the world. Well there's no easier way to get market share than to sell oil to China in yuan. Then China ... China has shown and explicitly said that if you do this, we will expand business with you.

And this also the reason why the Saudis, who used to be the number one supplier to China of oil, have dropped to number three, because they refuse to do this. They refuse to sell oil to China in anything but US dollars. And that's because the petrodollar arrangement ... they have this arrangement with the U.S. So the Saudis won't do that as of now.

Okay, so if you're an oil producer, you think about this, you really have two choices; you can participate in the U.S. petrodollar system and obtain US dollars. Oh, one thing I forgot to mention is that this system, nobody really wants to hold a lot of Chinese yuan. So what China has explicitly linked to this is, okay, so you sell your oil on the Shanghai Exchange, you get yuan. So what do you do with that yuan? Okay, you can invest it in China. You can hold it in yuan, but China knows that lot of people don't want to hold a lot of yuan. So they explicitly linked it to a gold contract spot for immediate delivery, and a future's contract. So you can change that yuan immediately to gold if you want to take delivery. You can delivery and take it out of the country or if you want to take delivery at a future date at a locked in price, you can do that too. So, that's an important piece of this puzzle. It's a huge challenge to this petrodollar system that's been around since the end of the Bretton Woods.

So, but anyways, you go back to an oil producer and there's strong economic benefits for oil producers to do this anyways. You can look at it. You can participate in the petrodollar system. Yeah, you can get dollars, but you really gotta play by the U.S.'s rules and there's a lot of political risk in that with the deficit spending and debt situation. The dollar is looking at some serious problems in the future. So you can participate in that system, or you can participate in China's Golden Alternative and easily convert your ... you don't have to ... it has no political risk. You can convert something ... your oil into gold, which has no political risk attached to it. You don't have to be in the good graces of the U.S. government, and it provides a solid opportunity.

Okay, I've got to hurry because I don't have a lot of time left. Okay, so why, why is this so urgent? If you look at the Saudi Arabia, it's making moves to go away from the petrodollar and that's really gonna be the catalyst that ends this thing. So what happened earlier this month, and this is totally unprecedented, is the Saudi king went to Russia for the first time ever. And you have to understand this, the Saudis and the Russians don't like each other, going back a long time.

They have bad blood from Afghanistan when the Russians ... the Soviet invaded the Saudis, and the U.S. supported the Mujahedeen, we all kind of know that story. Saudis have supported multiple Chechen rebellions. The Saudis and the Russians don't like each other. But the Saudis are making amends with them, and they went to ... the Saudi king went to Moscow earlier this month and committed to buy S400 ... made a bunch of deals with the Russians, but most important of all those deals was the commitment to buy the S400 anti-aircraft system. So this is Russia's best top line anti-aircraft system that they offer, and it's capable of even deterring American jets. So why would the Saudis be doing this if they didn't intend to give themselves some options.

Okay, so I think when you piece this all together, you have the Saudis moving away from the petrodollar system. And it's not just that, the Chinese have been really pressuring the Saudis as of late to accept yuan for their oil, and the Saudis have resisted. But they kind of inched closer to that. So the Saudis have taken steps to indicate they want to move in that direction. They're just not ready to make that break. So the Saudis have started issuing debt in Chinese yuan, or they looked into it. And they will probably do it in the near future. This is huge because the Saudis' currency is linked to the dollar. All of their financial initiatives are priced in US dollars. So this is another movement away from the US dollar system. But even more importantly, the Chinese have made no secret that they're very interested in acquiring a large stake in Aramco. You might have heard of the Saudi's oil company is ... they wanna do an IPO of this thing and hasn't really attracted a lot of interests from serious investors because of the evaluation is lofty, and the information is opaque. But the Chinese aren't necessarily interested in just purely an investment. They want to buy political influence.

So the Chinese have clearly said they will buy ... they could buy the entire IPO. They could buy more. So, this will be another way ... I think sooner or later the Chinese are going to find a way to compel the Saudis to accept yuan for their oil. So I think when you put this all together, its ... you can kind of see where this trend is going. China is launching this exchange that will give anybody in the world an alternative to participate ... to not participate in the petrodollar system. And I think as we look this gold is starting to slowly be re-monetized in this sense. In a recent report, and this is totally not pricing the market, and people don't know this, is that a recent report on CNBC estimates that if this Chinese Golden Alternative really gets into full swing, it could take between 600 and 800 billion dollars, this is a report from CNBC, out of the US dollar and U.S. treasuries and instead, that money would flow into Chinese assets and gold. So I don't think the market has priced in this development at all.

So if you look this, China imports about 8.5 million barrels of oil a day and that number is going to grow double digits I think in consensus here. And oil is about \$50 a barrel. So, that means China's spending about \$425 million a day to import oil. And with gold at \$1,270 an ounce, China is importing about \$334,000 worth of ... 334 ounces of gold, the equivalent of oil, each day. So we assume just half of that is trans ... is converted into gold or any significant margin, this is going to be a huge shock to the gold market. And I don't think it's priced in. So if we look at what happened in the 1970s, gold moved from $35 an ounce to over $800 an ounce in the 1970s, I guess into the early 1980s, as that international monetary system changed. And that was just a 2200% move in the commodity itself. Gold mining companies did orders of magnitude better.

So, I think we're at a similar paradigm shift. It's very close. And I think it's even bigger than what happened with Bretton Woods. So this is not something that's gonna happen overnight, but I think the process has already begun. I don't think the market has priced it in at all. So, I'm way over time. But if you want to find more information, you can find more information on this at my site InternationalMan.com and thank you very much for your time.

Global Investing Panel
Danielle DiMartino Booth (MC), Peter Boockvar, Doug Casey, Adrian Day, Dennis Gartman

Speaker 1: I'm going to introduce to you, our panel today, we've got, for the Global Investing Panel. We have Danielle DiMartino Booth, who you heard from earlier this morning, fabulous job. She'll be moderating for you. Also on this panel we have Peter Boockar and Doug Casey. And also Mr. Adrian Day, if you would say hello, sir. And Dennis Gartman. So we will leave it to them and Miss Danielle, it will be yours.

Danielle: Okay.

Doug: Danielle, I've never met you before.

Danielle: I've not met you in person either, nice to meet you.

Doug: Likewise.

Danielle: Well, hello, I know you're probably hungry so we'll make this long. I'm kidding. So I thought that I would start out with a question for Adrian. If you would not

Adrian: Absolutely.

Danielle: I mean it's kind of why you're here. In any event, how should the central banks of the world combat what's to come, the inevitable, because recessions do happen, we've not eradicated the business cycle even though I think central bankers would like to eradicate the business cycle. But what should central bankers do or not do to combat the next recession or financial crisis?

Adrian: Gosh that's a huge question. You've touched on so many things that I want to comment on. Yes you're absolutely correct. Not only do central bankers want to eliminate the business cycle, but some of them like Janet Yellen actually seem to believe that they have. I mean, I was quite surprised that Janet Yellen said she didn't think we'd have another recession in our lifetime.

Danielle: Financial crisis.

Adrian: Financial crisis, sorry.

Danielle: Even better.

Adrian: I mean she could have said we may not, or we hope not, or my lifetime. But our lifetime, that's a pretty dramatic statement and I think she'll be proven wrong. To start at basics, what should the central banks do? They should all resign and get a productive job, that's what they should do.

Danielle: I'm gonna clap with you on that one.

Adrian: But where we are now, one of the problems of course, is with monetary policy so easy right now, and the Federal Reserve and the European Central Bank, not to mention Japan National Bank, also very hesitant to tighten. I mean that's clear, but they're being very, very hesitant in their tightening. We don't have an awful lot of ammunition left if we get another, just even a normal recession. So I think they certainly let the easy money policies go on far, far, far too long. And that's a pretty conservative statement. Even Dennis would agree with that.

Dennis: Even I will agree.

Adrian: But, you know, they don't have a lot of ammunition. So I mean, it's difficult. I can't answer a question what should the central banks do frankly. It's a bit like saying what should the arsonist do next time he finds a building he wants to burn down. I mean I don't know. I don't agree with the arsonist, I don't agree with the central bankers.

Danielle: Okay, so we're not calling you when the crisis hits.

Peter: Speaking of what you just said, I'm gonna read from my phone.

Danielle: Wait, wait, wait you're a little late to the show here. I'm moderating.

Peter: Alright, go ahead.

Danielle: Go ahead, Peter, make your comment.

Peter: So this is the day after the ECB did what they did. And I just have to read, hold on one second, what Peter Praet said, he is the chief economist of the ECB so this is the day after the ECB, again, did what they did. And bear with me so I can find it.

Dennis: Just paraphrase, Peter.

Peter: No it's perfect the way that it's written. Ok here it is.

Danielle: He makes us wait and then he makes us wait.

Peter: Okay this is Peter.

Dennis: You're good, Danielle. Join right in.

Peter: Okay, go ahead, Danielle, I can't find this.

Danielle: Doug, why don't you jump in here. Clearly we saw a three handle on GDP this morning. That might have something to do with Harvey, Irma, Maria, wildfires, et cetera. So clearly we're not cascading into a recession this year. But tell us about the misconceptions people have after we get through this massive inventory build that's ahead of us which will mathematically juice GDP but not much more. Where is this economy headed next year.

Doug: I'm of the opinion that starting in 2007, historically, that's gonna be looked at as the start of what I call the Greater Depression. And we just entered the leading edge of the hurricane in 2008, 2009, these idiotic central banks and the governments have created trillions, scores of trillions of new currency units all over the world. And I don't know if it's going to be in the next month, but I really think it's way overdue and next year we're gonna go into the trailing edge of the hurricane and it's gonna be much worse and much different and much longer lasting than the unpleasantness of 2008 and 2009.

Dennis: We've heard that for 50 years, we've heard that same bloody argument for 50 years.

Danielle: Dennis, speak to what Ray Dalio said recently that the Fed is about to make a historic policy error. And that he likened the current time that we're in to that of 1937 when the Fed overtightened us into the greatness of the Great Depression, Dennis. You don't think that the business cycle will eventually turn, Dennis?

Dennis: Oh the business cycle shall always turn. We shall always have recessions. But I've heard the same people tell me that the next depression is coming for 50 years. If you've set yourself up waiting for the next depression to hit for 50 years, you have missed 50 years of a great bull market. And you have been unmistakably and unmitigatedly wrong. And yes, we'll have another recession. There's no question. I know that, it may be sooner than we think. We went through one of the most devastating recessions from 72 to 73. We survived. We went through two recessions in a row, 80, 81, you guys called for a depression at that time. We survived.

We went through a devastating recession in 07, 08, 09. You guys were calling for a depression, we survived. If I've learned anything in 50 years of watching this, we will survive. Quit calling for the next depression.

Doug: Of course we'll survive.

Dennis: Quit doing that. You frighten people by telling them the next depression is coming. [crosstalk 00:06:39] And you've been calling for this for 50 years. [crosstalk 00:06:42]

Doug: Remember Joe Granville, he used to say the market goes from 1,000 to 2,000. Because that's where the market was in those days when Granville was talking about it but he said, no, it doesn't really go from 1,000 to 2,000. It goes up and down and up and down. So there's really a 20,000 point fluctuation and you can capitalize on it. But you can't. You can't predict the future on these things. You can't. None of us can predict.

And you're right, things get better. Because science and technology keeps advancing. The average guy keeps saving. Yes, you're absolutely right. The bulls are usually right and for good reason, I agree with you.

Danielle: So we're gonna bring a calm voice back in, right now. We're gonna ask Peter Boockvar a question. Let's talk about watching the paint dry. Let's talk about quantitative tightening, and some of the misconceptions that the Federal Reserve has managed to feed the public about how boring this process will be and combine that with some of the great work you've done on what Mario Draghi announced, yesterday, painfully announced.

Peter: Well the Fed, this goes back to I think it was 2010 when Bernanke wrote an editorial in the Washington Post basically selling QE. You know we had the original QE at the depths of the crisis. But QE2 was more of a, let me give the economy some juice. But he also said I'm gonna use this as a way to boost asset prices. We all know about the wealth effect. And now that we've seen a dramatic rise in asset prices, not necessarily wealth effect because it hasn't helped the economy, the Fed says well QE was meant to raise asset prices. But quantitative tightening, the reverse, don't worry about it. It's paint drying. And everything should be fine.

But you gotta follow the money. You have to follow the liquidity flows. And liquidity went in, it lifted markets, lifted stocks, liquidity is now beginning to come out. So it makes stocks just more vulnerable, just on a valuation basis. Earnings have not risen nearly as much as stocks have, that's called [inaudible 00:08:51] multiple expansion. And that has been goosed by, of course, all this easing. So now that the Fed is now taking that back. Certainly most of, well part of this year and all of next year and the year after, tells you that liquidity is not necessarily your friend to the same extent. And of course with Mario Draghi yesterday, he said the same thing.

Even though he couched his hawkishness in the sense that he's cutting his QEs, his QE purchases in half, [crosstalk 00:09:24], he surrounded it with dovishness because he's afraid to upset the markets. I always ask if he's afraid to upset the markets, why'd you get the markets so excited to begin with but that's a different story. So the ECB will be doing their best to coddle the markets as they pull away. The Fed is doing their best to coddle the markets as they pull away. And it's a question of whether the markets listen.

The analogy I like to give is that, if I tell you today I'm gonna punch you in the face in a week, and I give you a week's notice, is it gonna hurt any less when I can actually punch you? So the Fed and the ECB are taking that attitude, if I give you enough time and I communicate this enough, everything will be fine. But the reality is liquidity is coming out and that's gonna matter for valuations.

Danielle: So I would add something that you threw in to your analysis this morning and I will add my two cents. It's hard to make a dove cry. Very, very hard. When I was inside the Federal Reserve, the reason we had to begin tapering the Fed's purchases was mechanistic. It was because we were overwhelming the markets and running out of paper to buy. And Peter brought up in his note this morning, for those same type of reasons, the ECB is being forced into a position of beginning to taper because they're running out of things to buy. Same situation with the Bank of Japan.

Peter: Just quantify that, so the ECB was buying 7 times the bonds of European net issuance. 7 times the amount. That's why yields collapsed so much in Europe. Whereas the Fed never bought more than one times net issuance. So that's why we didn't see the same impact of Fed QE on US treasury and market that ECB buying has had on the European bond market.

Dennis: Can I just make a comment?

Danielle: Of course.

Dennis: I absolutely hate it when people talk about what these bureaucrats, these miseducated people, these chimpanzees

Danielle: We don't want you to hold back.

Dennis: That populate, these central banks, they create a term like quantitative easing and everybody uses it like it's, instead of saying printing money or inflating and destroying the currency. And I don't understand people actually paying attention to what these people say. They're just low-level bureaucrats that have gotten lucky through back slapping and back stabbing to rise to the top of the central bank. They don't know anything about economics. But the whole world turns on them and people actually respect them and quote them and follow them. I mean it's degrading to do that.

Danielle: I guess it's central bankers, politicians, used car salesman, and whale poop, on the bottom of the ocean if I understand correctly.

Dennis: No, reverse the order.

Danielle: Okay, well let's take a journey, shall we, Dennis. Dennis you mentioned this morning in our breakout session that the least appreciated announcement over the past few weeks was that that came from Saudi Arabia, with the announcement that they're going to build a grand city on the water. Talk to us a little bit about the future or lack thereof of oil.

Dennis: First of all, I think the most important person that we have to pay attention to in the next 15 or 20 years is the crown prince of Saudi Arabia. He has made it abundantly clear that he sees, for all intents and purposes that the value of the crude oil in the ground that is their legacy will probably be, at sometime in the next 15, 20, 25 years, who knows how long, worth nothing. Because without question, technology will advance past the need for crude oil as a fuel, natural gas as a fuel. Whether its fusion, whether it's fusion, whether it's, I doubt it shall be solar, that's one of the silly notions of our time.

But technology will trump that. He understands that circumstance. Therefore, I think that the odds of crude oil, when I hear people say that crude oil can get to 100 dollars a barrel again, that's utter and complete nonsense. It's nonsensical. You have to understand that one of the great technological advances, although it was merely engineering, is what we've done here in the United States with fracking. It's changed the ability to find the amount of crude oil that we have been able to find, and found. We have gone from producing 6.5 million barrels of crude oil a day, to over 9 million barrels of crude oil a day.

We'll soon be getting close to 10 million barrels of crude oil a day from fracking circumstances. And you have to remember, they've only fracked one well in Russia to this point. They have not fracked a single well in Saudi Arabia to this point. They haven't fracked a single well in Venezuela, not a single well in Angola, not a single well in Nigeria, all of whom are members of OPEC, and I guarantee you in 10 more years, there will be thousands of fracked wells as they steal for lack of a better term, the technology that we have gone about to create. 10 years ago, 15 years ago, our hit rates for the production of crude oil, for the finding of crude oil was about 50/50. Now we find, when we drill a well, it's a 95% certainty that we're going to hit crude oil.

More importantly than that, we've learned that the crude oil and natural gas structures in the ground are not finite in nature. They don't look like your fist, they don't look like a ball, they look your fingers. We can drill out into the corners of those fingers and do it profitably. So to think that we're gonna see anything other than, at best, 55 dollars for WT, and maybe 59 to 60 dollars for brent crude, if we get to those prices, the amount of wells that have already been drilled and are sitting there simply waiting for higher prices to be unleashed again, plus the amount of new production that's gonna come as Russia has thousands of fracked wells, as Angola, Nigeria, Venezuela, China frack wells is important.

So I think we need to understand that the propensity of crude oil to rally much, at all, is negligible. I don't think that crude oil is going to fall below 45 dollars a barrel in the next 2 or 3 or 4 or 5 years. But we may be range bound for a long period of time. And if the crown prince of Saudi Arabia, who's going to be with us, he's a very young man, I believe he's only 35 years old, he's likely to be with us for the next 40 years. The average age of the kings of Saudi Arabia when they die is approximately 77. He may be with us for a long time. This very modern man, we need to pay attention to what he's told us and he thinks the future of crude oil is not a proud future at all.

Danielle: So at the risk of inciting violence, I will not ask Doug this question. I will ask it of Adrian. If you talk to any of the Neo-Keynesian, central bankers that are apparently below whale poop at the bottom of the ocean, if you ask any of them about their elegant solution to the next financial crisis, they will tell you that negative interest rates can be implemented more elegantly. The eradication of large bills can be accomplished as long as you educate the public, and that by the way, there will be a full monetization of debt that follows. Adrian, do you think that the world will roll over and allow this to happen such that we can continue feeding this beast?

Adrian: Gosh, well that's a good question. But let me, just to amplify a little of what you said. As you know, there's an awful lot of discussion among central bankers in the academic journals and so on about the problem of cash. Because apparently if you have cash, it restrains the ability of central banks to lower interest rates much below a negative 2 percent, apparently. Because at the negative 2 percent, people have the alternative of simply storing cash somewhere. And so there's a lot of discussion about this for that very reason. And the chap from Minneapolis whose name I can't pronounce

Danielle: [inaudible 00:17:42]

Adrian: Cascari, yes. Mentioned yes.

Danielle: Very political.

Adrian: If we abolish from the Minneapolis Fed, if we abolish cash, then there is no limit to how low negative interest can go. That's a very, very, very scary thought. And we need to really pay attention, not only to the discussions of a going on about abolishing cash, abolishing large bills and eventually abolishing cash. And we've seen that in many countries already. India, well for different reasons, but India tried some absolutely idiotic experiment of abolishing what are called large bills but they represent about 5 and 7 dollars US.

Danielle: And that was after they got one of the few rational central bankers in the world.

Adrian: Right. But we need to really understand why they want to abolish cash apart from having the ability to know exactly what we're doing. And that's very significant. And I think that's an important factor. But it's also to enable central, to give central bankers more power to lower rates. Will people stand for it? Well, you know that's a really tricky question because if the government abolishes 100 dollar bills, you can save more 50s. But then if they abolish 50s, you can't fight it if they're put out of circulation.

I mean you can't fight it other than by owning other things like physical gold or crypto currencies and so on. I don't know if that answers you but I think it will be, you know that old slogan that you don't see so much now that they'll take away my gun when they uncurl my fingers. I can't remember exactly what it is.

Danielle: I live in Texas, we can talk about that after.

Adrian: That was the very first bumper sticker I saw when I landed in the United States and I thought, "Wow, this is my kind of country." But you know, I think you'll have a much bigger problem. I think you'll definitely have a much bigger problem. People will not want their cash taken away in the United States.

Danielle: So Peter, as somebody who's not necessarily a gold bug, but you do appreciate the virtues of gold, why don't you talk to us a little bit about where gold is headed and why?

Peter: Okay. Let's put the gold market in perspective. It rallied, I think 12 years in a row. Then went through pretty much a 4 year plus bear market. And everyone here knows that. And then in December 2015, as we were going into our first rate hike, the bear case was the Feds are raising rates, the dollar is gonna rally, continue to sell gold. And the exact opposite has happened. The Fed has now raised four times, they're gonna raise a fifth time and real rates is what you should be paying attention to, really haven't moved that much.

In fact, real rates today are below where they were when the Fed first raised rates in December 2015. So that has helped gold rally about 225 dollars off those December 2015 lows. So where I see gold in a couple years, let's assume that central banks continue to tighten policy. Historically speaking, they put us into a recession. Well how are they gonna respond to that recession? Well they're gonna start easing again. The Fed will cut rates back to zero and that would do a lot of damage to the dollar. And that's when gold really gets going. The ECB, I think that they'll lose control of their bond market. Because it's one thing to dominate a region's bond market but it's still not easy when you gotta buy 17 different countries of bonds. But reversing that is gonna be a problem.

I think people will rush to gold and I think we've seen the worst of this gold bear market. And I look forward to one day, selling some of the gold that I have but at much higher prices because I think that the worm has turned in terms of people's attitudes toward central bankers. I think people are beginning to question their credibility.

Danielle: Woohoo.

Peter: They're questioning their actions, and they're really questioning how this is all gonna turn out.

Danielle: So Doug, I'm gonna come back to you cuz we need to spice things up here. By the way, that was very depressing. I think we should have Peter buy the next round. Just saying. Doug, Trump. What will Trump's legacy be and will his legacy be one of somebody who does not make it through their 4-year term?

Doug: Well you may be aware that last year at this conference, I predicted accurately, finally an accurate prediction from a newsletter writer, that Trump was going to win. And I bet money on it. So, so far Trump has been very, very good to me.

Danielle: I'll let Hillary know.

Doug: But unfortunately, the Donald has absolutely no understanding that I can determine of economics. He's got no philosophical core. He acts on gut feel. Fortunately, he's got a business background so the things he does tend to be often common sensical. Often, not, but he's unpredictable. So where's Trump gonna leave us? I think both the right wing and the left wing of the Demopublican party are going to be destroyed. I think the two-party system is gonna change radically. Partially because of Trump. His presidency is going to be a disaster because, when the next recession hits, it's going to be much worse as I said before.

And the president in office, whether it's his fault or not is blamed for the recession. So you're gonna have a lot of pissed off people. You're gonna have the Hillary-ites who viscerally hate Trump. The Bernie-ites who viscerally hate Trump. All the disappointed Trump-istas, who are gonna see the economy fall apart on his. So who's gonna be the next president because of Trump. I'll bet it's gonna be a general. Why, because I think Trump is gonna get us involved in a major war. Not just a sport war like in Afghanistan or Iraq.

Danielle: In this term?

Peter: How do you define major war?

Doug: Good chance of that. Well that's a good question. I think a major war is not against people wearing rags on their heads using AK47s and IEDs. It's against, you know, a serious power. Like North Korea or Iran, they'll pick somebody else to fight with. That's my guess. War, these people think that war is good for the economy which is just the opposite of the truth. And they think that war unites the country which it does for a while. So I think the chances of a war, when the economy gets bad, are very high. Why? Because when the economy gets bad, they like to blame somebody else. It's those damned Arabs for charging too much or too little for their oil. It's those damn Chinese for filling Walmart with all kinds of stuff.

So they'll find somebody to blame. They like to start a war. This has been going on for many, many hundreds of years.

Danielle: Well this is really uplifting, what do you yall think? So now that we know what's to come, I'm gonna go back to the breakout session that Dennis and I were at this morning. I personally found it fascinating how you would go about preparing for Armageddon and buying gold. I'm talking mechanistically, how would you put this trade on? I found your answer to be fascinating so please share.

Dennis: Well I talked about it early this morning. I think you want to own gold, and let me preface this by saying I am not a gold bug. I am ambivalent to gold. But I do understand gold being a currency of sorts. And being the next foreign exchange trader, we were always taught to buy one thing and sell something else. To buy German Marks and sell French Francs. To buy French Francs and sell the Lira. To buy the Lira and sell the Ruble. We were always spreaders as it was called. And I look at gold as being nothing more than a currency that I trade relative to another.

Given the fact that the monetary authorities are still expansionary in their policies, whether we believe that they're gonna become contractionary or at least less expansionary is a question that can be answered by somebody wiser than I, all I know is that the supply of reserves in the system is indeed materially larger now than it has been and I don't see any reason to think that's going to change any time soon. Given that circumstance, I would prefer owning gold not just, and remember when you own gold, you have ostensibly taken a net bearish position the US dollar. And you need to understand that concept. If you are bullish on gold, you have made the ostensible decision that dollars are worth less, not worthless, but worth less.

And I think the proper way to be long of gold is not just gold in and of itself against the US dollar because that's what you're doing, but I'd rather belong of gold in dollar terms. I'd rather belong of gold in Euro terms, I'd rather belong of gold in Yen terms. And I think that's the better way. I think gold, because there is less of it mined and there's less ability to create more gold than there is the ability engender out of thin air, dollars, euros, yen, rubles whichever RMB. I'd rather own gold in a series of currency terms. So, to me, and when I say what I'm doing, when I talk in my newsletter, I do it on my own, I'm long gold at this point against US dollars. I'm long a little bit of gold against the euro. I'm long a little of gold against the Japanese yen. I talked about it this morning in the presentation here and I'll continue to say so.

I'd rather own gold in a myriad of currency terms because I think gold shall do better against all those currencies relative than just as most of us in this room trade, gold against the US dollar. So know that when you are long of gold, most of you are short the US dollar and I'm not sure that's the position you really want to be in.

Danielle: Thank you. My husband can attest to the fact that I'm a total geek. I stayed up late to watch Xi Jinping a few nights ago walk out onto the stage to close the [inaudible 00:28:19] congressional meeting. Just to see the age of the six men he would surround himself with. They happened to be older, which means that he de facto announced that he would be running for a third, running, that's the wrong word when you're referring to the Chinese but he would be effectively taking a third term beginning in 2022. I will ask all of the panelists, beginning with Peter and we'll go down the line. How serious a threat is China to our sovereignty, to our economy, should we be paying attention, will we see the reserve currency status of the dollar placed at risk by the Chinese in our lifetimes? I'll start with you, Peter.

Peter: I'm pretty bullish on China over the next 10, 20 years. I don't see them as a threat. If they do well, we do well. If they out compete us, well that's our problem. Granted, their government is certainly very involved in state-owned enterprises. They can finance them to no end. But I think China is a very exciting story and I think it adds a great growth prop to the rest of the world. And China has its major problems. The commodities seem more authoritarian. It's got a huge debt bubble on their hands, particularly in property.

They got major problems. But we all have a lot of problems.

Danielle: 300 percent. That's a big number.

Peter: In the short term, they have a lot of problems that they're gonna have to deal with. So my bullishness is more of a long term thesis. But I don't fear China. I think US companies, some US companies should fear China. China is very much interested in not just copying other technologies, and copying other concepts. They want to now really create their own. I mean they want to dominate. They want to be on center stage. They want the yuan to be a major reserve currency. So yeah, is it a threat to the US? Yes. It's a threat to the US from a competitive standpoint, which means that the US then in turn has to step up its game. But just because there's competition, I don't necessarily look at it as a dangerous threat, I look at it as a competitive threat.

Doug: I think that was a perfect analysis, Peter. I agree 100 percent with everything you said.

Danielle: Wow.

Peter: Except?

Doug: No, I agree 100 percent with everything you said. Just let me add one thing. It's that I think one of the big dangers with China is actually that the US might provoke them. The fact that the US has carrier groups constantly in that part of the world, two, three, four depending, out of the twelve carriers that are floating around, is very, very provocative to the Chinese. Yes, I know what they're doing in the east and the south China seas with the [inaudible 00:31:13] islands and [inaudible 00:31:15] and all this type of thing. It's none of our business but the Chinese find it very provocative just as if the Chinese sent carrier groups into the Gulf of Mexico or off of Santa Catalina Island, the US would consider provocative.

So no problems with the Chinese. The problems are gonna come from the US provoking the Chinese because, frankly, at this point the main power the US has other than the dollar being the world's currency, is military power. And unfortunately, when you have a big military power, it's like a hammer and everything starts looking like a nail. And that's what's going on with China, so that's the big problem that I see. But otherwise, I totally agree with Peter.

Danielle: Adrian?

Adrian: I agree completely.

Danielle: This is like the kumbaya question.

Adrian: Well what both of the gentlemen said, and I was going to add what Doug said, maybe in slightly different words but, you know I think I'm fairly sanguine on China to be honest. It's fairly clear, whether it's within 10 years or 20 years, China will be a larger economic power than the US. And it wants a more prominent role globally in economic matters and military matters, and so forth. I mean China is basically re-emerging onto the global stage after withdrawing, what was it the 15th century, I think.

They withdrew, remember China had advanced further in global exploration than had the west, had Spain and Italy. But then for reasons we don't need to get into, they suddenly, very suddenly just withdrew back home. And for 400 years, or 500 years, they've been very inward looking. But I think that they're wanting to take their place again and they will not only want, but demand a more prominent role in global matters.

I think absolutely the threat depends to a large extent, you asked if China was a threat, on how the recipients of that threat respond. And unfortunately, I mean, Britain when the US overtook Britain as a dominant global power, it retreated quietly and sadly into the sunset. But I'm not sure that America, particularly if they have a president like Trump, I'm not sure that America as it were will go quietly. And I'm very disturbed, frankly, I'll amplify what Doug said, I'm very disturbed actually at the way that the US acts towards other powers.

I mean I think that treatment, and I'm stepping on delicate ground here with Peter on the platform, but I think that treatment of Putin and Russia has been purely in terms of diplomacy, pretty appalling. I mean when they had the Olympic games in Sochi, and had a reception for world leaders, the US refused to send anyone. As did Britain, by the way. And that's not the way to treat somebody unless you're at war. Well if you're at war, all the more reason to talk. So I think there's a high probability that the US will respond in an aggressive manner as Doug mentioned, in the south China Seas. And provoke antagonism. I'm concerned by that.

Danielle: Dennis, you've gotta put a smile on our face.

Dennis: Listen, I'll take exception to a couple of things. One, let us not worry about whether the United States dollar ceases to be the world's reserve currency in the next 20, 30, 50, 60 100 years. Worry about the reserve currency status when the United States ceases to be the world's dominant military power because reserve currency status always inures to the dominant military power in the world. I talked about this earlier in our breakout session, but go back to the 15th century, Portugal was the dominant military naval power. And navy power is the ultimate power. They were the dominant power in the industrialized world at the time. It was the reserve currency. It was usurped by the Spanish in the next 100 years which was usurped once again by the British after the Spanish Armada, who remained the world's reserve currency and the dominant military power around the world and indeed the sun never set on the British empire because of the great British navy until World War II and really until 1957 when Britain and France lost the Gulf of Suez.

We have been the world's dominant military power. We are the world's dominant military power. That is not going to go away any time soon. We have 11 or 12 depending on how you want to count them, active aircraft carriers at the time. None of which now can get within 1,500 miles of China because China rather than building a number of aircraft carriers, it now has two. One it bought from the Russians which is a really inept aircraft carrier. They're getting better. They're having trouble learning how to land aircraft on those aircraft carriers and they're crashing young men at a rather frequent basis. That's another story for another time. They'll probably build another one but they have spent their money wisely, I think, learning how to keep our aircraft carriers 1,500 miles offshore via supersonic missiles and it's a much better expenditure of the time.

They are not going to be, China has tended to be a [inaudible 00:36:49] power not a global power. And it's a difficult decision for them, whether they really wish to be come expansionary. I understand why they are doing what they're doing in the South China Sea. I understand, also, why we can't allow them to do what they're doing in the South China Sea. Because it still is the world's most important trade route and we have to keep it open. If the Chinese decide to close it, we have a problem. So we have to keep our aircraft carriers and our submarines and our destroyers in that vicinity. All that said, the dollar is still the ultimate reservable asset. And it's going to remain that way for the long foreseeable future. Don't worry about the fact that China is going to be a larger economic power than we shall be in another 15 years because of the simple size of the population. And they are, as I like to say, leaping from the 14th century into the 21st century and are making headway into the 22nd century very swiftly.

The Chinese want to do the same thing that you want to do for your kids, they want to do for their kids. They want to give them a better life, they want better drapes, they want better washing machines, they want better televisions. They want better aircraft, they want better cars, they want the same thing that we have. The internet has brought the viability and the visual representation of what life looks like in the west. And they want that for their kids and they're going to get it. I think that's a wonderful calming influence upon the world.

If I have a fear, my one fear is that, as Harold McMillan once said when asked what's the most worrisome thing that a political figure has to worry about, and he said, "Events, dear lad. Events." Events can happen any time and if I have one thing that keeps me awake at night, when we have aircraft in the air, when we have ships in the water, they bump into one another. Period, that's what ends up happening. And those events can get out of hand. Hopefully, we will have wiser men at the helm. If I have one fear and one thing that I agree with these gentlemen completely in, Mr. Trump is somebody that I fear on a consistent basis doing something untoward and silly when one of our ships bumps into a Chinese ship. When one of our aircraft fires upon one of their aircraft. When one of their aircraft fires upon one of ours, young men 25 years old tend to get somewhat hot headed when they're flying their aircraft around in the air.

If I have a fear, I fear that. But do I fear the United States and Chinese going to war any time soon? No. Do I fear the United States dollar not remaining the world's reserve currency any time in my lifetime, my daughter's lifetime, or hopefully my grandchildren's lifetime, the answer is no.

Danielle: By the way, CHIQ, that's the ticker symbol for the middle-class consumer in China, if any of you are wanting to get in on those washing machines and drapes. Nobody says drapes anymore, by the way.

Dennis: Oh, really.

Danielle: No, it's really not a term that's used very often, Dennis.

Dennis: What are they then, curtains?

Danielle: Curtains are curtains.

Dennis: Are they, really?

Danielle: In any event, I have to ask the audience. We've certainly gone through an abundance of subject material up here. Does anybody out there happen to have any questions with the time. We've got one right away, yes. We do have a crazy person in North Korea, but he doesn't tweet.

Dennis: He's got big shoes and big weapons. Big hands.

Danielle: The question is how big of a threat is North Korea.

Dennis: Yes, that is a concern for me. I'm obviously concerned about North Korea. And events evolving there. Do I think that the North Koreans have any capability whatsoever of attacking the United States? Not with nuclear weapons and not in the next 5 or 10 years without equivocation. I am much more concerned about their ability to do something to the power grid. If I lie awake at night and worry about something, that's what I worry about. But am I really terribly worried about that? No.

He's smarter than we think. I give him credit for understanding that the United States and Soviet Union never went to war with one another because of mutually assured destruction. He understands that if he ever does anything untoward, he will be mutually destroyed and immediately destroyed. And I think he's wise enough to understand that, to push us to the limits, but we'll pull back at all turns. I don't lie awake worrying that much about North Korea. I like the fact that he's there cuz he gives me something to write about on a rather frequent basis however. He is goofy.

Danielle: Any other questions out of the audience? You're just all dying to go to lunch. Yes sir in the back. Oh boy you might have to find a microphone. So has the Fed gone too far into asset markets including commodities, I believe is what you're asking. So I'm seeing please repeat the question, this is a really smart little system they've got set up here. In any event, I will tell you, I'll actually answer the question and I'll let anybody jump in who wants to.

It would take an act of Congress for the Fed to buy anything other than what they've already bought. And it would take an act of Congress for the Fed to actually be able to purchase treasuries at auction. By law, the Fed is only allowed to buy in the secondary market and the allocation of credit by plunging into the mortgage backed securities market, of which the Federal Reserve owns a third, in my opinion, should not have been allowed. But clearly it was. So, but anybody else, want to dive in on the commodities side.

Doug: Well I've already given my opinion about these central banks. They serve no useful purpose. They really should be abolished. But now they're completely out of control. I mean you all are aware that, for instance, the Swiss, and the Japanese central banks own gigantic amounts of publicly traded stocks, which is one of the many things underlying the current bull market that make it very unsustainable. So I think it's gonna end very badly because of what these central banks are doing.

Dennis: The Swiss National Bank, for all intents and purposes, is the world's largest hedge fund, I mean it really is.

Danielle: True.

Peter: They own 85 billion dollars of US stocks.

Doug: Yeah.

Danielle: Actually, sir, there was a question way in the back, you're gonna have to come up a little bit.

Doug: Come to the microphone.

Danielle: Yeah we do have microphones. While you're coming up, I'll take your question, sir. The probability in the next six months of the stock market crashing. There's an easy one. Peter?

Peter: I have no idea.

Danielle: Good answer. Never attach a timeframe.

Peter: We have high valuations. That's a fact. It's not an opinion, it's a fact, relative to history. The question is, is when do valuations matter? For a while, they don't matter. For many years, they don't matter. But when do they matter? And historically speaking, they start to matter when central banks start to tighten policy. So we've seen the beginning, the inklings of it. So at some point, it's gonna matter a lot with high valuations and tightening of monetary policy, I just can't tell you when it's gonna matter.

But it will matter and since 2018 will be marked by, I guess you can call it intensification of tightening, with the ECB obviously cutting their purchases in half and the Fed taking out almost half a trillion dollars out of the financial system, yeah it could start to matter next year.

Danielle: One more question, go ahead, please.

Speaker 7: I just want to ask the panel a question. In the last 10 years, according to the US government, economic growth has averaged 1.3 percent. Now this is their figures, not mine.

Danielle: 1.9.

Speaker 7: Well in the 1930s, if you averaged out all the ups and downs and looked at the average economic growth rate, it was about the same. So with regard to being in a depression, we're not going to be in a depression. We've been in one for the past 10 years.

Danielle: Is there a question, sir?

Speaker 7: Yeah, doesn't that prove

Danielle: I don't want to quibble, but

Speaker 7: Doesn't that prove that we're in a depression now?

Danielle: I'm not gonna touch that question at all. I certainly don't think [crosstalk 00:45:34]

Dennis: Well, wait a minute, he asked us a question.

Danielle: I'll let Dennis jump on that.

Dennis: We have growth of 1.9 percent over average. By definition.

Peter: Greece is in a depression. Their economy is shrunk by 30 percent over the last couple of years. Their stock market is down 85 percent. [crosstalk 00:45:49] That's a depression.

Adrian: Yeah, I mean by definition, we're not in a depression as the gentleman mentioned. But I think it's worth pointing out for the lower 50 percent, in terms of net wealth in this country, or for the lower 40 percent in terms of net income in this country, they are certainly, if not in a depression, in a recession. Because the net wealth of the lower 50 percent is actually lower today than it was in 2007 and lower today than it was in 2001. So they are not moving forward. I know we can talk about cell phone advances and all that kind of stuff but they are not moving forward.

Danielle: It's more expensive to rent and buy than it ever was, thank you, Federal Reserve. We've got…

Dennis: But that's an excellent point that Adrian made. And at the same time, as that's true, the rich have been getting richer at an accelerating rate. And why is that? It's because the rich people are well connected. Not just with lawyers and accountants to save taxes and get benefits. But they're close to the fire hydrants of money coming out of these central banks. So they get to take advantage of it first. And I'll just say one other thing about the central banks. It's that they don't save the economy. They don't level out fluctuations, they cause these fluctuations.

Danielle: We agree there. We've just got literally another two minutes so let's try and squeeze one more question in.

Speaker 8: For answers, what can we do to hedge and to profit?

Danielle: I didn't hear your question, sir.

Speaker 8: What can we do to hedge and to profit with the problems?

Danielle: To hedge and to profit, so do we need to add another hour to the timeline here? If anybody has a quick answer, Dennis? What's the best way to hedge yourself.

Dennis: You probably want to own some gold and you probably don't want to be too aggressively long with stocks. I talked about that this morning and I'll stick to that.

Danielle: That was a great quick answer and now we actually time for your question as well, sir.

Speaker 9: Dennis mentioned earlier that gold in euro and gold in yen, his stock is no longer available. Is there an alternative?

Dennis: You can do it yourself, actually. You can create, by buying GLD and selling short FXE, if you just want to just choose ETFs, you can buy GLD, sell an equal amount of FXE, the euro future, or the euro ETF, you can sell FXY, the euro, the yen ETF. But if you do a million dollars of gold, you want to sell a million dollars of the currency. That creates gold in non-US dollar terms. The problem is it's cumbersome to do it. I do it in my own account every day. I wish I still had my gold euro and GU yen because it would have made it so simple. It took an elegant idea and made it even more elegant because it was one trade easily done. I guarantee you, the day we suspended trading in it, advisor shares cut it out, gold has not traded lower since.

Danielle: So we're gonna end cuz Peter has found the ECB verbiage here. So we're gonna end with that.

Peter: So this is the day after yesterday's meeting, the chief economist of the ECB said, "It's difficult to imagine that if there is a new shock, that the policy space that you have, will be available as it was 10 years ago."

Danielle: So find cover, take cover. Ladies and gentlemen, thank you so much for your attention and for your questions.

Jonah Goldberg
"The Future And Past Of Conservatism."

Speaker 1: Right now it's my pleasure to introduce you to our morning speaker, who's going to wake you up if you're woken up already. Jonah Goldberg, guides you to appreciate the essential nature of politics by examining the underpinnings of liberal and conservative ideologies, economic policy and the changing role of modern day media. As senior editor of the National Review, Jonah firmly established himself as a prominent analyst with the publication of two New York Times bestselling books including Liberal Fascism: The Secret History of the American Left, From Mussolini to the Politics of Meaning. Named one of the top 50 political commentators in America by the Atlantic, Jonah's informed and thoughtful perspectives spark indispensable dialogue and debate. Whether discussing the intellectual history of the left or the hazards posed by political clichés, he scrutinizes prevailing opinions and generates new insights. As Jonah regales listeners with his trademark passion and humor, listeners come to recognize the power of ideas to shape a movement as well as individual beliefs, please welcome to the stage, Mr. Jonah Goldberg.

Jonah Goldberg: You'll be glad to know I will not be doing any slides or PowerPoint. I agree with Lord Acton that power corrupts and PowerPoint corrupts absolutely. So, that was a very generous intro and as a point of personal and professional privilege, I have to bring up something that was left out. I'm a columnist for the Los Angeles Times and you don't need to know that, but the highlight of my career was that when the LA Times picked me up as a columnist, Barbara Streisand publicly canceled her subscription in protest. And if I don't bring it up, who will.

Again, that was a very nice introduction. I have a problem with this brings humor and insight thing, which people always say, because I'm one of like six conservatives who knows how to crack a joke. It always makes me feel ... It's kind of a tough balance, right, to be insightful and funny and it makes me feel like the guy who wants to be both a veterinarian and a taxidermist, because that way you can get your dog back no matter what. I should also say, I was out probably a little too late with Steve Hayes last night, who's a very good friend of mine and he'll be speaking to you in a little bit.

Steve's great, but one of the worst things you can have in an audience, is to have the audience have too high expectations and I want to do him a favor right now and just tell you he's going to be awful. He's just going to stink up the room, so that way we'll get you back down to a proper roll. So anyway, that is if he shows up at all. Last I saw him was in the French Quarter and the last thing I said to him was, "Steve, Steve, man, we've got to go. And I'm pretty sure that's a dude, but ... " Anyway. Let's move on and get to the real stuff. I don't have that much time so as Henry the 8th said to each of his wives, I won't keep you long.

One of my favorite stories is the story of a medical school professor who wanted to see if the students had done the required reading the night before. So he walks into one of those big auditorium classrooms where the kids are stacked up all the way up to the ceiling. And he just decides to start with an opening question and he says, "What organ of the human body, when properly stimulated, increases eight-fold in size?" And then he looks at his little seating chart and he picks a prim and proper young lady in the back and he says, "Ms. Jones." Ms. Jones starts to blush, she starts to squirm in her seat. "Professor, I just couldn't say it, I couldn't answer a question like that, I'm sorry, I can't." And the professor goes, "Okay." "Mr. Smith," and he pointed to a smart aleck in the front and Mr. Smith says, "The pupil of the human eye, when it goes from light to dark." The professor says, "That is correct. Now, Ms. Jones, I have three things to say to you. One, you didn't do your homework, two, you have a filthy mind, and three, you are destined to live a life of unfulfilled expectations."

That's sort of where I've been for quite a while now. And before I get into the politics stuff, I should, as a journalist do some of this full disclosure thing and disclose fully some stuff I'm supposed to disclose. So the first thing I should say, if you didn't know, is that Donald Trump was not my first choice in the Republican primaries, was not my second choice in the Republican primaries, wasn't my third choice in the Republican primaries. He sort of tied with George Pataki in my order of things. And I was a big critic of Donald Trump going back to 2012, back when he was still a Democrat. So the 2016 whole election cycle was pretty rough on me. I've been in conservatism my whole life, worked for National Review. I was raised conservative on the upper west side of Manhattan, so we were basically like Christians in ancient Rome. You know, you'd meet another conservative in Central Park and you'd draw a little c in the dirt. I'll meet you in the catacombs under Zabar's.

I've been a conservative for a very long time and 2016 had me searching Amazon for deals on hemlock. So, I was critical of Donald Trump and I should be very clear, just so you guys know where I'm coming from. He was very critical of me. We got into big Twitter fights in the summer of 2015 and early 2016, and at one point he was being interviewed by NBC News and the reporter read him something I had written and President Trump, then Donald Trump, said, "I've built these incredible businesses, I went to the best schools." I'm sure you've never heard him say anything like this before. "And I have to take this from this guy, Jonah Goldberg, who doesn't even know how to buy pants."

And I thought it was a funny line, I'll grant him that. But to this day, I have teams of interns at the American Enterprise Institute working round the clock, trying to figure out what that means. Because, while on the one hand if I were doing a job interview, you know you're supposed to talk about your strengths, I wouldn't lead with my pants buying ability. I wouldn't be like, what do you bring to this organization? Well, I'm great at buying pants. But I do know how to buy them. It's not like my wife gets calls from the manager at Home Depot saying I'm sorry, Mrs. Goldberg, but we found your husband in the power tool section again trying to buy pants.

So, but anyway, I was fairly called a NeverTrumper back then, I'm not a Never Trumper now in part, because never Trump is over. The whole point about never Trump, at least for me, was that I wouldn't endorse him and I wouldn't vote for him. I certainly wouldn't vote for Hillary, but I live in Washington, D.C. my vote has never mattered. And if I lived in a swing state, I probably would have voted for him, because at that point you have to make the choice of what is the better option and I think, still to this day, that Donald Trump was the better option. But what I'm not going to do, because my job is to tell the truth as I see it and what I'm not going to do is lie.

I've been fighting for conservatism my entire adult life. I was critical of George Bush when he was, I thought ... I used to say when George Bush was president he was spending money like a pimp with a week to live. And then, Obama came in and started spending even more money, but that line would have gotten me in trouble about Obama, so I just sort of dropped it. The guy's president of the United States and you have to give him a shot, and you want ... As a conservative, I want him to succeed and I want him to succeed as a conservative president. So I'm also not a member of the resistance. You know, this is a left wing thing that basically says we have to oppose him in every single thing that he does. I think that's all very silly. Their arguments ultimately boil down to, Donald

Trump puts salt on his french fries. Hitler put salt on his french fries. You know, it's a very silly sort of thing.

I can tell you right now, particularly as an intellectual historian of fascism in the 20th century, Donald Trump is not Hitler. Hitler, for one thing, could have gotten Obamacare repealed, right? It's a different thing. So, the presidency has been a mixed bag. I think that's fair, but there have been some great, by my lights, great parts about it. Neil Gorsuch is fantastic. I think that there is an irony to all the people, all the Bannon types and I've known Steve Bannon for a long time, I'm not a huge fan anymore. But, all the Bannon types who say that you've got to get rid of McConnell. Senator McConnell's worth just pointing out is the reason why we have Gorsuch on the court, every bit as much if not more so than Donald Trump. What McConnell did for a year in not even considering Barack Obama's appointment or nomination of Merrick Garland, he took an enormous amount of heat on that, and then he got Gorsuch nomination through the senate, which was no easy task with only 52 senators. But Gorsuch is fantastic.

A lot of the deregulation stuff is great. I think it's always a little dicey when presidents of any party claim that they're responsible for the booming stock market, but I think Trump has a better claim than a lot of presidents typically do, because so much of his stuff has to do with the idea of tax reform and the deregulatory stuff and opening up our energy markets and natural resources, which I think is all fantastic. Unwinding a lot of Obama's executive orders is a real accomplishment. Most of the cabinet is really good. I think there's some weak spots there, but we don't need to get too deep in the weeds there.

Oh I should also fully disclose, which is a little awkward given my tensions with the president, my wife works for the administration. That's not awkward at all. She's Nikki Haley's chief speech writer. So, anyway, on trade, I think he's wrong. I'm a free trader, I have no problem whatsoever with criticizing NAFTA and some of these other deals, and if we can get better deals that's fine. But I just simply think that the idea that free trade or increased trade is bad for America is just simply wrong. We can talk about that if you like. But anyway, I don't want to get too deep in the weeds in the sort of contemporary Trump administration stuff, because I think that's what Steve is supposed to talk about if he's not handcuffed to a towel rack in some motel.

So, let me talk a little bit about conservatism. Conservatism, it's kind of weird, right? We all think of conservatism as this ideology that is sort of dedicated to the past, believes in tradition. And yet, in many ways, American conservatism is the most recent popular ideology in America. Libertarianism has been around much longer. You know, that's basically classical liberalism. Goes back to the enlightenment at Leeds. Has a tradition going through Herbert Spencer and what not. Socialism has a really long history, pre-dates Marx by a long way. And it's also kind of interesting that, when you think about it, conservatism is different than all other ideologies except for radicalism. Political scientist named Samuel Huntington wrote about this in the 1950s.

Conservatism is entirely contextual. Used to drive my dad, who was a passionate anti-communist, nuts when the nightly news would refer to the conservatives in the Politburo in Moscow and what they meant by that was, doctrinaire Bolsheviks, right? Very different. Conservatives in the Soviet Union, a conservative in France, these people believed very different things than what a conservative in America does. It all depends on what you want to conserve.

And in America, as Friedrich Hayek, one of my favorite philosophers would point out, America is the only country in the world where if you call yourself a conservative, you're still on the side of liberty. Because what you're trying to conserve are the principles and doctrines that emerge out of the American founding. This idea of limited government, this idea that comes out of John Locke which says we are citizens not subjects. Our rights are prior to this day, they're given to us by God, not by government. The fruits of our labor belong to us. And that the individual is sovereign, we are captains of ourselves. This is the sort of fundamental creed of Americanism and that's what conservatives in America tend to want to conserve. Certainly what I want to conserve. And at the heart of conservatism, I would argue, is gratitude. To be simply grateful for the amazing things that this country has given us. There's an amazing prosperity, the amount of liberty it has given us. Without gratitude, you don't know what to conserve. So, for me, that's where conservatism starts is gratitude, which is a kind of patriotism, which says this country is great and I love it and there are things about it that I want to hand on to my kids.

Because, one of the essential insights of conservatism is that human nature has no history. Every generation, we have to start the process over again. As Hannah Arendt once said, every generation western civilization is invaded by barbarians. We call them children. Anybody who has had kids understands this. That when kids come into this world, when babies come into this world, they have some built in software, but they need a lot of updates before they're ready to be called citizens or civilized creatures and not barbarians. So anyway, part of the reason why conservatism was invented essentially in the 1940s and the 1950s by people like my old boss William F. Buckley, is that a lot of the things that define what it meant to be an American, were on their last legs.

In the 18th and 19th centuries, you didn't need conservatism because whether you were a democrat or a republican, you still basically believed in the ideas that came out of the American Revolution to one extent or another. Different concepts divided people. Slavery, not slavery and all that kind of stuff. But, this idea of preserving the Bill of Rights, of free markets, of free trade, at least internally in the United States or outside in fights over the tariff. These kinds of things were all done within the context of we're all Americans, we all have this one tradition that we're trying to preserve, we're just going to argue about how best to do that. But then with the progressive era and the rise of the Soviet Union, there were a lot of people, a bunch of libertarians, a bunch of traditionalists who said, you know, the only way we're going to beat an ideology is with an ideology. And they created this thing called conservatism. Which really, small c conservatism, has existed for all of human history. But I'm talking about ideological conservatism was really a project that begins a little more than a half century ago.

That's the project that I absolutely love. So and that's one of the reasons why I had a problem with Donald Trump. Donald Trump, unless it's put in a prompter, doesn't talk about freedom. He doesn't talk about liberty, he doesn't talk about limited government. He talks about strength and will and himself a lot. And he has admitted that conservatism sat on him very lightly. He brags about how he's flexible, and he's a pragmatist and he just wants wins and all the rest. I want wins too, but winning absent a context is not an ideology. It is not an ideal that I can subscribe to. I want wins in the right context, which is wins for America and wins for conservatism.

But, I don't want to get too much more deeply into Donald Trump. Instead, I want to sort of talk a little bit about why he won and why I think conservatism got itself into the mess that it did. Because there are lots of reasons to talk ... Lots of explanations about why Trump won. It's been almost a year since the election, so we have to dwell on it. There was all the free media, there was his star power. There was a 16 man primary, which made it easy to get a plurality. But one of the reasons, that I think is worth focusing on, is that conservatism had gotten itself into a deep, deep rut. In my line of work, being sort of a conservative pundit, I'm on Fox News, although not that much these days, for reasons you probably guessed. You can make a pretty nice living only talking to audiences that already agree with you. That same holds true for politicians where, because of the nature of the primary system, both for congress and the senate but also the presidency, you end up talking to audiences that already agree with you.

And when you talk to audiences that already agree with you, the imperative is no longer persuasion, it's purity. It's arguing that I'm more pure, I'm more dedicated. I want to fight more for these things than that guy will. And there's a place for that in politics, but ultimately if you go back to Aristotle, what politics is really about is persuasion. It's convincing people in one coalition that their interests will be better served if they join your coalition.

I remember during the government shutdown, I'm friends, or at least I used to be, with Ted Cruz. I respect Ted Cruz. People who say that Ted Cruz is this horrible Al Gore-like android and all that, it's not true. He's actually, of senators out there, there are a lot of other senators I would much less want to have a beer with than Ted Cruz. But Ted also, he's an odd duck. I remember during the government shutdown a few years ago, he was going around saying, "Everywhere I go I talk to audiences that want to get rid of Obamacare." Yeah, I would think so. If all I did was go around giving talks to tea party chapters in places like Abilene, Texas I would expect that that's what the audience would want. It kind of reminds me of how Richard Nixon once said, was once asked if he thought overpopulation was a real problem. And he said, "Of course overpopulation is a real problem. I mean, everywhere I go I see huge crowds." Maybe that has to do with the fact that you're president of the United States.

So, in comes Donald Trump. And he comes in like Godzilla and just sort of stomps around and people think I'm being ad hominem, but I'm really not. I'm actually a very close student of the entire Godzilla genre. I love those movies, and if you've ever watched them, you'll know that one of the sub-themes, not in all 40 of them but in a lot of them, is Godzilla comes around, and the hapless Japanese army always has this idea sort of like in Jaws Two, where they're going to lure Godzilla in and get him to bite the electrical cables and that will kill him, right? So then Godzilla comes out, and they're flashing lights from the Japanese soldiers and Godzilla comes in, bites the electrical cables, and it makes him stronger and that's what happened with Trump. He kept saying things that everybody in Washington thought were going to destroy his ... His clichés about the third rail of American politics, if you touch it you die. He talks about all sorts of stuff. You don't say those words out loud. And he does it and he gets stronger. You know the fins on his back glow, and we're all like how is this happening?

One of the reasons why it happened is that people were so sick of hearing politicians say things that seemed like they came out of a focus group. Love him or hate him, when you listen to Donald Trump, no one thinks these things were tested in a focus group. There's another part of persuasion, which I skipped, which I need to sort of point out. When you get to this thing where everything is about purity and principles. Look I love these principles, that I gave my life to these principles, people talk about ... The republican primaries had sort of become like a CSPAN version of Spartacus where everybody is like shouting, I'm Ronald Reagan, no I'm Ronald Reagan, right? And don't get me wrong, love Ronald Reagan. What has two thumbs and thinks Ronald Reagan is awesome? This guy. I think Ronald Reagan was put on this planet to do two things. Chew gum and kick ass, and he ran out of gum in like 1976. But what people sort of forgot is that what made Reagan a great politician and an effective conservative president, was he was a great politician. And what made him a great politician was that he understood the importance of telling stories. The human brain is wired to understand everything through stories.

Written language enters the human evolutionary story very late. 10,000, 8,000 years ago, something like that. Every other piece of knowledge was told through stories, remembered through stories. The Bible's many wonderful things, but at the textual level, it's a bunch of stories. Every single important lesson of your life has a story attached to it and Reagan understood that. And he told stories in a way that got people onto his side. There's a great story about how George Schulz, who was one of his cabinet secretaries, he had like four different positions, came to Reagan one day and said, "I would love for you to look at this speech, it's really important." And Reagan said, "Sure." And he looks at it, and he says, "That's a really good speech. It's not a speech I would give, but it's a really good speech." And Schulz was like, "Well, what do you mean?" And he says, "Well, here's what I would do. I would go point, point, story." And he just writes story every third paragraph in the thing, because that's how, there's now an incredible amount of brain science that corroborates this, this is how we understand. Our brains lock onto stories in a way that we don't with facts.

I won't say that Donald Trump is a great story teller, but he has a story that people locked into. And the Make America Great Again stuff worked on that level. He also benefited enormously because he ran against Hillary Clinton. People always thought that there was this transitive property in politics that because Bill

Clinton was this fantastic extemporaneous talker, that somehow it would transfer to Hillary Clinton. Bill Clinton was an amazing politician. I'm not a big fan, but he was an amazing politician. You could literally pull him off an intern, slap him with a fish, and say give me 45 minutes on intellectual property rights in the third world and he would say, I got five things to say to you today. And he could just do that, right?

Hillary Clinton's idea of extemporaneous, off-the-cuff remarks, was leaping from her prepared remarks to her prepared note cards, and she came across as the woman who tells you there's no eating in the library and no one wanted to know how that story ended. Everybody was sort of fascinated, whether you thought Donald Trump was Rodney Dangerfield or Napoleon, I've got to see how this thing ends, right? That helped him enormously.

But, what I worry about now is what this is doing to conservatism. Because I belong already. I hated all that talk in the election about how America was just one election away from being over. Like Sean Hannity said that 45 million times. And the whole point of this country is that if we're just one election away from being over, we're already over. Because politics and the government in Washington are not supposed to matter that much to us. And I think the government in Washington matters way too much to us, and a lot of the stuff that Trump is doing, or allowing his appointees to do in terms of sending power back to the states, is very good. I would also love to get some buy in from the left. It's amazing, when conservatives talk about states' rights and federalism and local authority and mediating institutions and all that kind of stuff, all the left hears is oh, so you want racism back, or you want slavery back. But now California wants to secede, and no one's saying oh, so you want to have slavery? You're for Jim Crow now? The whole point is, there are reasons to be in favor of sending stuff back to the states that have nothing to do with wins for conservatives or wins for liberals. All the important decisions in life are made much closer to home.

If we pushed democracy down to most local level possible, we'll get better results and more people will be able to live the way they want to live. And it'll be a more interesting country to drive across. And when I talk to college students, left wing college students about all this kind of stuff, I'm like, you want to buy these weird craft beers that the FDA says you can't have. Don't you think you can be your own judge on this? Or don't you think the Oregon Health Service can make this determination without being second guessed by Washington? Or don't you think, when you talk to people in Washington state, really, the FDA has to approve, it can ban you from buying stinky cheese that tastes like death because it's not properly pasteurized? Push as many of these decisions down to the most local level possible, and we'll make people more happy.

And all that stuff is great. But what worries me about Trump, and the place that we are in now, is that conservatism is now being defined simply as whether or not you think Trump is awesome or not. And I'll give you an example. All this fight about Mitch McConnell and Ben Sasse and Jeff Flake and Bob Corker, these guys who are supposedly not supporting the Trump agenda. Well, I hear constantly ... I had Ben Sasse on my ... I have a podcast, and I had him on recently and people didn't like that he said anything critical of Donald Trump or the senate candidate Roy Moore. These people are coming at me from all sides saying he's a democrat, he's a leftie, he's a lib, he should join the democrats if he doesn't like Trump. So, Ben Sasse, has from the American Conservative Union, a 100% conservative score for the last three years. He is, at least, the third most conservative senator in the senate, by voting record. Bob Corker voted with Donald Trump 90% of the time, according to the only real accounting of how this works. Mitch McConnell has voted with Trump 96.6% of the time.

Meanwhile, Rand Paul, who has a lot of good things going for him, and I agree with him on a lot of issues, at least in theory, has done more to undermine Donald Trump's major big ticket items in the senate than almost any other figure. Whichever course of repeal and replace looked like it was going to work, that was the one that he came out against, saying it's not good enough, then he would recommend some other course. Then, when they started to pursue that course, he would switch to the other position. And it's part, because in Kentucky, Obamacare, what their version of Obamacare is, is really popular.

So there's a classic like Paulist technique of making the perfect the enemy of the good when it's suits your purposes. And that's fine. That's just politics, I'm not condemning them for it. The problem is the people who are attacking Ben Sasse and Mitch McConnell and these guys, they're not attacking them based on the substance of their positions, it's all about whether or not they bent the knee and sucked up enough and did the full Mike Pence for Donald Trump.

And the full Mike Pence is where you have to set, you have to ... At home I have a Mike Pence bingo card and phrases like broad-shouldered leadership. You have to check them off at any Mike Pence speech. And I like Mike Pence. He's a good guy, but I don't need politicians to be talking about how, under comrade Trump, the weak harvest east of the earls will be greater than ever before. There should be a little more honesty in all of these kinds of things. But, that's where we are now is that if you're critical of Donald Trump, if you're skeptical of Donald Trump, that defines you as no longer a conservative and that's nuts, because conservatism to me, is fundamentally only about two things. The importance of ideas. This idea that we're an enlightened day society and that we can communicate and persuade people through reason and facts. That ideas matter. And the importance of character. That your personal integrity, what you do, how you do it, is important in that a virtue ...

The founding fathers didn't believe the system could work without a virtuous people. They thought it would all fall apart. And what conservatives believe is these two things. Are sort of defined on a metaphysical level what conservatism is. At National Review we had this thing called fusionism, which says, that combines both sort of libertarianism and traditionalism and basically the argument goes, that you cannot compel virtue. That a virtuous society must be a free society because if you're forced to do something, then you're not really being virtuous. If I hold a gun to your head, and I have you go walk an old lady across the street, first of all, I'm doing something bad, but you're not going to get any credit because I had to point a gun at you to help a little old lady. You have to choose to do these things. So a virtuous society has to be a free society.

And if you go back, and you look at the founders, the whole point was to be skeptical about leaders and not get caught up in personality cults. And I had a huge problem. I thought the personality cults around Barack Obama were extremely creepy. I remember when Demi Moore put out that video where she says, “I pledge allegiance to our president.” That’s the kind of thing that would have Thomas Jefferson twirling in his grave. That’s not what we do in this country. We don’t pledge allegiance to people, we pledge allegiance to the constitution. We pledge allegiance to certain timeless ideas about human liberty, and I find that ... I personally ... I’m sorry I’m drinking so much, I smoked an enormous amount of pot before I got here, and I get this crazy dry mouth. Sorry about that. Anyway, as James Madison said, “Look, the truth is that all men having power ought to be mistrusted.”

When Bill Rusher, used to be a publisher of National Review, and he was a lifelong friend of Bill Buckley’s, would sort of bring in, have lunch with young writers at National Review. He would always give them one central piece of advice. And the advice was politicians will always disappoint you. That’s not because politicians are necessarily bad, although some of them are terrible. It’s because the incentive structure for politicians is just different than the incentive structure for glassy-eyed, young, ideologically committed, 20-something conservatives. And that’s always going to be true because politicians at the end of the day are people, and people are built out of the crooked timber of humanity, and they have interests that are divergent.

And the whole point of this country, from the beginning, was to not put our faith in kings and monarchs, whether they’re on the left or the right or whatever concept you want to put in. And that is what I’m sort of fighting for at this point, is that whether you love Trump or hate him, and whether you think what he’s doing is good or bad, and again, I think it’s a mixed bag. I think what’s important is sticking by these principles and saying the truth as I see them.

And if these principles were right when Barack Obama was president and when George Bush was president, I don’t think they become wrong just, if in case, they become inconvenient to Donald Trump. And while I’d never believe that we’re only one election away from oblivion, I do think that if the conservative movement, which I, in this sense include libertarians most emphatically, we lose the freedom movement in this country. If we lose the ideological movement that says the constitution matters, limited government matters, that we are citizens not subjects, that the fruits of our labors belong to us, that the individual is sovereign. If we lose the conservative movement, which is supposed to uphold these things, then we got real problems. Because then we basically have two parties competing for who can be more populist. Who can promise their coalition all the goodies, and design our politics to punish the other people.

Barack Obama did a lot of that. Donald Trump is sort of turning it up to 11, but he’s not responsible for it. These things were in our politics for a while. One of my favorite New Yorker cartoons, which my wife actually got me as a birthday present because I liked it so much she had it blown up and framed, has two dogs drinking Martinis at a bar in New York wearing pin-striped suits and one dog says to the other, “You know, it’s not good enough that dogs succeed, cats must also fail.” And, that’s sort of where we are politically now, right? It can’t just be good for us, we have to taste their delicious tears too. And I do a lot of that stuff. I’ve been a right-winger for a long time and if I’m talking to a purely right wing audience, I can dole out the red meat like it’s an abattoir. But, we have to sort of stand for something a little higher and better than that when our politics are becoming so degraded.

For the first time in American history, your political orientation is more predictive of your behavior than race, religion, or ethnicity. That’s bananas. But what we’re doing is we’re turning politics into a kind of tribalism as a kind of identity. And I’m going to close on this sort of simple point. The democrats have been better at telling this story for a very long time. This idea that the government can love you. That the government can give you meaning. For reasons largely having to do with original sin, I attended the Democratic Convention in 2012 and the opening video of the Democratic Convention in 2012 had the line, government is the one thing we all belong to. Now, as sort of a tea partyish kind of guy, that makes me want to flip the safety on my rifle. Because, again, the whole point is, we are citizens not subject, government works for us, we don’t work for it. But the reality is, is that I am not the person, shockingly enough, that the opening video of the Democratic Convention is aimed at. It’s aimed at people who hear, government is the one thing we can all belong to.

People want to feel like they’re part of something. As civil society breaks down, as families break down, as local communities break down, as churches and religion in general have less hold over people’s lives, our desire to belong to something larger than ourselves doesn’t go away. And politicians in Washington come along and say there is government, you can belong to that. I don’t know how many of you guys remember the Life of Julia, which is the creepiest PowerPoint presentation in American history. It was a slide show that the Obama campaign put out in 2012 about this fictional woman named Julia and it covered her entire life. It was literally cradle to grave welfare state stuff. Each frame of this, entire, sort of comic book panel, began with the words, under President Obama. Julia gets a Pell Grant or Julia gets a small business loan. Or Julia gets health care or free birth control, or whatever it is. Every single panel. It goes out to like 2070, so Obama in this vision is president for life. And the single creepiest sentence I think ever uttered in American politics was, under President Obama, Julia decides to have a child. That just makes me feel unsafe.

But this is a vision the democrats, progressives have been putting forward since, at least, Woodrow Wilson, is this idea that there’s the government and the individual and nothing in between. And that’s not true. Most of the meaning we get in our lives comes other places. It comes from church and work and friends and community and faith. There are only five sources of actual happiness that psychologists have identified. And they are faith, experience, community, oh, genes, because some people are just miserable bastards. And this thing called earned success. And what earned success is, it’s not about money. It can be about money for some people, but what earned success really is, is this feeling that you have made a contribution. That you've done something important. That you're respected and needed by other people. So a stay-at-home mom can have earned success. A soccer coach can have earned success. A priest can have earned success. It's not about money. It's about self-worth. And the thing is the federal government can do a lot to improve your net worth. It can do literally nothing to improve yourself self-worth. That has to come from someplace else. It has to come from being needed. It has to come from freedom. Because whenever government tries to impose meaning on people, that is the beginning of tyranny and oppression and it doesn't matter from what ideological direction it comes from.

So I'm going to close on this point, partly because of my next book. I've been working on a book for about three years called, The Suicide of the West. I've been sort of like Howard Hughes with Kleenex boxes on my feet in my basement and just the other day, I finally cut my nine-inch long fingernails. And one of the things that I've decided, or I argue, is that left and right concepts, which I spent years arguing about and studying and I think have meaning and lots of context. In the big picture of things, they are almost irrelevant. Because liberal democratic capitalism, this thing that comes basically out of the Lockean revolution, I mean the American revolution, is simply the best and only modern satisfactory system for how to organize a society. We are at the summit of human accomplishment when it comes to organizing our politics. And we can have changes, but more government, less government, we can have those arguments, that's fine. But as Calvin Coolidge said in his speech on the 150th anniversary of the Declaration of Independence, there is something restful about the Declaration of Independence, because if our rights come from God and are inalienable, that is final.

If government is formed as a servant of the people, that is final. There's no progress beyond that, there's only going backward. Whether you want to talk about fascism, or progressivism or nazism or communism? Fine, I can have those conversations, but they are all different kinds of tribalism that want to yank us out of this amazing miracle that we stumbled into. So when you're on the top of the mountain, and you want to go left, or you want to go right, you can have those arguments. But in reality, when you're at the top of the mountain, whether you go left, or you go right, ultimately, you're only going either down or backwards because you can't go any higher than what we got. And we should be grateful for it, because everyone knows the hockey stick about global warming and this famous thing that got lots of people in trouble. The far more interesting hockey stick is the one that shows that for 250,000 years human beings everywhere in the world in every age, lived on three dollars a day or less on average. Ancient China, Ancient Rome, Aztecs, doesn't matter. That was true for 250,000 years it's like this. Every now and then you get a little blip and then the logic of Malthusianism would bite you in the ass, and it would go back down and regress to the mean.

Then started around 1650-1700 it starts to go like this. And it's been going like this ever since. We have been climbing up in terms of expanding human prosperity all around the world. And it only happened for one reason. Because of capitalism. Liberal democratic capitalism. This idea that the individual is sovereign, that innovation is good, that freedom to trade and to enrich yourself is also enriching of others. And capitalism is the single greatest anti-poverty program ever created. It is in fact, the only anti-poverty program ever created. People always like to ask, why is there poverty? You have to be too stupid to be a spell checker at an M&M factory to ask this question. W? We know why there's poverty. Poverty is the factory preset of the human condition. As an individual and as a species, every single human being is born naked, penniless and ignorant. The only interesting question is why is there wealth. And there's only one answer. And it's this amazing thing that started in England, and was really sort of codified in America and has spread around the world. We see more banks to markets, free markets or even partially free markets, but markets thanks to capitalism.

In the last 40 years, we've seen the greatest single reduction in poverty in all of human history, bar none. Billions of people have been lifted out of poverty thanks to markets, thanks to capitalism. And the problem is, is that we're not grateful for it. Instead, we keep thinking oh, there must be a better way. There's not a better way and so you get into this thing where we take everything for granted. And what I ask you to do, I really couldn't give a rat's ass whether you're pro-Trump or anti-Trump or republican or democrat, that's all fine. But be grateful for this country. Be grateful for this amazing revolution that took us out of the jungle and made people prosperous and free for the first time in all of human history. And if you don't defend it, you're going to lose it, because the 2nd law of thermal dynamics says if you don't take care of something, if you don't maintain something, it basically regresses back into nature. Ashes to ashes, dust to dust. What we have is unnatural. And it's special. And you should be grateful for it, you should teach your kids to be grateful for it.

Everybody in this room is descended from poor people. Some of you, physically, most of you probably one or two generations, at most. There may be a spare Rothschild in the back or something. But we are all descended from poor people, and the only thing that made us wealthy is capitalism. And the root of the problem is, is it doesn't feel like it because it's so good at it, right? Everyone wants to belong to a community, everyone wants to be a part of a communal project, but it is so good at getting people to work together, that it's sort of like the old Ivory soap ad. It's 99 and 44/100% pure that you just don't notice it anymore.

One of the great essays in the history of libertarianism is this essay called, I, Pencil, written from the perspective of a pencil. And the pencil says, I'm an Everhard and Faber No. 2 Pencil. My rubber comes from Indonesia and my wood comes from Canada and my paint comes from Delaware and my zinc comes from zincland. I don't know where zinc comes from. You guys probably know where zinc comes from. And it points out, the pencil says, you have all these people speaking different languages, having different religions, living in different countries under different faiths, and that they all worked seamlessly together all around the world to produce something for less than a penny a pencil, this amazing thing.

There was a guy did an art exhibit in England a few years ago called I, Toaster, where he made a toaster from scratch. Literally from scratch. Like, mined the copper, galvanized the ... I don't know how you make a toaster, but he did it from scratch. Took him six years. Really crappy toaster. Last year there was guy who made a chicken sandwich from scratch, if not, I swear it's not a chicken or egg joke. I guess he got an egg, he raised it into a chicken, he grew some lettuce, he grew the wheat, milled it into flour, took him like the better part of a year and cost him 1,500 bucks and you can watch it on YouTube. And he says, eh, it's an okay sandwich.

Meanwhile, capitalism is constantly finding ways to put cheese in new places on pizza. I mean, there's amazing things that capitalism does, and it's freedom. So I ask you this, whatever your part is in affiliation or whatever you think about my very strange morning talk, be happy warriors and fight for this, this system, because it is a good fight. It is the only noble fight around to be on the side of liberty, on the side of fighting poverty, on the side of letting people live the lives that they want to live and pursue happiness as they want to pursue it. And it's a great and glorious thing and you should be grateful for it and you should teach your kids to be grateful for it because if you don't do that, it's all going to go away and back to the jungle we go. Thank you all very much.

Stephen Hayes
"Inside Politics: What To Watch For Under The Trump Administration"

Speaker 1: Our next speaker, very excited to introduce you to Steven Hayes. He's the editor and chief of the Weekly Standard and author two New York Times Best Sellers, Cheney - The Untold Story of America's Most Powerful and Controversial Vice President and The Connection - How Al-Qaeda's Corroboration with Saddam Hussein Has Endangered America. Steven's a regular FOX All-Stars panelist on Special Report with Bret Baier. Before joining the Weekly Standard he was a senior writer for National Journal's Hotline, he also served for six years as Director of the Institute on Political Journalism at Georgetown University. His work has appeared in the New York Post, The Washington Times, Salon, National Review, Reason, and more. He's been a commentator on CNN, the McLaughlin Group, FOX News Channel, MSNBC, CNBC, and C-SPAN before becoming editor and chief. He's long served as a senior writer at the Weekly Standard. He's a graduate of Columbia University Graduate School of Journalism at DePauw University. Steven was born and raised in Wauwatosa, Wisconsin. Please welcome, Steven Hayes!

Steven Hayes: Thank you so much. Morning, how's everyone doing? That was a heck of an introduction, and I'm most impressed that he got the name of my hometown right, Wauwatosa, Wisconsin. Nobody gets that right. Great to be here with you, great to be back. I was thrilled when I got the call asking me back. It had been I think 4 or 5 years since I've been here. Love coming, glad to be back and glad to be able to spend some time talking about what's going on in Washington these days.

I appreciate Jonah Goldberg. For those of you who were here earlier this morning, I appreciate Jonah Goldberg lowering expectations for my speech by announcing in advance that my speech would be awful. I'm gonna do everything I can to challenge his assessment, his preview of my speech. But I appreciate Jonah doing that, let me just say I categorically deny everything else he said about me in his remarks. But I can confirm one thing, my very favorite part of Jonah's speech, and there was a lot of things to like, was when you all laughed when he told you why he had dry mouth. It wasn't a laugh line. When I went to his hotel room this morning I opened the door and just huge billows of smoke coming out. You probably could get it when he laughed at all of his jokes that's why he thought they were so funny.

I've been doing journalism for about 25 years more or less. I got my start in an odd way. I ran the Institute on Political Journalism at Georgetown as you heard and then took a job at the Weekly Standard, and I basically modeled my career after Fred Barns who was a mentor to me. I've known Fred for years and just wanted to do everything that Fred had done. In the fall in 2002 I got my opportunity to really follow in Fred's footsteps. I got a call from the executive producer of the McLaughlin Group as I was driving into Washington one day, and this executive producer called and said, "Steve, would you like to join us for the McLaughlin Group?" I was thrilled, I said "Sure, absolutely!" And hung up the phone and did what any self-respecting 32-year-old would do, I called my mother and said, "Mom, you're never going to believe this. This show that we grew up watching, how I was introduced to that kind of commentary, has asked me to be on the show today, and I'm thrilled to go." And my mom, like a mom would, said "Oh Stevie, we're so proud of you." And she said, "When do you have to be there?" And I said, "Well they asked me to be there in about an hour, and she said "Oh! So you weren't their first choice, huh?"

Just think, leave it to mom to bring you down in that moment. The second thing she asked was important. She said, "What are you going to be talking about today?" And I said "Oh God I forgotten to ask them what the topics were, I just said sure I'll go, but I didn't ask them what the topics were." So I hung up on my mom, and I called the executive producer back, and I said "What are we gonna be talking about?" And she said "Oh we're gonna do tax reform, we're gonna do Iraq", this was six months before the Iraq war, "we're gonna do some other issue I can't remember, and we're gonna do cloning." And I was fine on taxes, I was fine on Iraq. A little iffy on the third thing but I knew I could get through it. I knew nothing about cloning, nothing. And you have this moment. Do I tell them this? I can't talk about cloning, this could be a big break, I didn't want to miss my big break. So I said, "Okay great, see you soon." Showed up at the studios, and it was a big moment for me, a kid from Wauwatosa, Wisconsin.

I look over and there's Pat Buchanan, and I don't agree with Pat Buchanan on a lot of things, but he won the 1992 Republican Primary in New Hampshire, and seeing him and followed him for years. I look in the middle and there's Mort Zuckerman. Chairman of US News, World Report columnist, first billionaire I've ever met. I look a little further down and there's Eleanor Clift, this journalistic icon, don't agree with Eleanor on anything, but still a big deal to meet somebody like that. So we get started, and I'm resolved in my head to just try to fit in. We get through taxes, I do fine. We get through the Iraq war, I'd done a lot of reporting on that, and I was fine. And then we went to break before the third topic, and we came back, and I'm going to do an impression of McLaughlin and it'll be awful, so I apologize in advance. We came back and McLaughlin says "Issue three. What does the Organ Transplant Lobby think of Senator Mary Landrieu. I ask you, Steven Hayes." What? No idea. I didn't know there was an Organ Transplant Lobby, no idea what they thought of Mary Landrieu.

So, you know you have this moment of panic. And I decide I'm gonna have to look for help, so I look quickly to Pat Buchanan who's you know, tough guy, tough exterior. He gives me this sweetest sort of avuncular look, crosses his arms, and does one of these like aw kid. I look at Mort Zuckerman, he looks straight down. And then I have to look at Eleanor Clift and this is all happening in the split second. And I look at Eleanor Clift and I think she's my last hope for somebody to kind of bail me out of this. And the second I look at Eleanor Clift, in my head I hear the voice from the Saturday Night Live send up of the McLaughlin group and if you've seen it, it's memorable. So I look at Eleanor Clift, as we lock eyes in my head I hear "Eleanor you smell-anor"! She gives me this look as if she's just heard it too! And she's not helping, so I've got to answer this damn question, and I decide the best way to do is to look back at McLaughlin, sum up as much authority as I can, and lie.

So I look at him, and I say "John, I'm very glad you asked that question. This is going to be a big issue in the coming weeks on Capitol Hill. People on both sides of this issue feel very strongly. You've got the Organ Transplant Lobby of course and Mary Landrieu and others. This is going to be a hot one, and I'm gonna watch it carefully." And that was it! That was the end of my answer. The other panelists are looking at me like really? You think that's gonna fly? And I think it still goes down perhaps as the most vapid commentary in the history of Washington commentary. And for those who consume that, you know just how bad that is.

But the main lesson I learned from that is if I don't know something, I will just tell you, so I'm gonna try to leave a few minutes for Q&A at the end of my remarks and if you ask me a question, and I don't know the answer to it, I'm just going to announce to you that I don't know the answer to it and we'll move onto something else.

It is a tough time to be a journalist these days. The President of the United States calls you enemies of the American people, we've seen scandals in recent years from Dan Rather to Brian Williams, they've tarnished the profession. Traditional media outlets are dying, seemingly by the day. Reporting jobs are disappearing fast. My own network, FOX News, has had some bad publicity lately and just this past week NBC's Mark Halperin's found himself caught up in a sexual harassment scandal that's gotten a lot of coverage. He stands to lose this franchise that he's built as one of the country's leading analyst of campaigns and erections, campaigns and elections. Sorry. Given the popularity of journalists these days I'm just happy that you'll even have me here, that you'll listen to what I have to say. I mean, I've got a captive audience for another 36 minutes and 55 seconds. Even my own kids don't listen to me these days. I tell them it's bedtime, and my son says "Fake news, dad. Fake news!"

But I don't agree with the assessment that the problem with modern American journalism is fake news, I think the problem is and has been going back years, dumb news. And I could submit to you Jonah Goldberg's speech as exhibit A, but I won't because he's sitting here and that'd be rude. Instead, let me share with you some headlines. All of these are actual headlines that ran in real newspapers over the past few years, to make my case. Federal Agents Raid Gun Shop, Find Weapons. The subhead is Store Owner Previously Arrested. The next headline describes a body count after an earthquake, and the headline was simply Dead to Rise. Think about that for a minute, dead to rise. One Armed Man Applauds the Kindness of Strangers. Statistics Show that Teenage Pregnancy Drops Off Significantly After 25, which it might. Tight End Returns After Colon Surgery. I figured Jonah's speech inoculated me from anything that might be inappropriate, my wife doesn't like that one.

There was a story in the Los Angeles Times involving council woman Laura Chick who was unhappy with what she saw as gender based insensitivity from some of her male colleagues, and the Times headline over the story was "Chick accuses some of her male colleagues of sexism." Not politically correct. Headline that makes clear the importance of copy editing and the power of a coma, "Students to Cook and Serve Grandparents", "Homicide Victims Rarely Talk to Police", actual headline, "Hispanics Ace Spanish Test", "Midget Sues Grocery, Sites Belittling Remarks", and finally a real headline from the Boston Globe, "And From Death Row, Man Executed After Long Speech". So I'll be mindful of that last one as I jump into my remarks here.

What I want to do is spend a few minutes sort giving you sort of a 30,000 foot view of what I think is happening in Washington and what we might expect to see come out of the Trump administration, and a Donald Trump run Washington over the next couple years. I will, in the course of my remarks, undoubtedly say something that upsets or angers or challenges or provokes every single person in this room. You can share your responses with me in the Q&A, and I welcome challenges if you think I'm wrong or crazy, I hope you'll stand up and ask me.

When I first thought about what speech I might give in October of 2017, 10 months after the inauguration, my working title was "Now That the Dust Has Settled". Now that the dust has settled. That seems, in retrospect, hopelessly optimistic. There will be no settling of the dust. Think of just the past few weeks. Donald Trump falsely accused his predecessor of failing to call the families of military personnel killed in action and then admitted he didn't know whether his accusations had been true or false. The president then accused the wife of the fallen soldier in question of lying about their conversation. After months of reporting about possible conclusion between the Trump campaign and Russia, the Washington Post reports confirmed earlier reports that the democratic national committee funded much of the research behind the infamous dossier detailing Donald Trump's alleged misdeeds over the years with respects to Russia.

One of the President's top advisors, former Chief White House Strategist Steve Bannon, declares war on senate majority Mitch McConnell, without a doubt the most important individual in Washington, other than the President, in getting Trumps agenda through congress. The Secretary of State Rex Tillerson holds a press conference to refute news reports that he called the President a beeping moron. And then at that press conference, called to deny those claims, doesn't deny those claims. The President upon hearing those claims, in an interview with Forbes, said "I don't think Rex Tillerson really called me a bleeping moron. But I assure you I'm no moron, and if he did call me that, I challenge my Secretary of State to an IQ test." That's literally what the President of the United States said. First Lady Melania Trump issues a statement from the White House to challenge claims from the Presidents ex-wife Ivana Trump that she was Donald Trump's real first lady in his life. Melania Trump sent a statement, an official statement, saying no-no she's not. I am.

Two Republican senators announce that they will not be running for reelection in part because of what Donald Trump, in their view, is doing to the Republic Party. And in an interview Steve Bannon gave to my Weekly Standard college Peter Boyer as he left the office, The Chief White House strategist said "The Trump Presidency that we campaigned for is over with." Since January the following people have left the Trump administration voluntarily or otherwise: Chief of Staff, Deputy Chief of Staff, National Security Advisor, FBI Director, HHS Secretary, Deputy of National Security Advisor, Deputy of National Security Advisor again, Chief Strategist, Communications Director, and Communications Director again. That is, to put a fine point on it, a lot of turnover in just 10-months. A friend of mine recently interviewed for a position at the White House, the National Security Council, and he was struck by the Trump administrations version of a standard interview question, one that we've probably all heard. He was asked about his future plans. Where do you see yourself in 5-minutes?

Here's the point. It's never settling down. The dust is not going to settle. So the most important question of the Trump presidency is a simple one. What will emerge from the chaos? What will emerge from the chaos? Let's look back at the first 10 months. Despite some of the reporting in the main stream media, Donald Trump does have some accomplishments, and some of them are meaningful accomplishments. We've seen a dramatic rollback of regulation on everything from financial advising, to coal, to workplace safety, to federal contracting rules, to abortion, to Obamacare. We've seen a 60% reduction in attempted illegal border crossings, without really much of a change of policy yet at this point, I think that demonstrates the power of Presidential rhetoric. We saw airstrikes on Syria after chemical weapons use with President Trump enforcing the red line that his predecessor set and then failed to enforce himself. We've seen an abrupt change in the Obama approach to Iran. Additional skepticism of the Nuclear Deal, a President who actually mentions terror, who sees Iran, and describes Iran as the world's leading state sponsor of terror rather than a potential friend down the road. And renewed talk of economic sanctions.

We have the coming release, this is not something that's widely known, the coming release of the documents captures during the raid of Osama bin Laden's compound in Abbottabad Pakistan in May of 2011. This is an issue I've been obsessed about, and I think that it's a big deal. I think the Trump administration deserves credit for releasing these documents, so the people can have a better understanding of who we were fighting then and in many respects, who we're fighting still today. Barack Obama's administration buried these documents, there are some 500 thousand of them, we're gonna start seeing 100 thousand of them in the coming weeks and when Barack Obama left office on January 19th, his Director of National Intelligence claimed, falsely, that there were 571 of them. So, it's nice to see some actual transparency from an administration that succeeded an administration declaring themselves the most transparent administration in history.

And of course, as Jonah mentioned earlier, Donald Trump is remaking the Federal Judiciary. If you're a conservative this is good news, and it is certainly Supreme Court Justice Neil Gorsuch, but it goes well beyond Neil Gorsuch, his lower level court appointments are pleasing to even his most conservative critics, and I think he deserves a lot of credit for that.

Now, all of this, everything that I've just listed has one thing in common. These are things Donald Trump could do simply by virtue of the fact that he's Chief Executive, that he's President of the United States.

The top items on his agenda, however, the things that could produce lasting change, all require him to work with Congress and they are all in some state of disarray right now, and I'm talking primarily about the four big issues from the Trump campaign. Obamacare, tax reform infrastructure, the wall and border security. They're all in disarray. What explains this? Why are things so chaotic? Well there are a lot of reasons, the legislative agenda of Republicans in the Trump Administration is suffering because Republican margins in the Senate are small, inter Republican fighting persists in the House of Representatives, there's a clear lack of will from some Republicans to do what they said they'd do, in some cases for years, particularly on Obamacare. But the biggest reason, and I think remarkably it's under discussed, the biggest reason is that this is an ad hoc presidency.

Donald Trump simply makes it up as he goes along and no one including his top advisors know where he's going to end up on any particular issue on any particular day. Let me give you three quick examples and then tell a short story to illustrate the point.

The healthcare story. Remember the healthcare, republicans took up healthcare, they were originally going to do repeal, delay, replace. That was Paul Ryan's plan after the election. Well Donald Trump met in the oval office with Rand Paul who wanted the President to embrace a repeal, replace strategy simultaneously, these two things had to happen in the same legislation. Well Trump had signed on to what Republicans in the House and Senate had wanted to do, but when he met with Rand Paul, Rand Paul tweeted out after the meeting "President Trump agrees with me, we're going to move to a repeal and replace strategy immediately, simultaneously, not repeal, delay, replace." I don't know whether repeal, delay, replace would have had any more success, any great success than the repeal, replace plan that we saw Republicans try to push through, but it couldn't have done much worse. Republicans muscled through a repeal, replace bill in the House of Representatives and then failed of course to get one in the Senate. And what was so interesting about the process was you remember when Republicans first attempted to take a repeal, replace bill to the floor of the House of Representatives, and they had to pull it because they didn't have the votes.

At the time they didn't have the votes, at the time they pulled it, Donald Trump went on Twitter and tweeted that if Republicans couldn't get their act together he was going to work with Democrats. Was this just bluster? Was he just trying to force their hand? Who knows? But if you're a Republican in the House of Representatives it's the very last thing you want to hear. And as far as a threat goes, it could be quite an unsettling one if you're about to sort of walk out on a limb to think the President of the United States might cut it right behind you. Republicans and Democrats wanted very, very different things on Healthcare Reform. Republicans were looking to introduce some choice some competition, some market based reforms into Obamacare. Tear down parts of Obamacare and replace them with things that were more market friendly. Democrats want to do the opposite. They wanted to fix Obamacare and move toward a single payer healthcare system. These are two totally different things and yet the President of the United States in the middle of the debate says if we can't get this done then I'm going to do this. It was unnerving to Republicans. Twice since then Trump has proven that these things are not necessarily just bluster.

There's the story about the fight over the debt ceiling. Republican leaders on Capital Hill had a plan that would lift the debt ceiling for 18-months. They worked on it with Steve Mnuchin, Treasury Secretary. And they thought it would buy them some time to push through their top agenda items including tax reform. They went to a meeting at the White House, with Steve Mnuchin, democratic and republican leaders in the House and Senate, and the President of the United States and as Steve Mnuchin was making the case for this 18-month debt ceiling extension, the President of the United States stepped in and announced, unknown to anyone in the room, that he would be making a deal with democrats to extend this debt ceiling only 3-months so that democrats could introduce the immigration reforms that the President had opposed when he campaigned. This was surprising to Paul Ryan and Mitch McConnell certainly, it was also surprising to Steve Mnuchin, his own Treasury Secretary who was in the process of making this case. And the same thing happened on immigration. The White House was working with Senate Republicans to come up with a broad immigration compromise, one that would keep the President's promises from the campaign but advance the arguments and at a meeting with Chuck Schumer and Nancy Pelosi, the President announced that he was reaching a deal with Chuck Schumer and Nancy Pelosi, unbeknownst to Republicans.

All of this has had a profound impact on the way Republicans on Capital Hill think about Donald Trump. They see him as unreliable, why go out on this limb as I mentioned, only to have the President saw it off behind you. It makes them less committed to trying to push through his agenda.

Let me tell you a short story that demonstrates this ad hoc decision making outside of the political context. The President as you may know has to re-certify the Iran deal every 90-days, or choose not to re-certify the Iran deal every 90-days. He has to send a letter to congress that basically re-certifies Iranian compliance with the deal and announces that the deal is in the National Security interest of the United States of America. Well the first time this came up in March they hadn't given much thought to it. The Secretary of State said to the President, Mr. President you have to do this, it's just a defacto thing, we're reworking our Iran policy on a broader scale and just re-certify it to get us past this. So the President did that, and he wasn't happy about it. He had come to office saying that his number one priority was to dismantle the Iran deal. He said that in his speech. 90 days later in July, the President's asked to re-certify the Iran deal again. And he has a meeting in which Secretary Tillerson, Secretary of Defense James Mattis, and National Security Advisor H.R. McMaster come in and say Mr. President you really need to re-certify this Iran deal. We're working on this broader strategy, we'll have it ready for you soon, but we really want you to re-certify.

The deal, and the President in that meeting with those principals, said okay I'm not happy about it but I'll re-certify the deal but you need to get me this big plan because I don't want to be in this position again. That was on Wednesday. On Thursday the Weekly Standard, my magazine, reported the President was poised to re-certify the Iran deal, and it caused a little bit of a stir, people who opposed the Iran deal weren't happy with it. It was the case that when we wrote the story we had talked to our sources, and I had said, "Is this a final deal, is this a done deal, you're sure he's going to re-certify?" And one of his advisors I was talking to said, "Yeah, it's a done deal. The President said he was going to re-certify, but it's Donald Trump, so he could change his mind." And I called my sources over the weekend, are we sure we're still on track, he's going to re-certify this, our story is still accurate? He said yeah everything is still on track.

Monday morning comes, and we get, along with the White House press corps, talking points from the administration on how they're going to defend re-certification despite what the President said during the campaign. And we get these talking points, and we start working on a story about how the President is in fact re-certifying, and he has to send this document to Congress that evening. And I'm calling my sources all day long and call at 10, yes he's re-certifying, 11- yes he's re-certifying, then I called in the early afternoon, and I didn't get a yes he's re-certifying answer, and the White House had just postponed the press briefing that was being held to explain the President decision to re-certify to the press corps. So something, it seemed, was up. The President had another meeting that afternoon with McMaster, Tillerson, and Mattis and some others, and on the way into the meeting he was handed an op-ed written by John Bolton, our colleague at FOX News, and former US Ambassador to the United Nations. Bolton's op-ed said Mr. President, you cannot re-certify the Iran deal, it's a disaster for these reasons. The President read it that morning on the way into this morning and decided he was changing his mind, and went into the meeting and told his principles, I'm changing my mind, I don't want to do this, this isn't what I campaigned on. Get me out of the deal.

You can imagine this creates quite a bit of chaos in the White House. The advisors thought that the decision had been made. The talking points had literally gone out, it set his communications about rewriting talking points, explaining instead why the President had chosen not to re-certify the Iran deal, despite the existence of talking points making the exact opposite case. The President called Tom Cotton, Senator from Arkansas, while he was in the meeting with his advisors and said Senator Cotton, please make the case because these guys haven't presented me with all of my options. And so Cotton, not on the Presidents staff made the case to the advisors about why the President shouldn't re-certify the Iran deal.

This goes on for about 8-hours. Chaos inside of the White House. Nobody knows where this is going to end up, but they know they have to send a letter to Congress at the end of the day. And, at 6:58, shortly before the deadline, the letter goes from the National Security Council to the State Department, who sends it on to Capitol Hill, re-certifying the Iran deal. This is the decision-making process inside the White House, not just on the Iran deal, but on many, many other issues.

So what does this mean for the President's agenda? I think it's in trouble. I think it's in big trouble, if you look at the big floor issues. Healthcare reform, Obamacare repeal and replace, almost inconceivable that it's going to happen. It is on life support and somebody is there yanking the plug. Immigration, the debate today is miles away from what Donald Trump was saying during the campaign. Remember at that time he was saying build a wall, make Mexico pay for it, and deport everybody. Recently Donald Trump threatened to shut down the Government if Republicans, if Congress, didn't pay for the wall, and he made a deal with Democrats that shifts the ground dramatically in their favor on these issues. He sits back the way a bit from this deal but again, nobody knows where this is likely to end up.

What about tax-reform? There is a lead of comprehensive Bloomberg piece the other day tax reform, and the lead reads, "Here's what we know about the details of the tax reform plan. Almost nothing." Now we've learned a little bit since then. But we don't know what's going to be in the final package, Republicans are moving this to mark up on Capitol Hill, they hope to have a vote on it in mid-November, but Republicans are in some cases are pushing things that the President is saying under no circumstances will he approve, like lowering the caps on the 401k deductions. This is a long way away from where Republicans were in the Republican primary after the IRS scandal on the power that the IRS had been granted by Obamacare, Republicans were talking about huge reforms, eliminating the IRS, filing on postcards. Now the debate mostly centers on some tax cuts.

I emailed a close Lieutenant of Paul Ryan before coming down here a member of Congress and one of his closest allies and asked him for his best guess, where is this going? And he wrote I think we'll get something out of the house for sure, not nearly as ambitious as Paul's original plan though, after that no clue what happens in the Senate, no clue what happens in the White House. The most likely legislative success I think is infrastructure, which is deeply ironic. Think about this, a Republican House, a Republican Senate, a Republican White House, end up with their top legislative accomplishment, a massive spending package, potentially one trillion dollars that the President of the United States, a Republican, has defended in Keynesian terms. Members of the Wall Street Journal interviewed the President and said we need this infrastructure package to "Prime the Pump", he claimed he made up the phase "Prime the Pump". This is exactly the kind of case that conservatives mocked when Barack Obama made in 2009, and now you have the President in a reasonably good economy calling for an effectively second stimulus.

The reason, I mean there are many reasons to believe that Republicans will do this, number 1 is Donald Trump really seems to want this done, and they seem to be falling in line with him on some of his priorities anyway, but second reason is the person leading the fight for the Trump administration is Elaine Chao, Secretary of Transportation, who happens to be the wife of Senate Majority Leader Mitch McConnell, so I think Mitch McConnell already thought he had a lot of incentive to try to help the White House with its infrastructure plan. There's no doubt he thinks he has greater incentive to help the White House push this. Finally, the shadow looming over all of this is the Muller investigation. Reports yesterday that Bob Muller will bring his first charges on Monday with the potential for actual arrests. I think it likely means that the debate that we've been having shifts from primarily a political fight to a political and legal fight.

The politics will still matter, and some cases they might matter more than anything else, but we will soon see facts and evidence. He'll either have the goods, or he won't have the goods and there have been a lot of leeks about the nature of the investigation and what they think is happening with personnel in the investigation. Very few leeks about what he's actually turned up, if anything.

So all of this, in closing, all of this can be depressing. There's a Washington Post, University of Maryland poll out this morning, and the post analysis argues "The poll reveals a snarky pessimistic view of US politics wide spread distrust of the nation's political leaders, and their ability to compromise, and an erosion of pride in the way democracy works in America." The article goes on to say, "7 of 10 Americans say the nations' politics have reached a dangerously low point, and a majority of those believe the situation is a new normal rather than temporary." So when I get depressed about this, and I do, it keeps me up at night, I've got four kids including a 9-month old. Think about what this means for my kids and their future. I try to come up with quotes, comments, profundities, that put it all in prospective. The United States has been through more difficult periods than this to be sure. And when I do this exercise to put myself back to sleep, the first quote that always pops into my head is one that John McCain used to say on the campaign trail in 2008, I was out on the road a lot during that race and John McCain, speaking of his time in the Hanoi Hilton, "It's always darkest before it's pitch black."

Then I think, wait no no, that's not the kind of quote I'm looking for to pick up my spirits, so I turned to Winston Churchill and a quote that may or may not be pocketful, "Americans always do the right thing, only after they have tried everything else." But that one doesn't really do it either, so I've turned recently to Autobahn Bismarck, who said "God has special providence for fools, drunkards, and the United States of America." And after last night with Jonah, I qualify as a member of all three groups so here's hoping he's right. Thank you very much, and it looks like I've got about 10-minutes for questions if there are any.

Yes, sir?

Speaker 3: Hi Steve, first of all I appreciate your remarks and I've been following you for a number of years and I believe you're a straight shooter and that's refreshing. My question is with Donald Trump, I don't hear much of this talk but how much of what he's doing is a diversion because he's like you said getting regulation done, the stuff with the judges, who knows what Ben Carson is doing, all the other departments, and yet the news media isn't really spending much time on that ... You know I remember Ronald Regan, they were hammering him every night on the issues and they don't seem to have the wind for this because ... So how much of what Donald trump is doing is deliberate diversion in your opinion?

Steven Hayes: I think very little. In part because I think he does just operate on this ad hoc basis. The place where he's making progress in the departments and the bureaucracy is with people, he's recruited or been gifted, conservatives and libertarians from throughout the think tank world in Washington and people who come to these positions wanting to move the country in a rightward direction that Donald Trump I think at times may or may not share. What he's done on regulations is not small thing, he's basically come in and said I'm going to kill two regulations for every new regulation that happens. We haven't seen anything like that in years. Peter Boyer from our magazine had a great piece on this detailing what the President's done on regulation last week and Peter's conclusion is if Trump continues to do what he's doing, just what he's doing, he's also got a team that's looking to dismantle the regulatory state in a more methodical way, but even if that team fails and he just keeps doing what he's doing Peter thinks that Trump will end up as the best deregulating President that we've had this century. So, that's over the past century, so he deserves some credit for that.

I think the media doesn't cover regulation because it's not sexy. Right? And they'd actually have to learn stuff, right? It's much easier to cover the back and forth between Melania and Ivana Trump and what Trump tweeted at somebody this morning. So he's making some progress. Politico has a series that basically its five things that the President did when you weren't watching this week, and it covers some of these things, so you can get that, some of the stories that aren't being covered widely there and in other places.

Speaker 3: But he took out 17 professional opponents in the primaries. Was that an accident? Deliberate? The guys not stupid.

Steven Hayes: No, I'm not ... I think that is right. If you were here for Jonah's speech, Jonah gave a really good overview of why Trump won and part of it was he didn't talk like a politician. People are sick of politicians. People are sick of the well quaffed focus groups, well quaffed politicians giving focus group answers that don't actually get anything done, and they look at Washington and they say look at, this is a disaster. We can't do any more damage to this. Let's send this guy in who wants to blow things up. I'm sympathetic to that impulse, I'm very sympathetic to the frustration, I guess from my prospective I was hoping we would have somebody go in and blow stuff up and then have a real plan in place for building it back up or if you're going to dismantle the regulatory state, which is long, long overdue, start eliminating cabinet departments. Get serious about the debt.

We all know the debt is math. It's $20.3 trillion now, nobody in Washington is talking about entitlement reform. Entitlements drive the debt. Nobody is talking about it, either political party anymore.

I was hoping for somebody along those lines. I'm from the Jonah Goldberg school of frustration in that sense. Thank you.

Nancy O'Toole: Hi, Nancy O'Toole, I really appreciate all your commentary that we've heard through the years.

Steven Hayes: Thank you.

Nancy O'Toole: I'm very concerned that although Donald Trump has I believe responded to what the real people have been feeling, which is all this anger and all of the vulgarity and everything, people have really had it. They've been seeing on the news people, particularly on the left, just parodying a bunch of things, every network, you can go from one to another, they all say the same thing. So people have just written off even listening unless you just believe that one line then it doesn't matter who you listen to, it's the same line. On FOX and on your show you really get more of the facts. My question, or my concern is, what reason does anybody have to think that either the left or the right in Congress really wants to change anything. They have it so good and they're in control of everything and Donald Trump went in really wanting to make a difference, I believe he's really a patriot, even though he's vulgar and I don't approve of everything he says and does, I think his intent is a good one and I think he's working against the left to no matter what he says will do nothing and the right, who is maybe afraid of change. I'm very concerned that Sessions has done nothing with all the facts in the criminality that's going on and I don't understand that.

So could you comment on what is the point and how can we get congress to actually do anything for the people? When they have nothing to gain.

Steven Hayes: Yeah, I think that's very well said. What you said was very well put and I think in a nutshell that is the frustration of so many people, it's why 7 in 10 people are so frustrated with Congress and what have you. And look, I think you can go back and look ... If you go back and look at past elections in the past decade, every election in one respect or another, going back to 2006 has been a change election, right?

2006, republicans were thrown out of the House of Representatives cause people were sick of George W. Bush, they were sick of the Iraq war, what have you. Democratics won the House of Representatives. In 2008, John McCain did not beat Barack Obama. Barack Obama ran on change, now it certainly wasn't my kind of change but he ran on change. In 2010, you had Republicans sweep back into power in the House of Representatives in a landslide. In 2012, Obama stuck around, that's really the exception that proves the rule. 2014, you had more change, you had Republicans take the Senate, again in a massive takeover, and in 2016 the greatest change of them all, right?

I'm not optimistic that Congress is going to change despite these repeated messages from the electorate. I think the greatest prospect for lasting change would be a President who believes in limited government and came in with an agenda to re-limit government in a consistent, methodical way. I don't think we have that right now.

Nancy O'Toole: My one last comment is I do think if there was a movement to actually hold the people who have committed criminal acts in our government accountable, it would reaffirm to the people that there really is equal justice for all, I don't think people believe that now and I think that's partly fueling the race wars and I'm very concerned about that, that nothing seems to be done.

Steven Hayes: Yeah.

Nancy O'Toole: Thank you, very much.

Steven Hayes: No, I think you're right. I think there's a perception that there's been an erosion in the rule of law, and the perception is right. It's accurate. It's a good one. There seems to be two different systems of justice for people in power who can get away with anything that they want and everybody else who can't. I think we saw this to a certain extent in the IRS scandal. People forget about the IRS scandal, that it began when Lois Lerner was at a conference and announced that the IRS had engaged in impropriety. She said it! So you didn't even need an investigation to come to that simple conclusion, the question was what kind of impropriety, how deep did it go. Nothing happened to her, nothing happened to John Koskinen, the IRS head who lied about it in front of Congress, there was no accountability. Now, there's been a payment of 3.5 million dollars recently to some of the tea party groups that were affected, which confirms that there was this impropriety. But, nobody was seriously held accountable in the way that I think you're suggesting.

Nancy O'Toole: Nobody goes to jail. Thank you very much.

Steven Hayes: Thank you.

Last question, quickly.

Speaker 5: Hello Steve, Gary Alexander here. I'll be chair of your panel this afternoon. So I wanted to get a kick start on our political panel by asking you the question I ask all three panelist, next year, do you think the candidates for Congress in the midterm will run primarily as republican versus democrat or primarily as pro-Trump agenda versus anti-Trump agenda and if so, which side would win.

Steven Hayes: Yeah, very interesting question. That's a very good framing of that. Let me break it up a little bit further. There will be massive fights before we get to a pro-Trump anti-Trump battle. I think that ultimately in 2018 it will be a referendum Donald Trump and the way he's leading the country with Republican's embarrassing Trump and Democrats teeing off on Trump. And Democrats at this point look to have a pretty significant advantage, not just because the President's approval ratings are low, but because on the generic ballot, it's 50 to 35 pro democrat to republican. But, I think before that we will have huge fights on the republican side within the republican party of the pro-Trump team and what we probably for short hand call the establishment, primary fights galore.

Thank you very much, look forward to the panel later. Thank you!

Nick Hodge
"Where To Put Your Money In Bizzaro World"

Speaker 1: Well, it's on to the next speaker who is Nick Hodge. His topic is "the good, bad and ugly of junior mining: what to seek out and avoid". He is the founder and president of the Outsiders Club. Nick Hodge has become well known for a "call it like you see it" approach to money and policy. As the author of two best-selling books on energy, investing, his insights have led to numerous appearances on television and in various outlets on the web. As investment director of Early Advantage and Nick's Notebook, Nick has led tens of thousands of investors to hundreds of double and triple digit wins in the mining, energy and technology sectors. So we'd like Nick to get up here and give you a little more insight, information on how he approaches markets and maybe give us some good tidbits of how to pick a junior mining share. Nick?

Nick Hodge: Good morning. Thanks for coming out. I appreciate you coming so early. As he said, my name is Nick Hodge, and today I'm going to talk to you a bit about what I've come to view as Bizarro World. I penned an essay with that title, Bizarro World, about a year ago and it received a pretty good response from the readers on the list that I have at Outsider Club, which has grown to a community of several hundred thousand retail investors that have a contrary and even a libertarian bend. It's called Outsider Club, the tag line is "Because you'll never be on the inside." And before I get into the talk, I just want to say that every morning I wake up, and I check the new, and I scroll through Twitter, and I scroll through my news feeds, and I just see what's going on, and more and more I just see things that are bizarre, things that are fake, things that aren't real. Mr. Prechter was up here about 20 minutes ago, and he said that many things are ironic in the market, and he said even paradoxical, but that's false. I mean, they're lies. They're just blatant lies and fraud and deceit, and that's what I'm going to talk to you a little bit about today. And I'll try to make up some time because we're about 10 or 15 minutes behind.

So this is sort of my take on the markets and the world right now is everything around you is fake. Right? Lots of lies. Lots of fake. Lots of fraud. Lots of deceit. And we'll uncover some of these in the next couple of minutes. But car emissions data. Just fake. I mean, they faked it for years. Right? And what happens to capital when you're invested in companies that do things like that? Well, you lose 50% of your capital nearly immediately when they come out with news that "Oh, hey, by the way, we've been falsifying diesel emission reports for years, and it goes all the way to the top of our company." And it's funny that the media likes to refer to those things as snafus or blips or something like that, but it's fraud. I mean, these people should be in jail. Right? It's fake. It's Bizarro World.

Fitbit data is fake. You know these fans say Fitbit watches that came out a couple of years ago, they're supposed to track your heartbeat and link with your app and your computer and help you stay healthy and get a good night's rest, but they're fake. I mean, the data came out last year that said "The world's best-selling fitness monitor, Fitbit, accused of giving dangerous inaccurate." You see there how they used "dangerously inaccurate," it's fake, they're lying. Heart rate reading in the US lawsuit. In fact, it was ... One of the reports said that the heart rates were off as much as 80 beats per minute. I mean, that could make you dead, according to their data. Right? "But this was a big CNBC, IPO ... It's Fitbit. It's fancy. It's a cool device. It goes on your wrist and it links to your apps and your phone and then ... " It's fake. It's a lie. It's bizarre.

This is a recent example just from a couple of weeks ago of the Kobe company. It says the steel firm fake data for metal use in planes in cars. These are alloys that are going into the planes that you flew here on or in the cars that you drove here on. And it turns out that that metal was fake. And what happens to your capital? You go from a 615 print to a 360 handle in a day. I mean, that's lie. It's Bizarro World.

This is one of my favorites, this wasn't a publicly traded equity, this was a fancy juicer, also internet connected, and it comes with an app and it, I don't know, tells you how many calories are in your juice and Silicon Valley put $120 million into this fancy juicer and you're supposed to buy these packages that have juice in it and then you put the juice in the juicer and it squeezes it out for you. Right? Well, Bloomberg did a report and you don't even need the machine, you can just squeeze the pouches with your hand. Not to mention, you could just buy fruit and squeeze it. Right? What is going on? It's fake. It costs $400 and they're feeling the squeeze. Yeah. No crap. It's crazy. It's Bizarro World.

This is Pandora, which you listen to music with for free. It's another cool app. Right? And it's free so they haven't turned a profit in 17 years. But nonetheless, they parade them up on CNBC and they have a nice big IPO and then ... It's fake. They don't make any money. We won't get into Tesla, it's a whole nother topic, but it's ... I mean, this is crazy, crazy stuff that's going on. And everything is fake. Kardashian butts are definitely fake. It's bizarre. How bizarre are things? I mean, they're so bizarre that many long-held realities that we've had that are convictions in our heart of hearts just been now been turned on their heads. I mean, the stuff is just so crazy out there that cops now steal more than robbers.

This is a report about assets or asset forfeiture, which is a complete sham. As of 2014 cops are stealing five billion dollars from people. I mean, anything from a five-year-old girl selling lemonade, they're going to tearing those down, to stealing cash out of a guy who's selling hotdogs out of a cart. I mean, they're stealing more than actual stealers. And they're the ones that are supposed to be protecting you. It's like ... Bizarro World. This is interest rates below zero. The definition of an interest rate is that the money comes back to you. But in Bizarro World you pay for someone to take money from you. And it's like we pretend that this is normal. It's like the ... It's ... Bizarro World.

This is just one from last week that I threw in there. It's the treasury department is now spying on Americans. They're going through your financial data and, according to one official, they're always official. This is such an invasion of privacy. Well, yeah, this is an invasion of privacy. Why is the treasury department spying on Americans? Why are we normalizing stuff like this? For our safety? No. This is Bizarro World. And the beauty of Bizarro World, this is really the crux of it, is that we get to pretend it's not bizarre.

So this another one of my favorite stories. This is the hundred percent cheese story. You buy Kraft cheese and it says "100% grated Parmesan cheese" and Bloomberg did an investigative study that said that, well, in fact some companies are putting 13% wood pulp in their Parmesan cheese. And it's an anti-caking agent, and I get that, but it should only be two to three percent, not 10 to 13%. And so you're sprinkling wood on your penne and that's normal. And then a class action lawsuit develops because people are buying 100% Parmesan cheese and they're not getting 100% Parmesan cheese. And so they band together, which, by the way, the senate has just voted now you can't do that anymore; we'll get into that in a second. They band together to sue and the judge tosses it out. He says that, "No, they could have meant that it's 100% grated, not 100% Parmesan cheese." What are you talking about, dude? It's like ... Let me take 8% of your salary and see if you rule that you're receiving 100% of it. I mean, this is Bizarro World. I mean, yeah, it's ... Everything is on its head.

Outrage. Fake. Right? I mean, every morning there's a new scandal or a snafu or a gaff that it's just meaningless. And there's all this fake outrage surrounding it. And it just drives me crazy. And I see from the response to this talk that it's driving you guys crazy as well. I mean, we're taking down 100-year statues, and we're worried about who uses which bathroom, and we've republicans outraged at Obama for the same things that Bush did, and then we've got democrats outraged at Trump for the same things that Obama did, and it's time for me to put this slide up as I do every year at this show because it doesn't matter, folks. It's a march to tyranny. The mainstream media is shouting from the global bankers and both parties stepping on you. It doesn't matter folks, in Bizarro World, neither side is out to help you.

And it's not just the cheats. The establishment downplays systematic and widespread criminal activity every single day. You rig Libor which is linked to trillions of dollars in financial markets, and you rig it for years, and you steal billions of dollars, and that's a scandal. Or you intentionally lie about vehicle emissions for years and it's systemic all the way up to the top of a multi-billion dollar company, and that's a snafu. Or Wells Fargo creates millions of fake bank account and that's exposed, and that's a screw-up. And like I just said, then the senate republicans voted last week that, or maybe it was even this week, that now you can't band together and sue financial institutions anymore, so ... I mean, that's just bizarre and ... There's a new example every day. This morning I woke up and the head dime story was "Twitter has been miscounting its user growth. They've only got two million new users in the past couple of years and they've said four million. They've miscounted." No, they lied. They inflated it by %100. They didn't miscount.

But maybe a fake world is a better world, and this was sort of how my essay ended about Bizarro World. It says that "Deceit. Fake. Fraud. Call it what you will, those things are now business as usual for multi-billion-dollar companies, governments, and their agents. Because actual reality, that place where two-thirds of Americans can't come up with a thousand dollars and wages are stagnant and 30 million people are on antidepressants, sucks. And rather than make it better, its seems the majority of our species are just too content to live in some version of unreality." But I don't like unreality, I like things that are real.

So I'm going to give you some real things now instead of some fake things. I think gold and silver are real. I think they're real currency. I think they present a real value. I think that mineral wealth in the ground is real. Things that are tangible. Things that are the building blocks for all the things that we create. Those are real things. I think that farmland and crops are real. I think that six, going on seven billion people need to eat. And I think that you got to have a lot of water to grow those crops and water those goats and sheep and cows. So these are all sectors that I like. These are sectors that I dabble in and that I try to find quality investments in for my readers. And I don't know about cryptocurrency yet. It might be real. I'm not betting yet.

And I think these are some megatrends inside of those sectors that are real. I think the depletion of quality gold reserves is real. I think that majors have to come back into the market in a real way. They've, I don't know, lost something like 20 or 30% of their reserves in the past decade, and they've got to come into the market and take out some of these juniors that are now finding some high quality deposits; and what's more, we've got to get out there and find some new high quality deposits, and that's why you folks are here to talk to these exploration and development companies in the gold and silver and precious metals sector.

I believe that the electrification of everything is real. I think cars are going electric. I think, obviously, all our phones are electric. All our devices are becoming internet-connected. I think that's a real trend. But I don't want to invest in apps and software and things that I can't hold. I want to invest in copper and lithium and cobalt for those things. I think the need for clean base load electricity is real, and what I'm telling you there is a uranium bull market is coming. I'm not going to put a date on it because I've done that once and it takes longer than we all thought. But that's a real thing. 10 to 15% of base load clean electricity with no emissions, it can't go away. I think the uranium is real.

I think the growing global population is real, that goes back to the food and water trends that I talked about a second ago. The world population curve is parabolic. All those people need to eat. All those people need water. All those people need electricity. There's still something like a billion people in the world that don't have access to daily electricity. I think they might like it. And I think the rapid advancement of medicine is real. Things like monoclonal antibody vaccines and gene editing and things like that. I think that's a very real sector and I think that's going to go a long way to not only helping humanity but creating wealth along the way. So those are some real things that I focus as opposed to all the kerfuffle that I talked about for the first half of my talk.

And this is as real as it gets, so I do this every year. These are companies that are next door that I've ponied up my own money for to buy. When it's Fission Uranium, they're onto a massive uranium deposit in Athabasca Basin. It's a hundred million pounds. It's growing. They've discovered uranium zones since the PEA was done at just over a hundred million pounds. So they're going to be adding pounds quickly. It's been ranked many times by third parties as not just the best undeveloped uranium asset in the world but the best undeveloped asset across all commodities. It's in a safe jurisdiction. It's in Athabasca. It's highly pure. It's high grade. It's shallow. And it will be a mine one day.

Columbus Gold, I bought. They've got a mine coming online in French Guiana, but that's not why I bought it. They're spinning out the remainder of their assets. I like spin-outs. And they're going to put nine million dollars to cut the spin-out. It's called Allegiant and all their properties are in Nevada and Arizona, and they're going to put nine million dollar over the next year drilling those properties. Lead by the gentleman who runs [inaudible 00:14:44]. It's a very solid team. The spin-out hasn't been voted on yet, but it's going to go through. I think you can still buy shares of Columbus Gold to get the spin-out of Allegiant Gold shares. And a little plug for myself, I run a service called Nick's Notebook. Allegiant is also doing a private placement in Nick's Notebook, I put people in contact with companies that are raising private placement dollars as long as you're a credited investor. So it's also possible to directly invest in Allegiant.

And I own Midas Gold. I was just at their breakfast this morning, their sunrise session, and that's a six million-ounce gold deposit in Idaho. It would be something like the fourth highest grade open pit mine in the United States. And there's many more ounces that are there. In fact, analysts are calling for anywhere from eight to 20 million ounces, though the company can't technically say that yet because they're in the permitting stage, so they have to get permitted just for what they know they have now. So that has a very, very real shot at not only becoming a mine because it's in permitting but a lot of exploration and ounces upside there as well.

So those are three real companies, in my opinion. Real enough to put in my own portfolio. And I'm real. I'll be here at 4:05 with my partner Gerardo Del Real. We'll be on Churchill B2 on the second floor talking about the good, bad, ugly of junior mining: what to seek out and avoid. And so we'll go through jurisdiction and people and share structure and we'll give you good, bad and ugly examples calling out actual companies that are good, bad and ugly. So that should be fun. And at 6:10, I will be on the mining share panel right here on this stage. And tomorrow morning I will lead an exhibit hall tour at 9:35 just across the way there. These are my paid newsletters in order from cheapest to most expensive, and that sort of goes along with sophistication and risk. Wall Street's Underground Profits is long term contrarian investing. Nick Hodge's Early Advantages is speculative investing. I'm sector agnostic, so I told you some things that I think are real but I don't focus on any one sector exclusively. And then Nick's Notebook puts people in contact, like I just told you, with companies if you're interested in doing private placements if you're an accredited investor.

So thank you. I also own a site called Resource Stock Digest with my partner, Gerardo, who was on the precious metals panel last night. That's a free site. There's nothing to buy there. We just do interviews with management that ... In-depth, long interviews, quality interviews with management teams that we think are real. So look for the real things folks and try to avoid Bizarro World. I appreciate it. Thank you.

Louis James
"Predictable Profits"

Speaker 1: We've got a great opening speaker this morning. Very excited to have Louis James, his background in physics, economics, and technical writing prepared him well for his well as managing editor of the International Speculator and Casey Investment Alert. Like Doug Casey, Louis constantly travels the world, visiting highly prospective geological targets, grilling management and company geologist to find out what they really think. Whether it's days of back to back meetings with mining company executives in Vancouver, or pounding on rocks in the Democratic Republic of the Congo, examining drill cores in Argentina, or eating food with names no one can pronounce with local miners in China, Louis is constantly looking for the next double your money winner. Here to talk about the golden runway to predictable profits, please welcome this morning, Louis James.

Louis: You know they've read basically the same bio now for 14 years. I really am going to talk about doubling your money this time, so for those of you who got up early this morning, congratulations.

I've never said this before, but I truly believe this may the most important presentation you hear at this conference. Normally I'm not one to pat myself on the back but there's nobody else up here, and I think I have something special to share. But before we go there, how many of you are Casey subscribers or readers? Show of hands. The few, the proud. Actually the many in this room. So, you may know a lot of what I'm gonna say already, I'll try not to make it too boring, and I think I'll have some new things to throw in.

How many of you are repeat customers of this conference? Come here every year? A lot of you. How many of you remember when I got up here, and I talked about the winning strategy for playing Solitaire? Anybody remember that? That might've been 10 years ago, I don't remember. Well, basically I hate losing. I'm not a sore loser, but I don't like losing money. I hate losing money. I worked hard for that money. And even though the main publication I write is called the International Speculator, it's not the International Wild Drunk Gambler. It's the International Rational, Careful, Hates to Lose Money Speculator. We just made it short, International Speculator, to save time on the mast head.

But I want to talk about the Solitaire thing. It may seem like a crazy, quirk of mine, but there's a point. I know it's a pity you don't remember, because I talked about the strategy, I'm not gonna go into all that, not enough time. But I want to show you something. I was tired last night, and I screwed up, and I lost a game, so I lost my winning streak, but this is the score card of my Solitaire game on my phone. When I'm standing in line at an airport, and I'm too tired to do any work I can while away the moments with this game. The key point here is that, my wife actually turned me onto this, is that this game on my phone, it doesn't count the games you don't play. This is absolutely critical. It does not count in your score the games you don't play. So you can see on there it says I've won 5,837 games out of it doesn't say the total, that's a 78.7%, almost 80% of the games I've played I won. How do you win 80% of the time? You don't play the bad hands.

In my mind, this is a clear 1 to 1 direct relationship to investing. Don't invest in the bad hands. And sometimes I'll get a hand it's almost good enough. It looks pretty good, and I might be able to win that one, I'll probably will win, but it won't give me really high odds. It's not good enough.

I tell myself, there's a little button on there for new deal. I can play the game, or I can hit the new deal button, and it doesn't count against me if I don't invest, I mean play, I mean invest. So if I don't play, if I don't invest, I hit the new deal button, in my head I'm sitting there on the airplane or whatever, hitting that button and thinking, "Does not meet investment criteria. Does not meet investment criteria." And it looks really good, there's 3 aces right there. Does not meet investment criteria. I hit that button and that's how I've managed to win almost 80% of those games, including by the way, learning curve, figuring out different ways of optimizing strategies and so on, including games I was probably too tired and shouldn't have played, all those things. It's all in there. You can see that's the grand total as of 11pm last night, 80% win rate.

So, let's now talk about investments more directly. The reason why I bring this up is because okay that's fine if you can gimmick a game, but in the real world of investment mining, it's hard to do that. Who can win 80% of the time, anybody want to volunteer to say they win 80% of the time in investing? No. Well, I think I found something that can do better than that.

Woop! Somehow, we've gone to the wrong place. Okay. I hit the backward button, and it went forward. That's par for the course in our world today. Never mind, okay, so those who are subscribers or who heard me speak recently have heard me talk about the golden runway we're adding to predictable profits. It took me a while before I would add this word predictable, because predictable in investment is not usually something that goes hand in hand. And if somebody says they have a sure thing, it's usually a sure sign to run in the other direction. But we've back tested this, we've front tested this, and the statistics are just amazing. So I know, as strange as it may seem, I feel that I've actually found something significant that can predict profits in the resource sector.

Let's see if I can get this to work again. Oh, nope. I was, it was going the wrong way. Alright, let's see. Nope that's not the next slide. That's the next slide. Oh, okay. Well, okay, alright. So, this is the cartoon, or the myth about investing in mining stocks, junior mining stocks, that Doug Casey taught me when I was a boy, you know sitting on his knee, "When you grow up one day to be an International Speculator" ... This is the cartoon, we love the discovery phase, that's where the 10-baggers are. It's high risk, but a little company that has nothing, makes a significant or exciting discovery and the stock is a 10-bagger or better.

And then you go into the boring engineering phase, the stock retreats after the discovery, and then you ramp up to production and then who knows what happens. You know, maybe you build another mine, you get bought out, or the mines depletes, it goes down, you don't know. This is what we focused in that pink area. It's the International Speculator. High risk high reward and we've done pretty well. By the way, the average when I started with Doug in 2004, the average annual return of the International Speculator is 19% per year, including the wipe out of 2008 and the dreadful downturn of 2011 to 2015. The average is 19%. That's better than money in the bank on the high risk International Speculator. Anyway, that's been our mission and it occurred to me late last year, in December, well what is that ramp up to production? We'd taken so many chances, we'd taken so many blows, made so many mistakes, now I was looking ... What about that moderate risk area? What is the game there? And I asked around and nobody knew. Nobody could tell me. Nobody had ever done the math or had a number.

So, I had my very bright boys in the backroom there get to crunching numbers, finding every example we could, and the numbers blew me away. I said, "That can't be right, go back and do more." They went back and doubled the sample size and still came up with the golden runway. Some really incredible numbers. So, in that boring engineering phase, ramping up to production, we found a hundred and five samples of mines that were built. Now, this has to be first time mine builder, if you're an existing mine, you've built another mine, it doesn't count. If you're a major, it doesn't count. It's the junior that makes a discovery and then builds the mine. 96 out of 105 of them built those mines. It's a 91.4% success rate. It's 95.2% if you account for takeovers. Those takeovers were all under premium, so they were wins for the shareholders. Takeovers are not always a win, but in these four cases it was. So you have more than a 95% chance of either building the mine or getting taken over by somebody who does build the mine, so that's a very high success rate.

More than 80% of completing the mission, what happens? 75 of these delivered positive gains, it doesn't guarantee success financially, but the odds are good. The average of the 75 that did, was 144%, much better than a double. So that makes sense, you build a mine, you had nothing, your stock goes up. But, it gets more interesting. The average gain of all 96 builders, even the ones that didn't go up, is 106%. It's still better than a double. So that's a 91.4% chance of achieving a 106% average gains. Do you understand how big a deal that is? That is huge. The average gain of all 105 we found was 94.7%. Still close to a double. That's throwing darts at the board. That's buying every single case of somebody who goes and makes that transition from having nothing to building their first mine.

When I first came up with these numbers, again I couldn't believe them. The first sample size was 20 odd, then was 50. Then it was 100. And I keep sending the boys back to look for more data and we're running out of data. We've scoured the northern miner and the archives, our own archives, back over the last 30, 40 years. We're running out of new examples. So this data is very robust. How many mines have you heard about being built every year? It's not a lot. How many first time mine builders do you know of right now? There may be half a dozen in the world. So half a dozen per year doesn't make for a whole lot of examples. This sample covers the last 30 years, 40 years. So it's a pretty large chunk of the actual total population. That's why I'm comfortable saying that these numbers are robust. These are credible numbers. We might've missed half of them, I don't think so, but say we missed half of the first time mine builders out there. How reliable would your sample be if you sampled half the entire population of the planet for a medical study or something? That would be huge, nobody can do that. You can't afford that.

I think we've gotten better than half the sample in this. So, 106% average gain isn't bad, 94% isn't bad. But if you can pick the best ones, the top five performers in our sample averaged 764% gains. That just blew my socks off. That's not quite a 10-bagger, but it's on the order of the gains that we hoped to get from a discovery. But the discovery odds are who knows what. They're hundreds to one against or maybe thousands to one against. Whereas we have a 91 to 95 percent chance of success if you pick first time mine builders. And if you can pick the top ones, the gains can be on par with the discovery without the risk.

I know it's early in the morning but I'd like a few nods of the head here, do you understand what I'm saying? I mean this to me is incredible. These are unbelievable gains, numbers. Honestly, if I hadn't done this research myself, with my team, I wouldn't believe it. Oh well. When I told Doug about this, he said, "Yeah, but you know, people build mines in bull markets and everything goes up in a bull market." And I said, "Yeah." So we looked and in that 105 sample, the 31 that built their mines in or predominantly in bear markets, and their average gain was 24%. Much smaller but still positive and in a bear market! So this doesn't just work in a bull market. Of those, only about half were in the black, but the ones that were in the black, if you could've picked the winners in the bare market, the gain was 75%, not quite a double, but still pretty darn good in a bear market.

Of the remaining 65 bull market builders, again the average was 144%, didn't make that up, just worked out to be the same number. Of those, 58 were winners, averaging 164%. So if you could pick the winners in a bull market, you've got another 50% on your gains there. If you could pick amongst the top 5, you have something on the order of discovery. And again, we're talking about a 90 to 95 percent success ratio. These are huge gains for something that's predictable. Predictable. International Speculator, predictable! My brain is still reeling from the combination of these words.

What does this look like? So this is kind of interesting to me. Oh, it's hard to point from over here, but you can see there that if you could know which companies are going to build their mines before they announce a construction decision you could actually double your gains again. A problem is a lot of companies, of course never get there. The feasibility study, I think the technical term is sucks. Or the market goes, they can't get the financing. So, there's a lot more risk if you go before the actual construction decision. We chartered for these official announcement, we're building the mine or announcement that we've started pouring concrete therefor they have announced they are building the mine to first pour. That's when they announced the first bar of gold has been born, or ingot of copper or whatever.

I like to think that I'm pretty good at spotting who's gonna actually be able to build a mine and adding leverage there. Really interesting thing to note is what happens after first pour. The stock often retreats. That's the average of all 105. On average it retreats sometime after first pour. So this gives us a very clear entry and exit point. That's one of the worse things about resource investing, when to buy, when to sell, it might still go up more. This gives us very, very clear, if you follow the discipline, entry and exit points that on average, 90 to 95 percent of the time, are gonna double your money.

Let's see, okay. Here's the best five. The curve there is a little bit more extreme and it's interesting to note that the last months before there are huge gains to be made. You maximize obviously by getting in early, so if you buy at the moment of decision, that's great. If you miss the moment of decision, you find a company that's already announced it, you haven't necessarily lost all the big wins. That's the point of this chart.

What about the bear market builders? I think this is really interesting. It's important to note ... Remember I said that the stocks often drop off after first pour? Well at that point to produce wonder, well is this going to make any money? All the excitement, oh we're building our mine! Now it changes, the question isn't mine building. The question is does this make money? That's a very different question, and part of the beauty of the system is it gives you an exit before you find out whether the mines even gonna work! Doesn't matter whether the mine works. You get out at first pour unless you're given a very good reason not to. And I think this chart illustrates the psychology there. Even in a bear market the company announces it's going to build a mine that's obscuring but the news gets out there, their building a mine. That's gonna add some value, even in a bear market on average there's a significant price appreciation when they announce their gonna build a mine.

Then reality sets in. It's a bear market, these idiots are building a mine. And it goes back down, but then towards the end as you approach that first pour, the excitement comes back again. They're building a mine, it's going to be a gold mine. This is a very psychologically, pregnant if you will, chart to me. Interesting what it tells us. Mostly gold, there are some copper and some silver in the examples. Silver and gold often mix. Copper miners often get taken over. Those tend to be big capital projects, so fewer juniors actually make it to the finish line on a copper mine, one that matters. But yes, it does seem to apply across metals, we have teased it out the sample sizes are too small to say anything reliable about silver, copper, other metals, but the same pattern seems to work.

My interest, as much as I love to double my money, I want to know how to get those top 5. How do I predict that? So we looked at that, and you'd think grade is king, right? And there is a slight relationship there, grade excites people. But it's not what you'd think it would be. There are low grade ones that did really well. It's not size, that's just completely flat. How big or small the project is makes no bearing what so ever on the outcome of gains on the golden runway of production. It's not value, you'd think okay rational investors, homeboy economists is going to look at the actual value of the project. No, that's actually a negative relationship. Same for return, it's even more negative. You'd think return on investment, what's the more important metric than that? Nope.

I swear, if I hadn't done this research myself I wouldn't believe it. Promotion, for this chart we looked at press releases. How do you measure promotions? So, my feeling is ... Remember that bear market chart? This is so psychological, it's got to be about the excitement, the storytelling. Promotions seemed ... How do you measure that? So we looked at it in terms of if you can't really measure how exciting the storytelling is you could look at the shift in major investors and maybe that's a way of looking at promotion and that's the most positive relationship of a single variable that we had. Then we decided that it was multivariate, looked at a bunch of different things and we came up with our secret formula, which I will not share. But we're working on this, it's still a work in process. We have a golden runway score and now we have a very clear, positive, correlation between our score and the top performers.

Not only that, you can see the top performer's kind of group on the side of the main body. If you took it to two lines between those two groups, like treat them as different groups, the relationship is even more positive in each subgroup. So we're onto something here. It's a work in progress.

Here we go, now again back to the question of where do you want to invest and can you really predict profits? Exploration is where the 10-baggers are, and don't worry, I'm not going to give up looking for quality exploration plays that I think have the next chance of delivering a multimillion ounce discovery or something like that because it's phenomenal. Not only your 10-baggers, that's where your 100-baggers are, they really do exist. Personally, in my career, the best I've seen is a 50, but Doug's got his 100-baggers. And it's in exploration, but it's hard! Failure is rampant! Even the best in the business fail repeatedly. They're only the best in the business because they've ever succeeded at all! A couple times in their careers. Mark Twain is famous for saying, "A miner's a liar standing over a hole in the ground." Well, I don't have hard research on this but the wisdom if you ask my peers is that in the industry it's a 1 in 300 odds of a discovery ever becoming a mine. But that doesn't count all the projects that were looked over before the discovery was made, what are the odds of a discovery? 1 in a 1000? I don't know, but if you add these together, the odds against going from discovery to mine, they're astronomical. Maybe we should change the term astronomical to mining. Those are mining odds, they're terrible!

But the risk of failing to build a mine is only 5 to 8 percent. And the profits if you succeed at building the mine average out to about a double. And if you could pick the better mine builders they can be on the order of discovery. This is mind blowing to me and I know it's 8 in the morning, but I hope you're getting this. I'm repeating myself a bit because this is really important. I think this may be the most important thing you hear at this conference. This is a predictable path to profits, so far.

Oops, I'm zapping someone with the laser, sorry about that. These were supposed to scroll. Which would you prefer, if you pay 1 dollar a shot to double your money with 95% chance of success, you bet 100 dollars it nets you 185 dollars. Maybe not spectacular, but you've almost doubled your money. If you pay a 1 dollar a shot to get a 10-bagger, but the odds are 1 in a 1000, which may be generous, betting a 1000 times, 1000 dollars, nets you 10 dollars. Somebody's awake, this is what I'm saying. The odds are in your favor. The rational speculator does everything humanly possible to put the odds in your favor. You speculate because you don't know what's going to happen in the future. But that doesn't mean you just throw darts at the board in the blind, you do everything possible to put the odds in your favor. I am giving you a strategy that will put the odds in your favor, free of charge. I'm not counting what you paid Brien Lundin to be here.

Doug Casey is famous for saying, "It's better to risk 10% of your capital for 100% gains, then 100% of your capital for 10% gains." He's trying to talk to people who are stuck in the mainstream, it's a wise phrase that comes to mind frequently. So my new mantra is mine builders deliver better than 100% gain 95% of the time. This just blows me away. There's no such thing as a sure thing, but this is pretty darn close, and I hope you'll remember that.

There are two more things that I want to throw in there, I've got five minutes left and if I can answer a few questions, I'd like to do that too. I wanted to say that since I came up with these numbers there's actually been two more companies have built their first mine that I've found and their both A-typical so I didn't change the numbers. One is Atlantic Gold, which is in our portfolio, and their gain from sort of ... They didn't have a formal press release that says we are building our mine, there was a press release where they made their first loan for building the mine, there was another one where they had completed the financing for the mine, and then there was a press release they're already building the mine. So we're using the one where they got the rest of the money, and it was clear they're building the mine as the starting point is the construction decision. Their average gain was 192% to when they poured their first bar of gold just a couple weeks ago.

I also found on in Australia that has a tiny little mine with some 20,000 ounces of production in an 11-month mine life, but somebody built it, it's publicly traded, and that stock went nowhere. I'm not too surprised given the nature of the thing, between the almost triple and the nowhere, the numbers are still about the same. But neither one seems like a proper runway example to me. One has a less clear starting point ... Oh by the way, if you go back to when Atlantic released their feasibility study and it was clear that they wanted to build the mine the gain was on the order of 500%. And if you remember my chart with the what happens afterwards, the stock actually peaked just before first pour, which is again supporting our notion that the first pour is a good sell signal.

Let me see if I can go back to the first chart, or the first thing here, because I know the room here is filled up significantly since I started. I just hit on this real quick one more time. For those of you who weren't here bright and early when I first started, I hate losing. This whole talk is about not losing. We want to make money, not lose money. This is identic to my personality, this is my personal Solitaire score card. You can see on there that I've won 78.7% of all games played as of 11 o'clock last night. How do I do that? I do that by not playing all the games. It doesn't count against you, the games you don't play. In sports terms, it's a baseball game with no called strikes. You can wait for the perfect pitch, and if you wait for the perfect pitch, if you wait for a good game that gives you advantages to start with, you can win. Actually I can win 90% of the time but I get tired, I get lazy, and I don't always wait for that perfect pitch and almost perfect pitch sometimes tempts me to swing the bat. I'm averaging about 80%, so I'm giving you a way to do this in the real world as it matters with mining stocks, everything that I've found, back testing this over the last 30 years supports this conclusion.

The examples in our portfolio right now support this conclusion. The other one would be Pretium Resources, which has given us various shots at double as it's fluctuated, but officially as construction decision and first pour, that one did about 85% gains. So if you ignored everything else and just bought and sold on those signals, it would've been an 85% winner, which is not bad.

Okay, well that's my point. I hope you're awake, I hope you remember this. It will make you money. And of course I hope you subscribe so you can find out about my golden runway score and what I'm doing to find the top five, the next top five performers. And I'll take any questions if you have them.

Speaker 3: [inaudible 00:26:55].

Louis: That's a good question. What's the time length between the construction decision and the first pour. It's 590 odd days out of the 105 sampled, so a little bit less than two years. And the acceleration, there's a conventional wisdom, actually it's what started me on this path, there's a conventional wisdom in the industry that there's what we call the pregnancy period before that first baby gold bar is born, it's about 9-months where there's a lot of excitement ramping up. And I was thinking about this coming out of the boring engineering phase into the pregnancy phase, what is that gain? And nobody knew, and I told Doug, and he'd never seen that before. I asked Rick Rule, he'd never heard the number before. I asked Bill Boehner, he'd never heard a number before. And all of them said that's unbelievable, I can't believe that. So, I challenged Rick and he actually assigned his bright boys to go and research this number and they went and looked and Rick's answer to me was, "We could find no flaw."

For me, that was a stunning compliment coming from him. Yes, sir?

Speaker 4: [inaudible 00:27:57]

Louis: When am I going to start a fund, you know, It's an interesting thing you say that. I love what I do, I love being able to help so many people, if I did start a fund, I might have to call it the Patience Fund, because how many of these things are built a year? That wouldn't be the only thing I'd invest in, but like for exploration I like prospect generators, you mitigate the risk. That takes time, also. I'm pretty happy with… but that is an idea. It hasn't occurred to me, wow that would be an interesting way to go directly into this. Other questions? Alright, well I hope you're awake because I don't think anyone else is going to hand you a 95% chance at doubling your money in this conference. They may give you ideas that could be spectacular, but the risks are going to be there, or the odds lower, and I'm out of time. Thank you very much.

Byron King
"Sudden Death For The Dollar"

Speaker 1: Now I'm not going to read the entire introduction of Byron King because he wants to save time and get to the sessions coming up, but you can check his biography in the program book. And as you all know the dollar has been kind of sick this year. It's down a little, but he is going to say we have a problem that is more serious. It is talking about the sudden death of the dollar. So, please welcome Byron King. Cheery subjects today.

Byron King: Thank you very much. Good afternoon, I know that I am the only person standing between you and a break. So, let's make it quick. I write investment newsletters, many of you are subscribers, I appreciate that. My beat is the world, I've been all over the place from South Africa to Russia to Alaska. That's me, 2,000 feet down in a South African gold mine there. That's me with the Alaska Pipeline, worked at Agora since about 2004. I've covered energy, metals, mining, defense technology.

Part of that defense thing is because I spent a lot of time in my life in the U.S. Navy, Navy Reserve. I flew those airplanes on the right, not both at the same time. Just one at a time but I learned a lot. I learned a lot. In fact I learned a lot about Russians because I was in the Cold War. I was in the Cold War Navy. And I learned a lot about Russia. And that photo in the middle, that's me in Moscow, south of Moscow, standing next to a box of radioactive rocks that were ... They gave me that nice white lab coat to protect me from the ionizing radiation.

The box was a commemorative box of radioactive minerals that was presented to Joseph Stalin in the late 1940's by the geological survey of the Soviet Union, or the equivalent back then. After Stalin died, they put the box of rocks in the Stalin museum, and one day the KGB was doing a sweep and they broke out Geiger counter scintillometer and they went to this box and it's just emitting radiation and "Whoa, we got to get this thing out of here!" So, they put it in the basement of a museum. It's in a top secret instillation that belongs to Ross Adam, a Russian Atomic Energy Agency. But anyhow, I got a tour of that a few years ago. And that's me standing next to those Russian radioactive rocks.

But right now, I write the Rickard's Gold Speculator with Byron King. It's about gold silver. It is the Jim Rickard's Gold Speculator with Byron King, not the Byron King Gold Speculator with Jim Rickard's because my partner is Jim who has been here before in passed New Orleans conferences, but he's not here now. He knows a few things. He's written four New York Times bestsellers, as opposed to me who have written none best sellers. But, you know, Currency Wars, that was the first book I ever read of Jim's. I saw it at the bookstore when I like, "Hm, currency." I write newsletters about currency and war, hey I'm a graduate of the Naval War College. I should read this. It's all about how you break a country by breaking it's currencies. And Jim has worked for the CIA. He's allowed to say that.

Putting together war plans against countries where instead of at the Navy War college we would have war games, where we shoot missiles at each other and the submarines would sink the aircraft carries and then we'd stop the games and refloat the aircraft carries because you're not allowed to sink the aircraft carries, you know. And so, in currency wars, instead of shooting cruise missiles and sinking each other's submarines, you kill each other's currency. And then he wrote a book called The Death of Money. Not the death of the dollar, not the death of the Pound, not the death of the Yen, but the death of money. Hm, you know. Last year, he wrote a book called "The New Case for Gold." Trying to figure out what that's about, and then his most recent book, last, about a year ago called "The Road to Ruin," which is about, you know, how we're on the road to ruin, for all sorts of monetary type reasons.

We've heard previous speakers today. Judy was talking about how Bretton Woods led to the current monetary system. I just heard her talk about central banks. Doug Casey, there's not a lot of love in this room for central banks and central bankers. I think knowing this audience and knowing a lot of the speakers, I mean, to get a ... to channel my inner Doug Casey, I think a lot of central bankers gonna wind up as the next Harvey Weinstein's, but you know, we'll see. We'll see.

Jim thinks his basic thesis is that gold's going up to 10,000 dollars an ounce. Not because he threw a dart at the board and that's where it landed. But because if you back all the money supply globally with 40% gold, you need about 10,000 dollars an ounce to make it work. In that case, those 25 gold coins that are holding in that hand on that screen that looks strangely like mine, that would be 250,000 dollars worth of gold. Those four tubes on the right that would be a million bucks, right there. Right now, it's only about whatever, 125,000 dollars worth of gold. That's where we're headed, if Jim is correct.

Gold's moving up because the dollar is losing value. We value gold in dollars. Here it is going back a century. You know, you've all seen this chart or something like it. Why is the dollar losing value? Because the government doesn't know how to stop spending, it has no sense of discipline, no sense of priorities. I'm not going to embarrass anybody, but who in this room was alive in 2016, oh 2016, 1916, I'm sorry. You may have been a child. You may have been in kindergarten, you may have been a middle schooler, you know, who was a ... This is your life. This is government spending, for the last 57 years. It only goes up. It goes down a little bit here and there, but for the most part it's up up up up up. The government just spends spends spends takes more and more of the economy. It's ruining the dollar.

A good friend, Jim Consler who has spoken here, I think in the past ... He's a really one great public thinkers anymore. He has a website: consler.com. US government can't run out of money. It can always print more. But the government can destroy the value of that money and shred the consensual confidence that allows it to operate as money. I thought that was just a great quote. I wanted to throw that out there and give Jim a plug.

You know, when gold moves up so do mining shares. This is the last not quite two years of gold on the bottom. And, because our friend Rick Rule is here Sprott is here, the S ... SGDM, the Sprott Gold Miners Index. A very fine product by Sprott: SGDM, write that down. It's an index of the top 25 gold miners. They soared in the beginning of 2016. If you're a gold investor in this room, you know all this. They fell last year during the election. They fell after the election. And 2017 has been this sort of slow, gentle rise, but for the extent that gold has gone up which you know, when you look at it, it's you know, it's okay, pick a number 15, 18, 20, 22 percent. You know, the gold miners are up much much more over that time. And that's just an index, that's not even, you know, the individual ones that could really really give it to you in a really sweet way.

But what nation's buying gold big time, that would be Russia. And that's what we're gonna talk about for the next few minutes here. Russia, that great big country over there, you know, where people say, "I'm worried about the Russians and how they interfered in our election." And my question is, "Could you find Russia on a map?" to many people who say things like that. It only covers about 10 time zones, but you know, maybe if you throw enough darts, you'll find it.

This is Russian gold reserves since 2006. Let's see, do a little math, that's 11 years. Let's do another little math: 400 tons up to about something over around 1,800. It's more than quadrupled in 10 years. Something is going on. This is not accidental. There is a policy going on. There is a thinking process going on. That is why I am talking about the sudden death of the dollar, that is why I'm talking about the concept that there are people in this world who are basically measuring the US dollar for its coffin.

Now, here in the US, here even at this conference, we talk about us all the time. We love us. We love ourselves. We love our Fed. We love our bankers. We love our stock market.

And the US media don't even get me started on how terrible it is in terms of giving you news of the world. They just don't. You know? I hope some of you knew that Russia's been buying gold. If you read my newsletter, you know that, because it is one of the editorial themes that I hit on all the time. Russia's monetary policy has the Kremlin stacking bullion bricks like there's no tomorrow, that's according to a Russian news agency that I really like, Sputnik news. I've heard it called, "Oh that's Russian propaganda." Well, yeah. And New York Times is American propaganda. And National Public Radio is sort of the ice breaker for the American narrative that somebody wants you to know. Russia's buying gold.

Valentine Katasonov. He's a professor at the Moscow Institute of International Relations. You say, "Whoa, what's that? I never never heard of it." That's okay. It's the Stanford, the Harvard, the MIT of Russia. It's the place where their foreign minister Lavrov attended, you know, the smartest people in Russia, who run the place all went to this school. Central bank is doing the right thing. The price of precious metals is under valued significantly so. Investors looking for long term results are investing in gold. This is the thought leadership of Russia. This is what they say about gold. They're not saying we should accumulate dollars. They're not saying let's sell oil and take the dollars and put them in our vaults. They're saying, "No, let's sell oil and buy gold. If we need some petty cash for day to day things, if we need some dollars or Euros, yeah okay, we'll keep that kind of in an account we can do our day to day trading with it. But for long term, if we have any ... if we have dollars, Euros left over, we buy gold."

The gold manager, the Russian Central Bank, Dmitry Tulin, price of gold swings, but on the other hand it's a 100% guarantee from legal and political risks. How many times have you heard that? If you're here in this audience, you probably have a feel for this already. You know, gold is a de-risked investment. Nobody ... If you have it, the only way somebody can take it away is if they hold a gun to your head and take it. It's nobody's liability. A gold coin in your hand is no one else's liability. So, Russia is boosting its gold holdings as a defense against political risks. I mean, the whole story sanctions on Russia etc. Political risk. But that's okay. They're buying gold.

Another important purpose of gold is the strategic reserves, as the man from the institute of international relations. What's a strategic reserve? That's the stuff you keep behind. It's a supply of something that you hold back from normal use, for a particular strategy or to cope with unexpected events. Gold. That is what they're ... They're stock piling other things too, but at the central bank, the Russians are buying gold, and you have to say, "Why are they doing that? "What are they thinking? What are they expecting?" They're not expecting something good to happen with the dollar. They are waiting for something to happen.

The dollar's heart attack, the dollar's crash. Yesterday, if you were here, Chris Martenson, Peak Prosperity, he showed that one interested slide of Western debt instruments and it was up up up up up into the trillions and trillions and trillions of dollars and then in 2007 and 8 there was a little bit blip where they ... it actually, debt instruments actually declined and he circled that and he said, you know, we almost killed the economy when we had that little pull back. That's the unexpected event. When the next big one happens who knows what can happen to the dollar. It's probably not good.

More from Sputnik news. This is ... These are thought leaders, this is what the Russians are thinking in years to come, global markets, see significant devaluation of the American currency, Russian and China, stock pile gold in a bid to cut their economies dependence on the dollar. They want away from the dollar. They're sick of it. They're sick of sanctions. They're sick of being jerked around in the swift program in terms of their ability to translate currencies from one to another. Their sick of having to translate their currency into the dollars to buy gold or to buy oil or to buy other instruments on the world market. China makes these deals where they buy things in yuan. They make these bilateral trades.

They're sick of the dollar, and they're waiting for it to get out of the way. No less than Vladimir Putin. This was 6, 7 years ago at the Selegird conference. Very, very important conference, where he basically laid out the map, and this is somewhere where that thinking about gold comes from. They're living beyond their means, talking about the USA. Shifting part of the weight of their problems to the world economy. They're living like parasites off the global economy, and their monopoly of the dollar. I mean, you know. I mean, Doug Casey was just up here, and he was talking about, you know, Hollywood and the media, and whatever. They are the termites of Western civilization. From another perspective, from the not USA perspective, from the not Western monetary system perspective they view the US and it's dollar and the way we were, they're viewing us as the parasites as the termites, living off the world.

Look at that gold chart again. Back to 2011, I mean. Back then they had 800 tons of gold. In the 6 years, they've doubled it. That's a lot of gold. They're buying gold pretty much every month. They're adding to the gold reserve. Again, Mr. Putin, it's important to deposit gold in a ... It's important to have your gold in a rational secure way. China and Russia need to think of how to do that, keeping in mind the uneasy situation. These are public comments. There's nothing secret about it. It's nothing, you know, classified or anything else. But you've gotta follow these guys, and you have to listen to them and are they making sense from ... Put yourself in their shoes. What are they thinking? Where are they coming from?

From a guy, a big shot in Putin's political party, the more gold, the more sovereignty, if there is a cataclysm with the dollar, the Euro, the pound, or any other reserve currency. Well, yeah, that is where they're coming from. Here in the West of course, we view Putin, oh we demonize the guy. Oh he's bad guy. Today's economist just came out the newspaper, I think it's called, "A Czar is Born." Ha, okay. British humor, I get it. Putin is pursuing Russian national interests. One of the great pursuits of Russian national interests is economics security, in addition to all their tanks.

I was talking behind stage before it came out, and we were talking about the state of Russia's economy for a country that's been considered an absolute economic basketcase for 25 years since the Soviet Union fell apart, Russians have done ... They are doing pretty well in things that they want to do well in. I mean, they're building three, at least three if not four classes of submarine. They've developed at least two new intercontinental missiles. They've been completely revitalized their nuclear weapons complex. They're working on a new stealth bomber, that's probably as good as the one as we have. They've got a stealth fighter that's probably better than an F-35. Their ship building is fabulous. They've got ... They're building icebreakers. They have a combat icebreaker. I saw a video on this combat icebreaker for the arctic and it's like, "Holy Smokes!" They are so far ahead in terms of where they plan to go and what they plan to do.

But in the US, all we want to do is call them names. Demonize. Demonize Putin. This is the world as viewed from Russia. Russia's a big place, got the arctic regions in the north, but then the south and the east and the west. It's surrounded by other people, look at the world from that perspective. It's a busy place along the periphery. So there's a reason why Russia does what Russia does.

Let's come closer to home. Here's Mr. Henry Kissinger of the West, with draws from providing political stability read as in the West, 8 years, if not 16, if not 24. China and India will step in as Russia world policies will be revolutionized, if the West engages in conflict without strategic concept, chaos will ensue. Oh my goodness. That's right out of the Naval War College. That's what they banked into our head when I was up there. What is your theory of victory, conflict without strategic concept. My goodness, what is .... are we just bombing the crap out of the Middle East for the sake of bombing the crap ... I mean ... one might think that. And sanctions on Russia, they are absolutely insane in terms of what we're doing to try to squeeze them and paint them into a corner. All they do is say, "Fine, you can sanction us. Fine we'll just invest internally. We'll just buy more gold and invest internally and build our economy and we won't trade with you, fine." Again, from the guy from the Institute of International Relations "Gold is an emergency currency, it is used in the event of collapse. Of reserve currencies, including the US dollar, this is a thought leader of Russia ... of Russian academia talking about a collapse of the US dollar or in case of collapse of the global financial system.

I mean, this is what they are thinking. Into a series of currency blocks. Imagine that. Currency blocks. It won't all just crash and burn in one big California wildfire, it'll burn in different ways and you'll get different blocks coming out of it that will allow trade to occur. Ok, I mean practical people thinking practical things. Alasdair Macleod who is a really good Gold writer, if Russia and the Shanghai Cooperation Group grasp the opportunity to escape the unsound money system of the Western establishment, they'll at least partially insulate three billion people from global currency disaster. Yeah, I think that is what they think. Destruction of unsound money, read the dollar, will not happen overnight. Collapse of the monetary system will come from central banks response to the next global debt crisis, gee do you think? Do you really think that they're gonna have it all figured out and that they'll be able to, you know, save it?

I don't ... I don't have that faith in those people, such a crisis the banking system will cease to exist. Good luck, good luck then. It gets back to what Chris was saying yesterday where you got primary wealth, secondary wealth, tertiary wealth ... all that tertiary wealth is going to go away. A lot of things are going to transfer. As Russia buys gold, the US and the West is distracted by an internal political narrative. "Oh Russia hacked the election" and you know, all that kind of stuff. I don't care if you like Hillary or not but I mean, it just, you know ... we are not focusing on really what's going ... we're not following the facts.

Gold GDP ratio, this is a really interesting one. If you take how much gold a particular country has and you ratio with the GDP ... Russia is 5.6% of the Russian GDP is backed by gold, whereas the US is 1.8% that's ... you know, China, no wonder they are scrambling to acquire more gold, they want to get their number up too. The US is only half as well backed by gold as the euro zone. It really gets into the whole nature of what is US GDP, where are all those little numbers come from, you know? What does Putin know about gold, what does he know about defending Russia? I was injured earlier this summer, or last summer.

I injured my shoulder and I had to spend a bunch of time recovering and I was watching T.V. and I was watching Putin at the victory day parade on May 9th and he laid wreath at the tomb of the unknown soldier and it started to rain. And he's just getting poured on ... he's just getting soaked by the rain and that's him standing there. I was watching ... you know there was some US narrative behind it on the mainstream media and some total jerk whose name escapes me ... on one of these stupid networks, "oh look at Putin he can't even come in out of the rain" and I'm thinking oh god you must be kidding me. He's laying a wreath at the tomb of the unknown soldier. And Putin talked about that the next ... about a day or two later.

He said, "I'm not made of sugar" He said ... you know, I'll just read it to you and I'm a little preachy but this is good. This is Putin ... just letting loose. "It's not blood and death. Troops go one way, the other, they advance they retreat, they're in the field day and night, summer winter, snow and rain, there's no situation where the fighting ends, everybody goes home to ... they're in one place, they live, they die. It's a terrible situation. If it was necessary to stand on our own, it never occurred to me that it was necessary to under an umbrella and I'm not made of sugar. And when we do something," says Putin on another talk, He says, "I want to reiterate again that we must not forget about the ethical foundations of our work and that includes running the economy" Doug Casey just said "As technology is accelerating upwards in the West, ethics and philosophy is flat lining" Well, here's a guy who still has an ethical sense of what he's doing and that includes buying gold.

So, at any rate I would say that for all the people out there who think that the US dollar will reign supreme and everything and you know, we conquered the world 75 years ago and we're going to stay in the ... before starting the next world war you should think very carefully as Helmuth Von Moltke once wrote, "And as we await monetary calamity which I do think is coming, gold will lead the way." That is a Russian ice breaker with a gold covered ... colored superstructure doing what Russians do, which is accumulating gold and developing things that are important to develop. My break out session will be this evening 6:45. I'm going to not talk about this at all. I'm going to talk about the companies that I write about in my newsletter and if you ... it's 6:45, oh my god Friday night in New Orleans, Louisiana, 6:45 you're going to come to a room and listen to me talk about mining companies. Some people are gluttons for punishment and I welcome you. So ... thank you very much, see you all later.

Robert Kiyosaki
"Why The Rich Are Getting Richer"

Speaker 1: Now I always like to put a little bit of history into our featured speakers, but why are the rich getting richer? In America, rich, as I said, is a four-letter dirty word from the leftist's point of view. Getting richer is bad. They say tax cuts for the rich. Well, the rich pay approximately, top 10%, pay approximately 71% of our income taxes and that's a higher rate than in proto-socialist countries like Scandinavia, France and so forth in Europe. Even though their rates are higher, they don't actually pay the tax at the rate Americans do. I made a vow years ago that at every conference like this, I would thank you, you by the virtue of being qualified investors and being here, you're paying a highest tax rates. For that, I thank you for paying more than your fair share. Thank you on behalf of the American people.

That brings me to our speaker. He is best known for the best number one selling, all-time financial, personal financial book, Rich Dad Poor Dad, about 20 years ago. He's come up with a 20th year tribute and a couple of new books, one of them with the title of this speech about the rich getting richer. He has educated Americans, a great many of people who are not interested in finance, to find a way to get them interested in a way that perpetuates family wealth, so I'm really looking forward to hearing Robert Kiyosaki, Why the Rich are Getting Richer.

Robert Kiyosaki: Thank you. If I may see a show of hands, how many people have read Rich Dad Poor Dad? Wow. Thank you very, very much. Thank you. [inaudible 00:01:48] Who has not yet read this book? May I see a show of hands? Good. Thank you. We have a few copies for sale as well as my two newest books, Why the Rich Are Getting Richer and More Important Than Money. These go hand in hand, which I'll explain later.

Rich Dad Poor Dad is kind of, I would call, elementary school. Why the Rich are Getting Richer is graduate school. What is real financial education really? The reason this is important is because I cannot do what I do without a team. As you know, in school, if you have a team at test time, it's called cheating. You know what I mean? I was very cooperative in school. My teacher didn't see it that way. I always sat next to the smartest girl going ...

What I learned from my rich dad, you know, that when he had meetings once a month at his company, he had his accountants, his lawyers, his bankers, all his team around him, and my rich dad never finished high school, but he got his education from very smart people. As a little boy, I would sit and watch my rich dad get his financial education from a team of very, very smart people. I think that's one of the biggest problems with school is we actually teach people to not be successful in the real world.

Anyway for those who haven't read the book ... By the way, those books will be for sale at the Real Estate Guy's booth. If I may give a plug for the Real Estate Guys, they were one of the first people ever to interview me with Rich Dad Poor Dad 20 years ago. Over the years, they are standup guys. The more I hang out with them, they're more impressive. They're people who are action and integrity, which is, as you know in this industry, rare. Thank you.

I have visited their projects, and I've listened to them teach, and they are totally committed. The reason we work together a lot is because my whole business is financial education. I have nothing to sell you. I have no investments. I sell a few books, but the real estate guys are for real, and I really enjoy working with them. My books will be on sale tomorrow at their booth and if I'm around, I'll come and sign them for you, okay, in the morning.

With that said, for those who haven't read Rich Dad Poor Dad, give a little of my background, my poor dad was the head of education for the state of Hawaii. I grew up in Hawaii. I'm a fourth generation Japanese American. My name sounds like Kawasaki. I wish it was Kawasaki, but it's not. I'd be a worthless playboy in Tokyo if I was… speaking daddy's money, you know? I wasn't so lucky, so my poor dad ... He was third generation. I'm fourth generation. The way for the Japanese to get out of slavery, i.e., the plantation, was through education.

Our family are highly dedicated to going to school, getting a job, working hard, saving money, your house is an asset, get out of debt, invest in the stock market, live below your means. Everything I didn't want to do, so anyway. Some people laugh. Anyway, when I was nine-years-old in the fourth grade, I went to a very rich school and was right across the street from the plantation school in Hilo, Hawaii, a little sugar plantation town.

Most of my classmates were white guys, and they were rich. The reason they were rich, they owned the plantation. I said, "There's something wrong with this picture here." I raised my hand in the fourth grade. I was nine-years-old, and I asked my teacher. I said, "Look, when am I going to learn about money?" The teacher looked at me, and she goes, "The love of money is the root of all evil." I said, "It maybe evil to you, but I want some of that stuff. You know what I mean?" She kicked me out of the class for a while. Then I went home to my old man who was the head of education, PhD, Stanford University, and all the pedigrees.

I said, "Hey, dad. When am I going to learn about money in school?" He says, "I can't teach you about money at school." I said, "Why not?" "Because the government doesn't let us." At the edge of night, I thought that was really strange. I know for most people it makes sense. It didn't make sense to me. Why am I going to school to look for a job to work for money, but not know anything about money? He says, "Look, don't talk to me. Go talk to your best friend's father." I said, "Who is that?" He says, "Mike, your best friend." "But why go talk to him?" He says, "Well, number one, he didn't go to school, and he's a rich man." I said, "That should tell me something." He dropped out of school at 13 because his father died, and he took over the family business and so he was like a ... Rich Dad was a natural entrepreneur, had several of those.

He said, "I'm an employee, and he's an entrepreneur." Two different things. I thought about that, so I went to knock on rich dad's door. I said, "I'd like to be an apprentice basically." He said, "No, no, no, no, no." Finally, he says, "Okay, I'll take you in on one condition." He says, "You do as I tell you. You keep your mouth shut, and I won't pay you." I said, "Why won't you pay me?" He says, "If I pay you, you'll think like an employee. Entrepreneurs work for free." That was kind of like lesson one.

Lesson two was I sat and worked in his office, and I did all the little goofy things, picking up rubbish and ... I'm not bothering anybody. But to keep his agreement, we just played Monopoly. After an hour of work, his exchange was we played Monopoly for about an hour. After months of playing this little game, I'd go home. My dad would get upset because he's not paying me, poor dad. He says, "Why don't you ask him why you're playing Monopoly." I went and asked him, "Why are we playing Monopoly?" He goes, "I never thought you would ask." Now he says, "The trouble with kids in school, you get told what to do from poor people." He said, "Most school teachers are poor, good people, but they're poor." He says, "If you want to be successful in life, you got to ask just like you came and asked me to work for me."

I said, "Okay, why are we playing Monopoly?" He says, "Well, there's many ways you can get rich. But one of the best formulas of all is following this board game." I said, "Monopoly?" He goes, "Yeah." I said, "What's the formula?" He says, "You idiot. Can't you see it?" I said, "No." He says, "Four green house, one red hotel." I said, "Is that it?" He goes, "Yeah." I went, "Holy mackerel. Why am I in school?"

Rich dad, being a man of action, he took me to show what looked like his little green houses. It's in Hilo, Hawaii. My poor dad says, "Yeah, your friend's father is a slumlord." My rich dad says, "I'm not a slumlord. I'm a low-income housing provider." That was the to and the fro of Rich Dad and Poor Dad. I apprenticed to rich dad for about 30 years. I did go to school. I went to school in New York. I had horrible grades, but I got two congressional nominations. One to U.S. Naval Academy in Annapolis. Other one, U.S. Merchant Marine Academy in Kings Point, New York. I took Kings Point because that's what I really wanted, and I became a tanker officer driving oil tankers because I was interested in oil.

When I graduated in '69, I got a very high-paying job with Standard Oil driving their tankers up and down the west coast to Hawaii and to Tahiti. Unfortunately, the Vietnam War was on, and it got my conscience that people were being drafted. I was draft exempt because of that three-letter word, oil. If you're in the oil business, you don't have to serve your country. I thought that was interesting.

I took a cut in pay from about $48,000 a year down to $200 a month as a Marine lieutenant. I went to flight school in Pensacola Florida, over to Camp Pendleton, straight to Vietnam. I had the pleasure of flying the helicopter gunship, which I just loved. It was a perfect aircraft for me. This is where the story of ... [inaudible 00:11:05] This was 1972. I'm sitting on the aircraft carrier of my squadron, and we escorted 46's and 53's, the twin rotors above and the jolly green giant. We covered gun support going into the zones.

It was a nasty war because we knew we were losing. I remember one day asking my commanding officer. I said, "Hey! How come their Vietnamese fight harder than our Vietnamese?" The north Vietnamese were coming south and so were the south Vietnamese going south. They were running at high speed, you know? I asked the question. Marines don't ask this question. I said, "Maybe we're on the wrong side because they lost their guts. They have no will to fight, so why am I fighting their stupid war?"

That's when I said this was it. One day, my rich dad sends me a letter. He says, "Hey!" The snail mail took about a month to get to me on board the ship, FPO post office. He says, "Hey! Watch out. President Nixon took the dollar off the gold standard last year. The world is going to change." I had no idea what he was talking about because we don't learn of this stuff.

He had college classes with a Bachelor of Science Degree, which stands for BS. I'm standing there looking at this letter going ... I said, "What's happening?" I saw there's a Wall Street Journal, and we look at it. Gold was starting to rise. I said, "My God. It's already doubled in a year." My other pilot friend and I said, "Yeah, let's go look for some gold." I said, "Yeah. That's a good idea."

We're sitting on this carrier off the Vietnamese coast. There's a map. We see a little pick and shovel. It says, "Hey, you, for gold." I went, "Ah! Let's go look. Let's go get rich." We take off. We drop some passengers off in Danang and we head north. It was only one problem. It was that a gold mine ... We had just lost that territory. It was now in enemy hands. Those two idiots ... We're flying low. Below us are Russian tanks all blown up, smoke, still from where those Vietnamese were heading south. The north Viet- ... I chased them.

We're now passing the zone, and we're sitting there looking at our map. I said, "Okay." Finally, I said, there it is. What it is, is a clump of bamboo trees. I said, "There it is." "Okay, let's go." We come. We're only about 15-20 feet off the ground. We're really low level. We pop near the trees. I still remember hitting the hard left. I said, "Any fire? Any fire?" I said, "My crew chiefs are waiting. We're not taking fire. No fire, nore fire. "Okay, we're going right." Boom. Turn the thing over. The blades are going ... I said, "Nobody shooting at us. Let's go in."

We sit the sucker down and wind the aircraft down. They said, "Okay, let's go in unarmed because we'll show them that we come as businessmen, not Marines." We walk in like idiots. It was like a Farmer's market. They're selling their vegetables and chickens and ducks and, "Hi. How are you doing?" No problem. These guys are going, "Who are these two idiots? Don't they know where we are?"

Finally, we got led to this little booth, little bamboo booth, and that's the gold dealer. It was a little woman with betel nuts, you know, her teeth were bright red. She goes ... We're looking at this little eye case, these little plastic things and this gold nuggets that I'm ... I look at my partner, you know? I said, "Okay. Is that gold?" He goes, "I don't know." "What do you mean you don't know what gold looks like? I thought you knew." He says, "No, I thought you knew." I said, "You idiot." We're yelling at each other and all this. They looked like two raisins painted gold. I said, "What if it's just two raisins?" He says, "We're screwed."

I think the price that day, spot, was about 70 something dollars. We thought, "Since we're behind enemy lines, discount. We make the woman an offer she can't refuse. I said, "We'll give you 45." She goes, "F you." I said, "What do you mean?" She says, "No. Spot. No. Spot." "But you're behind enemy lines." She says, "It doesn't make any difference."

We're still in there arguing, and I'm yelling at my partner. I said, "[inaudible 00:15:55], we're going to die today, and we don't even know what gold looks like. Back then, it was illegal for a Marine to sell in gold. It was something else I found it. All of a sudden, [inaudible 00:16:07]. I said, "Holy shit." In my mind I could see the MVA coming across the fields, you know, the rice patties. I said, "Let's get out of here." We start running at a high speed, and chickens, and ducks are flying everywhere, the Vietnam- ... I don't know if one is going to shoot us that day. I don't remember stepping on this duck running through the thing.

We get out to the aircraft, and we're unarmed, and we're doing our best to get back to our side arms. There was no enemy. I said, "What's happening?" He says, "The aircraft is sinking." What happened. I parked it in an old rice patty. The damn thing was sinking like this. I went, "Holy Christ. We can't get out of here now." The crew chief, the smallest guy, he gets in the pilot seat because he could fly. He sits down there and the other gunner and myself were under the boom like this. I said, "Okay, start it! Start it!" It goes ... The thing is stuck in the mud, and I rock it. He rocks it, boom, boom, boom. I'm afraid the tail [inaudible 00:17:22] is going to hit. He's watching on this and suddenly it breaks free. As soon as it breaks free, all this mud comes. Now we're covered in mud.

I jump in to take the seat, and then the crew chief gets out, and I take over. My co-pilot takes over the co-pilot seat, and we lift off. I said, "You're an idiot." "No, you're an idiot." We're flying back to the ship. I can remember getting back off the ship. We're covered with mud, you know? They said, "What happened to you guys?" "Don't ask. Don't ask." That was my first experience with gold. Thank you.

I still remember I flew ... Our ship left Vietnam for R&R and Hong Kong. I continued my search. I just remember buying a krugerrand It was about 50 bucks and that's my first coin I ever bought. They said, "You're now a criminal because it's illegal." I thought, "Well, thank Mr. Blanchard for making it legal." I put it in my pocket. I still have that coin. Today, it's worth about $1500.

When I talk to people all over the world, I said, "Did that gold coin get any bigger? Did it get heavier? What happened?" It's important our money come down. Ever since then, I've been collecting gold coins. I didn't have much money then, but I still collect them. Over the years, I've now collected thousands of it. I just keep collecting it. I never spend them. I spent four at one time. It's when the price hit about 800. This guy I owed some money to, I said, "Look, I'll pay you back in gold." He took the four gold coins. It dropped to 400 the next week or something, but anyway, that's the game.

But anyway, ever since then, I've taken ... On the Toronto Stock Exchange, I've taken one oil company public, one silver company public, and one gold company public. When I see all the exhibitors out there, give you guys a hand because I know what that feels like to stand there and pitch a deal, pitch a deal, pitch a deal. The oil company I founded was in Portugal. Everybody say there's no oil Portugal. I found out there's no oil in Portugal. The stock price went ... I said, "Why is the stock price dropping?" What they found out, the guy owned the rig called in. He sold before everybody else could do it. He was way ahead of us. It was called an inside trade at that point.

The silver company did very well, extremely well. Then the gold company I found in Dalian, China. The moment we struck, it was one of the biggest finds in Chinese history. The government took it. I'm a big boy, but when they take a gold mine from me, it's kind of upsetting. I still do business in China, but I always watch my back there anyway.

With that, that's kind of my background on that. But the most important thing is I still ask the question. I said, "How come we don't teach money at school?" That's not an accident, so I'm going to tell you a little bit of what I found out. Why I founded the Rich Dad company is we teach financial education. It is the reason why I wrote this book 20 years ago. This is the revised edition. The book Rich Dad Poor Dad remains the same, but what's outside of it is all the reasons I wrote this book. I wrote this book for today because I could see the economy coming down. I don't know if you ever saw me on CNN. I was calling the crash of Lehman Brothers six months before it happened. Wolf Blitzer has never asked for me back again, but it's coming. We've seen it coming for years.

They still say to kids, "Go to school, get a job, work hard, save money, buy a house because it's an asset, live below your means, invest in the stock market." I don't do any of that stuff, so that's why I wrote this book. I created a cash flow board game. It's the only game that teaches a financial statement, income expense, asset liability, statement of cashflow. That's my whole purpose now. I retired a long time ago on real estate and that's what I'm going to be talking to you about today.

With that said, again, this was elementary school. This here is graduate school. Why this book is important, these are my advisors, these are my teachers like my rich dad had. They write their side of the story here, so they go hand in hand because I am not able to do what I do by myself. With that, I'll go into a little bit of what I teach for those who may not have seen it or heard it.

This is in Rich Dad Poor Dad and this goes to financial literacy, financial vocabulary, and literacy begins with words. There's six basic words in financial education, financial literacy. First one is income, expense, asset, liability. Four words, but the next most important word or two words, cashflow. As anybody in real business knows, cashflow is the key. People who cannot control their cashflow are poor people. Every time somebody says, "My house is an asset," I say, "Can't you see the cashflow because this is the cashflow of a liability." It goes in and out versus the cashflow [inaudible 00:23:51] of an asset goes this way.

The simple reason I'm getting richer all the time is I focus here. This here is my poor dad. He always says, “Go to school and get a job.” My rich dad says, “I have never got rich that way.” This is rich dad here. That’s the difference. I was taught as a young man that there’s four basic assets. Number one is a business, number two is real estate, three, a paper, stocks, bonds, mutual funds, ETF and savings, and four, the commodities. I do not invest in paper at all. I don’t save money, so I violate everything that we’re told. It was one of the hardest things about getting on television.

It was when this book was turned down so many times because the publishers are like my poor dad, highly educated poor people. They said, “What do you mean?” Rule number one, the rich don’t work for money and that was my rich dad’s lesson, “Don’t get a paycheck. Stay away from it. It’s poison. It’ll toxicate you.” Number two is your house is not an asset and number three, savers are losers. When I was on television 20 years ago, they said, “You don’t know what you’re talking about.” I got hammered.

Then in 2007, as you know, the real estate market crashed. After 2008, with quantitative easing, savers became the biggest losers of all, and we’re now ripping apart our middle class to save the rich. The reason I wrote Rich Dad Poor Dad ... It came out in 1997. It was for today. It’s really quite this simple. Can you control your cashflow? What happens for the poor is this was the cashflow pattern of a poor person. It’s not how much money you make. It’s how you spend your money. That’s a poor person. How many people know people that spend more than they make? Yeah. That’s called the U.S. government. They can’t get it. Those idiots don’t get it.

This is the middle class over here. The first thing every middle class person wants to do is they want the big house, so they have their house here, and they buy the Mercedes car. Then they send their kids to expensive college and student loans. Then they wonder why their cash is flowing out all the time. Because they’re not assets, they’re liabilities. I’m not saying don’t go to school. Just don’t call an asset a liability. I mean, don’t call a liability an asset.

This is where I started. I started at a number of companies. This is kind of fun for me over here. I’ll show you this next thing here. This was book number two. This is the Cashflow Quadrant. How many people have read the Cashflow Quadrant? How many found it an eye-opening book? It’s very eye-opening because the quadrant are the four people that make a business or the world of money. The biggest category E is for employees. This is S for self-employed, small business, small entrepreneurs or specialists like a doctor or an attorney. Over here is big business, 500 employees or more, and I stands for investor. Really, what the I stands for is insider.

The people that buy stocks, bonds, mutual funds, ETFs and all that, and savings, they’re outsiders. The reason I took those companies public was just to understand how they trade from the inside legally. As you know, our U.S. Congress, those bunch of crooks can trade from the inside, and it’s legal. It’s really despicable what they’re doing, so I don’t touch out here because I don’t have to.

Anyway, this was here. This here was my poor dad, go to school, get a job, work hard. This was my rich dad here and here. The education is completely different. The reason I know that is because most people today, there's so many, many entrepreneurial programs in school, which is good, but they're training them to come here, small entrepreneur. The reason they do this is that, as I said, lesson number one in Rich Dad Poor Dad is the rich don't work for money. These guys work for money. Worse of all that is the thing called taxes.

Over here, this is all over the world. It's approximately 40%. Employees pay about 40% of their gross in taxes. These guys here pay 60%. That's because they have to cover their own Social Security and all that other stuff. I think it's really sad that all these guys ... "Oh, we have an entrepreneurs program." I go, "Good." I said, "Here?" "Yes." I said, "Does it make sense to become an entrepreneur to pay more taxes?" They don't know. They just don't know because they went to school.

Over here, on big business side, it's 20% tax. On this side here, 0% legally. I said legally here is because over here, we partner with the government. I partner with the government. For example, the reason i get huge tax breaks on real estate is because I provide housing. I have 6,500 rental units, 5 hotels, golf courses, oil wells and all that. I just play from this side here and this is what's happening. The poor are getting poorer on this side because they keep looking for jobs and working harder. Whittier College in California just shut down their legal department, their law school. They don't need attorneys, which is a good thing. But anyway, they're still sending kids to school.

Number one, debt today isn't credit card debt. It's student loan debt. How dare we penalize our young people coming out of school, especially the lower income kids with student loan debt, the worst type of debt possible. How dare we? Because another thing too is when you hear all the controversy in the world today. This here, as you know, is my friend President Trump. He sees the world from this side, completely different mindsets here. This here is Hillary and Bill. Not the most honest attorneys in the world, but they're there. This here is Obama.

When I listen to them talk about jobs and all this stuff, they're speaking from their points of view. The president and I wrote two books together way back when because we think it's about time we had financial education. This is as simple as it gets. If a child knew that if they came here, they're going to pay the higher taxes. It might inspire them to learn what they do here, move here, move here or move there, but we don't teach our kids that. Anyway, that was book number two.

The last thing I'm going to bring up quickly on this, towards the time, is that ... As I said, I raised my hand in school. I said, "Why don't we teach kids about money?" In 1972, I bought my first gold coin. I went back home to my poor dad. He said, "Go back to school," get my Master's and get my PhD. I said, "Dad, you have a PhD and you're broke." I used to tell him, "PhD stood for Poor, Helpless and Desperate," you know? He didn't like that too much. But no, he was a very good man. But the reason he was broke was because Hawaii is possibly ... Forbes magazine called Hawaii the People's Republic of Hawaii. It's one of the most corrupt states of all the states.

There's a new book that just came out. It's called Sunny Sky, Shady Characters. It writes about the governor who ran ... My father stood up to. My father was the head of education. He stood up to John Burns, the governor, was ex police officer. His best friend was Larry Mayhow, another police officer. Mayhow controlled the underworld and Burns controlled the government. My father stood up to him and Burns fired him.

I gave my father a lot of credit for having the courage to stand up to those bloody crooks. In that book, Sunny Sky, Shady Characters, they had to let go five justices of the Supreme Court because they're all complicit. Our Supreme Court Justices were crooks. When the judges are crooks, we have a problem. That still goes on in Hawaii today. Again, I'm not republican or democrat, and especially since Obama comes from there. But anyway, that's what's going on. It's the corruption is rampant.

My father stood up to them. I come back from Vietnam in '73, and he still tells me, "Go to school. Get a job. Get your Master's. Get your PhD. And I went, "Holy mackerel." I see my rich dad, and he says, "Come over here." I said, "how do I do that?" He says, "Take a real estate course." I said, "Really?" He says, "Yeah." He says, "Because debt is money." See after 1971, money became debt, An IOU from the federal government. That's when I [inaudible 00:34:49], so I stayed in this program for about six months and finally I just dropped out. I couldn't take it anymore. I just could not take it. Now there were fake teachers. My accounting teacher, I asked him, I said, "How many accounting firms have you run?" He says, "I've never been an accountant. I have an accounting degree, but I'm a school teacher."

He was teaching me stuff I could not believe. I was an apprentice. I am not an accountant, but I understood cashflow. He had no idea what the cashflow was. My marketing teacher, all he ever ran was a little bicycle store. I said, "I'm out of here." I dropped. I took my little real estate course, and it was $385 for three days. That little course has made me a multi, multi-millionaire because I learned two important things, debt and taxes, debt and taxes.

Because if you know your history, it was back in ... Two organizations were formed in the United States in 1913. One, the fed. Number two, IRS. Money is a function of debt and taxes. That's why they had to be formed at the same time. When I did that real estate course, I could see it. If I learned to use debt as money, which is my friend Trump does, I never need money again. I can bypass the whole system.

Since 1973, I've been practicing, practicing, practicing using debt as money, so I never needed money again. Don't need a paycheck. I don't have to pay taxes legally. This is what financial education should teach is this because this is money. It cannot exist without somebody printing it and somebody collecting it. It's not possible. As you know, the whole purpose of the fed was number one, was to have you borrow money and spend it. Then they could inflate the economy, so you're always paid back with ... We could never get ahead with that whole thing.

It's one of the most criminal organizations there is. That's why I was happy to have as many people speak out against the fed because I knew this. My first deal using no money was in Maui, Hawaii. It was an $18,000 unit. I have to look at 100 properties. I found this $18,000 property. It was in Foreclosure, a one-bedroom, one bath, on the beach in Lahaina. They wanted 10% down, so I used my credit card, and I financed the whole thing. It paid me $25 a month. It was 100% debt.

Once I could do that, I was free. I was like 26-27 years old. I never needed money again as long as I understood debt and taxes here. Since then, I just continued on, continued on, continued on, practice, practice, practice, practice, practice. That's why today, my wife and I own 6500 units, hotels, golf courses, oil wells and all that. We don't need a paycheck, and we stay off the system right here. I don't need money because I can always use debt. The same as Trump. If you hear him speak, he says, "I am the king of debt, and I don't pay taxes." Hillary was attacking on that. To me, I'd rather have him as president than Hillary. But anyway, that's what I learned and that's what real financial education is.

I'll show you a deal I did after the market crash. The numbers are skewed because I just sat there trying to recall it just now. The sad thing about it is all the people who are trying to save money to retire on, my generation, why would you save money when they're printing it. You got to be nuts. It's crazy. They still say to the kids, "Go to school and save money. Get a job." What about artificial intelligence and robots? What's a kid going to do? "No, go to school, get a job, become a doctor or a lawyer, and pay high taxes." That makes no sense to me.

This here is a real deal. I think it was 2010 we did this one. Again, the numbers for those ... Numbers guys, I'm not the guy. My accountant does it for me. But what we found was, and this is in Tucson, Arizona, a unit had 150 units, and it had 10 extra acres. This is my partner, Ken McElroy who put most of the deal together for this thing. This thing was, total price, seven million. It got two million from investor equity, and we financed it with $5 million debt and $4 million construction loan. We have nothing in the deal right now. Then when we built it out, it looked like this. The same 150 and we added, I think, 120 to it. The moment we did that, it went to ... The appraisal came in at approximately 15 million new appraisal.

With that, we put new financing on it of 12 million. With that 12 million, minus the five, minus the four, this, this, this, this taken out here. That make sense to you. This was taken out. Now we're floating on this here. That left us one million extra. With that ... Oh, let me see. Oh, it was three million, excuse me. Then we paid back this here. All the investors got 100% of their money back, and they went to infinite. They have no money in the deal. We didn't sell the place. They get all their money back, and they all shared in that. Since I was one quarter of the deal, I get an extra $250,000, but this is the kicker. It's all tax free.

This is tax free. This is tax free. This is tax free. This is tax free. It's 100% infinite return and every month I get approximately $25,000 cashflow. That's the deal. This is tax free. That's why the rich are getting richer. We've got all of our money back, infinite returns and the government allows us to do this because of three things, for those of you who understand accounting. It's appreciation, amortization, depreciation. That's what I cover here in this book, Why the Rich are Getting Richer. Then this book, More Important Than Money, because I couldn't do this without my team.

My financial advisor who's a genius, Tom Wheelwright, writes the paragraphs alongside of me explaining the tax law, which are the same throughout the world. I really feel for my fellow baby boomers. A lot of them are still trying to save money, and I was just in Japan five days ago. Those stupid guys are still trying to save money, and they're printing it. It's nuts. People are nuts. That's what happens. We go to school, get a job, work hard, pay your taxes, save money, buy a house thinking it's an asset, get out of debt, and invest for the longterm in the stock market and live below your means. It's obsolete advice. Obsolete.

It worked in the industrial age. It's not working in the information age. As I said, I published this book 20 years ago this year because I could see this time coming. But I got so much flack from the academic types who are like my poor dad. This is a very simple deal, but we do these all day long. I do about one a year and that's why, if you look at a financial statement, every year my income goes up because I add more assets to it. I still don't want a job.

In conclusion, I'll just show you why the poor are getting poorer, the rich middle-class is getting poorer. If you'll look at a financial statement of the middle class here, this is the poor and middle-class. They have a job. Money comes in. First line of expense goes to the government. It's called taxes. It can't escape it with a job. Same as a doctor or a lawyer. Next, they buy themselves a house because they think it's an asset or the new Mercedes or Lexus. Then it goes this way to the bank. Then they have a 401K, and the money goes this way to Wall Street. You can't get ahead with that information ahead, go to school, get a job, work hard, save money, invest for the longterm, pay your taxes, get out of debt.

Now understand something. My friend, Dave Ramsey, says live debt free and that's true. Most people should live debt free on the E and the S side. But to make the journey to the B and the I side, you have to have financial education. Ramsey is correct. If you're an E and an S, live debt free. If you're on my side, you have to understand debt, you have to understand taxes because in 1913, the U.S. dollar became debt and taxes. They don't tell you that in school.

This is why the rich are getting richer. You can see it on this thing here. This is what the president and I do. That's why we're friends. We don't have a job, but what happens when we have taxes ... Instead of giving it to the government, it's called phantom income. That income goes straight to the asset column. Rather than saving money, we use debt to invest because the government wants people to borrow money. If we don't borrow money, the economy collapses because after 1913, it became debt and taxes. When people say get out of debt like Suzy Orman and all that, that's very good for poor people. Cut up your credit cards. That's very good for poor people except every time I saw Suzy cutting up credit cards on TV, I felt like I was being circumcised. I like my credit cards. I like my credit card.

This is the third reason the rich are getting richer. We just keep reinvesting. Where does my extra money go? Gold. I don't save dollars. I save gold, and I never spend it. It goes into deep storage. I'm personally on the gold standard. I think everybody else should be on the gold standard also. Gold is not an investment. Gold is real money. The last word on that is this.

I'm not very religious, but I met a Hindu priest, a white guy. I asked him. I said, "Why are you wearing so much gold?" His name is Guru Dhaba. He was in the McIntosh adds, holy icons and all that. "Why are you wearing so much gold?" He said to me, he says, "Oh, don't you know? Gold is the tears of God." He says, "If you want wealth, you must have gold because gold is an attractor." I was on course that says, "If you want to get richer, just have more gold. Don't keep it in a bank or anything, but have more gold, and it'll attract more wealth to you." Anyway, with that, that's why the rich are getting richer. Thank you very much. Some of my books will be on sale, Real Estate Guys. Thank you.

Speaker 1: All right.

Brien Lundin

"Why Higher Gold Prices Are Inevitable - And What You Need To Do About It"

Bob: Our last speaker for this evening is technically a man who does not need an introduction, Brien Lundin. But for the record on Brien. He has a career spanning four decades in the investment markets. He has served as president and CEO of Jefferson Financial Incorporated. A highly regarded producer of investment oriented events and publishes investment newsletters and special reports. Under the Jefferson Financial umbrella, Brien serves as publisher and editor of Gold Newsletter. A publication that has been the cornerstone of precious metals advisories since 1997. That's a record that I don't think can be beat. And as the host of the annual New Orleans Investment Conference, the oldest and most respected investment event of its kind anywhere, and that it absolutely is.

It's got a remarkable record of longevity and quality of information distributed. I would also mention that Brien in his own right as you will soon discover, is a very fine analyst and thinker about markets and one who perceives trends very well. This is something that in a way mirrors his endeavors because Mr. Lundin or Brien is driven to burnish the brilliant legacy of the late James U Blanchard III. His great friend and founder of both Gold Newsletter and the New Orleans Investment Conference.

So at this time I would like to bring Brien to the podium and after he terminates his speech I have one very important housekeeping message. So I'd ask all of you to please remain in your seats. It'll take about 30 seconds, thank you.

Brien Lundin: Thank you Bob, thank you. Okay, everybody still awake? Nobody can complain about their speaking assignments this year because I give myself the latest and last one. You know I came to a stark realization sitting back there in the green room watching Adrian Day's speech. I realized that when you have a British accent you automatically sound 30% smarter. I mean, isn't that true? You could read the phone book and sound like a genius and I'm afraid that a southern accent works in the opposite direction. So I'm already at a disadvantage here.

So, first off I'd also like you all to do me a favor tomorrow morning. As most of you know if you've been here a few years, Brent Cook and I have a running bet. At the Precious Metal Panel we bet every year on whether the gold price is going to rise before the next conference or fall. Brent always takes the bearish end of that bet, being the dollar person that he is. I always take the bullish portion of that bet. We are right on the razer's edge right now. It's a dollar or two either way so I know you all want me to win this bet. So please tomorrow wake up and buy gold.

I mean literally it's just a dollar or two. We have enough buying power in this audience, let's go ahead and do it. My speech here is shorter than I normally give myself because we had some time constraints but I did give myself a workshop this year immediately following this. It'll be an expanded version of this presentation with a little more detail, little more intimate. Have some back and forth and some extra charts thrown in but I did want to get through, specifically for this presentation, my recommendations as well.

So my goal in this presentation is to, besides keeping Winston awake in the front row there, is to show you why higher gold prices are inevitable and what we should do about it. Somewhat we're talking about ... I'm preaching to the choir here. I think a bunch of you are bullish on gold. I am as well but I think we're going to have some hiccups along the way. Big picture, there are two possible paths that we have for going forward in the US economy. Growth, things are hunky dory, we have the economic growth that the Federal Reserve is looking for and the Fed raises rates as scheduled.

The result of that is low still, low real rates, rising incomes, rising inflation, that's bullish for gold. The other scenario which I think is probably more likely is that we'll have economic weakness. The timing will remain in doubt but at some point we're going to have economic weakness. We are due for another recession. If we have that, the Fed will be prevented, will be curtailed from its campaign of Fed rate hikes. That means more economic accommodation, a return to quantitative easing and then gold rises even more. So we're really in a good spot here with gold. Either path we take is going to be bullish for the precious metal.

Let's take a little look at where we are right now. This is the long, this century's history of gold since the turn of the century. We had that long bull run of course until mid-point September of 2011 where we peaked out at around 1900 and then we had the long bear market. That bull run from 2000 or 2001 to 2011 fortunes were made. Fortunes were made by people who came to this event as many of you know. We had junior resource stocks that would multiply two or three times over. If you took profits on that one you would be in another one that might grow up four or five times before it was taken over and they were intermixed in all of this it might be a ten for one gainer or more.

That occurred over the longest single history. The greatest bull run in resource stocks ever recorded. That's easy to say because gold has only been free trading as it were since about 1971. 1974 early 70's overseas but there was never really a market for precious metals and for mining stocks and a rising price environment for precious metals until the 1970's. That run was the greatest ever seen. I think there's an argument to be made that we're going to see that again.

Let's look at where we are right now. We came in on the bottom in December of 2015. Remember we had that bear market from 2011 and it ended in December of 2015. Why did it end? Because the Fed finally raised interest rates. The first rate hike. These arrows mark the history of Fed rate hikes. Don't fear the Fed that's the lesson here. December of 2015 they raised rates that released the shorting pressure on the metal, gold took off. We had a wonderful 2016 until the summer and we slid into the fall because everybody expected the Fed to raise rates again and they did December 2016. That's the second arrow, now they announced then that they were going to raise rates 4 times in 2018. They did it in march. The gold price sank into that decline, that's the third red arrow. Then rose in a nice little rally right after. They were expected to raise rates again in June and gold did decline but it had a little bump and rose right beforehand.

After the Feds raised rates it was really about two or three weeks. More like four weeks end of July and then gold bottomed and took off again. So now once again we're going into the fall. The Fed says it's going to raise rates in December. That to me is such a clear parallel to these previous two instances of year end rate hikes, that I think gold is in a very good spot here again. I think we are in a very good spot here again as gold investors and resource stock investors.

If they raise rates in December it'll be similar to the last two examples. We'll have the shorting pressure release. That shorting trade will stop because the event has happened. Buy the rumor sell the news in other words. So then gold will take off as it has the last couple of years going into the new year. If, for some reason they do not raise rates. Just think about that, that means the economy has weakened. Something has happened, we've had a hiccup in the stock market, something has happened to prevent them from raising rates. That would be a significantly more bullish event for gold. A very dovish signal to the market that despite their wants, despite their goals, they are unable to raise rates, so that would be an even greater, more bullish scenario for gold.

Here's the gold price of the last 3 months. You see we've slid back, we had a peak around 1350, just below it in early September and we slid down as the Fed had its September meeting. As the Fed announced plans that it was going to raise rates in December. So again, the markets expecting this, the traders are shorting gold expecting the Feds to raise rates and then that trade will end once it actually happens. The junior gold miners have not responded as well. They've gone sideways but even when gold over the last few months has risen they have not responded very well. This junior gold miner index has had some problems as most of us know with rebalancing, reforming but generally the gold stocks have not performed that well. It's a good, they're a good value in other words.

Technical picture, the dollar index and gold if you go back about 2 years. There's a natural inverse relationship between the two. They're typically in other ends of the see-saw because gold is priced in dollars so the dollar goes up and the gold price naturally wants to go down. Last two years its been extraordinarily close inverse relationship. The dollar goes up, gold goes down on an almost daily basis and vice versa. So if we're looking for what's driving gold right now, I don't think that the relatively tiny gold market is influencing the dollar. So the tail is not wagging the dog. We have to look at what investors are thinking and forecasting about the dollar to see where golds going to go. Right now they see higher interest rates so that's why gold has been weak.

The dollar index right now, we were bearish on the dollar in January, February of this year. Ron Griess of the chartstore.com does most of the charts for Gold Newsletter and he noted that the dollar index was forming a reverse head and shoulders pattern that forecasts a low around 94 or so on the index. We went through that and he was extremely accurate. We were talking about that in Gold Newsletter, the dollar went down, gold went up. Right now we're looking at what appears to be a head and shoulders bottom inverse head and shoulders on the dollar index. So, that's projecting to around 97 on the dollar index. Bottom line is we think the dollar is going to have a little period of strength here. Probably coinciding with the Fed's December rate hike. On the stochastic you look at the bottom, 14 week stochastic turned up. Another indicator that we're probably in for a period of dollar strength. The gold stochastic, I'll go into this in a little more detail in my workshop but we want to see these rounded tops. We've had it stay above the mid-point on that stochastic which is good but right now it's turning down, again if you project this roughly it probably projects to about 6 weeks of relative weakness. Trading sideways to down until we go into again that Fed December meeting.

Long term prospects, now we're going to get into why I say higher gold prices are inevitable. Number one and Adrian touched on this a bit, the federal debt is already too large to address through tax hikes, spending cuts or economic growth. So some degree of monetary debasement where you pay off debts with cheaper dollars is unavoidable. So the Feds, QE and reserve policies have created an enormous overhang of money and potential inflation. They've also created, as Adrian noted, great wealth disparity. Household incomes that are based on the stock market and securities accounts and not much else. Of course rising home prices as well but world economies, have become addicted to this monetary elixir and Peter Boockvar will be talking about that a good bit as he says, you have unprecedented monetary accommodation and easing. The greatest in 5000 years of human history. The lowest interest rates in 5000 years of human history." So, is there anyway that this is going to be removed without some upset, significant upset to the markets? The bottom line is there's no easy exit from this predicament and as I've said before, whatever path forward leads to higher gold prices.

Here's the chart that really says it all. Gross federal debt, the trend growth line of federal debt since 1900 is 8.7694% growth rate. We would love to have an investment that yielded that wouldn't we? At this rate it reaches 25 trillion by February 2020 and 30 trillion by April 2022. Well think about this. The Federal debt has essentially doubled over every eight year presidential term in recent history. It was 10 trillion when Obama came into office. It was 20 trillion when he left. On that basis the federal debt will be 40 trillion if Donald Trump makes it to 2024.

Gross federal debt as a percentage of GDP, it's rising again, it's 105%. Now this is gross federal debt it includes debt held by the treasury, by the Federal Reserve rather and we always include that number because it does differ from federal debt held only by the public. The difference, the money held by the government itself, some people write that off because hey, we owe it to ourselves. We can just forgive that debt, that's helicopter money. Don't let anybody fool you. That's money that has already gone into the economy and has been spent. Has never had any of the corresponding liability no payback. That's nothing more than helicopter money.

Not long ago, San Francisco Fed president, John Williams. who actually speaks for Janet Yellen, close associate of hers, was one of a couple of Fed governors who said that 2.5% is about the new normal. That's the terminal rate. That's where they want to end up. You know when they started this supposed quantitative or tapering and eventually quantitative tightening, they were looking at 3, 3.5%. They're saying now that they're going to end up at 2 1/2%, two things you need to take away from this. One, 2.5% is really about the upper bounds, again, Adrian touched on that. You look at the cost of the interest on the federal debt, it really can't get much over 2.5%. It certainly can't get up to supposedly normal rates of around 6% without cratering the federal budget. It can't happen. So we will never again see supposedly normal interest rate environment without some sort of major financial reorganization. Let's put it, in the meantime.

Secondly, the Federal Reserve's goal is 2% inflation rate, give or take a few percent but they need to get it over 2%. That's where the want it to go because they're deathly afraid of deflation remember. So they need that buffer, they need to have somewhere over 2%. If their Fed funds rate goal is 2.5%, if their inflation goal is somewhere over 2% that means we're going to have at least a real interest rate of only a half of a percent or less. That's enormously bullish for precious metals because precious metals have a carrying cost.

The end result the Feds painted in a corner. You have unprecedented easy money policies that can't be removed without repercussions. The Feds guiding towards again the 2.5% terminal Feds funds rate that means it's a low real interest rate, adjusted for inflation of a half a percent or less. Worst case will be ultra-low real rates that are massively bullish for gold. Best case, for gold at least, maybe not a lot of other people or a lot of other assets will be any sign of economic weakness and return to quantitative easing. Let's look at the effect of these rising interest rates in this environment. Here you have the treasury yield curve. These charts by the way come from the chartstore.com, I strongly recommend that you look to subscribe to their weekly service, as you can see the blue line is this week it's higher than it was in the black line 4 weeks ago; and higher again from 52 weeks ago, a year ago, on the yield curve.

Here we look at the real yield curve adjusted for inflation. It is inverted, 52 weeks ago it was higher, 4 weeks ago it was higher than it is this week so real yields are still falling even as the federal reserve is raising rates. You also note that the yield curve is flattening. I think it's still early to say anything definitive about that compression of the yield curve is not an inversion of the yield curve but as we all know an inverted yield curve is a real warning sign and early warning sign of recession. Just to give you some perspective real gold prices adjusted for inflation in 1980 that $850 nominal price for gold, we would have to get up to about $2700 today adjusted for inflation to equal that level.

Let's look at some ways to benefit from this, how to benefit. GT gold, there are only two newsletters that recommended this company before they had drill results. That was Gwen Preston's newsletter and Gold's newsletter. As you can see it had a tremendous run up, 5-6 that's actually five times over. Really a great discovery, it's come back a good bit. I think they need to prove some continuity or some upside potential to that deposit. It's, I would say it's essentially a hold right now but something we're watching in Gold Newsletter. Aben Resources is another company that's exploring. They're here, at the conference exploring in the golden triangle. I really like the Golden triangle.

One of the companies exploring there is Sojourn Resources. Sojourn Exploration is right next to Millrock's booth, I can't talk about that because I'm an insider and co-founder of the company. They're also exploring in the golden triangle. Aben Resources is getting some good drill results, I urge you to go talk to them. They're another company I recommend. Klondike Gold is another exploration company. I like a lot of exploration companies right now. They've got money. They've got good prospects and finally getting back to work. Klondike Gold is looking for the hard rock deposits that created Klondike Gold rush and it looks like they're going to get a bulk tonnage deposit out of it. They are not here but it is a company I'm recommending in Gold Newsletter. Northern Empire Resources is a new recommendation of mine, they have a project in Nevada that's enjoying some close ology with a discovery that's within their property but other claim boundaries by another company but they've got a significant, fairly high-grade resource already established and they're building it and it's in Nevada and it's fully permitted for production already. So I like that company.

New Pacific Metals, this is a company that was formed by Rui Feng, I own this company but I've owned this company for well over a decade. It was always a company that was done by Rui Feng to look for a great project but they found it earlier this year. It's Silver Sands project in Bolivia, some geologists I know at this event have already gone by their booth and they've been pretty impressed with it. To the order of something they've never seen before. I was the first one to recommend Silver Corp which is Rui Feng's other company which went from about $0.25 to about $18. We all made a lot of money on that one. New Pacific Metals looks similar in a lot of ways as far as the size of the ultimate deposit. They're drilling now 30,000 meters very aggressively, if any of you know Rui Feng's companies. He doesn't mess around so he's going to drill this thing off in six months. They're having a luncheon tomorrow, I strongly recommend that you attend that luncheon and hear the story.

I recommend a lot of companies in Gold Newsletter and follow a lot of companies. This is a list of the companies that are here at the conference in that exhibit hall. If you go by the Gold Newsletter booth. There is a placard up there that lists all of these. They are our gold recommendations, our silver recommendations. You don't need to take notes right now because again, it's actually in the booth and you can see it there. Base metals, battery metals recommendations. Uranium recommendations and prospect generator recommendation. As you probably know these are companies that find projects with a goal of joint venturing them to larger companies. There are large scale resources, companies that have a lot of resources, a lot of gold or silver in the ground that will benefit from rises in the price. These are those companies and personal involvement, I am a co-founder of all these companies, Natcore Technology, Thunderstruck Resources, Sojourn Venture's and somehow I managed to twist all their arms and have them at this event. That's it, thank you so much again, I'm going into more detail with all of this in my workshop directly following this presentation. Thank you so much.

Mining Share Panel

Rick Rule (MC), Brent Cook, Nick Hodge, Brien Lundin, Gwen Preston

Speaker 1: The people who came to see are up next. You've got our mining panel composed of a fantastic group including Brent Cook of Exploration Insights, Nick Hodge of the Outsider Club, Brien Lundin, who you know of course from the New Orleans Investment Conference and the Golden Newsletter, and Gwen Preston of Maven Publishing. Also, to moderate this panel you have Mr. Rick Rule. If you would give them a warm welcome.

Rick: Good evening ladies and gentlemen. I have to say my 30th New Orleans conference and you all always surprise me. You're here. Seven o'clock in the morning ready to work. You're here six o'clock at night ready to work. You all turn out on Bourbon Street, work Bourbon Street real hard and you're back at seven o'clock in the morning. The hardest work in audience and show business. You all. It's fantastic. And I've got a fantastic panel too. We did this last year and I thought the panel went pretty well. Panels, you'll remember, I am the panel Nazi and you are going to give me direct answers. You're not going to slip a question and you're going to give me quick answers. Right?

Brent Cook: Sure.

Rick: You too.

Gwen Preston: yes[crosstalk 00:01:06].

Brent Cook: absolutely.

Rick: No using the questions of platform for a statement. None of that kind of stuff. Quick answers. So let's ... actually before we begin, before we begin ... Last year there was a bet. A gold price bet.[crosstalk 00:01:23]

Brien Lundin: Between Brent and I.

Rick: Between Brent and you. If you could refresh my memory ... In my old age I forget these things ... what the bet was.

Brien Lundin: The bet is, is the gold price higher than next year, than at the mining share panel ... from the mining share panel this year. Um, Brent being, as I said last night, the dollar person that he is, always takes the bearer side of that bet, betting that gold price will be lower, and me being the optimistic sunny person that I am, always take the bullish side. Um-

Brent Cook: That gives me win win either way.

Brien Lundin: Yes, but Brent's smart. He's got a win win either way. If the price is higher, he's happy. If it's lower, he gets a bottle of whiskey. So, that's the bet, and, so we figured it out, didn't we Brent? And, apparently, I'm 40 cents the loser.

Gwen Preston: Really?

Brien Lundin: Yeah. That's how close it was. Now, if you remember last night I asked everybody to wake up this morning and buy gold and put me over the top so apparently you all went out last night and slept late and forgot about that. But, we think we are within the error of margins, so what we are going to do is each exchange bottles of liquor right Brent?

Brent Cook: That's right.

Brien Lundin: So, I've got a bottle for Brent.

Rick: Now Brien, before we proceed, the audience remembers distinctly from last year that I was the arranger, the moderator, the bookie. And the bookie normally gets 10 percent each way. On my honor as a broker. Okay let's begin. We are going to do a little bit of history here. I think we'd all agree 2015 in the mining shares was a lousy year, a very forgettable year. God, 10 percent of both of those [crosstalk 00:03:03]

Brent Cook: At 10 percent we [inaudible 00:03:08] the empty bottle.

Rick: 2016 Brent, you'll remember, was a spectacular year in the mining shares. Spectacular year. 2017 was a little soft so how's 2018 going to be if 2015 was lousy, 2016 was spectacular, 2017 was sideways. How's 2018 going to be? I think we are going pick on Gwen first.

Gwen Preston: My current outlook is things are going to be soft for the rest of this year, especially in the gold area, but I think that 2018 is going to be quite good and to summarize ... what I could talk about for 45 minutes on my own, but I'll summarize in brief, Nazi ... is gold has a lot of fundamental support from real rate perspective and from uncertainty. I don't think the Fed is going to tighten anywhere near as much as they are currently suggesting. Importantly though there is also this multi metal strength right? Every mining market that has multiple metals moving up, those are always going to be stronger than one that is only a gold market. And, right now we clearly have a lot of strength in zinc that I think is sustainable, got a lot of strength in copper that is not quite as fundamentally supported, but still good. So, I think that that bodes well for 2018.

Rick: Brien, I know your sunny 2018, what's going to happen?

Brien Lundin: I agree with a lot of what Gwen said. I think we've set up a pattern where gold is weak into the Fed rate, Fed meeting in December. The last two years, they raised rates at that last December meeting, and gold used that as a launching pad for the next year. I think there's a good chance that will happen again. So, I'm optimistic for 2018 on that basis. I also think we're probably going to get some fundamental economic reasons to buy gold as well. There are signs of potential weakening in the U.S. economy. I do think the Fed will be revealed as powerless and even if they are able to raise rates as they say, they can only get it up, or they only want to get it up to about two and a half percent on the Fed funds rate. Given that they want two percent inflation. That means we are going to have real rates that are still at historically very low levels which is bullish for the metals.

Rick: Nick, you are a generalist so we really want to hear what you have to say. The rest of us all say the same thing always.

Nick Hodge: Yeah, I think it's dependent on individual metals. We have a battery revolution going on. We need storage. I think things like lithium and cobalt will continue to be exciting. I think nickel, zinc, and copper will continue to be exciting. I don't tend to pay as much attention to the interest rates and economic factors that drive the price of gold, so I can't say for sure if silver and gold are going to break out. I think you have to have some sort of downside in bonds and then some sort of scare, scare thing going on to drive some capital into the sector, but for the base metals, I think there is some exciting projects and definitely some fundamental drivers that can keep the momentum going that we've seen this year, in those base metals. And, I think there is a sling shot effect coming out of December. You said 2016 was so good and 2017 has been tougher. I think you're going to see some tax loss selling effect. I believe it's already started, so I think you have, maybe another repeat of 2016 where you have a sling shot effect in the early part of the year as people scoop up those tax loss deals.

Rick: Brent.

Brent Cook: I think the underline fundamental to at least the exploration space, is the recognition by the major mining companies that they don't have the reserves in hand, the economic reserves in hand to replace what they're mining. And, I think what we are going to see is, and we're starting to see it now, is more and more money from the majors going into juniors. We're going to see exploration stories really take off. This is an exploration driven market in 2018. And, we're going to see majors start stepping in and buying companies much earlier than feasibility stage. If they can see a few holes, something like Corina when that happened, a few holes that show them that there is deposit there. I think we are going to start to see that, those purchases start to happen.

Rick: So, that's why, what? Do you think we are going to have a good market in 2018?

Brent Cook: Yes. I think it's going to be a good market-

Rick: I wasn't trying to be a wise crack [crosstalk 00:07:27]

Brent Cook: For the competent companies.

Rick: Okay. Got it. Got it. So, Brent, I'm going to let you lead with this question, so you answered it part way anyway. In 2018, if we are all of the opinion that it's going to be a pretty good year for the mining shares, where do you see market leadership? Do you think it's like the best of the best? The Franko-Nevadas, with very high operating margins, good allocators of capital? Do you think it will be the senior mining companies? Do you think it will be mid-tier companies that get consolidated? Do you think it will be junior producers of optionality plays? Or, do you think that it will be the explorers? What sector that this audience will cares about? Or will it be metal itself? What sector will lead in 2018?

Brent Cook: Well certainly Zinc. Zinc, new zinc deposits are going to be quite valuable. There is a definite shortage of zinc, zinc deposits out there. Copper, I think longer term, there is going to be a demand for copper.

Rick: Commodity is the next question. What sector-

Brent Cook: What sector? Exploration. Discovery. It's going to be a discovery driven market. If you find something of value that's worth a lot. If you find something of low value it's worth a lot until it's not. Be careful.

Rick: Buyer beware.

Brent Cook: Yeah.

Rick: Nick, same question. What sectors do you think are going to rock?

Nick Hodge: I like companies I think with a defined asset in the ground. I'm talking about precious metals that are due for a re-rating, that aren't getting the necessary enterprise value or ounce to NEV ratio. There some of their peers are getting. I'm talking about companies that have a million to two million of ounces in the ground that are due for a re-rating, or companies that just started producing. I'll give you two examples if you don't mind. There is a company that is called Midas Gold, has 6 million ounces in the ground. I think they are due for a re-rating. I think they are due to be re-rated higher. There's a company here called Atlantic Gold that just producing in Moose River and in Nova Scotia, and I think they are due to be re-rated higher as well as they kick off production, and so I like those stories with defined ounces in the ground that aren't currently getting the valuation that they deserve. I think investors will flock to them if we have a good market.

Rick: So, if I can label your answer, I think what you are saying is the under recognized junior producer is what you think will do better. Is that-

Nick Hodge: Well, ones that are on a firm path to producing with robust economics, past the PEA stage. We already know what the economics are going to be.

Rick: And, before we move on, I want to ask you one more question Nick, while it occurs to me. You write some publications that are much more generalist rather than just industry specific focus. What year do you think the generalist investor comes back to the mining business and in particular to the juniors? Those of us, I mean the rest of the people on your panel, are basically people who pass the collection plate through the choir. You're the guy who talks to the whole congregation. When or if do you think the generalists will come back to the-

Nick Hodge: If you think if you see a sustain move to $1,400.00, that's really going to get people excited. We bumped $1,300.00 a couple times, and then that hasn't really done it, but I think 1,400 could really start to become a sling shot from that level and I think $1,400.00 grabs peoples' attention.

Rick: Great. Now Brien, we are going to get you back to market leadership. What sectors of the market do you think are going to dominate, mining market are going to dominate in 2018?

Brien Lundin: I guess I'll steal from both of the previous panelists here. I do, I think what Nick is talking about is optionality and companies that have these resources that are undervalued. And, I do think that we'll have a slow period going in through December and then a rebound early in the year, and that's the period where I think it would be wise to own some of these plays. They tend to go on sale late in the year, during those thin markets. I also agree with Brent that exploration is really exciting right now. 2016 was largely spent by a lot of these companies in re-filling their coffers, going back on projects that had, essentially laying fallow for a few years from the down market, getting ready to aggressively explore. So, there are a number of companies out there that have really good projects. They now have the money to explore them and in the spring and summer next year, we'll start to see some good drill results. So, good exploration plays later in the year, and early on I think these optionality plays, companies with big resources, primarily gold and silver resources in the ground will be a good place to be.

Rick: So, Gwen, we have two people that say exploration is going to lead next year. Do you think they have been consuming too much of the product in front of them-

Gwen Preston: You know. They do like it.

Rick: Where do you think is going to lead?

Gwen Preston: It's been an interesting market recently. There's certain exploration plays are just crazy hot and it's kind of like most of the money is, a lot of the money that is moving around is going into a few really hot plays. Clearly there is appetite for discovery, and so that will, I'm sure that will continue. When these guys talk about these sort of later stage more advanced assets gaining momentum, I agree with that, and part of that is that it just takes time for these to gain the momentum. It's-

Rick: You were saying?

Gwen Preston: The bull market is still pretty young. It takes a while for the funds to get going, for the permitting to get going and all of this. So, I think some of these development assets are getting to the point now in the market where they can start to really flourish. And I really ... just tie it all together what Nick was saying about gold needing to get to 1350 to 1400 before generalists return ... In order for you to get the kind of leverage in major minors or even mid-tier producers, that is exciting, you know, the three times or five times the gold price move in the producers, we need generalist investors for that. So, until the generalists return, we are not really going to get that in as much a dramatic way in the producers, but if there if some reason for those generalists to turn in something that pushes them toward a safe haven, then the producers will do it. It's just a question of when that happens.

Rick: Now, ladies and gentlemen, I want you to know that that might be the last well considered answer that you hear this evening. [crosstalk 00:13:49] I don't know if this going to improve your enjoyment of this panel, but it's going to do wonders for me.

Brien Lundin: My sober assessment.

Rick: I'm going to ... what happen to Gwen?

Brien Lundin: The lady refuses to drink.

Gwen Preston: But sorry. Whiskey and burbon. I apologize.

Rick: This is your last year on this panel. By the way this is not misogyny. This is not politically correct. You just have to drink to be up there. So ... I'm going to ... Since you threw me for a loop, I'm going to throw you all for a loop and give you a question that I didn't tell you behind stage that I was going to ask you. I want you each to pick two commodities, one commodity that's gonna work in 2018 and one commodity that will work by 2020 or 2021. In other words one for the impatient people and one for the real investor. And Gwen, since you're not drinking, I'm going to start with you. I want you to give me two commodities. One for next year, and one for the cycle.

Gwen Preston: We're probably going to be a little repetitive as we go along the line here. I think the safest answer for 2018 is zinc. The fundamentals are incredibly strong, robust. If we go out as far as 2021, I'm going to go with uranium. It's gotta happen.

Rick: Brien?

Brien Lundin: Yeah. Pretty much the same. I would add that I'm bullish on gold for 2018 and if you like gold you have to like silver even more, so I would probably throw in silver and zinc, and yes, uranium, the story is too compelling over the longer term. We've all been pretty early on ... we've said this for three or four years now.

Gwen Preston: Yeah. We have

Rick: Nick?

Nick Hodge: I'll at least change it up for 2018, and I'll take copper. I think it's broken out into a new bull market. We've seen $3.20 a pound for the first time since 2014 and just all the electric infrastructure that's being built around the world is a good fundamental driver for the copper price and the copper mining shares. And, then for the later years, the obvious answer is uranium once the utilities start coming back into the market and we finally get out of the bear market we have been in for several years now since Fukushima. I would add that that thing is just goin to rock it does happen.

Rick: You think back to the first three months of this year, January, February, March, the little uranium stocks all tripled, and it was weird that they tripled on no volume. There were no buyers. There were just no sellers. Then, of course, the juniors did the wise thing. They all filled the treasury, and so those new issuers killed the bull market dead in its tracks. It was really fun to watch. But, I think you're right. I think the market's memory of the last uranium bull market, is so extraordinary that when that day finally comes ... hopefully I'm still alive ... it will be just this tremendous response. Brent, give me two commodities.

Brent Cook: Pretty simple. Zinc short term. Gold, longer term. But, I'm not that positive on uranium. I don't see that happening in quite a few, a number of years, way beyond my time horizon.

Rick: Well, we won't make any remarks about how much time you have left. One of the things that I enjoy asking people who are opinion leaders, people who write letters, read other peoples' letters, study, speak at as many conferences as you all do, you are all familiar with the consensus opinion. But, what I really want to know is what are folks like me ... try to keep it down to three ... What are folks like me forgetting to ask? Like what is the black swan? What is the white swan? What is the surprise out there? What's the factor that you think people that need to consider that isn't getting brought up? Having picked on Gwen last time, I'm going to start with Brent.

Brent Cook: You're talking macroeconomic-

Rick: No, no, no. Our sector. Our sector. I think Martinson just did a great job on the broad ... we're doing our sector, something about what other people don't think about.

Brent Cook: This doesn't apply to you obviously but I think in general what I see with the retail investors in this space is they focus on the drill hole without taking into consideration the big picture of what that really means. When I go look ... I've said this before ... When I go look for a project, I pick up a rock. First thing I do is look around and, okay, what's it going to cost to get here to get it out, the infrastructure, to get the gold out. So, you should be starting from the back end of the mine being built and running and bring it forward to the drill hole, as opposed to doing it the other way around. So, I think that's probably the biggest thing I see, retail investors not ask.

Rick: Could we summarize that by saying not putting a drill hole in context?

Brent Cook: Certainly a drill hole needs to put into geological context, but also economic context as well. Good point. Yeah.

Rick: Nick.

Nick Hodge: I think people don't look at share structure enough. I think they look at share price, and I don't think that reflects the value of the company, because if the market play times how many shares they have and then look down the road at how many warrants and options could potentially delude you down the road. I think that something that is glossed over way way way too much. As far as the black swan, I think that there is this underlying economic angst in the U.S., it's partly what drove Trump to be elected in office, and I think if that can metastasize in some way and people finally put their finger on why their wages aren't going up and why the purchasing power of the dollar is going down and somehow tie that back to gold, as people have done with bitcoin, then I think that could be a driver of the gold price ... I don't know if I give the populous the credit to put that together next year.

Rick: Brien.

Brien Lundin: [crosstalk 00:19:32] As far as what people are missing, it's a bit self-serving. It doesn't necessarily apply to this audience which are kind of self-selected as being pretty elite and dedicated to this sector. But, I think a lot of investors, they get into this sector and they don't put in the time, effort, and money to really learn about it. There's so much to know about this that you really need to educate yourselves, and you need to dedicate a few thousand dollars a year to subscribe to the best newsletters and short answer to that is the people that I bring you at this conference are the most experienced, ethical and capable newsletter writers out there. That's why they are on the stage. And, go to conferences, yes like this, but other conferences. Talk to the companies. Look them face to face. Look them in the eyes. Ask them the tough questions.

You really considering the stakes involved, spend the money to do that. It's so complicated, this area, and you really need not only people who have their ears to the ground but also can explain and understand, what the, or you know, winnow through all the hundreds of companies out there to find the real gems. As far as black swans, I think there's a real potential of an economic slowdown in the U.S. next year. Just some early warning signs here and there, but one of the things that encourages me to think that that might happen, other than economic data, is just the simple fact that gold is trading well. It may not seem that way, but with the Fed supposedly raising rates with ... oh excuse me ... With the Fed supposedly raising rates, with quantitative tightening going on around the world, you should have the dollar rising and you should have gold plummeting, and neither of those are happening. The dollar just can't get off the mat. Gold will not fall significantly, although we did have a drop today, which is why I lost this bet. So, I think there is undercurrent there, something's happening, the world is worried and these markets are looking ahead at something around the corner.

Rick: Gwen. Same question. What are folks forgetting to ask or think about or worry about or be happy about?

Gwen Preston: I think when it comes to individual investments in this sector, it's very easy to have an opinion about a commodity, about gold, about copper, and then like a story, there's great people, there's great stories in this sector. What you need to have is a very specific investment thesis around that story. You need to know exactly why, is it, if it's an exploration play, what specifically do you need the next round of exploration results to tell you? If it's a development play, what's the critical path and is it getting towards that? You have to have a pretty specific question and if you don't have that question, you won't know if it's being answered.

So, I think that's often the missing link. And, it's tough, because these are complicated projects, these are complicated questions, but there's that, and then ... reducing ... I think there's a bit of lack of focus on managing risk. This is a super risky sector especially if you like to play in the explorers, but there can be opportunities to reduce that risk. If your investment thesis is being answered and the share price is lower then there's a reason to average down. If the investment thesis is being answered and the share price is a lot higher, then think about taking some capital off the table. I think that there's ... It's really easy to fall in love with these stories. There's really great people. There's really exciting stories. We all dream of being involved in the next diamond rush in Canada whatever it might be. But focusing in on what is the specific investment thesis, I think that is fairly often the missing thing.

Rick: Today when I was visiting with the audience I suggested that most individual investors have too many stocks relative to the amount of time that they spend on their portfolio. I know people transfer in these laundry list of stocks to me, 60 stocks, 70 stocks, 80 stocks. People don't know anything about the stocks they own. I suggested today that people need to limit the number of stocks they own to the number of hours per month they are willing to spend on their own education. In other words, you are willing to spend 10 hours a month you can own 10 stocks. You're willing to spend 50 hours a month you can own 50 stocks. I know what Brien's answer will be. You know, subscribe to three newsletters and buy all you want. But, if we move on from that, what do you think, how do you think the people that, not like us, but people that have lives, people who have real jobs and things like that, do things for a living, how many stocks should they own? And how should they limit their portfolios? Gwen, I'm going to start with you. You're the newest letter writer up there, I think, so we are going to start you with a suitability question.

Gwen Preston: So, I try to limit my portfolio to 30 stocks and it's my full-time job so, I clearly need more hours per stock than what you're suggesting. I guess I need a little extra help.

Rick: That's because you have to recommend to other people though. You have to hold yourself to a much higher standard.

Gwen Preston: Sure, I suppose. As for the individual, it really depends on whether you are working on your own or whether you are working with others. And, when I say others, that could be your broker; it could be your best friend who also likes investing; it could be your neighbor. It could be a newsletter writer who is on your team. You need to increase the amount of information that is coming to you without necessarily demanding more hours out of your day because lives, and kids, and work and all of that. So, yeah. Find some people who can help you. You don't have to be out there on your own. You have to come to your own conclusions, but the gathering of information doesn't have to be on your own. So, 30 is my number.

Rick: Brien.

Brien Lundin: I'd probably say about 10 to 15 or so, but you bring up another good point. I addressed this to people in my workshop last night. They were asking about this. They had some people there who were just new to the sector so I had to go over all, you should own some precious metals, build a foundation, majors are for leverage etc. etc. going down the road. But, one of the questions they asked was what about a broker? Can I do this through my discount brokerage. And, you can't. You just can't. Sometimes they might be able to trade on the Canadian exchanges but if you're at this conference, you're most likely able and accredited and can do private placements in companies and if you're doing that then you have to have a broker that can handle those. But-

Rick: Could you repeat that please?

Brien Lundin: Hmm?

Rick: Could you repeat that please?

Brien Lundin: Can I mention somebody?

Gwen Preston: Can you repeat that?

Brien Lundin: You see. He knows what's coming. He'll pay me later for this. But there are some

Canadian Brokerages that are handling U.S. clients and they can usually clear the certificates and everything else, but for a U.S. citizen, I strongly recommend Spott Global. I am a long, long time client of theirs, going back decades before Sprott Global. And basically it was Rick Rural and they did this on a daily basis. They are about the only firm in the U.S. that can do this effectively and cost effectively. And, so I just recommend that.

Rick: Brien Lundin is extremely intelligent and very good looking.

Brien Lundin: I prefer money Rick.

Rick: By the way, I don't know what Brent's whiskey tastes like, but if you guys were flat, you may have got beat again. This is really good whiskey.

Brien Lundin: Brent gave me Utah Whiskey.[crosstalk 00:27:07] Really looking forward to the alcohol content of this.

Rick: Mormon whiskey. My honor as a stockbroker. Nick.

Nick Hodge: In my main letter I keep 20 stocks in the portfolio, about half of which are resource related. I probably own about 10 or 15 stocks in the resource base, but I think you divide it up by the sector in the resource base, you know, you own two high quality royalty plays and two high quality big producers, and two high quality developers, and two high quality explorers, and two high quality project generators and that gets you to ten. But, you got to be able to know those stories intimately, as you alluded to earlier, and track those news releases and spend the time doing it, or spend the time reading the newsletters that are writing about it. So I think ten is a good number, as long as you spread that across the sectors within the resource sector.

Rick: Brent, how about you? How should people allocate?

Brent Cook: I remember when I first started working as Rick's analyst in 1997 and I would see these long lists of companies as well that I've never heard of. Like there'd be 50 to 100 in some guy's portfolio and most of them were dead. Nothing to do with his.

Rick: The companies, not the people.

Brent Cook: Yes, so that's a real problem. Personally in Joe and I's newsletter, we try and keep it to 20 because I think it's a good number you can keep track of, and understand what's going on. And, it's really important to go through your portfolio and say, this one is not performing. What can I replace it with? Instead of just adding them up, drop the stuff off the bottom, and throw new ones on the top, because they are going to rotate through. So, I think 20, at least for me, is a good number.

Rick: It isn't the purpose of a moderator to answer his own question, but what's interesting to me, I've been reading, which I do almost every quarter, some of the Warren Buffet letters to shareholders. They're just wonderful. They are a spectacular investment series. And, you can read them for free on line, which makes me like them even more.

And the reason I asked the question is because last month I was reading ... I forget what year it was ... but Buffet said that the average investor should consider their portfolio to be a hog farm. And that they could afford with the time they had, if they had a life, ten hogs. So there is 10 hogs, and the trough is your portfolio. Buffet's little folksy. And, in order to add another hog, this skinny, angry, mean, hog had to displace an old, fat hog, that you could afford to have ten stocks in your portfolio at any period of time.

Now, I know we are all a lot smarter than Buffet, but it seems to me, that if ten is a good number for him, like businesses like Procter and Gamble and Berkshire Hathaway, where maybe the challenges of understanding them are less complex than the challenges of understanding our industry, that that ought to be a good guideline for folks. And, I really hope that people pay attention to everybody's remarks with regards to that. So many people send me in portfolios that look like ill-considered mutual funds. It's been a huge problem, I think, for some of our investors. Anyways, let's move on.

You know, we are at the point in the evening where the panel is beginning to wind down. And, we've gone through the circumstance where we have done our best to educate the audience as we see fit, but that's not what the audience wants. In a Biblical sense, the audience doesn't want to be taught how to fish. They want us to catch some fish for them, and filet them, and serve them up with the appropriate garnish. So, I'm going to ask each of my panelists two questions now. What are your largest positions. You can give me one, two, or three. And, what's your most recent addition. Not what you talk about in your letter, not what other folks ought to do, not all that sanctimonious stuff. What have done with your own dough? What are your biggest positions and what's your most recent position? Brent, we are starting with you.

Brent Cook: My biggest position and this has been for quite a while now, is a company called Mirasol Resources. Its symbols is MRZED in Toronto. It's a prospect generator. They've got in the order of 18 million bucks in the bank, and I've worked with the president Steve Nano, prior to working with Rick in Argentina, Chili, and Australia. He is amongst the most competent and best explorationists in the business. A number of joint ventures going, some day, and I hope it's next year, he's going to find something massive, something really important. So, that's my biggest holding. My most recent purchase in the newsletter was Almadex, who've got a very sexy copper port free target down in Mexico. I like the looks of it. It's a good team. So, that's our most recent purchase. That's about it.

Rick: Two follow. Two follow ups with you Brent. I think Nano maybe, he's got to be one of the top three conceptual geologists targeters I've ever met. Would you agree with that?

Brent Cook: For sure. Yeah. Yeah. He's able to think in 3D and then throw the 4D on top of it and come up with some really fantastic ideas. Joe was just down in Chile ... Joe and I actually last year, we looked at 33 prospects around the world. He was just down in Chile looking at this new one that they've turned up in Chile. And, there's bretches, which are busting up rocks sitting at the surface that look almost identical to what gold fills found down the road that ended up being 4 million ounces at four grams so this is sexy stuff. No guarantee but it's good stuff. Special guy.

Rick: Nick, largest positions, most recent positions.

Nick Hodge: My two largest personal positions are, I mentioned them earlier in my talk this morning, is Fission Uranium. They got a hundred million pounds in Saskatchewan of uranium. It's been awarded multiple times as the best undeveloped uranium asset. It's been awarded as the best undeveloped asset across all commodities in the world, independently ranked third party. They are hitting more and more high grade on land which will make the project cheaper than the $14.00 already in their PEA because they can develop the on land uranium that they are finding now first. And, again, like I said, I am content to hold that for 4 or 5 years or longer as Brent thinks, until the uranium market rips because I know I own the best uranium asset in the world, and it's not going anywhere.

Rick: I'll be here ten years or-

Nick Hodge: I own a lot of Midas Gold which I said this morning, they're on to six million ounces in Idaho, in the Stibnite project. They have very strategic antimony resource that I believe is going to help them get permitted. They are going to remediate the project. They are going to allow salmon to swim up the river that haven't swam up the river since the 1930's. So, that helps them with the locals, and I think there is much more gold there than the six million ounces on the book. The most recent position I bought is a company called Columbus Gold because I want the Allegiance spin out shares. That's company is going to put nine million dollars in the ground in Nevada and Arizona and some high-quality projects led by Andy Wallace from Cordex who has a sterling reputation so I recently bought shares of Columbus.

Rick: Interesting idea. I'm embarrassed to say I've known the Cordex guys for 35 years so, they are, as you say, absolutely top-quality exploration, Sandy Wallace and that crew. They are on a first name basis with every rock package in Northeast Nevada. Go further back than Brent. Brien, biggest positions, most recent positions.

Brien Lundin: Well Rick, it's interesting you put it that way because my biggest positions are two companies that I started as shells at the top of the last cycle timing it perfectly once again, but which through to the bear market, weren't able to get much traction but as the market recovered we were able to finally get projects and get to work on them. And, kind of, as part of this theme of exploration, are only now getting to explore projects that are kind of laying fallow. One is Thunderstruck Resources. It's got two properties in Fiji of all places that contain, featured two proven discoveries by Anglo American in the 1970's, hardly any work done on them, high grade copper, zinc, BMS, plus some gold targets. We're finally getting exploration starting on those after 40 some odd years.

The other one is Sojourn Ventures. We just optioned the golden triangle properties that Millrock held and one of which is a target that has driller results from ten years ago that are better than some of these splashier discoveries of the year of the golden triangle have. And, with glaciers receding they have unexposed or have newly exposed rock and geological features that no one has seen before, so that's exciting for me as well. The newest addition to my portfolio is probably New Pacific. It's a company I have owned for well over a decade just because it was Rui Feng's next deal after Silvercorp. And, so he looked around for over a decade for something that he wanted to work on to be his next really big success. And, he has found it in a project in Bolivia. It looks to be a potentially massive silver target. So, I really like that company. You should look at them as well, and get a sense of how large this target can be.

Rick: And Gwen.

Gwen Preston: Largest position is probably a company that is here, Eurasian Minerals. Similar to comments about Marisol and whatnot, project generator so self-funding capital share structure preservation mechanism, lots of exposure to lots of assets and a very strong team. So, that's a safe place to have a [inaudible 00:36:53] in this sector, a safer place to have a large position. In terms of new additions, there has been two in the letter very recently.

One is Nevada Exploration which is a team that's trying to find gold in Nevada in a different way. Nevada has got a lot of gravels that cover the bedrock, where the bedrock comes up and there's mountain ranges, that's where all the gold has been found in Nevada. And, there has been a lot of gold found there. Then it goes under these gravels. How do you look through the gravels? It's very difficult. This team is using ground water. It would take a long time to explain it all, but it's a really cool mechanism and they are at the point now where they are sort of showing that it is working. And the target here is to find something really big. This isn't to find a million ounces. This is to find a huge deposit that's right there in Nevada just underneath some gravel.

So, that's Nevada Exploration, NGE, on the Venture Exchange. And then just today added Entree to the portfolio. They have a 20 percent stake in parts of one of the largest, what will be one of, the fifth largest copper mine in the world, Oyu Tolgoi mine in Mongolia. This is a really undervalued story because it got totally forgotten. There was all this controversy over whether the underground portion of that mine was ever going to get permitted, investors got dissuaded. They left. The re-evaluation, I think will start soon when the technical report comes out that pegs some numbers to it. That's in a few months. And if they start to catch up to the valuation of their partner on that asset, you're looking at a fivefold return to get half way to catching up to that partner. If they are allowed to get there because I think someone like Sandstorm or Franko will take them out before then.

Rick: Or maybe even Rio.

Gwen Preston: Pardon?

Rick: Or maybe even Rio.

Gwen Preston: Or maybe Rio. Yeah.

Rick: Okay, now, this is where the rubber meets the road. One of the lovely thing about the New Orleans conference for the last 35 or 36 years it's gone on, has been the opportunity to make money at the conference. Not just use the investments that you learned at the conference. I'd like each of the panelists, beginning with Gwen, to tell me one or two exhibitors, this is not a recommendation, one or two exhibitors to investigate. Where people can use the skills that they've learned at the workshops and interrogate the companies. If you were going to tell people a couple things that they ought to go have a look at. Here at the conference, this is your payback Brien, [crosstalk 00:39:20]

Gwen Preston: Gotcha. Columbus was already mentioned, the opportunity to get shares in this spin out is a short-term opportunity so I would go and talk to them about that. And, the other one, I visited it recently, it's not actually in my portfolio yet, but it's a company called Northern Empire. They are looking at the Sterling Mine which was an old, small mine in a large company. It was not getting the attention that it needed. Then, that company ran into a big problem with one of its other mines, and this sterling asset got even less attention, ended up getting sold. There's a really interesting exploration land package to the north of it. It's permitted in the south area where this mine has been operating for a while. Very good metallurgy. Questions still for sure in these stages but a great team, and there's another company that has this little tiny postage stamp of a land package in the middle of their exploration ground. And that company released results a few weeks ago and the market loved them. If you love that, you should probably like the rest of it better. So that's Northern Empire.

Rick: Brien, I know you have a tough time picking three of your forty children but-

Brien Lundin: All of my fully paid exhibitors are wonderful companies.

Rick: Give me a couple that somebody might not have thought of.

Brien Lundin: Once again, I find myself agreeing with Gwen. Columbus is a great company. I talked with them again today. They are in my portfolio in Gold Newsletter. Northern Empire I just recently added to my portfolio which Gwen just talked about. We tend to recommend a lot of companies. We are the only two people who recommend GT Gold, by the way, before they hit.

Rick: Where Sprott is the largest shareholder thank you.

Brien Lundin: Yeah. I don't remember seeing that placement come across my desk, but that's okay. Actually it wasn't available I don't believe to U.S. investors so, but anyway, so I like that. I like Northern Empire for just the reason she said. The ones I mentioned before. I like Sabina. Again, an optionality play, very well run, large resource. I think it's something that can really benefit from the downturn and then the upturn in the new year. And, Aben Resources is an exploration company in the golden triangle that I also own. This is a matter of due diligence, full disclosure. I like that they hit two really good targets in the golden triangle. They drilled one and hit. They drilled the other one and did not although it's not dead yet, but the one they hit shows a lot of promise still.

Rick: Nick.

Nick Hodge: Just to recap the ones I've already mentioned, Fission, Midas, Columbus. And to throw a couple of new ones in there, I think you should go talk to, oh and Atlantic Gold, I already mentioned. I think you should go talk to Greg Beischer at Millrock, I think that stock's been beat up unfairly. I think they have a lot of shots on gold with some majors funding projects in Mexico and Alaska. And, I think shares are quite cheap right now headed into the end of the year. I think you should go talk to UEC as well as an [inaudible 00:42:19] producer of uranium in the United States. I think Amir has done a great job of putting projects on the shelf and building a processing plant in South Texas that is ready to go when the cycle does turn.

Rick: And Brent.

Brent Cook: It's interesting, I spent a lot of time going through and talking to these different companies and the new ideas and there is always, it's always worthwhile coming to this show, just to do that. In terms of one thesis we follow is, what is going to be bought next? What are the majors going to be buying next? And that list has gotten really, really small if you are looking for economic deposits.

But on that list, I would put Sabina, and Midas Gold. Midas Gold, you got to consider the time frame to permit it and Sabina, it's up in the middle of nowhere, but I think those two are next on the list. In terms of prospect generators, certainly Millrock, Riverside, Eurasian. They are all over there. I've met with New Pacific a few times with their civil project in Bolivia, geologically it looks good but the big asterisk there is Bolivia. But hopefully Joe and I will get down there this year and have a look and get a feel for what it's like. So, I think that I've seen out there and remember right now, those are the ones that I think are worth looking at and talking to.

Rick: Ladies and gentlemen we've learned a lot tonight. I hope some of it is true. We have learned that 2018 is going to be a pretty good year. Of course, we have learned that about every year here for the last 35. But, we've learned that market leadership is going to be in the juniors which just so happens to be our expertise. We aren't really decided about what the people forgot to ask, but we learned a lot about what things do wrong. We have learned with regards to metals, I think most people think that zinc is going to rock except for somebody else said copper is going to do it in the near term. There was some unanimity with regards to uranium except for Colonel Sanders who disagreed. And it was pretty interesting in terms of the positions in exhibitors. I think when the rubber hits the road, that's what people really really really want to know. What do you think I should do? Nah. What do you do? Yeah. So, that was helpful. Ladies and Gentlemen, the key to a good panel is good panelists and I had great panelists and I'd like you to give them all a hand. And thank you.

Brent Cook: Are we on for the bet next year?

Rick: And thank you both for the whiskey.

Brent Cook: And I think we are on for the bet again next year.

Brien Lundin: Oh absolutely.

Brent Cook: I look forward to losing.

Brien Lundin: I hope you do. We all hope you do.

Rick: Do we have numbers? I'm looking for the book you spread.

Brien Lundin: Well what Brent is doing is going to Kitco and just looking at the year end number as we step on stage. If it's higher, then I win. If it's lower he wins.

Rick Rule: There is an over and under way to do it. I think that will be a bottle a dollar.

Gwen Preston: Ooooh.

Rick: Right? They are called walking debts where you choose an increment like every 10 dollars up it's a bottle. Every 10 dollars down it's a bottle. They are called walking debts. They are progressive debts. And of course the bookies spread is better there too.

Brent Cook: I'm willing if he is. I've got all these people backing me. They are all on my side.

Rick: Thank you all. We are out of time. [inaudible 00:45:39]

David Morgan

"Silver- Past, Present And Future..."

Speaker 1: David is a widely recognized analyst in the resource sector and consults for hedge funds for wealthy high net worth individuals, mining companies, depositories and bullion dealers. He's the publisher of The Morgan Report, and a featured speaker in investment conferences in the Americas, Europe and Asia. Mr. Morgan has appeared on CNBC, Fox Business, BNN, and television stations in Hong Kong and Singapore. The Morgan Report of course covers the entire resource network except for oil and gas. Here to talk to us about the past, present and future of silver, please welcome the great David Morgan. Welcome man.

David M.: Oops, I already blew it. I don't know how to go back. Well, I won't. The first slide was a few of the books I wrote. This is the silver bible for those that are still even seeing silver without having a pouty face. It's called The Silver Manifesto. It's on Amazon. So I put some effort into this speech obviously, and can't get away from silver, nor do I wish to, but I thought I would start out with the past.

One of the parts about the silver story that many people don't know, that's very studied in this small metal, is what the Nobel Laureate, Milton Freeman said at this very show in 1993, and this was with an interview with the late James Blanchard the third. What he said is the major monetary metal in history is silver, not gold. This is absolutely true. In fact, the first few chapter of the book, The Silver Manifesto, talks primarily about silver's role throughout history. It is the monetary metal and it's pretty easily proven with just a modicum of research.

Gold is money, certainly, and gold is used in large nation to nation transactions primarily. Not that you didn't have gold coins in your pockets and use it for transactions such as buying a carriage, or a horse, or whatever, but nonetheless, silver's been used more places, more times, and more transactions by far than gold has ever thought of doing.

So the past. So let's look at this a little bit. The main point of this slide, and I don't know how much you can see, and it's not important. I mean, I want this slide to be meaningful to you, but I think telling you about the slide is more important than trying to get the ... you know, look at every detail of the slide. This is the silver content of the Roman Denarius, basically from the start of Rome to the end. The point I want to make is not how much the currency was debased, although that's obvious by the red line, the most important substance matter that you can take back with you from this point forward, is that there's a direct relationship with the moral integrity of the society and the debasement of the currency. I want you to think about that for a minute. When Rome started, it had a more or less pure silver coin, and it was a republic. The senators really did represent the people, and really did have the best interest for the common good at heart. At the end, when it was basically a copper coin, it was basically dipped in silver and wore off through minimum circulation, the senators at that time, were there to get as much as they could for themselves only. I think there's some parallels that you might consider.

So, price and price expectations. Again, a slide that you probably can't see real well, but this was a chart that came out in Forbes magazine right after Warren Buffett was sort of forced to acknowledge that he had bought 129.7 billion ounces of silver, off primarily the COMEX. This is an inflation adjusted chart with silver's price. You can see it's right in the 400 level, 200 level, 70 level, and then it's only been in the last 100 years or so that we've got these big fluctuations, which is very interesting. Of course, we all know for the last whatever, 50 years or so, there's been more and more paper markets and derivatives that have been defined by Wall Street, we'll say, to usurp the primary commodity markets, and the equity markets as well.

This is a CPI adjusted price of silver. If you look at that using the government's numbers, you'd have the 1980 high and today's equivalent would be roughly 150 an ounce. Remember that was a one day event and I'm probably remiss in saying that often enough. I mean, this is not something where you could of got out of the silver market in 1980 very easily, and now in fact, the only way to really get out at the price would have been to have a futures account and been fast on the phone. If you cut that down, you could still see that you know, silver is very undervalued basis the CPI, and remember the CPI has been rigged more or less basis what the accounting principles were in 1980 to what they are. Anyone that follows John Williams' work, which is this chart here. SGS shadow government's statistics and the silver price there, and you can see it's substantially in the hundreds of dollars on that spike, using the metrics that were available in 1980.

The cumulative world silver value has really been flat of late. Remember, this is past, present, and future. You can see the past and it kind cranked up in real value over time. It's very typical of the silver market to spike high and low, and now that we had our spike at the end of April 2011, it's really been wandering, I wouldn't say aimlessly, but it's been moving sideways through a broad range for several years, as I think anyone who follows the silver market is well aware.

How do the stocks do? They are leveraged to silver but not quite as much as they were let's say in the 1970's bull market. Why is that? I just said it a moment ago. It's due to derivatives markets, which are huge and basically dilute the share market because many fund managers would much rather pull the trigger on SLV than they do the miners because the miners are much more difficult to analyze. There's more metrics, there's more to do, where you can buy silver through an equity.

By the way, just to digress slightly, I mean, the whole ETF thing was a huge boon to the equity markets by professionals because most money managers are equity side only and they couldn't buy commodities. When the ETFs were developed, they could buy a commodity by purchasing a stock, so there's a huge boon to manage money. To be able to use an ETF as a proxy for buying a commodity, and of course the ETFs involve everything these days ad nauseum. Even in like the silver market, there's double leverage up and down, triple leverage up and down, small cap, mid cap, micro cap, you name it. There's an ETF for it.

Gold silver ratio. Something that's not important. I mean, it's important enough to know if silver or gold, you know, one's overall value to the other. That's the minimum. I think what's important about this chart is that if you go back to the 12th Century and you look at what silver was doing at this time, the ratio was 12 to one, which is what's the natural ratio. At that time, silver came out at about 12 to one ratio to gold and maintained that natural ratio for hundreds upon hundreds of years, and then after Sir Isaac Newton was knighted for getting the Bank of England out of a big problem with Fiat, going back on a gold standard, they asked the great Isaac Newton, "What should be the ratio?" He looked at the street, and the street said about 15.5 to one, so they fixed the value of silver relative to gold, which is a big no-no in a free market system.

That's where you go this fixed ratio and it's only been in the last 100, 150 years that you've seen these huge ratios going up to 100, and down to 35, and up to 80, and then down to the 60, and one on the fifty dollar silver day, January 21st, 1980 and on and on. Right now the ratio is somewhere around 75. I don't have the exact number, nor is it really important that I do. What's important is that if you are true gold bug, you should probably swap out your gold into silver and then trade it back in about five years. Three to five years you'll probably have twice as much gold as you have now. Silver definitely out performs.

So the past. Silver was in a deficit from 1990 to 2006. The above ground supply at the time of 1990 was about two billion ounces of silver, and on a round number basis, that above ground supply was eating away at 100 million ounces year after year after year for

15 consecutive years. Brought the silver above ground stockpile to 500 million ounces, and that was in 2006.

If you think supply and demand run the silver price, think again because we're at an all time low in silver in 2006, and yet check the price. It was nothing near what it hit in 2011, so since that point in time, silver inventories have been building, and the above ground stockpiles of silver have increased, and now they're sitting somewhere around 2.5 billion ounces. We basically have made a round trip on the above ground silver stockpiles. Now I know someone's gonna argue with me that the Silver Institute says that we're in a silver deficit. By their definition of deficit, we are, but common-sense people. All you have to do is look. Look, you don't even have to think. Are the stockpiles of silver increasing or decreasing? If they're increasing, we're not in a deficit, and we are not.

This is out of the Silver Institute's work from the latest survey, and I pulled it specifically to make certain everyone understands the identifiable above ground stocks increased 14 percent year over year, to 2.5 million ounces by the end of last year, meaning 2016. The inventories could cover 30 months of physical demand, a 21-year peak. So there you have it, even though later in the report, they talk about a silver deficit.

Warehouse stocks. Kind of interesting here. This is COMEX only, so this certainly doesn't give you all that's available. In fact, it's a fraction of it, but nonetheless, if you look here, that's where Buffett bought and it took down the inventory. Almost all that silver came out of the COMEX. That can't happen again. The rules have been changed. Now, as I've said, we've gone from a pretty big pile of silver, and it's gradually been building, and here we are today. Again, kind of a round trip, but this is just COMEX. I'm not trying to make this the total silver inventory. I'm just pointing out that COMEX's inventory pretty much follows what the above ground total supply follows, which means it's been increasing.

[inaudible 00:12:36] traders. If you're going to get into the silver market, you need to have something that's very clear to you, men and women. You need ice water in your veins, and I do have that, and I only got it from experience. I mean, I'm trying to be a little bit humorous here, really got a great sense of humor here, I admit it. But really, trading silver is something I do. I do have core positions I don't sell and I do have physical I mostly don't sell, but I certainly have a lot of fun trading. By using this [inaudible 00:13:05] traders, which is what I do for our members, I show them it's been very, very beneficial. At least if you're not gonna trade at least a hedge, or at least to think about selling some, or buying when it's more, you know, when no one wants to buy it like right now. So that's something that we do for our membership.

The present. This shows you the fabrication demand. I won't read it to you, but basically what you have is about 50 percent of the market is fabrication demand. Then you have about 25 percent in jewelry, so that adds about 75 percent round numbers. I'm not reading every category for you, and about 25 percent, which is coins and bars. I mean, that's the real basic structure of the silver market. It's been that way for some time. If you go back to my early lectures 20 years ago, I would tell you that silver's industrial demand is increasing rapidly, and it was at that time. It went from 35 percent of the market to over 50 percent of the market, but since it hit about 50 percent of the market, it really has not increased that much over the last five to seven years. Still significant, I mean, gold doesn't have 50 percent of its market going industry year over year, over year, over year, and silver does. None the less, it hasn't increased substantially in the last several years.

Coinage demand. You can still see that the U.S. and Canada still make up basically the lion's share of coin demand. There's a fair amount in other countries, but really it's North America for coin demand, which is something to ponder if, or I should say when, the silver market ignites again.

Going back to kind of the beginning of the lecture. Remember past, present, and future. If you look at this carefully and you don't have to look at it real analytically, but the idea is that we had that huge draw down for those 15 years I talked about, and we've been building ever since. Pretty simple. Then the price goes along with it, so if you see that spot there where we were at 500 million ounces, but what was the price. Here, where the inventory had already been building for several years, where's the price? It's really kind of out of whack, but so is almost everything in today's environment financially, because the financial markets, even the futures and commodities markets are not really reflective of the true reality of the physical markets. Anyone that has heard me do any of my lectures for the public good on any of the internet stations are probably well aware of my thinking on that.

Silver exchange. The ETFs. What's held in what I call holding companies, or true silver backed ETFs, and there are some Zurich Continental Bank, for example. Sprott PSLV for an example. Basically it's just been flat. There hasn't been much interest in silver over the last five years, and of course the price hasn't done much other than go sideways for the last five years or so. Present. I'm talking the present now.

The future. I think ... I just put this chart up again, and you don't have to focus too much on the chart, but the idea is how little or how small the silver market is relative to the asset markets at large. So if you took all financial wealth, ex-real estate, and let's face it, there's a huge amount of wealth in real estate. I mean look, everything comes from the ground. It's either mined or it's farmed basically. You either grow it on the land or you dig under the land. That's the basis of all wealth, but if you take away real estate, you just look at the financial system, which means stocks, bonds, and all the derivatives, gold would make up one percent of the entire financial system. Silver would make up .02 percent of the entire financial system.

I knew silver was a small market. I mean, I had no myth in my head about it, but I didn't realize really how small it was until I got as involved as I have been in the last two decades, and it is. There's an advantage to that, because if .02% of the world's population's wealth is in silver, how hard is it to go to .04 and double? The answer is not very hard at all. So something to ponder again. You know, I'm more bullish silver than gold, even in today's prices, or today's conditions, or today's let's say barometer, or feeling. If your overweight in gold, I would suggest swapping for silver, but of course that's always your call.

The photovoltaic market has increased substantially as you can see. They're gonna get a big boost in the next couple of years that's gonna flatten out. It's probably gonna hover around 80 million ounces a year again. This is kind of the biggest demand that we see. Can those panels be recycled? The answer's yes. Will they be? Remains to be determined. There's a lot of energy involved making solar panel and it's more than just the silver, naturally. There's a lot to it and a lot of energy involved as well, but that's been a bit of a boost.

Demand for silver. Solar, 80 million. Silver conductivity is basically on hold. Not much has been reported there for some time. Investment demands flat for now, maybe even decreasing. Photographic demand is basically nil. I mean, there is some but the recycling, which is the second part of that bullet point, has been decreasing. China's demands increasing because they're producing stuff ... medical uses, battery use, and military increasing. Industrial demands basically maintaining.

So, I'm gonna try something different. If you got a camera, just get it out right now and take a screen shot of this. What I'm going to do is let you try it before you buy it. In other words, I'll let you compare my work to John Doody or anybody from Agora, or anybody from anywhere. All you have to do is send an email to support@themorganreport.com. Give me a name, your name, or your made-up name. That I don't care. What I care about is that you have a valid email, and we'll let you enter the membership portal for 30 days and it's good until November 25th. In the subject line, just put that you were at the New Orleans conference, NOIC. I want the free letter. I was in New Orleans. Something along that effect. I'm out of time so I will bid you adieu and I will be in the next area for questions and answers if you're so inclined. Thank you for your time.

Speaker 1: Nice job. David Morgan ladies and gentleman!

Peak Prosperity
"The Crash Course: Our Unsustainable Future"

Speaker 1: Next up you have Chris Martenson and he's going to share with you the crash course, our unsustainable future. Chris Martenson and his partner Adam Taggart are the co-founders of peakprosperity.com where they've been educating millions of readers about the risks in our economy, energy and environment system since before the 2008 financial crisis. With degrees from Duke, Cornell, Brown, and Stanford between them, both hold executive positions in companies such as SAIC and Yahoo, there is no deficit in knowledge. Before consciously opting out of the corporate life they both ended up choosing to build a more meaningful purpose together. To build awareness of the looming changes the next 20 years will bring and to help concerned individuals take prudent action in advance of such crisis. They both moved their families to more rural self-sufficient locations with strong community engagement and launched the web site peakprosperity.com. The web site is visited by four million people a year and its video series the crash course has been viewed over 15 million times and translated into over 12 languages. I would say there's some demand there, if you would please give a warm welcome for Chris Martenson and all his knowledge.

Chris: Hello everyone. Thank you for coming, it's a real honor to be here at the New Orleans investment conference, met Brien Lundin for the first time on the summit at sea which was the real estate radio guys had invited Adam and myself to come out. It was an absolutely wonderful experience and what Adam and I really took away from that summit at sea and what we love is it matched our own organizational dynamic, which is we're a learning organization.

What I'm going to give you today is really my best chance and attempt at synthesizing about 10 years of research into a half an hour. As you may or may not know the world is going through some really big changes, you've heard some possibly scary things here today from various people talking about overall levels of indebtedness, of what's happening with resource depletion, things like that. What I'm going to be doing here today is putting an umbrella over those things so that we can begin to understand them, not with the intention of just because information is interesting, but because you can take that information and take actions in your life because of it. Information alone is just interesting, information with action that's where the real magic starts.

One of my favorite quotes is from Leonardo DaVinci, he said "learn how to see, realize that everything connects to everything else" so I'm going to be doing some dot connecting here. I'm going to be pulling a bunch of things in, and those of you who are familiar with my work know that I fashion around three, with an honorary fourth E, that's the economy, energy, environment and this thing called exponential growth. So I want to connect those dots into a very large story and then what we do is drive that down and turn that into real actions towards the end. Lot of ways to view the world. I interviewed the author of this book and he looks at institutions and political structures to help explain why some nations are rich and why some are poor, I think that's a great way to look at it.

Economics looks at it a completely different way and says well as long as we understand monetary theory and supply demand curves, we can understand the world, that's another way. But there're a way that talked about here, which is the way I come at it, which is that every one of those other things is actually a subset of the resources you have available to you. Have the world's best economists on staff but you're living on an island with no energy, you're still not going to have an economy.

We really need to look at these and there's two big parts here, there's renewable and non-renewable resources. The non-renewable really concern me in this story because of where we are, not just we the people in this room or United States, I mean we humans on this planet. I've boiled this down, they're just four key facts, four things to take away from this and to learn. The first of these is that our world is shaped by this thing called exponential growth. I know you're promised there be no math and there won't be, this is exponential growth. All you need to do to get curve that looks like this on the chart is to have something growing by some percent over time. One percent a year, ten percent a quarter, fifty percent a day, it doesn't matter you get this chart and the reason this is important is because you're surrounded by these things so because you could spend your whole life studying math and still not understand what exponential growth is, I've come up with a little thought experiment to help drive it in.

It works like this, this is a magic eye dropper and it's magic because when I put a drop of water in your hand, every minute it's going to double. So we put a drop of water in, we wait a minute you have two drops of water we wait another minute, you've got four and after five minutes you can fill up a thimble. So if you have a sense of that growth here's the thought experiment we're going to run. I'm from Massachusetts, I had to pick one stadium that's going to get wrecked, we're going here and here's what we're going to do with this stadium, two things.

First, imagine it's water tight, they're a wall across the back and the second thing is I'm going to handcuff you to the highest row of bleacher seats and here's the question. We do this, it's tomorrow, it's 12 o'clock precisely in the afternoon, you see me down on the pitchers mound, I put a little drop of water on it and that drop of water begins to double every minute. How long do you have to escape from you're handcuffs?

Speaker 3: 34 minutes

Speaker 4: 59 minutes

Chris: 34 minutes, 59 minutes, 10, alright

Speaker 5: 6 hours

Chris: 6 hours. Great answers, I gave this talk I was helping NASA with they're hundred year anniversary this year and they're asking, where are they the next hundred years I did this exact experimenter with literal rocket scientist in the room and we got the same range of answers, so it's great. These are all perfectly good answers. Here's the answer. If we start at 12 O'clock at 12:50 it's completely full. Now, if I've underestimated the volume of this park by 100%, you can think 12:51 instead.

That's not the important question actually, this is the important question at what time is this park still 97% empty space and how many of you realize the seriousness of you're predicament.

12:45. 45 minutes not much is happening maybe three feet of water on the infield, next five minutes and it's over. The reason this is important is because we actually have a stadium that we're living in and here it is, it's got a fixed size it's a sphere, it's finite. We live in a very unusual period of time. I was born in 1962, that makes me 55 years old there were 3 billion people on the planet now there's 7.4. This is astonishing. If I live to the same age as my grandfather there might be 9 or 10 billion people on the planet, that means I'll be alive during a tripling of the world's population, that's driving everything we're about to talk about.

This is an extraordinary period of time to be alive. Nobody else in history past can say they were alive during a tripling of the population like this. We're surrounded by these exponential charts right here's one this is oil, oil consumption over time. Oil is really important in this story, but we can look other places in that other E the environment or the ecological E and we can see all kinds of curves that are not linear, they're not straight, we understand straight. Exponential stuff catches us by surprise, when you slip on the ice, gravity pulls you exponentially and you're on the ground before you know it, it's surprising. That's the nature of exponential functions, they surprise us.

So if you take one thing from key fact number one about how you're surrounded by exponential growth, understand this, things speed up, especially towards the end. So who shares with me the sense that things are just seem to be going faster and faster today? Right, it's going both on the good side, maybe technology, we like that exponential curve but we're losing things like insects at an astonishing rate. These are hard to factor in.

Fact number two is that all money is loaned into existence. Well the way we currently do it, maybe money is the wrong word, I should call it currency. I don't care whose picture you've got on it or what color it is, or what kind of anti-counterfeiting you've got, the IMF dictates that if you want to have money in a system and you want to trade internationally you have to have a banking system that loans your money into existence. Because of that, the longer form of the crash course that explains the mechanisms of this for those of you that are interested, but let me jump to the conclusion.

When you loan money into existence you have something called principle and then you have something called interest, which is a percentage over time. What happens when you have something expressing as a percentage over time, you have an exponential system and that's what we see. **If somebody said Chris I'm going to give you a couple of minutes and one chart to explain what happened in 2008 and why you're kind of dim on the future in the same way Peter Schiff might be, it's this chart. (9:10)** This is looking at total credit market debt, household debt, corporate, state, local, federal. Just debt, not liabilities unfunded any of that ugly stuff, just debt and these blue upside-down triangles are asking the question, if we start in 1970 and we had say 10 units of debt, how long before it doubled and we had 20 units of debt and that first blue triangle would be about six years.

How long after that before we got to another doubling of the debt, we went from 10 to 20 then to 40, and the answer is about another 7 years. The punchline is that in the last four decades we've had five complete doublings of the debt and that's the system where everybody in power says that's how the world works. This is all they know, this wasn't always true. This is a really unusual period of time, something happened around 1970 where we said, maybe we can just grow debts really fast, right, and so the red line is the data from the federal reserve, the blue line is a perfect idealized exponential curve fit to this showing this is just pretty much a perfect exponential system. If you've got a one with this thing call and r-squared, it would be perfect, it's .99 that's the fit, it's astonishing. We're going to talk about that little wiggle in just another couple of key facts.

Alright, so something happened back there, this is looking at debt to GDP, because some of you are thinking, Hey the total amount of debt maybe it's going exponential, but if our income is growing exponentially too its not a problem, right. 10 million of debt sounds like a lot, but maybe not to Bill Gates. So the question is what's our income, GDP is our national income, looking at the debt to GDP is asking the question, what's happening, and you will see that somewhere around 1985 there's this extraordinary rocket launch, this 45 degree slope that just says, debt is climbing faster than income. The United States, mirrored in other parts of the world, has been growing its debts at about 8% compounding per year and its income at about 4% income per year.

You as an individual can't do that forever. You have a math problem. It means room full of us can't do it collectively. It means the country can't do it without eventually getting it to some sort of a problem or predicament with that.

This is the key part of this that's missing from every single economics course except for a very very few, which are called bio physical economics and it's this piece of data which is that the economy only actually grows with energy. Energy is the master resource. Not a commodity along with grains and corn and copper and gold and stuff, the master resource. So this is the most robust piece of economic data I'm in possession of and it's charting two things: total use of energy across the globe, this is the world on the vertical axis, compared to real economic growth across the horizontal axis and you can't separate the two marks from each other, you get one mark you get another mark.

What this is saying is that every time you're going to have more economic growth, you're going to have more energy consumption and that has been true all the way through history. And it makes sense, right, how did each of us get here? Well, I got here on a plane after driving somewhere in a car eating food that got grown somewhere that got brought here. All of that's energy if you see it that way.

One piece of data is we know it takes energy to grow our economy and we're really planning on a lot of economic growth in the future, so, I guess were counting on a lot more energy use in the future. Very simple conclusion to draw.

When we look at energy use over time, this is looking from all these decades starting at about 1800 coming on up through and it's asking the question, of the basic sources of energy, right, so that's coal, crude oil, nature gas, bio mass, nuclear, hydro, sources of energy. Right. This is what we've been doing, and of course when we first start this chart way out in the early 1800s people are just using bio mass, that's peat, dung, wood, right, stuff like that. Places in the country, in Africa are still mostly on the bio mass side of this story, but the first thing I want you to notice is this.

Have you seen this shape before? Anywhere. I feel like I've just seen this somewhere, right, that's part one and then part two is that this is the contribution from fossil fuels. Everything you've been hearing about alternative energy, wind and solar, it's all wonderful beautiful stuff, and it's such a small amount on this chart that it's a smear that's less than a pixel, we can't even really see it on this chart yet. Everything we know during the time when we were doubling and doubling and doubling our debts, comes in the last four bars of this particular chart. When energy was skyrocketing exponentially and it was almost exclusively fossil fuel energy that was driving that growth.

So maybe we should understand something about fossil fuel energy, particularly oil, it's a really important story to be told. But there's another thing sort of buried in this chart I want to tease out for you and it's really important and it's this, look at coal here, I've circled it in red or put a square around it. Coal is way better than wood, better than bio mass, it's way better than dung, you can run a steam engine on it, you can pump water and have an iron horse running on rails. Coal is amazing, so you're thinking as soon as people started using coal they would have switched right over, right?

Well here's where coal first started really being used about 1860, it was half the energy mix five decades later. Why was it half the mix five decades later, what was that all about? Well if you were running a clipper ship that was on sails even though somebody had a more capital intensive and also capital efficient thing called a steam ship, you probably still ran your clipper ship till the sails rotted and the wood disappeared. This is why it just takes time for markets to work themselves from one energy to another. So five decades to make that transition and then oil came along.

Here's where it really shows up on the chart right here. Even though it was first drilled in

Titusville, Pennsylvania in 1859, it's really starting to appear on this chart as a thin smear, around here, around 1910 oil is way better than coal, you can run cars on it, jets, all kinds of things, you can make plastics, it's way better. How long before it's a third of the energy mix and the answer is its six decades.

So if somewhere between 40 or 50 or 60 years is how long it takes transition, from one energy source to another and subtle point, moving from wood from coal means you are moving from a worse to a better energy source. Moving from coal to oil, worse to better, meaning more concentrated, easier to use, has more utility. That's not actually true with a lot of the alternative energies, their more diffuse, wind towers, very diffuse, relative to diesel. Diesel is an amazing substance by the way.

This is the key slide here, if you can hold those three slides in your head together in a row, you will understand what I'm looking at in the future in terms of why I think there's both crisis and opportunity baked into it and it's like this, there's a model out there that says how much fossil fuels do we have and when will they finally peak in terms of their total output of BTU's. This is coal, natural gas, oil all put into one spot. In this model say well somewhere around the year 2030 it begins to level off and then it slowly, over the next, the year 2100 it sorta of tails off. I'm not saying it's running out, I'm saying it hits a peak at some point. Now remember we're driving all of our growth with fossil fuel growth at this point in time. That could change, but that's the case right now.

The yellow line on top is asking a different question, it's saying, how much economic growth is everybody counting on and planning on and how much do we think we need, based on all the budgets, the congressional budget office says we're going to have an economy that's twice as large as currently in just 30 years in the United States. China's growing at 7% a year, their economy is doubling every 10 years. This top line says how much economic growth do we need and you'll notice starting around 2030 there's a gap there and see that the height of the pinkish bar I've put under that? This little model, it could be wrong by the way by 10 or 20 years it doesn't matter it's directionally correct, it say humans are going to have to figure out globally how to replace 100% of the output from fossil fuels by other means in just 25 years. Never been done before in human history.

Market forces don't do this on their own, they take 40 to 60 years and that's if you're going from worse to a better energy source. That's not what we have in this story as it stands right now. And then we're going to have to do that all over again, another 100% increase in total output in just 20 years. So this presents a bit of a conundrum, there's both crisis and opportunity based on this slide. If these years sound really far away, 2030, I know it sounds far away, but if you calculated it's actually as far away as 2004 and that seems like yesterday to me. I have kids so time passes, I had more hair then, that's all I know.

This is the predicament I look at and here's why it becomes sort of the punch to the gut for those of us who are thinking about how we're going to protect our wealth and it's because of this, without endless growth our system of money, and there are many of them out there, but our current system of money breaks down. How do I know that? Because this again is the total credit market debt, you see that little, I don't know if you can see it out in the back, but that little green circle there, is showing a little tiny retreat, the only one we have in the data series where credit actually went backwards for about a year in 2008, 2009, and the world almost ended.

I don't know if you remember that time, but Hank Paulsen, then Treasury Secretary was putting in requests for 750 billion tarp funds claiming that we'd have to do marshal law. The best story I heard was in the Wall Street Journal, years after the fact, saying that one of the Wall Street titan bank CEOs was being called to an emergency meeting in October of 2009 and as they were walking through the lobby of their own bank they stopped to get money out of the ATM because they weren't sure that it would be working in the morning. That's how close it was. Mervin King in his memoirs, former Chancellor of the Bank of England, said the same thing. We were this close to a complete systemic melt-down. Why? Because credit markets went backwards for a little tiny brief hiccup.

The lesson we can draw from this is, that our credit markets, our financial system is either expanding or it's in crisis. So as long as you think we can expand forever without any sort of hiccups then, this is a completely irrelevant talk for you to be listening to. Totally get it. But if you're like me and you think well, nothing can grow forever for starters, but also, the kind of growth we seem to be addicted to requires energy and I can't find it. There's a huge energy story which we're going to be talking about in the break out session later tonight hopefully, which talks about the lack of investment globally in oil discovery starting in 2014/15/16 is the largest on record, it's astonishing, and when you don't invest, you don't have future output, I'll save the rest of that story for later.

So what does all this mean? I think to make sense of this we have to understand, this is how I sort of summarize it, there's a great wealth transfer that's about to happen, again. We've been through these before. There was a wealth transfer that happened in Weimar, Germany between 1918 and 1923. You read books about it and the talk about how the middle class, the upper middle classes, the rich, they all got destroyed. Their wealth was destroyed. No, no no, it was transferred, but first we have to understand what wealth is to understand what I mean by that so let me have a definition here. This is the wealth pyramid that we live by at Peak Prosperity and it starts with primary wealth, secondary wealth, tertiary wealth, here's the explanation for that.

Primary wealth is rich ore seams, like you just heard about, talking about the copper and nickel deposits, it's fresh water in streams, it's rich fishing grounds teaming with fish, it's forests, it's rich soils, it's oil in the ground, that's primary wealth. If you own primary wealth, you have wealth.

Secondary wealth is what happens when humans take that stuff to market and make it productive. We take ore and turn it into steel, we take the fish they get to market, we grow things with the soil and food gets to market, we make lumber. That's secondary wealth.

Tertiary wealth are claims we place on those other ones. But first I want to draw out a distinction here, without primary wealth you can't have secondary wealth. No trees, no lumber, no fish, nothing gets to market. So this is sort of a transitive role, you have to have this then you can have that. Primary begets secondary, you can't have secondary without primary wealth. Similarly, tertiary wealth is the claims we put on it. This is how dated this presentation is, I used to show this, I'm showing it now. This is the UBS trading floor showing people trading paper, which is when I say tertiary wealth stocks, bonds, derivatives, currency, all of that stuff, that's tertiary wealth. Now I have to replace that picture with this one, that trading floor is gone. We now have a market that's completely dominated by computers and there are no people with blue, green and gold jackets running around with slips of papers making markets and placing orders. This is where our fantasy wealth has kind of gone to.

I say fantasy because in history it's clear there has to be a balance between the real things you want to spend your money on and the amount of claims that we've laid upon that. We are increasing our claims exponentially, this year, calendar year, 2017, Japan's central bank and the European central bank, alone, have created 2 1/2 trillion dollars of brand new fresh currency claims. Money printed out of thin air and poured it into the markets. It's an astonishing thing, never happened in history before, it's worth paying attention to.

Without primary and secondary wealth, tertiary wealth has no value. Have a pallet with a billion dollars on it, but you're on an island with just bare rocks and nothing to spend it on and you've got something maybe you can burn. We need to have an awareness of where we are in the story of the real wealth. The tangible wealth. That's why I love this conference, love listening to the real estate guys talking about tangible real estate, the gold and silver investors talking about that because at least it's tangible. For instance, I was walking by one mine output noting they had a variety of things coming out of the mine but the ore had one gram per ton of gold in it, not great, but if you think that through if you had a troy ounce, right, which is 32 grams, well then you need 32 tons of material which would be a pile of crushed ore about this big. Think about the effort involved, the work, the energy involved in pulling that and crushing that in order to extract that single ounce.

You have the sense of just how much energy is actually involved in all of these activities. When you look at the Bingham Canyon Copper mine, it's 2 1/2 miles across, 3/4 of a mile deep, and it used to be a mountain. Think of the energy it takes to take all of that out and move it out, crush it, mill it, leach it, and then dispose of the tailings and you just don't think of the money, think of the energy involved in that. It's astonishing.

We need to understand where we are in the energy story to understand this and why there's this idea of a wealth transfer coming and we've been through these over and over again. So back to Weimar, Germany, you open the books and they talk about wealth destruction but now that we share this understanding that the real wealth of Weimar, Germany was the hotels, the streets, the cars, the factories, the arable land. That was the true wealth. Before and after the great inflation, there was exactly as much of this stuff as there was before, what happened was the claims got reduced and destroyed. Who owned this changed enormously. And that's what happens in a wealth transfer, almost everybody gets caught in the tertiary wealth and then they get destroyed when they don't see the transfer coming and they're on the wrong side of that line.

So, what we talk about at Peak Prosperity a lot is to understand how you can, we're not saying get completely out of tertiary wealth, obviously you've got to play the game, the music's still playing, we're not saying grab a seat yet, but you ought to be understanding how much of your wealth is tied up above this line and how much you've been able to move below the line, because now that we have this computerized trading world it's not unthinkable that market corrections in the future will be a lot faster than ones in the past. Where you have yes, greed and fear and human emotions sort of driving things, but at least those took time to develop, now the average execution trade on these high frequency trading robots is measured in milliseconds or microseconds. Millionth of a second.

We think in this story you're either above the line or below the line before the event if it happens that way, or you're not. So make sure you're positioned well in advanced. The question comes often, so we look at this, this is a big story that says there's a lot of change coming and this is the problem definition side of the story. This is not all we do, in fact this is just the first part. The second part is what do you do with that?

Our organization is built around three big concepts. There's the knowing part, which you just got a very quick tour through, the full crash course itself is about 4 1/2 hour of material, it's online, it's a video series, again whatever language you like, you probably can find it there. That knowing, as well as the information scouting we do for our enrolled subscribers, just to keep parsing and understanding where we are in the world is part one.

Then the next big piece is the doing. So the real question is what are you going to do with that information and then there's a third piece which is, we call it being, which is how are we going to show up in this story? Who are we going to be? This is an extraordinary time to be alive, but it's also time to really bring our best gifts out into the world and to understand that when you read last week that they did a study and discovered that 80% of the insect mass had disappeared in 27 years. You don't have that sense of uhoh going on in there? You need to study how ecology works a little bit more potentially because that's a moment that says oh we have to start doing things very very differently. Not for ourselves but also for the people who are going to follow after us.

The four things we tell people to do, get out of non-productive debt. My own children, my families got a long line of people who went through education, I'm more educated than, took more education than anybody every should, my own children may not go to college because the ROY for the types of things their interested in may not make sense. They're not STEM major kinds of kids so they might not go. So student debt is not something we think makes sense in this environment anymore. Maybe you should spend that same about of money, down payment on a house and getting experiences that are aligned with something that will earn you money as well.

Stay out of non-productive debt, productive debt totally different conversation. Another thing is invest in yourself, your home your community, we're going to be talking about this at our break out session tonight, starting at 8:15 in one of the rooms up there. Really make sure there's really good investments you can make in your home, if you have one, around energy, energy efficiency, gardens, things like that that actually have fantastic ROY's, economically but also enhance your quality of life.

Get some gold, some oil, what other primary, secondary wealth things make sense to you, where you live, what you know about, your strategies, your goals, all of that. But really this stuff takes more time to figure out, you know that, most crowds I have to explain that to, you understand that, right, it takes time to figure out how you're going to own primary and secondary wealth and then maintain your possession of that. That's trickier than just hitting the buy button and buying a few shares of apple.

Then finally, if you do have other wealth that's staying in that tertiary market make sure it's managed, if you're not doing it yourself, make sure it's managed by people who understand the context of this world that we're in. Our firm, Peak Prosperity, we work with another firm that's not ours called New Harbor Financial, we love how they interpret this particular information, there are a couple of representatives from that here today.

Where you guys sitting at? Hey, there's Mike and Justin, if you want to say Hi to these guys they do a fantastic job and the reason we like to work with them is because we believe in this Hippocratic oath if you see the world this way, our Hippocratic oath of investing is first take no losses, right, so that's something we really believe in.

This is a book that we have here, we brought a couple of cartons of them, Adam and I are going to be doing book signings tomorrow from 9-10 and then on Saturday from 9-10 out there at booth 232 I think is the number, but anyway you'll find us we're out there in the second row. This book talks through what do you do and we've broken it down into what we call eight forms of capital. So financial capital everybody in this room no need to explain what that is, manage it well, buy some tangible things, figure out primary, secondary, tertiary, but that's just one of the wheels on here. The other circles are things like living capital, which is your own personal health and the health of the eco systems around you, there's material capital which might be solar, thermal panels on your roof or other capital investments and material you might hold in your homestead.

There's social capital, which we know now from watching how various things have devolved like Zimbabwe, yeah people who saw that coming had all sorts of, who could see it coming and prepare, they lasted about a year, it was an eight year burn in their hyperinflation so who did best? Those who had the richest, social networks, so we talk about building social capital and in this story emotional capital might be the most important one. This is what we're going into at 8:15 tonight in more detail.

With that, Churchill C1, that's at 8:15, and for those who show up tonight you can get a free 30-day subscription to our newsletter if you want to come in and sign up for that and then also the New Harbor guys are here, talk to them if you want to know how to invest, given this landscape, thank you very much.

Chris Powell

"Gold Market Manipulation Update"

Bob: Our next speaker is Chris Powell and the topic is Gold Market Manipulation Update. Chris is managing editor of the journal Enquirer, a daily newspaper in Manchester, Connecticut, where he has worked since graduating from high school in 1967. He writes a political column published in newspapers throughout Connecticut. He is also secretary treasurer of the Gold Anti-Trust Action Committee, a non-profit organization that aims to expose and oppose the manipulation of the gold market and related markets by central banks. He is a member of the board of directors of the Connecticut Council on Freedom of All Information and was in the legislative chairman for that organization for many years. Chris is probably one of the two or three most knowledgeable people, on the planet perhaps, that knows this dimension of the gold market very very well and can impart an understanding about what, in essence, is going on with gold, the government, and central banks. Chris?

Chris Powell: Thank you, Bob. All you really need to know about gold could have been surmised from the story on the front page of the Wall Street Journal on August 10th. In that story, the newspaper quoted four experts on the gold market, all of them associates of the Gold Anti-Trust Action Committee and all of them introduced to the newspaper's reporter by me. Those four experts, gold researcher Ronan Manly, Sprott Asset Management's John Embry, GoldMoney founder James Turk, and futures market analyst James McShirley, accused The Federal Reserve of being involved with the suppression of the gold price through the surreptitious lending and swapping of central bank gold reserves.

The Wall Street Journal story was a triumph for GATA, even though the Journal declined to mention GATA by name. The reporter told GATA chairman, Bill Murphy, that the newspaper just ran out of space.

But the story would've been a much greater triumph for us, indeed. It would've been a triumph for free markets, if the newspaper had not decided, in reporting these complaints about surreptitious government intervention and the gold market, to violate the first rule of journalism. That's the rule about getting both sides of the story.

The Journal reported, "Some gold bugs- investors bullish on the yellow metal think the Fed secretly lends it out to suppress prices, partly to protect the dollar's value. In theory, the Fed can feed gold into the market through swaps with other countries."

So, where were the journal's questions about this for the Fed and the Treasury department? Are the Fed and Treasury department involved in keeping the gold price down through surreptitious intervention or are they not involved?

But the journal never asked such questions, even though for a year and a half, as I provided the journal's reporter with the documents of these interventions, I repeatedly pressed her to put the questions to the Fed and the Treasury department. I even provided the journal's reporter with a video showing New York Federal Reserve President William Dudley refusing to answer a question about gold swaps during his appearance at the Virginia Military Institute on March 31st, 2016.

Ordinarily, news organizations are most interested in questions that high government officials refuse to answer. But mainstream financial news reporters are not interested in questions about secret government intervention in the gold market and secret interventions in markets generally. No, such questions are too sensitive, considered matters of national security.

The best the mainstream financial news organizations can do is just acknowledge the questions sometimes. Mainstream financial news organizations can never pursue the answers, no matter how easy it would be to do so.

Unfortunately, most gold market analysts themselves will not pursue these questions either, at least not yet. GATA will continue working on them, too.

But market manipulation issues have kept coming close to the surface since we met here last year. Last month, it was reported that former Federal Reserve board member Kevin M. Warsh is under consideration by president Trump to become Fed chairman.

There he is.

Warsh is well known to GATA. He was the Fed board member who, adjudicating our freedom-of-information request to the fed in September 2009, admitted in a letter to our lawyer that the Fed has secret gold swap arrangements with foreign banks and that the Fed insist on keeping them secret.

Also, last month, GATA consultant Robert Lambourne, an expert on the Bank for International Settlements, reported that in the last year gold swaps undertaken by the BIS have exploded from zero to close to 500 tons.

This is revealed in the footnotes of the BIS' latest annual report.

Lambourne says there is reason to believe that these swaps were undertaken by the BIS just as the gold price showed signs of breaking upward.

The BIS is the primary gold broker for its central bank members and does all sorts of gold business for them. This business is acknowledged in the bowels of the BIS' internet site.

Contrary to what some people would have you believe, central bank gold reserves don't just sit quietly in the vaults all day. They are mobilized every day, often with the help of the BIS, not just through sales and leases, but also through issuance of the various kinds of derivatives listed on the screen.

Indeed, when the BIS thinks that only its central bank members and potential members are listening, it even advertises that its services include secret interventions in the gold market.

This advertisement was part of the BIS presentation that was made to potential central bank members during a conference at BIS headquarters in Basel, Switzerland, in June 2008.

And you can see it right there. Forex and Gold Services, Interventions. They don't put out press releases about those things when they happen.

The BIS is a powerful organization, but most of its power comes from the refusal of mainstream financial news organizations and gold market analysts to ask the bank to explain what it does in the gold market and then to report the bank's refusal to explain.

Confirmations of gold and silver market rigging below the central bank level have poured in during the last year.

In December last year, Deutsche Bank agreed to pay $60 million to settle a class-action anti-trust lawsuit's complaints that it had manipulated the gold market. In October last year, Deutsche Bank agreed to pay another $38 million to settle a similar complaint that it had manipulated the silver market. Perhaps more importantly, Deutsche Bank agreed to provide the plaintiffs with evidence against the banks it admitted conspiring with.

Unfortunately, the discovery and deposition procedures in the class-action anti-trust lawsuits against Deutsche Bank have been put on hold at the request of the U.S. Justice Department, which purports to be undertaking its own investigation of the bank. More likely, the Justice Department is just trying to delay exposure of the U.S. government's own involvement with the market rigging.

In June, a former metals trader for Deutsche Bank pleaded guilty in federal court in Chicago to using "spoofing" techniques to manipulate the futures markets for gold, silver, platinum and palladium. The former trader for Deutsche Bank also admitted front-running customer orders.

In May, gold researcher Ronan Manly, reviewing years of records at the Bank of England discovered minutes showing that Western central bankers conspired in the early 1980s to suppress the gold price in exchange for continued cheap oil exports from the Middle East. These Bank of England minutes are confirmation of the long-held belief in gold circles that the gold price suppression scheme originates in part from the desire of Middle Eastern oil exporters to be able to exchange their oil for better money than U.S. dollars, money that can't be devalued so easily.

Continuing to review those Bank of England records, Manly also discovered that Western central banks conspired in 1979 to create a second London gold pool to control the metal's price.

Last May, GoldMoney Vice President John Butler discovered still another U.S. State Department memorandum detailing U.S. government policy to drive gold out of the world financial system in favor of the U.S. dollar, and the Special Drawing Rights issued by the International Monetary Fund, which was then was under U.S. government control.

The memo was written in 1974 by Deputy Assistant Secretary of State Sidney Winetraub for Secretary of State Henry Kissinger and the Treasury's undersecretary for monetary affairs, Paul Volcker, who of course went on to become chairman of the Federal Reserve.

Weintraub wrote: "To encourage and facilitate the eventual demonetization of gold, our position is to keep the present gold price, maintain the present Bretton

Woods agreement ban against gold purchases at above the official price, and encourage the gradual disposition of monetary gold through sales in the private market."

In April, the British Broadcasting Company's "Panorama" program obtained and broadcast a recording of a conversation between two officials of Barclays bank that implicated the Bank of England in the infamous rigging of the London Interbank Offered Rate, the LIBOR interest rate.

In the recording, a senior Barclays manager, Mark Dearlove, instructs the bank's LIBOR rate submitter, Peter Johnson, to lower the rates Barclays is submitting.

Dearlove tells Johnson, "We've had some very serious pressure from the UK government and the Bank of England about pushing our LIBORs lower."

Johnson objects, saying that this would mean breaking the rules for setting LIBOR, which required Barclays to submit rates based only on the cost of borrowing cash. Johnson asks, "So, I'll push them below a realistic level of where I think I can get money?"

His boss, Dearlove, replies, "We've got the Bank of England, all sorts of people involved in the whole thing. I am as reluctant as you are. These guys have just turned around and said just do it."

In January, the TF Metals Report discovered in the Wikileaks archive of State Department diplomatic cables, and there's many many of these things. I wish I could get journalists and gold analysts to look at them. A cable sent in December 1974 from the U.S. embassy in London to the State Department in Washington. The cable shows that the U.S. government had just gotten assurances from London bullion banks that the imminent creation of a gold futures market in the United States would cause so much volatility in the gold price that ordinary investors would be driven out of gold.

The gold price has always been of great interest here at the New Orleans Investment Conference. In GATA's view, there are four crucial questions about the gold price. I encourage you to put these questions to those who speak about gold at the conference.

1) Are governments and central banks active in the monetary metals markets or not?

2) Are the documents compiled by GATA from government archives and other official sources asserting such activity genuine or forgeries?

3) If governments and central banks are active in the monetary metals markets, is it just for fun or is it for policy purposes?

4) If such activity by governments and central banks is for policy purposes, do those purposes involve the traditional objectives of defeating an independent world currency that competes with government currencies and interferes with

government control of interest rates and, indeed, interferes with government control of the entire economy and society itself?

In GATA's view, there are good arguments for investing in the monetary metals and the companies that mine them. But investors need to know what they're getting into, what they're up against, and what they can do to improve the prospects for their investments and for the restoration of free markets.

Remember, as author and fund manager Jim Rickards said on CNBC a few years ago, "When you own gold, you're fighting every central bank in the world."

So we just have to beat the bastards.

GATA chairman Bill Murphy and I will elaborate on this stuff at a workshop at 8:00 tonight in the Churchill room upstairs. We'd love to see you there and hear your questions and comments.

You can find GATA on the internet at GATA.org, where you can sign up for our daily e-mail dispatches and, if you're inclined to help us, make contributions that are tax-deductible. We really could use your help. We are, after all, up against people who have the power to create money to infinity. We don't have that power, so we are at a bit of a disadvantage. So, we really could use your help.

Of course, I'll be glad to hear from you by e-mail at CPowell@GATA.org. If you'd like to see the documents, any of the documents I've cited today, I'd be glad to send them to you if you have any trouble locating them on our internet site.

But again, let me just urge you again to put some of these questions to the speakers at this conference. Are central bank rigging the gold market or not? Are they involved in the gold market or not? Why do you think they are or they aren't? Are the documents true or are they forgeries?

One big reason why the metals prices are held down is because the industry will not defend itself and because there's so much technical analysis in the gold market that would be invalidated if the interventions were widely acknowledged.

Maybe we've got a couple minutes here for questions, but Bob it's up to you if you want me to turn the time back because we're behind.

Bob: You've got your twenty minutes up?

Chris Powell: Well, there's seven minutes left.

Bob: Okay then.

Chris Powell: Okay. Anybody got any questions? Come on, somebody's gotta have something.

In the back there, sir.

Speaker 3: [inaudible 00:15:08]

Chris Powell: Yeah, it can go on a long time. It's not just US government that's in on this now. As Rickards said, you're fighting every central bank in the world. The major central banks meet every month at the Bank for International Settlements in Basel and that is the headquarters of the gold swap and gold leasing business. They calculate, I am sure, their plans for the next month in gold at those monthly meetings.

The US government pulled it off for many decades, almost on its own. Now, every major central bank is in on this. If you were around in the gold sector in April 2013, you might remember that everybody was saying there was a Chinese put under the gold market, until the weekend of, what was it, April 13, 14, 15 and 16 when the gold price was knocked down something like two hundred dollars out of the blue on no news that anybody could see. Well, the Chinese put disappeared. It took me a few weeks to figure this out, but that was really the evidence that China was in on this, too. That China had decided it had not yet obtained enough gold to hedge its US dollar foreign exchange exposure and they needed the price knocked down, so they pulled their bids.

Nothing that extreme would happen at any commodity or financial market today without China's assent. China has the biggest foreign exchange reserves in the world. They can run any market they want. China is on in this, too.

But, the economists Paul Brodsky and Lee Quaintance wrote a paper a few years ago, which I can send anybody who's interested in it. They argued that gold bugs like us should stop complaining so much, that the real central market bank objective in the long term was to conclude the price suppression scheme after a period of redistribution of the world's gold reserves. A more fair redistribution so that countries that had disproportionally high foreign exchange reserves and US dollars could be suitably hedged with gold upon the inevitable devaluation of the dollar.

I don't think Brodsky and Quaintance had any inside information they were disclosing in that paper, but it certainly is a very plausible hypothesis. I really rather bet on it right now.

Eventually the price rigging scheme will fail if the physical metal runs out. I think it's far more likely that on some Sunday night in the future, we will get a press release from Basel or Geneva or somewhere over there from the major central banks saying that gold has been revalued. What they will really be saying is that debt, which is excessive of in the world right now, is being devalued along with the currencies and that governments will have been made whole because the gold reserves of the world will have been redistributed among them so that they have been hedged. Really, only the people will be ruined.

Anybody else?

Yes?

Speaker 3: Is that [inaudible 00:18:32]

Chris Powell: Oh, of course there is. There's a way for the government to confiscate windfall profits in gold. Sure. If you've been reading the news lately, Tanzania has forced the mining companies there to relinquish a big part of their rights to their mines so that there's a fair ownership structure. We have on our internet site an exchange correspondence with the Treasury Department about confiscation possibilities in the United States. It's unlikely. The rational for doing it as it was done back in 1933-34 does not exist anymore, but the letter we have from the Treasury Department says that under the Trading with the Enemy Act of 1917 and the Emergency Economic Powers Act of, I think it's 1973, the Treasury Department claims the power upon proclamation of an emergency by the President of the United States to seize or freeze any gold or silver-related asset, but I think it was the Deputy Assistant Undersecretary told me not to get too paranoid about because under the same two statues, upon proclamation of emergency by the President, the Treasury Department claims the power to seize or freeze any goddamn thing it wants.

My advice to gold investors is to get all the monetary metal you can and then find a safe planet to keep it on. When you find that planet, call me.

Bob, I'm gonna turn this time back. Thanks very much everyone.

Robert Prechter
"Emerging Trends That Matter Most Now"

Bob Meier: Now we're going to introduce our first speaker, it's Robert Prechter. His topic is emerging trends that matter most now. Robert Prechter's 1978 book, Elliott Wave Principle, forecast a 1920 style market boom, his 20022 itle Conquer the Crash, predicted the global debt crisis. His firm, Elliott Wave International, forecasts stocks, commodities, currencies from intraday to long-term. Bob has coauthored academic papers on financial theory and predicting election outcomes, which you can get access to at the following, ssrn.com. Again, ssrn.com. Supporting Bob in his Elliott Wave and other technical work, is a staff of analysts supporting him. There's roughly 25, which is really unheard of for one technician to have that kind of support, but Bob has certainly earned it.

Now that the official introduction is over, I'd like to talk about Bob himself for just a few seconds. Bob fits the mold of gentleman and scholar, not only is he a very forthright person and has a reputation throughout the world, literally, it's absolutely sterling, he is very innovative and is forecasting work, and is one of the true pioneers that brought technical analysis to the general investor and to money managers who really knew nothing about it or about the Elliott Wave. Without question, he's, again, the world's most foremost expert on the Elliott Wave. At this time, I'd like to bring Bob forward.

Robert Prechter: It's always such an honor to be introduced by Bob Meier. He's been the classic MC here for so many years.

First of all, I'd like to thank those of you who are here. It's early in the morning, I know it took a little extra effort to get here, and I appreciate it. I hope you will be able to take away something that made it worthwhile. My topic today is major turns in two key markets. The first one I'm going to discuss is the US stock market.

Now, on rare occasions, a market will be at a very important point right at the time that we're holding the Investment Conference in New Orleans, and one of the most memorable was the stock market top of October 2007. It had topped out a couple weeks prior to the conference. This time we might even be closer than that, to the top at the moment. First I'm going to set the stage here so you kind of get a picture of where the US market is relative to other indexes around the world. All of stock markets around the world were in a bull market in the 1980s and 1990s, but that changed in the year 2000. Now, the United States market had a major top then, but all the others stopped going up, all the other big markets in the world.

This is a picture of the stock prices in European indexes. You can see that they topped out in 2000, they had another lower top in 2007, but they've been languishing ever since. Here's a picture of what was going on in the Chinese market. China, of course, is an economic powerhouse, but even it has not joined the United States in a new all-time high in their stock index. You've got major indexes in Europe having topped out 17 years ago and major indexes in Asia having topped out 10 years ago, and that leaves us with the United States as a lone blue-chip in the world at a new all-time high.

Well, this is more than just an anecdote, the same thing happened in 1929, European stocks topped between 1924 and 1928. The British stock market topped out in January of 1929 and the US stock market held up until September and that led to the famous crash of 1929 and ultimately the depression of 1932, '33. The setup is similar, the difference is this one is much bigger and is taking a longer period of time, and I think it's an even bigger topping formation.

Now, what's got me so excited about this time, October 2017, is that on Friday and Monday, the S&P index met its upper channel line for stock prices on arithmetic scale going back to the low of 2009. It just went right up and touched that upper line. Very often, under this Elliott Wave model, you'll see parallel trend channels define the bull market and actually help you identify the end of it. Well, at the same time, on log scale, the Dow Jones industrial average did the same thing on Tuesday, that was two days ago. Now, sometimes these markets will overshoot the line, so there could be a little bit more to go, I'm not very confident that that will happen, but we are near the end of the bull markets in these indexes, in my opinion.

Now, if you have that opinion from these technical aspects, you should see evidence of some kind of slowing internally in the market to indicate that a long-term trend is coming toward an end, and I believe this chart gives that message. What we have at the top, of course, is the Dow industrial average from 2009, underneath it is a 50-day moving average of the daily advance decline ratio, and all that means is the number of stocks up on the day divided by the number of stocks down on the day, to give you a ratio. Early in the bull market, 2009, 2010, 2011, you saw those ratios at pretty high levels over a 50-day period. They got weaker and weaker, as you can see, going into 2015, and that led to the corrective period in 2015, early 2016. Since then the market has gone to a new all-time high, but the advance decline ratios have gotten weaker and weaker. That's what you see on the bottom right, getting down to 1.0. What that means is on the average day, despite the soaring Dow industrial average and even the rising S&P and the NASDAQ, there are as many stocks down as up on the average day. That is an internally weakening market.

Now, the other thing you need to see, if you're expecting a major turn is an extreme in optimism or pessimism. Pessimism at a low, optimism at a top. Do we have that today? We certainly do. This is a long-term moving average, 200 weeks, of the weekly tally of bulls and bears among newsletter writers conducted by investors intelligence, they've been doing it since 1963 so there's a lot of history on this. We did a long-term moving average to show that we don't think this is just a short-term juncture where there might be a pullback, this is a long term event. You can see that on this basis, currently, there have been more or fewer bearers, this is an inverted chart so the higher it goes, the fewer bearers there are. Since 1966, 1966 was a very important year, that preceded 16 years of sideways trend in the Dow Jones industrial average, and when you inflation adjust that period, it was a deep, deep decline, I've got a chart later that'll show it to you, that was the deepest in real terms since 1929, 1932. So when you get extreme optimism, there aren't many buyers left. That's what that means.

There are other indications of this optimism. The University of Michigan surveys consumers, and one of the questions it asks them is, do you think the stock market will be higher a year from now? This is the percentage of people who answer yes. This goes back about 10 years, and you can see that in 2007 most of them thought it would continue higher, which is the exact opposite of the truth. In 2009, they were all scared, said it wouldn't go up next year, which was wrong, and here we are at a record high percentage in terms of the number of people who said, yes, the stock market is going to go up next year. That's another indication of extreme optimism.

Here's yet another one, these people are putting their money where their mouths are. In 1982, the ratio of the amount of money in money market funds versus stock mutual funds was five to one. Five to one more money in the money market funds. Today, it's the other way around, there's five times as much money in stock funds as there are in money market funds, and it's a record ratio. Again, extreme optimism being expressed.

Here's one of my favorites, large speculators have a long history of being wrong in the markets that they bet heavily on even though they've got lots of money. As you can see, the few times in the bottom of the chart so that you have a negative reading were near lows in the market. This is a chart of the number of contracts that the large speculators have net-long or net-short in the Dow Jones E-mini Futures contract, and they not only have net-long Futures contracts right now, they have a record number of Futures contracts on the long side right now. They are making a big, big bet that the Dow is going to continue higher. They didn't do that at the bottoms. They tend to do that at the tops. I think optimism is evident across the board.

Now, how did the stock market get to this point? One way was borrowing. People borrow money. It's called going on margin in their brokerage accounts. In 1974, there was only $4 billion worth of margin debt and US brokerage accounts, and now they're over half a trillion dollars' worth of borrowed money, helping hold stocks up. That's an all-time high. That's optimism as well.

Now, this is an esoteric little chart that I first put together in 1983 because I noticed there were approximately 17 years between major turns in the stock market for quite a while. You can see there was a major low in 1932, a major low in 1949, a major high in 1966, a major low again in 1982, a high in 2000, and 17 years from that point is August to November of this year, and here we are smack in the middle of that period. You can really get a flavor for how big these terms are if you look at the bottom chart. The top chart is the normal Dow industrial average and the bottom chart is divided by the producer price index. In other words, how many things can the Dow buy rather than how many dollars can the Dow buy. These are pretty important turns. I think we're coming up in another one. Now, periodicities like this don't last forever. This one possibly isn't going to work this time, but given all the evidence we've just looked at, I think it's very probable that it will.

Now, if we're going to head into a big bear market, which I think is very very likely, what are some of the things that might accompany that? I think one of them is going to be a contraction in the amount of debt outstanding. These are other indicators of extreme optimism, the fact that the debt has expanded to new all-time highs recently. It means that the borrowers are optimistic because they think they can pay it back. The lenders are optimistic because they think the borrowers are going to pay it back. The investors in all this debt are optimistic, those are people like pension funds and insurance companies that are buying up all this debt. Well, we have a record high right now in automobile debt, over a trillion dollars' worth of cars on the road are running on borrowed money. There's a record high in student loan debt despite numbers of defaults recently, there's a record high in business debt right now and, of course, there's a record high in total debt.

Now, one good question might be, well, why can't these lines continue? They've been going up and up and up forever, why not continue? I think the reason is not so much that this debt is at an extreme, but that the quality of debt has been plummeting. This is a graph of investment in junk bond funds, from 2010 to the present, investors have committed more money to junk bond funds than ever before. They're doing what's called chasing yield. They're also chasing risk, but they don't seem to care about it. They don't seem to think that these companies that are very marginal and they're issuing high-yield debt, have any problems facing them in the future. That's extreme optimism as well.

This is one of my favorite charts. It's really incredible. I hope you can grasp the full meaning of what this is telling you. This is the history of the difference in the yield between European junk bonds and the United States Treasury bond, 30 year bond. Back during the panic of 2008, 2009, you can see there was a 24% difference in the yield in European junk bonds and US Treasury. That meant people in Europe were so afraid they wanted a huge return in order to gamble that these companies would make it and continue to pay the interest. Well, it has fallen and fallen and fallen, and just this month it reached the incredible level of zero. That means people in Europe are just as content to sit with their local junk bonds as they would be to own US treasuries at the very same interest rate. Nobody would have ever even predicted it, so it's beyond what imagination could've suggested 10 years ago could possibly happen. That's extreme optimism.

Well, that's it for the stock market. I'd also like to point out, I think real estate is at a point of extreme risk right now. We all know that real estate peaked globally in 2006, there's been somewhat of a recovery, especially in certain areas like Australia and Canada and some spots in the United States as well, but the rate of turnover, the number of sales, is running at only half the pace of 2006 despite the comeback. Also, only certain areas are participating and other areas are quite flat.

One of the spots where most extreme speculation has been going on has been in Toronto. You notice that this price chart of Toronto real estate didn't even pause, or maybe paused a little bit, in that 2006-2012 period when prices in the United States were plummeting. It got a second wind, and people have been buying real estate in Toronto like there wasn't going to be anymore. It went in the mid-1990s, from about $200,000 for the average house to over $1 million for the average house in Toronto in 2007. Now, this is a chart of annual closing figures, so it's updated with that solid line through 2016. What I've done is I tacked on the monthly prices in a dash line showing you that it looks like it may have reversed a couple months ago here in 2017. So I think that mania has probably ended. Some areas in the United States, such as Las Vegas, New York, some parts of Florida, and especially San Francisco, are those areas that went to new all-time highs recently. I think this chart is going to look like the Toronto chart very soon. I think it's likely to reverse very very soon. Real estate is the other area that I think you should be looking for a major reversal, major top.

I can't, of course, leave the New Orleans conference without commenting about gold. There's a lot of people interested in gold here, always have been, and I'm a believer that gold is real money, but at the same time it does go up and down in dollar terms, and that's the kind of thing we're after. I didn't list gold among the markets that I think are at a major turn because I don't think it's at a major turn. I don't think it's a major bottom and I don't think it's a major top. We had a major bottom in 2001 and we had a major top in 2011.

So, what would I look for if I wanted to be a buyer of gold? I'm going to show you three things that I would look for, first of all, this is the history of the gold price going back to 1980, and if you look at the bottom, you'll see some of the comments that appeared in a major article in a national financial magazine in February, 2001. They interviewed a number of people, like a dozen of them, who were experts in the gold market, they owned gold mines or they were gold analysts for firms and so on, not one of them thought that gold could possibly go up. I recorded some of the quotes from that article to give you a flavor for the kind of thing that all these experts were saying at the low. “Nobody expects gold prices to turn up soon. Nobody.” “There is nothing positive on the horizon.” Again, look at that word, nothing. Finally, “Bearish bets are at their highest level in years.” People were betting gold would go lower. Those are the kind of things you look for at the bottom.

Now, what about 2011? You had these rather incredible statements from people as well. Gallup polls the average everyday American and they said that gold was the single best long-term investment in the world. They didn’t say that when it was $253 an ounce, they said it when it was over $1,900 an ounce, and that meant to them that if you bought gold at $1,900 per ounce, you would make more money than in any other market, which obviously did not come to pass. One of the biggest financial institutions in the world, Society General, put out a report on gold and they said the fair value of gold is $10,000 an ounce. It might have seemed reasonable at the time, but I look at things from a psychological point of view, nobody was writing things like that in 2001. Even criminals were demanding to be paid in gold instead of cash, that told you something didn’t it? The gold ETF, this is incredible, surpassed the value of the S&P 500 companies at that time, right at that peak.

Finally, under the daily sentiment index readings, 98% of people who were trading gold futures thought it would go up. So only 1 in 50 thought it was possible for gold to go down. Those are the kind of things you see at a top. So my suggestion here would be to wait until you see the opposite of those types of events and comments, and we haven’t seen them yet.

Okay, now, this is a chart that I showed here at the conference back in 2011, gold had topped in September, we published it 10 days afterwards because so many people were saying gold was cheap. Remember that quote saying the fair value was $10,000 an ounce, so it made gold look cheap when you hear things like that, and I said, “No, it looks like gold’s pretty expensive actually.” This is the chart on the bottom of the consumer price index from 1913 when the Fed was created, until 2011. At the time, we’ve updated it since. It had gone up 24 times at that point, and gold from 1913 had gone up 93 times, so it had outpaced the CPI by four times. I said, “That seems to suggests gold is very expensive.” Well, where is it now? We’ve updated the chart, as you can see it’s now up 62 times since 1913, the CPI is up 25 times, that’s a 2 1/2 times ratio. I still think that’s a little bit high. I think I’d wait for that ratio to contract a bit further for committing a lot of money to the gold market.

The final one is my favorite chart. Most people think that if the central banks have unlimited power to print money and go buy things were to buy gold that it would go up and if they decided to sell their gold, it would go down, but ironically, and most things in the markets are very ironic, paradoxical, the opposite is true. On the top, we have an annual price for gold, the range of the price for gold, and on the bottom you see the net selling or net buying of gold by central banks, and on the bottom left you can see those gray bars pointing down, all during the bull market for the first number of years, the central banks were selling into the advance. They didn't believe it was going up. They though it was an opportunity to sell their gold at high prices.

In the middle layer 2009, 2010, they were flat and, finally, in 2011, the year of the all-time high in gold, they rushed in and started to buy. That was a signal to us that some of the least sophisticated investors in the world, central bank managers, had turned bullish, and they're still buying. They're buying all the way down. That's the exact picture we had on the way up, just inverted, so they're still buying gold. When you see a gray bar on this chart, as prices are falling, they have to be selling into weakness for this signal to work, that'll probably be a very strong indication that gold is at a bottom. So I would recommend that you wait until central bank starts selling gold before you start buying it from them.

If you want to know a little more about what I do, I published this book in 2016, it's basically got all my ideas about financial theory and how markets work, it's called The Socionomic Theory of Finance. Please, stop in this afternoon at 4:05 PM, on the second-floor, to go see my colleague Steve Hochberg do his famous annual workshop. He's got 150 charts with him, he'll answer any of the questions about markets you're interested in, and I'd just like to close by saying thanks so much for getting up early to come see me. Hope to see you next year.

Gwen Preston

"Betting To Win In A Metals Bull Market"

Speaker 1: We have a great way to start the conference, ladies, and gentleman. Our first speaker is going to share a ton with you. Her name is Gwen Preston, and after nearly a decade covering the mining sector as a journalist, in 2014 Gwen saw the mining markets becoming ... bottoming out, actually, and she knew that she wanted to participate in the pending rally independently and proactively.

Thus was launched Resource Maven, a newsletter chronicling Gwen's market insights and portfolio moves. Years of research, writing and site visiting mean that Gwen knows the people and the projects of mining and understands how big picture trends and requirements translate into specific investment opportunities. Here to give you her talk on the metals bull market from here, please welcome the Resource Maven, Gwen Preston.

Gwen Preston: That was amazing. Thank you. Okay. Good afternoon, everyone. That was quite the act to follow. That was pretty phenomenal, and I hope everybody's energized after that logistics talk, which you would think would be the driest thing that would happen at a conference, but apparently not.

All right, so the metals market from here. There are going to be oodles of talks over the next few days about gold, and interest rates, and all kinds of factors that feed into here. I wanted to give an overview, go through quite a few points quite quickly that I know others will expound upon over the next few days, so there'll be lots of opportunity to hear more about them.

Let's start with gold. This is two year gold chart. I call this the baby bull, right? We've just started the beginning of what I believe will be a strong metals bull market for the next few years. Gold gaining 30% in the first six months of last year was truly phenomenal, right? It felt great for all of us who just survived by the skin of our teeth through what was a fairly terrible bear market. It was a really massive move that attracted a lot of attention.

Of course, it then stepped back and gave back 2/3 of that gain, but in 2017 it's just basically been marching its way back up again. That's quite impressive, really, given some of the headwinds that it has been facing. The main one of those is the strength of the U.S. equity markets, which is clearly attracting almost all of the capital that's out there.

Then, of course, the question is what is gonna happen with gold from here? I think predominantly, the forces that determine that are interest rates, which I'm sick of talking about, but it's really, really important, so I'm gonna keep talking about it. Then the U.S. markets and this broad term of uncertainty.

Okay. The market certainly believes right now that interest rates will get hiked again in December, that's what that bar chart shows. It shows that 97% odds on a rate hike in December. What I think is really interesting about the rate hikes discussion is this, it's a bit of a tail wagging the dog. What I mean by that is, investors are using the fact that Janet Yellen is raising interest rates as proof that the economy is strong. That should make sense, because interest rates should only go up, if the economy is strong in order to dampen down growth a little bit and tame inflation. Except we don't have very much growth, and we have basically no inflation, so the logic is flawed.

Investors are using rate hikes as proof that the economy is strong, but the economy isn't that strong, rates are being hiked in order for Yellen and her team to supposedly underline that the Federal Reserves' approach to the financial crisis worked. The logic is missing, but the market really wants that proof, they want to say, "Rates are going up, the economy must be strong because that justifies all of these huge evaluations that we have in the equity space," right? It's a really weird obsession with rates right now, stemming from such a long period of really low rates, and because people are desperate for this logic to hold.

Okay. If this logic is based on the fact that rates are going up, so the economy must be strong, are rates going to continue to go up? Well, most people, as that bar graph showed, certainly believe that rates are going to continue to go up. The Fed wants that to happen, wants rates to go up, and they're also doing this quantitative tightening, right? They want to shrink the balance sheet that's $4.3 trillion right now.

The Federal Reserve is really suggesting that this shrinking of the balance sheet will not have very much impact, but that's pretty odd. The whole reason that they grew the balance sheet was to have outsize impact on the economy, so to now suggest that shrinking it will not have outsize impact in itself is just odd.

More importantly, their process of not reinvesting the proceeds from expired bonds, that makes cash disappear. They created the cash, and then by not reinvesting the proceeds of the bond, the cash disappears, okay? That lowers the reserve base. That literally just makes money disappear. When money disappears, when the reserve base goes down, that has an outsized influence, negative influence on GDP growth. First of all, quantitative tightening will slow GDP growth. That's fairly basic economics. That in itself, quantitative tightening, is a real threat to the entire tightening process in itself.

Then there's the fact that you just can't raise rates that much. Debt loads are immense, especially government debt loads, and even members of the Federal Reserve themselves are out there now saying that, "2.5% is the new normal." They are pretty clearly saying they can't imagine rates ever being higher than 2.5%, and fair enough, because debt servicing costs would just annihilate growth, should they go that high. Big picture speaking, you can't have that much tightening.

That means that real rates, real rates are the fundamental driver for gold, I'm sure you'll be sick of hearing speakers talk about real rates by the end of these few days. But real rates will stay low to negative, which is the range that they're in right now. Of course, real rates are take interest rates and subtract inflation. Right now, if you take whichever interest rate you want, if you want to start with the 10-year treasury yield and subtract inflation in the form of the inflation swap, or if you want to take the Fed funds rate and subtract CPI.

These are the parameters within which you can calculate real rates. We're low to negative already. That's the real reason why gold continues to get this support, even though it's been a bit slow, the market isn't exactly on fire, but fundamentally, the rationale is right there. Of course, the United States is, by no means, alone in this, across the world, we have these situations of low to negative real rates.

Okay. That's the big picture. I think tightening is a very difficult path to follow, and one that will not be followed for very long. What about right now? Is the Fed gonna raise rates in December? The really interesting thing is that for gold investors, I don't think it matters. I think the market really expects this tightening event in December, so gold will slide over the next six, seven weeks, gold's gonna struggle a bit because of this expectation. Then, no matter what happens, gold is gonna go up after that.

If Janet Yellen does raise rates, then the analogy is the last two Decembers. The market overpriced in a tightening event, of course, gold should go down when rates go up, but the market overprices in the event ahead of time, which means that when it happens, the correction happens and gold jumps. You can see that, that's what happened the last two Decembers.

The other thing happens, if Janet Yellen steps back and does not tighten, all of a sudden you're injecting all of this uncertainty, "Well, why is she not raising rates? Is the economy not as strong as we all wanted to believe? Uh-oh, better buy gold as a safe haven." Whether it happens or not, gold is going to do well once we get through this near term question of the December Federal Reserve meeting.

Okay. Then the other clear factor for the gold market are the U.S. markets, which are on this stupendous bull run, right? That's not being driven by fundamentals, when you look at valuations in any number of ways, valuations are very, very high. Breadth is very limited, fundamentals are not what are driving this market right now. The market is being driven by a few things. I'd say the dominant ones are sentiment. There's this huge amount of confidence and there's record low volatility, which only helps the confidence, it's a self-fulfilling cycle there, and a lot of algorithmic trading. That has really developed, really expanded during this bull market.

Those algorithms have self-trained to buy every dip because most of the time, for the time frame that these algorithms have been operating and learning the market, it has always worked to buy every dip, so that's what they do. It just feeds itself. Then passive index funds. By next year, half of U.S. retail equity funds will go into passive indexes, which is pretty phenomenal because index investing, by definition, doesn't care about fundamental value of individual stocks. They just buy everything in an index. That just floats all the boats higher and higher. That's a pretty difficult momentum to come up against.

The end result has been that valuations are very high. At some point this will end, I'm not gonna stand up here and try and tell you when or how that's going to happen, but I will say that tightening could be the trigger that does it. If you do quantitative tightening, you will slow growth by reducing the reserve base. If you raise rates, capital becomes less available, the dollar strengthens, that creates headwinds. These are the kinds of forces that can, at least, set the stage for whatever trigger might come that could be the end of this bull market. That's the U.S. markets.

Then, there's this nebulous term. Uncertainty. It may be nebulous, but it's clearly present, right? There's a huge number of factors out there right now driving uncertainty. On the economic front, there's tax reform here in America, what will it be? Will it gain enough support to happen? And will it have any impact given the debt loads that reduce what you call fiscal headroom? If you have to spend a lot of money servicing debt, where does the money come to fund the tax cut? It becomes more difficult with high debt loads for tax reform to be effective.

Then you have political uncertainty, which is quite significant in a lot of places, within like domestically and internationally. When you look internationally, then of course, you bring in North Korea, you bring in Brexit, you bring in Spain. There's a lot of uncertainty in the world right now. At the end of the day, uncertainty is a very significant driver for the gold price, gold is the safe haven, we all know that, and so uncertainty helps gold.

This little graph is an interesting one that I think just highlights how investors feel that there's like no uncertainty with equity prices, like that green is about as low as it'll get. But economic policy uncertainty is really high, because we actually don't know. Is protectionism coming back? What's gonna happen with NAFTA? Is tax reform gonna work? Economic policy is very uncertain right now, so that's a divergence that shouldn't last. I don't know which way it's gonna resolve, but it's one that shouldn't last.

Those are the sort of main drivers that I think are pushing the gold market. It will go higher, it's gonna take some time, there's near term questions to get through, predominantly that rate hike question. What I think is really important, is that in a metals market, strong bull markets come when multiple metals are involved, when multiple metals are strengthening. That's really the situation that we're looking at right now.

The two here are the two other very important metals. On one side, on the left side we have copper. That's a fantastic price chart, copper has done very well this year. Copper prices are gaining on fundamentals, a lot of significant minds high graded during the bear market, so they went after the very best parts of their deposit. Which works well to bring in a bit of extra money during that time, but it kind of messes things up down the road, because when you high grade the core of your deposit, all of the lower grade stuff around it becomes uneconomic, really creates problems for compromise down the road. That's been a big problem.

Copper also always struggles with labor issues, strikes, politics, but this is all in the face of electrification. Yes, if you want to play electrification, there's cobalt, there's lithium, there's graphite, there's lots of commodities that are necessary for electrification, but the main one inarguably is copper, and so demand is up, supply is threatened. That's the basics there.

Zinc has done even better. It's gained 100% in 18 months, it's consolidated that move. Zinc is a market that has been in the doldrums for decades. That simply means that there has not been sustained exploration for, let alone development of, new zinc assets for like a long time. The zinc cupboard is bare, the zinc price I think, is gonna stay quite strong for quite a few years before that problem gets resolved. You have not just gold that has fundamentals on its side, you have gold, you have copper, you have zinc, you have silver. There's a good number of metals that are all working together. When these things gain momentum, it really happens, right?

Now those of you who are in this room are here because you're predisposed, right? You're already interested in gold, hopefully you're invested near the end of the bear market, you've got some of that fantastic ride to start 2016, kind of feels like, "Well the interest is already back," right? The interest is not already back. The investor allocations to gold remain at record lows. There's a huge amount of generalist interest that has yet to come back to this sector.

That is why we haven't yet really seen the leverage that all of us own gold stocks for, right? You can own gold, gold's a great asset to own, but if you want leverage to gold price moves, that's why we own gold stocks, producers, let alone explorers. You get leverage to the price moves. We haven't really seen that because we need generalist investors to rotate in. They will rotate in as the prompts to do so become more obvious, become stronger and clearer.

The fastest way to get a whole bunch of generalist investors to rotate in the sector would clearly be for the U.S. markets to crash. I'm not advocating to that, I'm not saying that, that's about to happen, but it would certainly work for the gold sector. It would also work if it happens more gradually. That opportunity will become more evident. We don't know when the U.S. markets are going to change direction, but they will, no bull market lasts forever. There'll be lots of others this week, I'm sure, who will talk about valuations, and breadth, and issues, so I won't go into that, but we know that those are threatened, those aren't strong metrics when it comes to the U.S. bull market.

By contrast, gold stocks are very cheap. The really interesting thing about that is that they're actually much, much stronger than they were five years ago. If you look at the major gold producers, and the mid-tiers, their debt loads are down, their costs are way down, and their earnings are way up. They're much more robust vehicles than they used to be. The contrast with what's going on in the broad stock market is really apparent. My little analogy is, investing new money in the U.S. stock market can certainly still work. Again, I'm not saying it's gonna turn down tomorrow, but there's a risk there. The risk is that you might fall or get pushed, out a 40th floor window if things go badly.

With gold stocks, if you were to fall or get pushed out the window, you're only on the first floor. You haven't gone up very far, there's not very far to fall. You might stub your toe, but then you're gonna be okay, and you're gonna be able to continue. I think that contrast will manifest, and it will, in the midst of all of this rampant uncertainty that crosses political and economic spectra, it will manifest and generalist investors will rotate in. It just takes a little bit of time, takes a little bit of seasonality to take hold. Okay. That's the big picture, the big prospective metals market outlook.

What do you do? Do you just buy metals? One opportunity. Clearly, I participate in the equity side of it, I love exploration stocks, I really like development stocks. I will also own minors because you want to spread your exposure across different stages and assets. I will be doing a workshop later tonight, and will be available in general. What I do in my newsletter is talk about specifics on how to participate, what you want to buy, what you want to avoid, who you want to follow, these details all very much matter.

Broadly speaking, you can buy in the market, you have the freedom to enter and exit. That really matters, because if you do the next option, which is participating in financings ... Financings have this thing called a four-month hold, so when you get the stock, you can't trade it for four months. A lot can happen in four months, both on the upside and on the downside. If you're in a hold period and can't sell, you have what you have at the end of four months. There's pros and cons to both of these. Of course, the advantage of a private placement is that you get a warrant, which is the ability to buy a stock down the road at a set price. If you think the stock's gonna do well and you maintain this right to buy it at a low price, that's clearly an advantage in the long-term.

As I mentioned, I really advocate making sure that you're exposed across metals, and across stages. If you love silver, that's fantastic. There are some great silver vehicles out there. There's great silver exploration. There's great silver production, but make sure you cover the range from exploration to production, super high risk to lower risk and then make sure you also have exposure to zinc, because it moves quite differently than silver. Make sure you have some gold in there, some copper, whatever's going on, right? Make sure that you lower your risk by broadening your exposure.

Then know the people. That's a really important part of being here. The companies that are here have their presidents here, have their CEO's here, have their geologists here. Get over there and just see whether you feel comfortable, if the person you're talking with makes you feel comfortable that they're going to do something sensible with your money if you put it into their company. I know gut reactions are only worth what they're worth, but I think they're fairly valuable when it comes to somebody spending the money that you put into that stock.

Now, when it comes to the mining sector, it's quite interesting. These things are really volatile. They're quite technical, especially on the exploration front. There's a lot of new deals coming out all the time. There's a lot of deals that are related to one another, and join ventures or shared management teams, whatever it might be. It's quite a difficult sector to keep up with, so it's really important to pay attention, to be networked into the sector, to manage your risk. These things can be very volatile, both to the upside and the downside, so you want to make sure you're watching your stocks, you're managing your risk, you're taking some profit when it's offered, you're questioning your investment thesis, if you're down.

It takes a lot of time. That, of course, is what I do in my letter. My main publication is a weekly publication about what I'm buying and selling in the sector, and what I'm thinking about gold and interest rates. You'll get sick of hearing me talk about interest rates. I get sick of hearing myself talk about interest rates, but it's what everybody's talking about these days.

Then, if you are an accredited investor, I also offer access to financing opportunities, if they're ones in which I am putting my own money. What I think is important is that I don't accept money from companies ever, so it's strictly about investment opportunities that I think are good, and come along for the ride with me, if you're interested.

That's what I have to say. I do have a workshop tonight, if you're interested. I'll go into a lot more detail in some of these how to participate factors. Hopefully, I've set the stage for a lot more discussion, I'm sure, on every point that I raised. Thank you so much for your attention, best of luck staying focused for the next three days. There's a lot of good stuff to come, and I'll see you out there, thanks.

Speaker 1: All right, good job!

Precious Metals Panel
Thom Calandra (MC), Gerardo Del Real, David Morgan, Bill Murphy, Dana Samuelson

Robert Helms: All right. Good stuff. Let's shift gears a little bit and talk about one of the core assets here at the New Orleans Investment Conference, and that is the metals. It's time for our annual metals panel. This is a great opportunity to hear not just what one person thinks, but what several do, and they get to banter it around a bit between each other. Our panelists are going to be introduced by our master of ceremonies for the precious metal panel, which is Thom Calandra from the Calandra Report, and the TCR Network. He'll be your MC and the moderator of this panel. Please welcome Thom to the stage.

Thom Calandra: Yes.

Robert Helms: All right, he's there already.

Thom Calandra: Thank you.

Robert Helms: Take it over, man.

Thom Calandra: Thank you very much, and thank you for showing [inaudible 00:00:35]. I know all four of these guys. I've known them for a long time. I don't even need the information. Thank you for coming, by the way. Hope this is a great panel.

Robert Helms: Good.

Thom Calandra: Of course, Bill Murphy probably needs no introduction. Hi, Bill. Bill is Gold Antitrust Action Committee, and also Café Metropol, which is an online newsletter mostly about manipulation. Then we have Dana Samuelson from the American Gold Exchange, AGE. Dana has taught me a lot lately about coins and physical metals, storage, other issues like that. David Morgan, I've been on a couple site tours with him, from the Morgan Report. He'll probably want to tell us a little bit about the silver's sometimes out-performance and sometimes under-performance versus gold. Finally, somebody sorta new to me, Geraldo Del Real, and Geraldo is from Austin, Texas. He wears a lot of hats, The Outsider Club, The Resource Stock Digest, and also the editor of Junior Mining Trader. He's all about picks. Kind of like me, right? I should put a plug in for myself. Come up to my 8:00 workshop this evening, right? I'm going to be dishing out some stuff.

Anyway, one very, very small funny story, and I'm going to open it up. We're not going to have a slideshow like we had last year at this panel because I only have maybe 10 basic themes, but I live in California where the fires are. It's been smoky. Anyway, California is about 35 percent Hispanic. I have a friend Chewy, and Chewy is from The Heath Club, so he's Hispanic and the other day… We're both Oakland Raiders fans. By the way, we took a bicycle tour today, and they took us by Archie Manning's house. It was like, "Okay, he went to the NFL, Archie Manning. The home of Peyton Manning and Eli Manning." Anyway, I know exactly where he lives, on Peyton Place. No. He lives right there in the Garden District.

Anyway, Chewy comes up to me. He's a maintenance man, and we're both Oakland Raiders fans. Oakland wins the other night. They were on national TV about a Thursday night. I said, "Chewy, you must be feeling good. I know I am." He says, "That night. The next day, I did not feel so good." That's how I feel about gold. Hungover. Here we are, hungover. Bill, we were talking about it backstage. Here we are. It's a year later. Come on. I don't need to throw a question at you.

Bill Murphy: [crosstalk 00:03:37] Do you want me to sing too?

Thom Calandra: We're hungover. Why? Why are we hungover, Bill?

Bill Murphy: Well, people have heard me before. I've been coming here a lot of years. It's a great conference, and I'm chairman of something called the Gold Antitrust Action Committee and discovered many years ago that the market is rigged, but I own't give a whole spiel about a gold cartel, and these guys just won't go away. We can get into that, but they're on the case and keeping things under control in both gold and silver.

Thom Calandra: Yeah. We have a list. Thank you, Bill. We have a list of themes that we're going to click onto and talk about. Toward the end, I, hopefully, if we have five minutes, which I hope we do have, if there are any themes that we missed, I know that these slideshow gods will want to just give me the second slide here. That's all we have is two slides. From the hood to PM themes. Thank you. Awesome. This one came from Brien Lundin. Brien, thank you for inviting me every year. I think I've been coming to this thing since 2002. Brien said, "Well, gold's biggest danger, right? I'm sure we should have the flip side of that too, that's at the end, gold's biggest bang.

I'm going to throw this out there. I don't want to single any of you's out. What is gold's biggest danger for anybody who stores gold in Switzerland or owns central fund or one of the Sprott repository funds? What is gold's biggest danger right now? Brien says that gold is reacting to headlines for almost a year now. Headlines move gold. Does anybody want to take a stab at that? Dana, you raised your hand.

Dana Samuelson: Yeah, gold is reacting to external events in this world today. The stock market has been strong. That's been helping to hold gold in check in the short-term. What the Fed is going to do was a big influencer from 2014 through 2016. That influence is diminishing now. What we are seeing though is political headlines and the Republican promise of reform, healthcare reform and tax reform, we've seen knee-jerks to that as have other markets as well. These are some of the biggest influencing factors right now in the short-term. Right now, it's more the, what the Congress can get done and what they can't. I think that that is one of the bigger influences in the short-run. I disagree with Bill as far as manipulation goes. I see gold getting bullied on a short-term basis with traders front-running their own trades ahead of client trades, but that happens in the currency markets and in other markets as well. Certainly, they can bully it for a little while, but the bigger trends remain in place.

I think we are in a rising trend now that we've bottomed at December 2015 to $1,050. Last year, I call wild and wily year for gold as we rebounded from a knee-jerk low off of the Fed's first rate hike in nine years of a quarter point. Then we had Brexit and the uncertainty of the presidential election. When Hilary got up in the polls, gold went down, and when Trump got up in the polls, gold when up. Then when-

Thom Calandra: Dana, but you say you disagree with Bill-

Dana Samuelson: On manipulation.

Thom Calandra: Yes, on manipulation. Gold is a small market, and probably, in a way, smaller than silver in terms of how much it trades. We've seen larger markets that are not as easy to manipulate. Metals have a nice run here this summer and this autumn, right? Copper, zinc, even graphite is moving. Steel, nickel, and stuff like that. I don't know. To me, it sounds like it's easy to manipulate a small market, and gold is one of the smallest.

Dana Samuelson: It is. That's why I say it gets bullied, but I don't think that the trends can be fundamentally altered. I do think that after last year's wilder price movement, we have a much more defined trend this year, which is a rising trend. Gold is moving up in $75 increments. It went from 1,130 to a little over 1,200, then to 1,275 or the 1,200 base. Now we've gone up to 1,350, and we're holding 1,275. It's stair-stepping and a rising trend. The big hurdle for gold is 1,372 right-

Thom Calandra: Okay. Right. Maybe we can let Geraldo take a stab at this, and then we'll switch David for silver. But Brien says and is very vocal about this in his newsletter and also with me personally that the December 13th Fed meeting is going to be a big bang, one way or another, because of interest rates. Also, by then we may see an appointment of a new Federal Reserve chief. Geraldo, why don't we look at the positive side of that question. In terms of the charts or what you do for your audience, what could be gold's biggest bang on the upside?

Geraldo D.R.: Well, I think the positives are actually what everybody is taking as negatives. To add to Dana's comments, you can look at gold in the past couple of years, and it's been a ping-pong game between 1050 and 1360, 1370. I don't see the stepping up in $50 to $75 increments because every time we get that step up, we also get a step back. But I think if you step back a bit, and you look at the last six to seven years, you see that it's been a healthy consolidation. I think that's getting us ready for the next leg up. What's happened in the space during that timeframe is that the majors and the mid-tiers ceased to explore. All of the easy pickings are gone. Exploration budgets were decimated. The Junior Resource Space, what I do for a living, when you look at the deals that we've seen in the past 12 to 18 months, it's mid-tiers and majors approaching the juniors to go and do that exploration for them because they have less red tape and, frankly, more expertise to be able to make those next discoveries.

Thom Calandra: But have we seen, on these farm-end deals and joint ventures, have we ... I follow these things too. I invest in these things. I go to CDs, properties. Have we seen a higher percentage of larger companies opt in for phase two drilling and phase three drilling and ...

Geraldo D.R.: Not yet, but I believe we're in phase one of that cycle. I think when you look at the investments in the Yukon, I think that's its very early stage as far as Agnico Eagle and the other companies that are investing in the infrastructure challenges in that area. I think that's in phase one. I think when you look at all of the projects that were picked apart in the last cycle, these stories were recycled. They were projects that many companies knew would never work in a good market or in a bad market. I think that was healthy. It's been painful.

Thom Calandra: Yeah, for sure. By the way, I wanted to point out most of you guys are from Texas, right? Not you, David. No. Thank you.

Bill Murphy: I'm a Chicago kid, but I live in Austin now. Go Cubs.

Thom Calandra: Austin, Dallas, Austin. David, where are you living?

David Morgan: Spokane, Washington.

Thom Calandra: Spokane. That's right. I was just in Spokane visiting relatives of my wife. There were fires, and there are fires everywhere you go in California these days. Anyway, David, can we, if you don't mind, Geraldo, switch to silver for a second.

David Morgan: If you don't mind, Thom, I would like to comment on ...

Thom Calandra: Yes, please.

David Morgan: I think first of all, one of the biggest detriments of gold ... First of all, healthy consolidation regardless of manipulation or not. Certainly, building a base that it can launch to the upwards side on. Gold is [inaudible 00:11:43] to be correlated to the stock market, not the dollar. Certainly, the stock market. But I think the biggest danger to gold is the cognitive map, what Julian [Tenant 00:11:54] said years ago when I was in the movie on the Four Horseman film. This is the idea, the philosophy, that gold is meaningless. That it truly is a barbarous relic. That is has no meaning in the monetary system. That, I think, is the biggest danger to gold because what we're up against is the idea that we could print wealth. Anytime that that idea has taken hold, it has failed miserably. Yet we continue to see that take place, and yet the stock market is reflective of that.

Thom Calandra: Yes.

David Morgan: We have a competing philosophy here between being able to make money whatever I say it is, in other words a contract that we all agree to, or spacing money that's a physical form of induced labor and scarcity. If the powers-that-be are able to take the thinking ability away from the general public and get them to buy into their idea that they own the wealth, they control the wealth, and wealth is what they say it is, that, to me, is the biggest danger.

Thom Calandra: Right now, there's the powers-that-be are saying that wealth is, of course, in the blue chips? Right? The largest companies in the world, the Lockheed Martins and the defense machine?

David Morgan: Yeah. Yeah.

Thom Calandra: But can I then make this a little transition into why are they not suppressing the price of the blockchain currencies led by Bitcoin but others like Ethereum. Is it because those are still too small? I think the cryptocurrencies all in all are less than $100 billion in market cap. I know Geraldo raised his hand first, Bill.

David Morgan: Yeah. Go ahead.

Geraldo D.R.: I think the real important trend to pay attention here to, and Martin Armstrong is probably the foremost expert on this trend, is the changing perception of wealth in government assets. That's ending. This three decade bond bull is coming to an end, and the shift is towards private assets. When you see collectables and coins, whether it's Bitcoin or gold coin, the real estate market in select areas, the major U.S. indices, all of those are up. I believe that the bigger trend, the important trend to really focus on is the shift away from government assets into private assets. I think that's going to be the biggest tailwind for the gold price in the next couple of years.

Thom Calandra: Are stocks private assets?

Geraldo D.R.: Absolutely.

Thom Calandra: A U.S., any stock of a company?

Geraldo D.R.: Absolutely. If I have a negative yielding bond, am I going to take a negative yield over a three percent dividend and possible capital gains appreciation? You can't make that up on volume.

Thom Calandra: Yeah. Bill Murphy was saying, "When I put that gold/silver apps in there, what do you mean?" I guess what I mean is we have apps for everything, right? Apps to find the best restaurant, apps to find our keys, apps to find our car, apps to create new apps. Of course, the cryptocurrencies have apps for trading, Coinbase and other platforms. But there's no one app that you can think of that represents gold in terms of ... I would not even have an idea of what would a gold app be. I'm an investor in Velaurum, which has the aurums, but even they don't have a gold app. Do we need to get gold into the digital age? I don't know. Anyone want to take a stab at that?

Bill Murphy: If I might step back a little bit just for a second, I was at a Jeff [Buric 00:15:54] conference in Acapulco in, I think, early February. It was a conference like this. It was a crypto conference and a gold conference, and Dave was there. We spoke at it. The crowd, a lot of crypto people, they're, "Bitcoin has got to the same price as gold at $1240," and they were so happy. I was going, "We're still at 1240." I mentioned to Dave, "This is not good, and look how happy these people are." Here, you are, all these months later, and it's nearly $6000, and we're just a fraction above 1,240. I don't even think, they have been doing so well they don't even want the gold or silver back at their conference. But the point I would like to make is that's how rigged the gold/silver market is. If it wasn't for this gold cartel doing what they do, you'd be having, after all this time and all the money printing and all the deficits and even what the dollar has done this years, you wouldn't have gold and silver down here.

Price action makes market commentary, and because it's happened, it's only human nature, and that's the way it goes. The explanations come out why gold and silver have stunk up the place and earned six or seven year bear markets. No one's more bullish than I am, and I think we're never going to have a slow-able market again. Just my opinion. It's going to explode. Once they lose control, and that's the reason to hang in there, it's going to go nuts. I think of silver, I know that's Dave's specialty, but it'll trade like Bitcoin someday in the not too distant future.

Thom Calandra: Will we be able to trade it with an app on a mobile platform is the question, right? So that we can get young people invested in the idea of gold.

David Morgan: Yeah, I'll stab at that one. There's now some gold-backed cryptocurrencies. I'm working on one that's a silver-backed cryptocurrency. There will be, absolutely. [inaudible 00:17:38] talking to a group after my lecture, and I have a gold and silver-backed debit card. It's transparent to the-

Thom Calandra: Yeah, but it's a credit card though. But still.

David Morgan: Debit, not credit card.

Thom Calandra: Yeah. Debit. [crosstalk 00:17:50]

David Morgan: But you know, I use it at Walmart or a fancy restaurant, it doesn't matter. It's transparent to the merchant. They debit out so much silver out of my account. It exists, if you want to call that an app.

Thom Calandra: You're one step closer. I have a friend in California who created a company that competed with Market Watch. He has a gold-backed app. He does the computing in Iceland, of course, because the coldness keeps down the cost of the heating for all the computers. He keeps the gold somewhere in New York.

David Morgan: Well again, to come back to what I said I don't want to dominate this thing, but it's basically for the younger generation, the millennials, if we will. It's their idea about money. If their idea is it's an app and it's an electronic platform and that's all it is, and gold doesn't enter into the picture, the problem is, as Geraldo said, "Look, we got a bond bubble that's beyond anything ever conceived in all of recorded history times 1,000." It's unbelievable how much debt's out there. These things don't end well. They make it the lesson of lessons, which means hypothetically that their Bitcoin might be X in dollars and yet unless you have physical metal, you really have missed the boat. Now, I'm not saying that's going to happen, but certainly history has shined that direction over time.

Thom Calandra: Isn't it fascinating though that 16 to, let's say, 35 year olds, you can ... Most of them, that I know anyway, including our kids at home, our own kids, don't understand how bonds work, right, and fixed income works. They don't understand that when the yield rises, the prices falls, and vice versa and stuff. But man, they understand the blockchain and how to trade the Bitcoins, all of them, across five different platforms. It's unbelievable, and how much they believe in that thing, which is now at $6000 or something like that?

Bill Murphy: Close.

Thom Calandra: Close [crosstalk 00:19:33].

Geraldo D.R.: If I could add to David's comment about how much they believe in it, they haven't had their faith tested yet.

David Morgan: That's right.

Thom Calandra: Correct.

Geraldo D.R.: [crosstalk 00:19:40] If we look back, they haven't had [crosstalk 00:19:42]. Andale. [crosstalk 00:19:46] When you're up 10,000 percent, it's easy to be faithful.

Thom Calandra: I know, and when they all try to get out at the same time. Of course, there's a place for distributed ledgers and using blockchain technology in other applications, not just currencies. You can actually use them to manage a gold mine, if you wanted to, right? The supply chain, which is becoming a huge area of growth for the world thanks to Amazon.com, but they have not had ... It's almost a generational thing, right? The bond, old bond guys with their beards and their Gandalf, and the young crypto. It's unbelievable. I'll make one more point, and then I'll shut up so you guys can talk some more. My friend Rick there from Trilogy Metals was telling me about the perception of gold and how in the future maybe this leads to an exploration theme. In the future, we may see more of our gold come from porphyries, like copper porphyries, so as a by-credit.

Could that affect the perception of gold as wealth? Right? You were sort of getting there, David, with that you were talking about. You have a perception of gold, but now all of a sudden, let's say in the next 10, 20 years, most gold starts coming not from pure gold mines or big exploration finds but as a side-credit, a sideshow, a sidebar to big corporate copper porphyries. Could people say, "I don't want to wear gold anymore. It's just a byproduct of copper." Anyway, I throw that out for you, and I also throw out the gold exploration thing. Big discoveries, whether they're in Western Australia or somewhere else, tend to move the gold price. Why is that? Do they ... Yikes! Holy moly. We used to do that with the chef in the restaurant.

Geraldo D.R.: That's going to be the reaction when Bitcoin blows up.

Thom Calandra: I know. We used to drop this big pan at Joe's Bar and Grill in Brooklyn, New York, where I grew up, and we owned it. My uncle, he wouldn't be looking. He'd be putting the pizzas in the oven and drop the big pan on the .... He'd hit the ceiling. Anyway, exploration and the perception of gold. We've seen a couple big ones, allegedly, in Western Australia, one. Not to drop any names. Why do big finds lead to greater interest in the actual, underlying physical?

David Morgan: Well, Bill answers it best. It's market commentary. It makes market action. When NovaGold has these watermelon seed reportedly amount of gold sitting all over the place, there's no fever like gold fever. When there is a monetary panic, there is nothing that usurps the power of people's fear, and they run to something that they know and trust. You can't make that up for a blockchain or for any currency. Most currencies only go 200 years, but gold has lasted thousands of years. There's truly no fever like gold fever. When you have something like NovaGold come on the scene, there's still enough magic in the word gold, if you will, that people get excited. They're in this market commentary, which makes market action, which gets gold bugs excited again. Those gold bugs talk at a cocktail part to someone that's never heard the word gold or they heard it in school. "Isn't that something on the periodic chart?" "No, you can invest in a gold mine. This gold stock's going from here ..." "Gold stocks go up?" "Yeah." It just expands the whole idea about gold [crosstalk 00:23:25].

Thom Calandra: Did you ever see that HBO series Deadwood? It was three seasons, awesome. We just finished it up, but it's five years old now. The Hearst character, the George Hearst character, it's about the big Montana find in 1887 or so, and he calls gold the color. What a tremendous actor, by the way. Anyway, he's talking about the color and how the color moves him. He talks like this. It really moves him. Women don't move him. Food doesn't move him. It's the color. "I'm here on earth for the color." That's a fever, right?

David Morgan: Mm-hmm (affirmative).

Thom Calandra: In Deadwood, the HBO series, George Hearst has a fever, a gold fever. You don't see that kind of fever that often anymore. But once again, when you run into these kids at the health club or sitting in front of a computer or on their mobiles talking about the blockchain and the cryptos, it seems like they have a fever, right?

David Morgan: Mm-hmm (affirmative).

Thom Calandra: Can I switch to Dana for a second, since you deal with physical gold? Does somebody ever call you up on the phone there in Austin and say, "I got to know what coins I should be buying here, what bars I should be buying here. I have a need for gold right now," or silver or platinum.

Dana Samuelson: Well, for physical gold, it's best to stick with mainstream products. We do a lot of business in American one ounce Gold Eagles and Canadian Gold Maple Leafs. Those are the vanilla and chocolate of precious metals. We have seen a lot of people think gold, they think bars. But we've had problems with bars, and it's increasing over the last couple of years, sadly, with Chinese counterfeits. The biggest target for this counterfeiting are PAMP Suisse bars because they come sealed in plastic envelopes. You can't take them out of the envelope, most people don't, so the counterfeiting occurs there because you can't check the dimensions properly. They weigh right, but the dimensions are often off a little bit, and the holder that they're in obscures that. You want to have gold that you can take out and hold in your hand. There also has been kilogram bars that have been faked. Tungsten-

Thom Calandra: Tungsten, and then they coat it with gold.

Dana Samuelson: Yes. Right, because the density of tungsten is close to gold.

Thom Calandra: Very close.

Dana Samuelson: The biggest things for doing business in physical gold, if you want to own gold, is number one, do business with a reliable, long-standing dealer. I'm a member of the Professional Numismatist Guild, which is a leading rare coin organization in the United States, and we are comprised of the oldest, most long-standing dealers in the country. We have good reputations. If you want to do business with a P&G member, you're going to find one of those dealers that is ethical and has a long-term history of transactions in good and bad markets.

Thom Calandra: Stick with the mainstream products. Dana, then, you probably don't want to talk about vintage gold or gold coins, but can a vintage gold coin be a good investment versus a modern Maple Leaf or a modern Buffalo or Eagle.

Dana Samuelson: Yeah. Yeah. Absolutely. In fact, some of the older Gold Saint Gaudens and $20 Liberty's right now are incredible cheap premium-wise. The premiums approach modern gold bullion prices in some instances or even lower than that in others. The more common coins, the circulated, slightly circulated 20s, are trading at lower prices than Gold Eagles right now. This is the reason. This year has been a year of, like I said before, hope for economic reform, healthcare reform, tax reform. People have had their money in the stocks. Our sales, as an industry, are much lower this year than we've had in 20 years. It's attributable because the money's going into stocks. There's not a lot of these older, classic U.S. coins on the market, but they're dirt cheap right now because nobody cares. Even Gold Eagles went to a discount for a little while this summer, which I've never seen before since 1986. I'm going to have an exhibit hall presentation at 10:30 on Friday morning discussing this more in depth, actually.

Thom Calandra: Yeah.

Dana Samuelson: I'm calling it The Great U.S. Gold Giveaway of 2017, and it actually is. I think it's a once in a decade opportunity for to harvest some premium, potentially harvest some premium in the future that doesn't exist today.

Thom Calandra: Yeah.

Dana Samuelson: Or is low today.

Thom Calandra: I remember years ago being on a panel, moderating a panel, and I know, David, you were on it. We were talking about silver as a currency and gold as a currency and how people want liquidity, and they want small amounts. That's why I have the fractional gold on there and the divisible gold. David, I would come back to you and ask is sliver still a candidate? I'm not Mr. Doom and Gloom, and by the way I saw he got into a little scrape this week or last week, no names mentioned here, but ... Or is it Dr. Doom and Gloom? But anyway, David, is silver a candidate for being something in a crisis, whether it's geopolitical or physical? The bombs start to fly, and all of a sudden you got quarters that ...

David Morgan: Sure.

Thom Calandra: Yeah?

David Morgan: How many here just by raising hands saw my lecture on silver just a couple hours ago? Not too many. Boy, am I losing popularity.

Thom Calandra: No, no, no. I see a lot of that.

Geraldo D.R.: Got to get you that app, David.

David Morgan: My first slide I buzzed through and I missed it, but I had four books on there. The first book is Investing Rules, and back about 20 years ago, I was asked to write the 10 rules of silver investing. Rule number one said no one likes to be a prophet of doom, but in the event of a monetary panic, silver would be used as a means of exchange more so than gold because of its unit price per value. Gold would be used in major transactions, but silver would be used in day-to-day use. That's what I said. In the slide that did pop up was what was said here by the Nobel laureate Milton Friedman in 1993, with a lecture with James Blanchard the Third who started this conference, was here in New Orleans in 1993. Milton Friedman said, "But silver is the monetary metal of history, not gold." That's true. The answer is yes, absolutely.

People can be retaught history at extreme levels very quickly. You could take a junk bag of silver to a third, fourth grader and explain to them what a real silver coin looks like in a matter of minutes, and they would understand it. They have no interest in it now. But again, under extreme conditions, it's very easy to understand what it is and why it's important.

Thom Calandra: Right, and ballpark again for me because I have a ton of junk silver at home that I'm not even bothering to go through and look at the dates and stuff. If you take one American quarter from 1950, what's the value of that quarter right now?

David Morgan: Yeah. It roughly is 12 to one.

Thom Calandra: $12?

David Morgan: If you have $1000 junk bag of silver, fiat-wise it's 12. Dana could probably give you better number than me.

Dana Samuelson: Well, the quarter's worth about $3. We trade junk by the dollar face value because whether it's two half dollars, four quarters, or 10 dimes, that equals .715 ounces of pure silver. To do the calculation on the individual coins is mind-numbing, but to ... That's why we trade it by the dollar face value. But a dime's worth about a $1.20, a quarter is worth about three bucks, and a half dollar is worth about six bucks today.

Thom Calandra: Yeah, that's impressive. Every once in a while you still come across a pure silver quarter in a bank roll and stuff like that.

Dana Samuelson: Well, that's what Russell Gray said in the previous presentation. If you had a 1964 quarter or a 1965 quarter, at that time, they bought a gallon of gas. Today, the silver quarter will still buy you that gallon of gas, but the debased quarter won't.

Thom Calandra: I find that do be mind-blowing. God forbid we have a situation where we do have to exchange silver quarters and half dollars and dollars. Can we skip for a second because I know once again, this was a good one that Brien was interested in. We have to keep Brien happy, don't we? The platinum question. Here we have a situation where palladium has had a nice run, yet platinum continues to trade. Even though it's 10 times rarer than gold, it's trading a significant discount to the gold price. Right? We're always hearing about platinum labor shortages or potential ones at mines, mostly in South Africa where the majority of the platinum comes from in the world, and then there's Russia. Why do we see some metals like platinum, precious metals, way underperform right now? I know there's the rechargeable angle here and the EVs, electric vehicles, going on, and people tend to think that palladium may be more appropriate in the long-term given the shifting focus of EVs. But still, 10 times as rare yet it trades a couple hundred bucks cheaper than gold. Anyone?

Dana Samuelson: Well, in my 37-year career, I've seen platinum go to discount to gold for a couple of times, usually very briefly. This is a ...

Thom Calandra: A long time.

Dana Samuelson: ... confounding event because it's extended, and it's lasting. It's at a deeper discount than normal. Platinum, this year is the first time it's going to be in a supply surplus in six years. That's one factor. Platinum is also used in catalytic converters for diesel engines, and the VW diesel scandal has had a dramatic impact.

Thom Calandra: Still.

Dana Samuelson: Palladium on the other hand can be used in catalytic convertors for gasoline engines, which is about 80 percent of its annual demand, and so can platinum. In the past, and that switch wasn't really viable until about four or five years ago if I remember correctly. Longer David?

David Morgan: Yeah.

Dana Samuelson: But anyway, so in the past, if palladium was at a discount to platinum, manufacturers could use palladium in their gasoline engine catalytic convertors. Today with platinum lower, actually a little bit lower, I think that it will help to keep both of them more in parry than not going forward. I'm not sure if palladium still has legs to continue to accelerate past the platinum price. I think they'll be more in check than not going forward within five or 10 percent of each other.

Thom Calandra: Yeah. But whether it's at a discount to gold, the Asian demand has been down, Japan and Chinese demand in the last year or two. That's a contributing factor also, but I think it's cheap. It looks cheap to me.

Dana Samuelson: Yeah.

David Morgan: I'll add some to that. I love spread trades. The margins are lower, and they're safer. Many times, I've made the spread trade when there was a discount to platinum. I'd go long platinum and short gold, and it was almost a sure thing. For some lucky reason, I didn't do it this time because platinum is 15 time rarer than gold, not 10, but just ... Sorry, it's the engineer in me coming out.

Geraldo D.R.: At a variance of 50 percent [crosstalk 00:35:32].

David Morgan: The palladium market took over the platinum market because Ford Motor Company decided to change their auto line to palladium for their catalytic convertors when palladium was roughly around $300 an ounce. They went into the physical market, and it shot palladium up to roughly $1100 an ounce. I happen to have on three long positions on palladium, and I was making money like crazy until my broker called me and said I needed to pony up 40,000 more dollars. I said, "I'm long. I'm thinking of adding to my contracts." "No, no. You don't understand the margins across the board are higher." At the top of the market, you had to put in to have a paper palladium position twice what the physical palladium cost.

Thom Calandra: Geez. Yeah, that's [crosstalk 00:36:25].

David Morgan: Yeah, and the LME demanded and changed the rules that you had to at least back some of the palladium. That shows you how small the market is. It also shows you how the physical market can take control over the paper markets in certain circumstances. All that happened was Ford Motor Company said, "We'll save this much money by using palladium instead of platinum in our catalytic convertor. We need to buy this much. We're going to save a bunch of money. Let's go do it." What they didn't realize was how small that market is and what would happen to the price because no one was sitting at this panel telling them how to manage their auto line, the manufacturing process.

Thom Calandra: Yeah. I remember that, and one of my colleagues said the Ford buyers thought they could buy palladium like they could buy steel.

David Morgan: Yeah. Well said. Well said.

Thom Calandra: Right.

David Morgan: I've not much to add. I sold my palladium position. I wrote a white paper in the Morgan report for all subscribers about three ago, said I'm much more bullish on palladium than I am platinum, and I've been long up until recently. I sold it above 900, so I'm out of the palladium market right now, just so you know. Full disclosure. Fair enough? Well, I'll add, if you're really aggressive, you could look at maybe a long platinum, short palladium, but palladium's trading above platinum now. It's the first time that I can remember, other than an $1,100 whoop-dee-doo. I don't remember what platinum was selling for then, to be honest. I'd have to look. But regardless, it's now above the price of platinum, which is very unusual.

Dana Samuelson: Yeah. I have an anecdote.

Thom Calandra: Yeah.

Dana Samuelson: I worked for Jim Blanchard for years. That's how I became a part of this conference in the 80s, and in 1987, Jim decided that he wanted to have the first palladium coin issued by a sovereign entity. We went to Bermuda, and we had 30,000 one ounce palladium Sea Venture coins struck to commemorate a shipwreck off of the Bermuda coast. We had to rent palladium for six months to get enough of it to make this 30,000 ounce striking. We ran the price up from about 250 to 330 an ounce at the time by ourselves doing that on a 30,000 ounce commitment over six months. That shows you how thinly physically supplied palladium actually is. It's much rarer than platinum. I don't know the actual figure, but it's also harder to work with.

Thom Calandra: Wow. If you look towards the bottom there, PM shortages, could we see actual shortages? The supply side of the equation effect the price of gold, silver, platinum, palladium. Anything considered a precious metal. Could we see that really start to happen? Often, we talk about that happening at some point maybe with uranium in five years and copper. Yes, Bill.

Bill Murphy: Dave's the expert here on this, but my thing in the sense of looking for silver too, as I mentioned earlier, to act a little bit like Bitcoin and some of these other commodities that have moved. It's my opinion because, from what I know, if you need silver, you have to have it. It doesn't matter what the price is because it's a small component in many, many different industries. If I'm right, you've got the J.P. Morgan, which is still short, and open interest is high now in the silver on the COMEX, as it has been the highest of all time outside of last year. They're just pressing the price, keeping it down, keeping it down, and I really believe that what takes out 21 is going to trade like a Bitcoin has or trade like other commodities that are in scarcity. It's going to be a move like we've never seen before. It'll be hard to recognize unless you've been dealing in like these cryptocurrencies.

Thom Calandra: Bill, could we see actual, physical shortages in some of these precious metals markets?

Bill Murphy: Well, if it-

Thom Calandra: Not just numbers that you see in the LME, but real shortages.

Bill Murphy: If there's-

Thom Calandra: Like brokers holding onto their inventory for a few extra days or weeks because they know it has to go higher, like has been happening with those [crosstalk 00:40:35].

Bill Murphy: I don't see why it can't happen. Eric Sprott's one of the smartest guys I've even known. The guy's a genius. He's made a fortune over 40 years. He's been wrong in silver. He'll tell you that. He hasn't got it right, and he can't understand where this physical supply is coming from. He's an accountant. That's what he does. There's no doubt in my mind by the market action silver being so bad for so long that they're just trying to control it. I call it the gold cartel's kryptonite. They're petrified of losing control because at some point, the supply won't be there, and all these industries that really have to have silver, you've got to have it. It doesn't matter the price.

Thom Calandra: By the way, that could be a great New York Daily News headline if, let's say, the Bitcoin crashes one day, and it goes down $5000. You know how they topless body found in headless bar or whatever? Anyway, crypto-night. N-I-G-H-T. See? Crypto-night. Long, dark night for cryptocurrencies. No? I don't know. I'm a journalist. Whatever. What can I say? Anyway, you mentioned Sprott so I'm going to throw that one out, and maybe we can get one or two quick questions. You know how Sprott Resource made a hostile bid for Central Fund, because I own Central Fund, is that another sign that Sprott Resource and the Sprott corporation wants actual physical, as much physical supply in its repositories, right? Central Fund is a repository for gold and silver. There aren't that many real repositories that you can buy, anyway, publicly. Is that a good ... Yeah, Geraldo.

Geraldo D.R.: I think many in this room would agree that Eric Sprott and Rick Rule are two of the best contrarians in our business and understand the cyclicality of this business. I think their positioned perfectly for the next leg up. When we talk about platinum being at the depressed levels it's at, when we talk about gold, when we talk about silver, when we talk about the junior market-

Thom Calandra: They have one for platinum too, right?

Geraldo D.R.: Right.

Thom Calandra: I actually own shares of the [crosstalk 00:42:35] SPPP.

Geraldo D.R.: I guarantee you Mr. Rule and Mr. Sprott smile at these depressed prices.

Thom Calandra: Well, one would hope. Come on. How many times have we seen people get up on the stage? I remember Giustra coming up on stage somewhere in Canada and saying, this was four years ago, five years ago, and he's saying, "And if gold is in a bear market for more than X years," which it has been, by the way, "I'll walk naked down," what's the main street in Toronto?

David Morgan: Bay Street.

Dana Samuelson: Bay Street.

Thom Calandra: Thank you. "I'll walk naked down Bay Street." He said that. I'm still waiting. Not that I ... No, I'm happily married, but anyway. Can we throw a couple, come one, a couple questions, please, maybe. Something we haven't hit on, right? Anyone? Yes, please.

Speaker 7: Anybody have an opinion about the prospects first of the Chinese having a gold based currency and whether the U.S. might choose to do that as well. If so, what might that timing look like?

Thom Calandra: China and perhaps its move to have a gold based currency, perhaps, and where that would leave the U.S.

Dana Samuelson: Well, I don't think it's feasible for any major nation to have a gold backed currency in the modern world with the amount of money that exists. You can have perhaps a partially backed currency. It certainly won't happen in the United States again unless there's a major default of some kind, which could or could not happen, but I don't think that that's possible. I don't think the Chinese will have a gold backed currency per se, but they are accumulating gold at a record rate. They continue to do so. They're setting up an exchange where they can trade oil for payment in yuan or gold, which could have very big long-term implications for the price of gold going forward, but that is an experiment they're just commencing now. I think they're accumulating gold more as a reserve to back the faith of the renminbi rather than the actual currency itself.

Thom Calandra: All right. More of a thematic, you flavor your reserves with the scent of gold. Anyway, another question. Yes, please.

Speaker 8: Silver.

Thom Calandra: Silver.

Speaker 8: Ted Butler believes he's proven that J.P. Morgan has accumulated 600 million ounces of silver. I'd like to ask the panel whether they believe that.

Thom Calandra: Okay, Ted Butler has posited ... By the way, why does his name always come up at this conference? Seriously. No. Nothing against you, Ted. Does J.P. Morgan have 600 million ounces of silver hoarded, according to Ted Butler? David?

David Morgan: No, I don't think so. The amount of silver held by all the major depositories is public domain, and I show it to ... I do these videos for my members, and I go through it. I've gone through that several times. It's nothing close to that, but let's explore it a little deeper. Let's say that Ted just wrote an article for Jim Cook. By the way, I'm the one that introduced Ted and Jim Cook. Most people don't know that. But anyway, he said that 10 percent of the market's available outside of industry, which isn't correct, but we'll use Ted's numbers since Ted wrote the article. If you go from what Ted's basis is, that would leave about 80 million ounces a year available from 2011, so you got 12, 13, 14, 15, 16. Five times eight is 400 million ounces using his numbers. Not 650 million ounces as he claims. I don't think so. There's nothing that I can look at, data. I like facts. Do they have a large silver position? I think they have the silver position and it's published. I don't know if they have anything above and beyond that.

Let me digress a bit, and I don't want to make this all about me, but the amount of silver that was held in the LME was extremely small. I base that on fact, on the two silver studies. I got a very irate member of the Morgan Report calling me and chewing me out about how much silver was there. He was really angry with me. I was polite still. I called Jeff Christian, and I said, "You know what? That's Warren Buffet's silver." Location doesn't prove ownership. I called the guy back, and I said, "You know, it slipped my mind, and I was a little upset with the way you were treating me on the phone, but it is there. What you said is correct, but that's the LME's silver. Warren Buffet took his silver over to London. That's what you were looking at, sir. Have a nice day." I did hang up the phone then.

Thom Calandra: All I can say about that is you give me this guy's phone number and his address, and me and my brother Mikey in New York have some business, okay? Let's get one more question because I want to throw in one last question. One more question from anyone? Come one. I don't see any hands. I see my hand. There you go.

Speaker 10: Yeah. What I'm understanding is [inaudible 00:48:05] say that Sprott is wondering where all the silver is coming from?

Thom Calandra: Sprott is wondering where all the silver is coming from, he thought he heard Bill say.

Bill Murphy: From what I know. I'm a good friend of John [Embry 00:48:20], and we talk about Eric all the time and his views. For years now, it hasn't been just a few months, he has not figured out, he's an accountant, a supply and demand guy, where all the silver has come to keep the price at this level. I have my own idea. I'm sure he has his, as David does and Dana does and so on, but it's ... Whatever it is, it's been enough to keep the price down where it is, which is pathetic. $16, $17 silver, it's a joke, okay, if you look at all the other asset's prices. Copper's this year is up 40 percent. But anyway, I'm sure Eric will figure it out. I do know that as we were talking about, Geraldo, was that he's buying like crazy. He doesn't like it down here, and he's not happy about it, but he's saying, "Thank you very much." That's absolutely correct. Rather than moaning and groaning, he's buying. I'm sure he's going to win big again.

Thom Calandra: Well-

Speaker 10: But how does that square with Mr. Morgan's comment that there's 2.5 billion ounces of silver in surplus?

Thom Calandra: How does that square with David Morgan's comment that there's still 2.5 billion ounces of silver in surplus?

David Morgan: Maybe I should add here. For 15 years, the silver market was in deficit. We're eating a lot more. It took the above ground supply down from roughly two billion ounces to 500 million ounces. Now we're back to about 2.5 billion ounces. The amount of silver that's been mined went from the 2000s, which I'm going to guess is roughly 600 million, to about 850 million ounces now. It's pretty parabolic. We have had a huge amount of silver that's come out of the ground, and the flow rate has increased year over year for several years due primarily to China's demand on their industrial revolution. Remember, silver is a byproduct metal. Only 25 percent is primary silver mine. 70 percent is the result of zinc, lead, copper mining. 25 percent of the world's silver supply is a result of copper mining. 13 percent of the silver supply is a result of gold mining.

Thom Calandra: Is that why they call Nevada the silver state because there's so much gold that they mine that they get all that silver too, right? Probably.

David Morgan: So the facts are, I just had a consultant client call me on this. He's an elderly gentleman, and we're good friends. He was astounded that we had been in a surplus since 2006, yet the data is there for anybody to see. Where's it coming from? It's coming out of the ground and stale longs. People ask Dana. People give up. There's Bitcoin. A lot of my cryptocurrency friends have got guys that backed in big trucks of, like my pick-em-up truck, and monster boxes to the roof line and bought Bitcoin and came back a year later and gave a little bit of Bitcoin and bought all the monster boxes.

Thom Calandra: Well, there's a certain beauty in that. Ladies and gentleman, I want you to know I get a bonus for closing this out within 30 seconds of the deadline. I'm not going to get a chance to ask my last question.

David Morgan: I'm sorry to interrupt. I know it's impolite.

Thom Calandra: Yes.

David Morgan: Anyone that wants to, a lot of my work is for free and for fun, and if you just go to my YouTube channel and watch the lecture Is There a Silver Shortage, that will probably help qualify what I just about it.

Thom Calandra: Thank you, David.

David Morgan: Is there or isn't there?

Thom Calandra: Appreciate that.

David Morgan: Is there a silver shortage or is there not?

Thom Calandra: And-

David Morgan: Not to say that there won't be a precious metal shortage in the future because there probably will be.

Thom Calandra: Can we have another 20 minutes for this session? I've made money with David. I have. Anyway, ladies and gentlemen, thank you very much, and I really appreciate it. Come to my 8:00 thing today. You'd be crazy not to. Thank you, Dana. Thank you, Bill. Thank you, David. Thank you, Geraldo.

Geraldo D.R.: Thank you, sir.

The Real Estate Guys Radio Show

"Taking Your Wealth Building Strategy Back To The Future"

Speaker 1: The name of the Real Estate Guys' radio show is Taking Your Wealth Building Strategy, Back to the Future. The Real Estate Guys is an investment talk program featuring host Robert Helms and Russel Gray. On the radio, since 1997 the podcast version enjoys millions of downloads worldwide. Fun and educational topics include economics, strategy and practical tips for building and protecting wealth with real estate at the foundation of your real asset portfolio.

Past guests include Steve Forbes, Donald Trump, Brien Lundin, James Rickards, Robert Kiyosaki and many other notable experts. Listen online and subscribe to the free newsletter at the following web address. I'll speak slowly and read it twice. www.RealEstateGuysRadio.com. RealEstateGuysRadio.com So at this time we'd like to bring the Real Estate Guys up and we'll have our own private radio show right here.

So if you please come forward we can begin and thank you very much.

Russel Gray: How's everybody doing? Good morning, good morning! Thank you for coming out. So, I'm excited to be here. How many of you were here for the presentation yesterday? Some of you, okay. We're trying not to duplicate anything but we also want to make sure we cover some of the basics. This presentation is about taking your investing back to the future. We didn't coordinate this but if you were in here for Nick Hodges presentation, which we really appreciated. We were back in the green room watching that and he's talking about keeping it real, keeping it real, keeping it real. His presentation was bizarre-o world, right? How many of you are disturbed by some of the facts and figures and some of the things going on in the world right now? Some of it's kind of scary, right? It's crazy.

So sometimes you think gosh if I could just go back to a simpler life. If you could just go back to when the world was simple. It's like when you're an adult and the world is crashing down on you and you just remember those happy days when your parents took care of everything it was so simple.

So we think there is the possibility of being able to go back to the future if you will. Or take your investing by going back to basics into the future in the crazy world that we live in. So that's really our theme.

Little bit about us for those of you who don't know. We have a radio show and that radio show is repurposed and put out on podcast on iTunes. We are in the investing category have been there for many, many years. Millions and millions of downloads, which is very, very cool. You want to find that RealEstateGuysRadio.com forward slash iTunes. Weekly podcast it's free so feel free to tune in and begin your real estate investing education journey with the Real Estate Guys. We think that would be awesome.

If you really think about it real estate is the original resource. If you think of all of the things you're hearing about we just heard about agriculture. We had exhibitors here who are featuring agriculture. If you think about basic human existence it kind of all starts with agriculture. People have to eat, things come out of the ground. Animals graze and they eat. Basic stuff. Basic, basic. Commodities, the things that we make things with. Energy, the things that we use to drive society and make things happen. Housing, of course, roofs over our head. Don't think there's ever gonna be a technology coming up in the near future that is gonna eliminate the need for housing. There's a lot of disruptive technology changing industries right now making it very difficult.

My father was a high-tech entrepreneur in Silicon Valley and he came up with this brilliant idea that he could actually create a network in a building by connecting your devices remotely through the power lines in the building. So instead of having to run wires from device to device, you can just run it through the power lines. That was brilliant right until somebody came up with wifi and then it was completely done. And I looked at that and my folks [inaudible 00:04:09] why wouldn't you want to go into high-tech?

How smart you have to be and how fast you have to move to stay on the front-end and god bless the people who do that but I'm just not, I can't keep up. I could never invest in that space because I don't get it. Housing I get. People live in the property that I own and they pay me rent. That's easy. I understand that business model.

Healthcare, that's another biggie. We've got the demographics going on that are really driving the need for healthcare. Healthcare is delivered largely through buildings and real estate. People have to be taken care of. My grandmother is in an assisted living facility in Cape Coral Florida. That is a real estate project. So there's a lot of opportunity there.

All kind of industry operate, look at this, this is a hotel. This is a real estate play. There's a lot revenue being generated to make this conference possible. It's a great place to invest. Recreation is another great area. Every year we do our annual investors Summit at Sea and several years ago we were there and I was sitting in a show next to a woman and I asked her so what do you do? And she goes I cruise. Wow, that's pretty cool. How did you get to a place in life where you get to cruise for a living? Or spend your time cruising?

She goes, well I heard that the Denver Broncos, and this was many years ago, were moving their stadium. I found out where they were going to move their stadium and I went and bought a bunch of raw land. And now I own parking lots.

That's pretty good, right? You didn't have to be that smart you just had to be dumb enough to actually act on the idea. So there's all kinds of different ways to make money using the original resource.

Now what's happened as you guys have been hearing throughout this conference is the paper scientists got involved and they kind of papered over the world. Everything's paper or a derivative of paper. They've created paper money. Instead of gold, which came out of the ground well, I guess technically the trees come out of the ground and maybe you can call paper ... but now it's all digital so I'm not exactly sure.

But paper money. Paper assets and derivatives. Ticking time bombs. Warren Buffet calls them weapons of mass destruction. So these are all things that are happening in our world as investors that are changing the market making it much, much more complicated. Bizzaro world as Nick Hodge called it. Of course, the result is, unencumbered, tethered to anything real we're just going into debt like crazy. They're printing money like crazy to inflate away the debt that they create. All that debt is creating asset bubbles, which make it very difficult to invest because as soon as it turns and people head for the exit it's a race for the bottom instead of you know that hockey stick up.

So it can be very scary when you're investing for capital gain. We talked about this yesterday the concept of buying low and selling high a lot of people think that's investing but that's really not investing. We're gonna define that here in just a minute. So we look at investing as real estate investors a little bit differently. And the first step to understand real estate is to kind of flip your thinking a little bit and instead of investing on speculating on price moves you're really investing in productivity.

To hide all of this papering over that they're doing the powers that be are pulling levers behind the curtains and manipulating the markets. We've heard people talk about what's going in in Libor, Bill Murphy and Chris Powell can go on ad infinitum in regard in what's going on in gold and obfuscating the fact that money is no longer money and now that they're doing everything with paper they're able to hide a lot of the things that they're doing. And paper over some of the weaknesses in the economy.

I mean how do you get stock markets that are going through the roof and unemployment numbers that make no sense because at the same time labor participation is going down. How can unemployment be going down when more people are not working? And then if more people are not working and debt is going up then how in the world can the stock market be doing well? I mean just on the surface it doesn't make sense. But if you're just following technicals if you're just chasing momentum you don't think about those things. You're just like I'm gonna buy here and hope sell there. You have zero control over it.

So I'm not saying you can't make money doing that but I'm saying you're running the risk because you never know which lever these guys are gonna pull. Maybe they know what they're doing I don't know we'll find out.

So we think that in a crazy world the thing that makes the most sense, kind of getting back to basics is just holding onto things that are real and essential. You know I don't know that much about the world or what the world is gonna be like but I'm pretty sure there's gonna be people in it in the future. And I'm pretty sure those people are gonna need to eat. Pretty sure those people are gonna need a place to live, a place to work, a place to play. Pretty sure those things are gonna happen. They're gonna need energy, they're gonna need water. All the things that are basic and essential. If you stick to the basics I think you're pretty safe.

So, let's talk about this term investing. To us as real estate investors, investing is long-term storage of capital in an asset for a passive share of the productivity of that asset. So if you look at the things in your balance sheet and you ask yourself is this thing producing? If it's not producing it's not an asset.

And so some people say well, gold doesn't have a yield. I would argue that gold is not an asset it's money. It's a store of value. When you're deploying value to go to work you're buying a stream of income. A stream of productivity. I know every tenant I put into a building that I own is gonna send me about 30 percent of their productivity. I don't care what they do, who they work for, doesn't matter to me. They're gonna send me 30 percent. If they don't then I'll kick them out and put somebody in who will. And there's a line of them if I pick the right property and the right market. Does that make sense? Everybody understands, is somebody's talking oh, biotech is the future that's great if you're a biotech scientist and you understand the business model. I don't. I don't understand that. I'm not putting it down I'm just saying I'm not smart enough to be that kind of investor. I'm barely smart enough to be a real estate investor.

So, the idea of productivity can come from dividends. Dividends on equity. So we're not opposed to paper assets like stocks just buy them based on the dividend. I wouldn't necessarily be running around buying them based on buy low sell high. Interest on debt you can be a lender and that's okay. As long as you're happy with the collateral. We talked yesterday about counterparty risk, which is one of the big problems in the market place right now. When you own an asset on your balance sheet that simultaneously somebody else is liability and they don't perform and their performance is out of your control then your asset becomes worthless. There's a lot of that risk right now in the marketplace. A lot of it and many, many people do not realize how much of that risk is being transferred onto you.

Chris Martenson talks all the time and how many of you seen Chris Martenson speak before? He's here for the very first time at this conference. You're really, really gonna enjoy his presentation. But one of the questions Chris asks and I don't if he'll bring this up in his presentation is who's gonna eat the losses? With all of this paper, all of this debt clearly unsustainable who is going to eat the losses?

Yesterday, we talked in recession proofing your portfolio how to position yourself so it's not you. You want to make sure you're not the one who's going to eat those losses. And so when you invest in things that are real, you invest in things that are essential. You focus on productivity rather than asset price you have a better chance of weathering whatever changes. Because that 30 percent that those tenant pay me, I don't care if they pay me in dollars, yuan, gold, clam shells, banana peels. Whatever the currency du jour is that's what I'm gonna get. Great, I'm happy with that. Doesn't matter, I don't have to worry about that. So that's what we like about rents on property.

Alright, so we like keeping it simple. Keep calm and collect rent. A few years ago, Mark Skousen, invited me to participate in a debate. We called it the Big Asset Class debate at Freedom Fest. We got a chance to do that. I don't know if Mark is in the room right now but we did it on our summit and then he liked it so much we did it again at Freedom Fest.

It was a lot of fun and we got into this discussion and the three other experts who each of whom were enormously smarter than I was. Were just like all over the place with all the things going on in the crazy bizzaro world and I just leaned forward and said meanwhile the rent checks just keep coming in. Because when you invest in the core of somebody's life, the basic essential of their life. You know stock markets go up and down, interest rates go up and down, geopolitical tensions go up and down but people get up every day and they go to work to feed their family and put a roof over their head. That's fundamental, it's basic. And every power that be has a vested interest in keeping that as stable as they can keep it in spite of everything else that they're doing. Because when they don't there's a revolution. Whether it's an electoral revolution or a pitch fork and torches revolution.

So, there's a lot of things working in your favor when you focus on this business model. So, I believe, next slide I think, yes I've got one more slide.

So the key to profit is to exploit inefficiencies. If you can find something that somebody else doesn't know about and buy it at a price where there is not a lot of competition you have a chance to get a bargain. The problem in a lot of the publicly traded exchanges is that you have near perfect markets. Everybody is able to see every asset and bid on it. So sellers get great prices but buyers not so much. Leverage insider knowledge. In stock trading, you can't do that. It's illegal, it happens but you're not supposed to do it. If you get caught it's not good.

Whereas with real estate and private placements you can exploit insider knowledge. You can have relationships you can have access to deals. Many of the best real estate deals we've ever gotten involved in nobody ever saw but us. We were the only person looking at the deal.

The thing that's unique about real estate and I don't have time to go into the math behind it but if you get a chance to talk with me I can explain to you how real estate actually helps you hedge against both inflation and deflation. I think most people would argue inflation is more likely. But you never know. If we were to get sever deflation could you buy real estate and have it still protect your wealth? And the answer is yes. Again, we can have that conversation another time but you have to find investments that hedge you on either outcomes.

The other thing is invest with long-term sustainable trends. Demographics. That's a long-term sustainable trend. That's something you can't stop. We know that we have expanding debt our system requires expanding debt. So, you may not like it, you may disagree. People are calling for the governments to get out of debt. They can't. Our system requires constant expansion of debt. So rather than rail against it just understand it and invest inside of it. It's the aquarium we swim in. We can't change the water we just have to work in it.

So to talk about some of the different types of real estate and why they work and how they work I'd like to bring up my partner, the host of the Real Estate Guys radio show and our MC from yesterday. Did he do a great job or what? Pretty good, right? And he's gonna fire you up right now too so please give a warm welcome to Robert Helms.

Robert Helms: Alright, thank you, sir! Wow, good morning! Thank you, thanks for being here. You guys look like 168 bitcoin. It's a million bucks, so you look like a million bucks. That's what I'm trying to say.

Hey, so real estate is interesting for a couple reasons. It's not an asset class. A lot of times investors say, I'm diversified across asset classes and there's a reason to think that way. But there's something that makes real estate not the same as every other asset class and here's what it is.

Every dollar you invest in the stock market or gold or other resources or equities or bonds. Every dollar you invest is discretionary. No one ever has to buy an ounce of silver. Nobody ever has to buy oil. You cannot, however, sit out the real estate market. You have to interact economically with real estate. You don't have to buy real estate but you have to rent real estate you have to lease an office space. Unless you're gonna live under a bridge and even then you're interacting with real estate you can't sit it out. And that's a unique part of the real estate market.

So how do you invest in real estate? Well, there's just a thousand ways. Probably the most common way is residential real estate. Most of us live in a house or an apartment or a condominium or a chateau and we get the fact that we're going to need to live under a roof. And we don't see a technology coming that's gonna change that. So most people want to live somewhere.

I like to say live where you want to live but invest where the numbers make sense. If you live in a market where there's great investment property well awesome. But if not then nothing is holding you back. In fact, it's a big old world. We're global investors and many of you are in the asset classes that you're investing in. It's no different than real estate.

Now the big picture before we get into lots of different types of real estate is there's two major ways or primary ways to invest in real estate.

One is individual ownership of an asset. You can buy a house and rent it out and hold it for the production of income. And then either you or a property manager handles the leasing and the renting and collecting the rents and making the repairs and all of that. I personally believe life is too short to manage property and so I look for professionals to do that. But still you can own the underlying asset yourself or as a couple or as a partnership.

The other way to do it is through a private placement or syndication where you're investing in a fund or specific property. This hotel for example, if we wanted to buy the Hilton Riverside there's probably not too many of us, well there's a few of us in the room that can afford to buy this hotel should it be for sale. What would be more likely is that a group would come together. A syndication of individual investors who maybe put in a hundred thousand or 250 thousand dollars each until there was enough money to own the hotel collectively.

So there's legal ramifications of that but just big picture is don't think when we say real estate that means tenants, toilets, and termites. Not necessarily. A lot of real estate is passive. Some of the most passive real estate investment are things like real estate investment trusts and so on. But real estate as the underlying investment is what makes sense to us. And again as you heard yesterday we invest in a lot of different things but real estate's our core asset.

Affordable single-family homes make a lot of sense in a lot of markets. A few years ago Warren Buffet came out and he said, if I could I would buy two hundred thousand single-family homes. Why couldn't he? The reason he couldn't is because it's not an efficient market as Russ were talking about. The stock market, an efficient market. We know exactly what a stock is selling for today and if you want to buy a share it's very efficient.

Real estate is inefficient and that's good news. Because it's inefficient you can exploit some of those opportunities that Russ was alluding to. In the single-family market what we're looking for is sustainable income over time. There's a lot of great markets throughout this great country and other countries where hardworking people get up every day to go to work for somebody and they need a roof over their head but they aren't able to purchase a home. Either they can't seem to get enough dollars ahead for a down payment or they don't have the credit or quite the income to be able to do that. These folks make great tenants.

Now we're big believers in what people call the American Dream, which is to own a home. I'm not sure that is the American dream anymore by the way after what many of us went through in 2007 and eight but if you want to own a home, awesome. If folks today want to eventually own a house, great. In the meantime, we'd like them to rent from us. And that's what single-family home is investing.

Now, apartments are another way. It's kind of the different between if you play Monopoly you start out with putting green houses on your properties and once you afford green houses you can trade them up for a red hotel. The hotel is more of a multi-family property. So if you're interested in multi-family most folks don't invest in a huge apartment complex on their own they look for partners. In the exhibit area, you'll see some folks that do that. The people from Think Multi-Family at Tammy and Mark they do that. There's some investors in the Real Estate Fund Alliance that specialize in apartments. So that's another way to be able to profit from the hardworking folks that are renters. And then the millennial market, which is a very different market in terms of what they need but there's great opportunity. One thing about millennials, in general, is they are more likely to rent than to own and I'm good with that.

Now, let's talk about mobile home parks. Mobile home parks are another interesting investment class if you will within real estate because they accomplish a couple things. First of all, in this country, there is a growing demand for affordable housing. As we hear arguments about minimum wage and as people are priced out of markets mobile homes offer a lot of square footage for less dollars. Now, many mobile home parks are set up where the individual tenant owns the home and they pay space lease.

That person, that owner of the mobile home is a lot more likely to pay the rent underneath their house than maybe a tenant in a comparable apartment building would. Hey, if things get bad they move out in the middle of the night. Can't move your mobile home in the middle of the night very easily.

The other thing is mobile home parks tend to be a great long-term investment for something we call land banking. If you think about where maybe you've seen a mobile home park in the area you're from usually it was at the outskirts of town and that's where there was enough land to be able to put that infrastructure in for a mobile home park. And again sometimes those trailers are owned by the park owner and sometimes they're not and sometimes there's a combination. But over time what happens is you know, sprawl happens and before you know it the mobile home park is in a pretty nice area and a pretty nice piece of real estate and it's usually pretty big. So the long-term exit strategy on mobile home parks is often to be able to redevelop the land. And they have relatively high cash flows. When you look at capitalization rates that's kind of the metric we use in real estate for return, cap-rate. Mobile home parks are among the highest.

Let's talk about one of our other favorites, which is residential assisted living. Many of you heard from Gene Guarino yesterday and he's with Legacy Family Homes and actually teaches people about this particular asset class, which is a way for you to profit and get rents from the affluent. That doesn't mean necessarily the people living in these small residential assisted living properties are affluent but what it means is that the person whose paying for their care often is. When Gene talks about putting mom in a nice house, single-family house, with other folks her age instead of in a big institutional box then that's the mindset. Is that when your mom or dad or grandparents decided or you decide you want that level of help you're not gonna wanna be in kind of the low end. You're gonna want to be in the nicer properties.

And so there's a growing demand for this and the demographic is hard to argue with it's what he calls the silver tsunami and these are nice properties that have multiple exit strategies. So that's another type of real estate investing.

Farmland. Nick talked about that, a couple of folks have mentioned that already. It's a big thing on Jim Rickards list of how to prepare for the currency wars. Farmland can be a great tangible asset that has a yield. Now the yield isn't from a tenant living in it the yield is from trees growing on it or different kinds of crops. And what's great about it is this is essential because food is essential and other crops that we use constantly, like wood, are things that people are gonna continue to have demand for. And it doesn't have to be limited to your geography.

Many of the crops are grown in particular regions around the world and as long as you get the crop right you don't necessarily have to have the region right. Does that make sense? Because the crop can be exported. Now we tend to like crops that are durable. If it's at the folks at international coffee farms, coffee is a durable commodity. Who's concerned that someday people might in the world drink less coffee? Yeah, not likely. Do you go to the airport and see, where's the big line every morning? At Starbucks, right?

Our show originates from San Francisco, California and there's a corner in San Francisco in the financial district, which literally has two Starbucks across from each other. For awhile there was a lease space and I kept joking with my partner, you're gonna see coming soon, Starbucks. Everybody has to have their coffee. And recently they've gotten into chocolate production.

Timber is another one. Now timber, and I know the folks from Precious Timber are here, timber is a slow growth commodity. It's not something you harvest it's not giving you quarterly cash flow. But overtime through every thick and thin what happens is the trees grow. That's a way for you to profit if you're interested. You need to find out more about these. It's renewable and there continues to be value.

So big believers in farmland and agriculture as part your real estate portfolio.

Resort property. Resort property is interesting. I've really started as what we call a C class investor in apartments in difficult areas. And that's a great way to make money but it takes a lot of management and expertise and amazing teamwork and it's not for everybody. Not for the weak stomachs, that's for sure.

The opposite end of that is resort property. Beautiful, vacation properties that are just wonderful to be around and you feel great when you're there but they also charge high rents. And you get to profit from that with professional management. You don't have to do a thing about it. Many times these are affiliated with giant global brands and there's the fact that you can go there and check with your tax professional but maybe deduct your travel. So a lot of us invest in places that we'd like to go visit. Right? We like to say when it comes to resort property that if find a place that you like to go a lot and maybe there's investment opportunity there. Not necessarily but it's worth checking out. And of course, the personal enjoyment factor what we call, lifestyle properties. If you're interested in resort property today we have a break out specifically on investing resort property for sun, fun, and profit. That's today at four-o-five upstairs in the Churchill C one room. We'll do a workshop on how you can position yourself to get high returns in resort property.

Alright, what else? Offshore. Some of us think that it doesn't matter where a company is located if we're gonna invest in that. When I go and talk to one of the junior miners I'm gonna be interested in where they are but I'm not gonna necessarily say oh, I'm gonna stay away from that country or that area. I'm more interested in the fundamentals behind it and as soon as you expand your mind there's opportunity.

Now, if you will let's play this game because we have a nice number of people to be able to do this. And I want your total honesty. When it comes to real estate who believes that it might be risky investing outside of the United States? Might be risky? It's okay to raise your hand, right? Might be risky investing outside of the United States. Now, how many of you think it might be risky to have all of your investment capital tied to one nation's economy and currency? You see how those are two different sides of a coin? One of the things Robert Kiyosaki talks about is there are always two sides of a coin but in fact, there is a third side. There's this side, there's that side and there's the edge. We want to discipline ourselves to stand on the edge and see both sides not jump to a conclusion.

So if you'll open your mind about offshore property there's some great things about it. First of all, there's ways to protect your wealth and have privacy that you can't do with properties in the U.S. And having offshore income sets up a whole chain of interesting tax and other considerations far behind the scope of a small presentation today. But if you're interested in preserving wealth, creating wealth offshore and paying a lot less in tax there's some great stuff here. And it's just a way to diversify.

Different markets have different cycles and so forth. There's never been a time in history where every single real estate market has gone down. Even in 2008 when most of the MSA's, Metropolitan Statistical Areas in the United States were going down there were two that were not. There's always a contrarian and if we look worldwide we can always find a strong market. Another benefit like we talked about in resort property you have the lifestyle component, the personal use. Go stay there for a couple weeks a year if you want. With international property, you have what we call plan B. What Doug Casey might call a bolt hole. A hole you can bolt to in the middle of the night if something happened.

Now we're all happy to be here in New Orleans and everything's great and there's no black swan on the horizon or is there? Some of these speakers are scaring me a little bit. Might be good and prudent just to have a little bit of a plan B. As Simon Black would say, plant a flag in another jurisdiction. You don't have to have all your income come from the same country you don't have to have all your holdings in the same country, intellectual property all of that. So, plan B is another thing for offshore property.

Now how do you get from here to there? Some of you are already active in real estate investors and some aren't. As we mentioned, individual investment is you find a great broker or a great turnkey provider or someone who has access to inventory and you look for a little rental house or a strip mall or an apartment building. Or you could put together a do it yourself investment group like Russ talked about yesterday. His example of buying the condominium they bought in Mexico. 10 people got together they each put in 50 thousand dollars they bought a half a million dollar condo and they split the time. So you can do that.

Technically, that would be a syndication, which just means we're aggregating capital from a bunch of different folks to do a bigger deal or there are private placements. Just like we have private placements in a lot of other investment areas in real estate private placements are where a lot of folks invest. In fact in Robert Kiyosaki's book, "A Rich Dad's Guide to Investing", it starts with the premise that there are certain investments that are not available to everybody. And what he's referring to is accredited, investors. So if you're an accredited investor you can have access to maybe some investments that maybe non-accredited can't. But non-accredited investors who are working their way to becoming accredited investors, which there's a technicality of what that means and you can find that out from your tax professional or your attorney. There are non-accredited private placements as well. And there's a lot of folks here that are doing that.

Again, if you go next door you'll learn about some private placements, Promanas Group is here they have a really interesting fund model they use. The folks from Real Estate Fund Alliance there's a lot of folks who have the ability for you to do a hands-off investment in a private placement. And then, of course, there are public offerings. Real Estate investment trusts and so forth that you could invest in that also are real estate based. So that's how you get from here to there. The keys to success as we talked about yesterday, knowledge, network, and team. You have to get educated enough to be able to trust somebody.

If you're gonna be hands-off at investing then just like Gwen talked about yesterday in mining the people are who matter. Make sure you vet the team and the market. For most of the guys we say real estate investing is like this. You have your personal investment philosophy. That's who you are as an investor. What you want to get out of real estate. Then you have a market or markets that can deliver that kite plan of an investment. Then you need a team and then you need a property. The least important part is the property but it's the thing that everybody focuses on. Instead, if you focus on who you are the markets who make sense to you get a great team then the property becomes easy to find.

So you need knowledge, network, and team we're happy to help you do that in a big way coming up in April for our annual Investors Summit at Sea, come learn about this at our booth. You'll see us over there in the exhibition area here at the break. Amazing, amazing event this will be our sixteenth annual event, Brien Lundin will be with us, Simon Black, Chris Martenson, G. Edward Griffin, author of "The Creature from Jekyll Island". Tommy Hopkins, sales legend, and of course Peter Schiff and he would love to talk to you about that.

So if you want more information and you weren't here yesterday if you'll send an email to NOIC17 at RealEstateGuysRadio.com we'll send you a whole bunch of real cool free stuff and with that thank you very much for your time and attention and we'll see you on the radio.

Rick Rule

"Profit Strategies For A Natural Resources Bull Market"

Speaker 1: Up next, you've got the man. Most of you have probably shaken his hand before. If you haven't yet, I would encourage you to do so. A 35+ year veteran in the resource investment business, Rick Rule is widely recognized for his knowledge of the mining, energy, and other resource sectors. He's a frequent speaker at industry conferences and is interviewed for numerous television, radio, print, and online media outlets concerning natural resource investment and industry topics. Sprott Global, you know that name, yes? No? You guys have never heard of Sprott? I don't believe you. They provide services to high net worth individuals and institution worldwide. Rick Rule, the legend, the man, here to give you his insight on the next bull market.

Rick Rule: Flattery from a beautiful woman, nothing better than that, ladies and gentlemen. How is everybody?

Audience: Great.

Rick Rule: That's great. I was sitting back in the speaker ready room with Brien Lundin, who's our host here, reminiscing. This is my 30th appearance at the New Orleans Investment Conference, so I'm looking forward to making everybody some money. I'd like to begin, as I always do, by thanking the sponsor. Brien Lundin and his team here do an absolutely spectacular job putting on this conference, and I'd like you to join me in a round of applause for all the employees of the conference sponsor.

That's an experienced speaker's check to test to make sure that he gets some applause during his speech. I tricked you all into that. I'd also like to begin ... I know some people in the room have been here as long as I have, and I'd like to begin by dedicating all the good parts of this talk ... I'll take responsibility for the bad parts, but I'd like to dedicate all the good parts of this talk to my late great friend, Jim Blanchard, who started this conference, who was truly a spectacular human being and one of the best mentors I ever had. Many of you don't know that this conference started as something called the National Committee for Monetary Reform, to actually legalize gold. When gold got legalized, Jim had to find some other excuse to put on the conference and make some money. He was pretty adept at switching. But he was an absolutely superb guy, and this conference owes everything to the memory of Jim Blanchard.

It's useful, also, to talk at this conference in the context of resource bull markets and resource bear markets by mentioning Jim Blanchard, because Jim had an extraordinary sense of timing. When everybody at his conference was down at the heels and depressed, Jim would call me up and he'd say, "Rick, I think it's time to do some buying." And when we were at the conference and it was overflowing with attendees, exhibitors were trying to bribe him to get better exhibit space and stuff, he'd say, "Rick, I think it's time to take a couple million dollars off the table."

And I think that's an instructive lesson. We all know, at least those of us who've been in the business for a while, that the natural resources business, being capital intensive, is the most cyclical and the most volatile business on the planet. We all know, although we seldom act, on the fact that bear markets are the authors of bull markets, and bull markets are the authors of bear markets. The oversold nature of bear markets, the lack of investment and productive capacity in a depleting industry is what causes bull markets, and the excesses of bull markets, the stupid market capitalizations, the idiotic allocation of capital that happens at bull market tops are why we have bear markets.

The truth is, as we all know, in this business you are either a contrarian, or you will be a victim. We have been through four or five years together where we experienced the victim part of the cycles. Nobody needs to remind those of you were here in 2014, 2015 how unpleasant those years were, both in terms of being at the conference and also in terms of your portfolio, but the good news about that is that the lessons that you learned in 2014, 2015, if you remember them, will serve you well for the next three years. This is a pleasant talk this year, because really the title of this talk should be, "You suffered through the pain, now I hope you enjoy the gain".

If you have a business like our business, where commodity prices fell to the point where, first of all, there was very little operating margin in the businesses, and then to the point where the operating margins for producing companies were negative, you come to understand that there's only one of two possible outcomes. Either commodity prices could rise to the cost of production, including cost of capital, or the commodities that are produced, things like copper and nickel and oil and gas and uranium, are unavailable to society. It's pretty obvious that if you have your choices between the price rising or, if you will, the descent of man, what is likely to happen is a price rise, and of course that is what we are in the middle of.

A couple comments on this. The first is that because our expectations have been tempered by a long bear market ... we do something smart, we still lose 30% ... our expectations of the upcoming bull market are probably unreasonably depressed. I've come to learn after experiencing the cycle four times that diminished expectations are a very, very, very good thing, and I hope that the lessons that we have learned through the bear market that we have just suffered through will serve us and serve us well in the bull market.

The first lesson, I think, and I need to remind myself of this, is that different times require different strategies. Many of you know that at Sprott we will accept people sending in portfolios to us on a no-obligations basis, where we rank every company in the portfolio, and when accounts transfer in, we walk new customers through their portfolio, if they wish, share by share by share. At least a thousand times in my career an investor has sent over a laundry list, 50 or 60 junior stocks, and we begin at the top of the list ... we'll call it anecdotally Amalgamated Aardvark, that's got lots of A's in it ... and the new client will start by saying, "Rick, what do you think of Amalgamated Aardvark?" My response is always the same: "Until this moment I was blissfully unaware of the existence of Amalgamated Aardvark. What do you think about it?"

The prospect will respond, “Well, I don’t know very much about it.” “Well, if you don’t know very much about it, why don’t you sell it?” This is a really predictable conversation, by the way. And the prospect says, “I can’t sell it.” “Why can’t you sell it?” “I paid $4 for it, and it’s selling for 40 cents, and if I sell it I’ll lose $3.60.” And then I need to say as politely as I can, “No sir, the truth is you’ve already lost the $3.60. What matters is what you’re going to do with the 40 cents. In truth, if you like it well enough to hold it, why don’t we buy you another 20,000 bucks worth?” “Why would I buy it? I’m down $3.60.” You try to say, “If you don’t sell it, if you don’t turn that paper into money, it’s just the same as buying it.”

This whole soliloquy is not to insult speculators, but rather to remind you that there should be a reason for every stock in your portfolio. Circumstances change, and your portfolio has to change. Too many people refuse to sell stock because they don’t want to admit the defeat that that piece of their portfolio represents. But that failure to acknowledge defeat can become extremely, extremely detrimental to the performance of your portfolio.

So I think the first thing that you need to do when circumstances change ... and by the way, periodically through the bull market that we’re coming into ... is review your portfolio very carefully. The other thing that I want to encourage you to do ... and by the way, I’m making you sick now, I’ll make you well a little later in the talk ... the other thing that I want you to do is think about the number of names in your portfolio. We ask clients to have portfolios where the number of names they have in the portfolio corresponds to the number of hours per month that they spend understanding the company. So if you are willing to spend 10 hours a month reading annual reports, quarterly statements, research reports, commodity reports, stuff like that, if you’re willing to spend 10 hours a month, there should be roughly 10 companies in your portfolio. But too often, portfolios transfer into us with 60 or 100 positions, and I think it’s highly unlikely that the people owning that laundry list of penny stocks are spending 60 to 100 hours per month.

So I want to urge you, in maximizing the gain that you’re going to enjoy in this bull market ... and this bull market is going to be a good one, by the way, we’ll talk that more in a minute ... but maximize this gain by really focusing your efforts and focusing your capital on things that are opportunities, not things that are excuses. And I want to drill down a little deeper in this, because people say, in a sense, in a good market everything works. That could be true, but it’s a very, very risky strategy. Do you know, and this isn’t to demean the sector, but if you merged every public junior mining company in the world ... there’s now one company, not 3,000 ... this company is called “Junior Explore Co.” That company in a very good year would lose $2 billion. Let that sink in. In a bad year, it would lose $5 billion.

So what’s the industry worth? Is it worth five times losses? Seven times losses? Twelve times losses? The truth is that in the aggregate, the junior resource industry is valueless. That hides the fact that the best 5% of the juniors generate such outstanding performance that it adds credibility, and in some markets luster, to a sector that loses between $2 and $5 billion a year. That’s why focus is so important. This is a business where the expectation is failure, and to succeed, the successful efforts that you make have to reward you so generously that they amortize the failure and leave lots of room left over to deal with cyclicality. So it really, really, really matters how you organize your junior, and how you organize your senior, portfolios. This sort of strategy of “got a hunch, bet a bunch” is not a strategy that works in bear markets, and it’s not a strategy that works in bull markets.

In terms of my own personal portfolio going forward ... by the way, when I talk about the mistakes of others, I speak first hand, because I’ve made all these mistakes personally, and sadly I’ve made them all more than once ... but I want to emphasize a couple of themes for you. The first theme is what I call “the best of the best”. In the early stages of a precious metals and natural resource bull market, which is where I think we are, you get extraordinary moves in the best of the best companies. Early in the bull market, you don’t need to risk all of your capital on the 15 and 25 and 40 cent juniors to get a move out of resources. The truth is, at the bottom of a market, owning the very, very, very best companies in the sector gives you two or three years doubles or triples with very low risk.

I think we’re in a situation right now where the finest companies in the industry are cheap enough that a case can be made for a fairly substantial allocation to them. I’m not suggesting necessarily that you have 100% of your resource portfolios in these companies, but I am suggesting that you have a fairly substantial allocation, because early in the market they often move first of all faster, and they often move as far as much more risky stocks. So absolutely, positively, if you think the gold price is going to go up, the silver price is going to go up, the copper price is going to go up, the nickel price is going to go up, the uranium price is going to go up, start your portfolio by owning the best of the best.

Too many times, clients will say to me, “If the gold price goes up, won’t Amalgamated Aardvark do well?” And I have to explain patiently, “Amalgamated Aardvark has no gold. They’re looking for gold. If the price of something that you don’t have any of goes up, why should it have any particular impact on value?” It’s important if you think the gold price is going to go up, first of all to own some gold and then to own some shares in the best of the best gold companies. I’m talking names like Franco-Nevada, Wheaton Precious Metals or whatever they call themselves now, the really, really, really high quality companies. I’m not saying don’t own the juniors, by the way. All the money that I invest now I personally made by speculating, so absolutely speculate. But early in a bull market, which is where we are now, also own the best of the best. I think that’s a very, very important theme. Sell some of the stuff that you bought in 2011, 2012 and haven’t been willing to admit to yourself that it failed. Harvest what I call “the penny stock dividend”, that’s the tax loss carryforward, and use it to buy the best of the best.

The second theme that I want to talk to you about, and I think this is a really special theme ... and unfortunately, we’re going to get a little dense in the next part of the conversation ... the second theme with regards to the juniors is that the market is increasingly distorted by the ETF, by the GDXJ. This is interesting. The ETF, as you know, is an index that is supposed to be driven by the underlying performance of the junior shares, but the ETF has encountered such inflows of funds that, rather than being driven by the direction of the market, it itself drives the market. This is an interesting circumstance, where 60 or 70 companies that are ETF components get outsized flows of funds relative to the rest of the market. The ETF is an incredible distorter of the market.

The GDXJ is, in fact, the tail that wags the dog. While we could talk about this all we wanted to in terms of fairness and performance, none of that matters. What we have to do is we have to take advantage of it, and there's really two ways to take advantage of it. The traders among you ... and I'm not a proficient trader, I'm a good investor, a good speculator, I'm not a proficient trader ... the traders among you could try to determine quantitatively which companies will increase in weighting in the ETF when they rebalance, and attempt to front-run rebalancing. There are some people who've made a lot of money at this. I don't happen to be one of them. My own inclination is to be a value investor, and what I have noticed is that companies that are included in the ETF, particularly companies that have been upsized or re-weighted up in the ETF have a higher share price relative to their competitors who are excluded, and hence a lower cost of capital.

The way I think that you make money in the next 18 to 24 months with regards to the ETF rebalancing and the strength of the ETF, is try to figure out from a strategic viewpoint who companies that are included in the ETF, and as a consequence have a lower cost of capital, need to buy from a strategic point of view, amongst the companies who are outside of the ETF, and therefore have an artificially low cost of capital. Does everybody understand that? I hope you do. If company A is active in the central part of West Africa and is in the ETF, and as a consequence of being in the ETF has higher multiples by any measurement matrix that you might want to apply to it in a fundamental point of view, and company B has attractive assets, is also in the same area, in other words would be a strategic acquisition, and is excluded from the ETF, and as a consequence of that has a lower share price, higher cost of capital, it makes absolute sense that company A should and probably will take over company B.

So I think this ETF arbitrage, buying the high quality companies that are excluded, that are logical takeover candidates for the companies that are excluded, will be a strategy that will work for probably 18 months. It will probably then become a very popular strategy, and the consequence of that is that the difference in share prices will already have been arbitraged out of the market. When it becomes popular, I guess it will no longer work.

In terms of where we are in this bull market ... and I'm making the next part up, I really don't know ... but I would suggest in baseball parlance, in the gold and gold stock market we're probably in the third inning of a nine-inning game. Those of you who were at this conference in 2015 remember the epicenter of the bear market, the absolute cataclysmic bear market bottom. Those of you who were here one scant year later in 2016 enjoyed a 100% escalation in the junior mining shares. The junior mining shares, of course, have consolidated. The junior gold share have consolidated, because that run was too dramatic, and one of the interesting things that happened now is that people who were absolutely convinced of the gold bull market, as a consequence of 100% share price rise ... in other words, people who were attracted to goods that had already doubled in price ... are now disaffected from a sector that's become reasonably priced again. It's an odd function of the way human beings think.

When you consider what a bear market really is, it's a sale. That's all it is. If we were shopping for goods that were other than financial goods, if we were shopping for suits, if we were shopping for furniture, 40% off sales, 50% off sales are good. But it seems that when we shop for shares, the fact that the price of the shares has entered bargain territory frightens us off, and that very fear that I see in the market today, the fact that the gold price has done well for a year, and the gold mining companies' share prices have fallen for a year, from my point of view is an extremely attractive signal. It means that hope and greed isn't priced into this market yet, which is one of the reasons why I think that we're early on, say in the third inning, of a nine-inning ballgame.

For those of you with more patience, and this certainly includes myself, the other materials, things like oil and gas, things like nickel, things like copper, things like uranium in particular, are in the first inning of a nine-inning game. This game, sadly, requires patience. I say sadly for those of you who don't have it. From my own point of view, it's interesting. As I have less time on earth, I become more patient. I don't know how that worked, but I guess I'd been through four cycles in my life, and the interesting thing about having been in the business for 40 years is that five years no longer seems like a really long time. But all of the fundamentals that I talk about seem to take two years or three years or four years or five years to play out, and one of the negative things that you can do to yourself in a bear market, or a bull market, is to have a three-month window, a three-month anticipation in what is rightly a three- or four-year game. We're going to talk about that a little while longer too.

The market is what it is. It's not going to change itself to suit your circumstance. You're going to have to change your expectation to suit the market circumstance. Make no mistake, we are early, early, early on in a bull market, so you're going to have plenty of time to develop good habits. I remember in the bear markets in the oil and gas business in the early '80s hearing a rueful joke from an oilman from West Texas, saying, "The only thing left in Midland that can make a deposit on a Mercedes is a crow." That's a sort of indication of a bear market bottom. And I remember a similar bumper sticker that talks about the way out, saying, "God, give me one more bull market. I promise not to waste this one." I think we're coming into a market where you're going to have the opportunity to remember and act upon both of those statements.

There is an inevitability to a resource bull market that you need to bear in mind, because understanding this inevitability will allow you to deal with the volatility of these stocks and these commodities. Junior companies can increase or decrease in price by 30% for no reason whatsoever other than a newsletter recommendation or a big seller having to sell in a bad market. In other words, these companies can increase or decrease in price by 30% in a week with it having no relation to the underlying value. If you are having to stomach these gyrations, it's important that you understand enough about the story so that other people's opinion of the price doesn't drive your actions. Are you following me on this?

The truth is that the markets are extremely emotional, and money is made in speculation really, truly on the delta between understanding reality and reacting to stupidity. It's really that simple. If there's a story that you know extremely well that you think will work out over 18 months and the price falls by 30%, if you know the stock well that's an opportunity. If you don't, you're taken advantage of by your emotions, and it becomes a risk.

So what's inevitability? Well, let's talk about some inevitabilities. If you have a commodity ... let's pick on the ugly one, uranium ... if you have a commodity where the total cost of production, including cost of capital, is 60 bucks and you sell it for 20 bucks, you lose $40 a pound, it's pretty obvious that there's only one of two possible outcomes, maybe three. Maybe technology comes along fast enough that we don't need uranium anymore. My experience has been that technology takes much longer than that. The other possibility, of course, is that the uranium price could up to the cost of production. The third alternative, in the United States, where we get 15% of base load electricity from uranium, is that the lights go out. Those are the choices.

There is an inevitability from my point of view that the copper price goes up to the total cost of producing copper. If it doesn't, electricity doesn't get transmitted. There's an inevitability that the nickel price goes up to the cost of production, or else there's no more stainless steel, meaning no more refrigerators, no more washing machines, no more cars. There's an inevitability that the oil price goes up to the total cost of producing oil, the uranium price goes up to the total cost of producing uranium, or else your cars won't drive and the lights won't go on. That is the inevitability.

The other inevitability, and this is important too, in the juniors where you're getting a little bit away from commodity prices, is that performance is not conformably dispersed. The best people get the best performance. This is an inevitability. When we at Sprott looked back over our successes over the last 40 years, one of the important things that we learned is that in almost every circumstance, in small stocks where we enjoyed tenfold or more returns, two important lessons came out. In 80% of those circumstances, we enjoyed the tenfold returns with people who had already generated important returns to us in the past, meaning that the best people generate the best results time and time and time again. Buying a financial brand associated with what we call "seven footers", serial out-performers, works.

The second thing is a bit more pernicious. In almost every circumstance where we enjoyed tenfold gains, at least one time during the period that we held the stock, the stock declined by 50%, meaning that if you are right, you have to have the guts to stay the trade. Two important lessons.

The final thing that I want to leave you with today, and I think this is a really important thing to talk about, is that I think for the first time in 20 years, we're going to move into a kind of market ... not immediately, probably 18 months from now ... we're going to move into an exploration and discovery market. How many of you ... I can't really see you ... but how many of you were here for the market of the early 1990s? A few of you in the room. A discovery market is something truly bizarre and really, really, really pleasant if you're in front of it.

We haven't had a discovery market. The market that we had in the early part of the last decade was a leverage to commodities market, very different than a discovery market, but the truth is that the mining industry, in both the major and the junior space, has under-invested and mis-invested in exploration for 20 years. The majors under-invested. They regarded exploration as a variable expense, despite the fact that every day you mine a mine your business gets smaller. The development pipelines are really skinny. And the juniors mis-invested. The juniors invested to twin drill holes in projects that had failed in three successive bull markets, not to make a discovery but rather to move a stock from 25 cents to 45 cents.

The consequence of mis-investment and mal-investment is that the industry's development and exploration pipeline is the skinniest that I've seen it in 40 years in the business. And you're starting to see the manifestation of that with good discoveries being sold to bigger companies at eye-popping prices. If this continues, past is prologue. That's exactly the circumstance that happened in 1991 and 1992, which led to the most violent up move in junior stocks of my entire career. The recent success of Novo Gold, which went from a 20 million market cap to a billion dollar market cap, with no drill holes, tells me that the market is beginning to anticipate, with some relish, exploration success.

So differently than the market that we experienced the last bull market, this bull market at some point in time will evolve, at least partially, into an exploration and development market, which is something that I really look forward to. How to play this? I think two ways. Early in the bull market, you can get the third dimension. In other words, you can get a drill hole. And a really good drill hole that moves the stock 30% for many people is an excuse to sell. They anticipated the drill hole, they bought the drill hole, they bought the mystery, they sold the news. But the truth is that a company that's gone from having a 20 million market cap to a 30 million market cap, if you've answered an unanswered question in the third dimension, is often cheaper at $30 million than it was at $20 million, because you have much better data to anticipate the future.

So drill hole plays after the third dimension has been established early in a bull market is a wonderful technique to play, but from my own ... Let me put it differently. The way that I enjoy playing the business is really in generation. Those of you who know me know that there's a class of stocks in the world, there's about 30 of them worldwide, called prospect generators, people who use their technical acumen to develop exploration theses, stake ground, and then farm out the exploration risk in return for a carried interest in the project.

This does two things for me. It spreads my risk from rather than being a one-project risk to a 15- or 20-project risk. It also means the due diligence is done for me by major mining companies who are the joint venture partners. The idea that I don't have to look at a project because Tech has looked at it, or Rio Tinto has looked at it, or BHP has looked at it, is extremely comforting to me. This is a technique that we have used over time to generate returns that have been, over 30 years, two standard deviations ... not twice, two standard deviations ... better than any other technique I know.

So in closing, I want to leave you with a couple things. Do things differently this time. Use the lessons that you employed in the past. Get ready to have fun. You've been through five years of pain, it's time to enjoy at least four years of gain. Buy the best of the best, but also get ready for an exploration bull market, which I'm sure you will all enjoy.

Thank you, ladies and gentlemen. I look forward to seeing you all next year.

Peter Schiff

"The Trump Trainwreck - Why The Economy Is Not Being Made Great Again"

Speaker 1: Right now, I'm going to give you the man that believes that Trump can have a train wreck for you in store. Mr. Peter Schiff is the CEO and chief global strategist of Euro Pacific Capital. an FEC registered investment advisor, and a full service broker dealer. He's one of the few widely known economist and investment professionals to have spoken about the financial crisis before it ever even began. As a result of his frequent media appearances and written commentaries on the economy, the stock market real-estate commodities, gold currency, and politics, he's become one of the most recognizable people and faces in the financial world. Mr. Schiff has been quoted hundreds of times in leading news outlets, and some of the books that he is well known for include, "Crash Proof, How to Profit from the Coming Economic Collapse," Which was published in 2007, and also his most recent book, "The Real Crash, America's Coming Bankruptcy," Which you'll all want to take a look at, which was published in 2014. If you would please, give a warm welcome to Mr. Peter Schiff.

Peter Schiff: I first of all, before I start, I have my workshop tomorrow at 6:45 and I'm gonna talk there about how to profit from some of the things I'm gonna discuss here today, so don't make any early dinner reservations tomorrow. Also, Mark Skousen was talking about his book it made me think, I brought a book with me. That I have at the booth, and this is not one of my books. This is a book that my father wrote, who passed away about two years ago.

How many people here are familiar with my father, Irwin Schiff? And I don't know if you've read this book, "The Kingdom of Moltz," But my father wrote a book called "The Biggest Con," that came out in the early 1970s that predicted pretty much, everything that happened during that decade, but a lot of the things that are happening now.

It was a very prophetic book. It's amazing how far into the future my father was able to see. But when he originally wrote that book there was a little fable included in that book called, "A Kingdom of Moltz," And the editors took it out because they cut it back. And he later self-published the book, it was the first book he ever self-published from his company, Freedom Books. This was his first one and this is a great little book, Howard Ruff, if anybody remembers Howard Ruff. He bought 10,000 copies of this book when it first came out, that's how much he like it.

But it's a great book about gold and money and inflation and it's short, doesn't more than a half hour to read, and it's funny. And my dad had a great sense of humor if you knew him and you could see it in this book, and there's not that many of them around. They were in short supply, you can go on Ebay or Amazon, there's some new copies they go from between $90-200 bucks and they use to be even more, until I found a supply of these cause I cleaned out an old warehouse where my dad had some storage and I found some of these books that had been there for a long time. So I have never brought them to this conference before, but this time I remembered and I grabbed some of them that I have. So I have them at the booth and their great to buy. I'm not giving them away, I don't wanna crash the market, but I'm giving you a good deal on them. Much cheaper than you can get online. But it's a great little book on gold, you should buy a few copies of them. I'm gonna have them at the booth.

But I wanna talk about the U.S. economy, the title of this talk about the Trump train wreck because, you know, a lot of people were on the Trump train and even a lot of people that weren't on the Trump train before the election jumped on it as soon as he won, right. Cause before Donald Trump won, everybody agreed that all this was gonna be a disaster for the stock market and if Trump wins, everything is gonna crash. This is what Wall Street was feeding us, and I always, you know, never understood it. Because I said, "Well what is he talking about? Lower taxes, less regulation, tell me when that in and of itself is a bad thing for the stock market,"

But I think Wall Street convinced everybody that Trump winning was bad for the stock market because they were convinced that he was gonna lose. They wanted everyone to think that Hillary was good for the market because they thought Hillary was gonna win. And so as soon as Trump won, the media had to respin everything, "Oh, Trump won great for the market, right?" Wall Street, you know, they wan to find a way to get everybody excited about the market, and so the selloff lasted for like a half an hour, right the market tanked, you know, at nine ten o'clock at night. But you had to act fast to buy that dip because by the next morning the market was up. Gold initially rallied up to 1,350 and it finished down, it sold off.

And so now people got very excited about Trump, and you know, the dollar had a big rally early on. This is gonna be great because Trump's gonna make America great again, and they're gonna cut taxes and it's gonna be great for the economy, and so the dollar rose, in fact, the dollar peaked out in January, about the second week of January. And everybody was so excited about the dollar, right?

When the year began a long the Dollar was the most crowded trade on Wall Street. And then the dollar tanked, I mean the dollar in the first half of the year, I think that the dollar had had the weakest first half of the year since 1985. Which was the beginning of a ten year dollar bear market. So we had a very substantial decline to the value of the dollar that has recently reversed because the dollar has now found some support over the last month or so based on another round of optimism surrounding Trump because now everybody is excited about the tax cuts.

Now initially they were excited about tax cuts when he was first elected, they were also excited about all the deregulation and I was very sure when I predicted early on, in fact, as soon as Trump was elected, I predicted that they would never get rid of Obamacare and that was one of the main things that they were promising, to repeal Obamacare, and that was part of the reason for the optimism because Obamacare was hurting the economy. I mean Obamacare is the main reason that we have so many part-time workers because companies are trying avoid the requirements of providing insurance and the way you do that is you don't have full time workers, you have to have people that work fewer 30 hours.

So it's been hurting the economy for a while, and the anticipation was OK the Republicans are gonna get rid of it. And I knew that wasn't going to happen, because I knew that they had not actually promised to repeal it, they promised to repeal and replace it. And I knew they couldn't do that, I mean, they can't repeal it and replace it with something just like it. And that's really what they were gonna do, they didn't have the guts to take away a free lunch that had already been served up. I mean, it's one thing to vote against it, but it's another thing to take away what people are perceived their entitled to, and I knew the Republicans wouldn't have the stomach for it.

And they also don't have the stomach for cutting spending, and that is the real problem. Everybody is excited about tax cuts and Donald Trump goes around the country making speeches about while Americans are entitled to tax relief, we're over taxed, we're paying too much in taxes, and he's gonna cut taxes, he's gonna give us the biggest tax cut ever, right. But the problem is we're not under taxed, we're, I mean, we're not overtaxed, we're actually under taxed. We have huge deficits, right. The deficit is still close to 700 billion dollars, it's actually higher because they don't count a lot of the spending because it's off budget.

But the national debt increases by a lot more than the so called "Budget Deficit" during that given year. So the truth of the matter is we need higher taxes, but I agree with the president that the taxes that we have are too high, because government is too big. And the problem is we're not even taxing our citizens enough to pay for all the government that we have. So what Donald Trump should really be doing is going around the country talking about why government is too big, why government is too expensive, and why government needs to shrink, why government spending needs to be reduced, what programs is he gonna abolish, what agencies is he gonna eliminated, how is he cut defense spending, how he's gonna cut spending on social security, how he's gonna cut spending on medicare, and if we cut government enough, if we make government small enough, then we could relieve the tax payers of the burden of paying for it.

Right, but he doesn't wanna do that and neither do any other the Republicans in Congress. So nobody wants to cut government spending, in fact, government spending is not only going to increase, because it's on autopilot, but they wanna increase it, they actually wanna spend more money on defense, and other things, and of course once we get the tax cuts, the next plan is an infrastructure spending program with more borrowed money after the government just depleted their own revenue.

Now the idea is that, well you know, we're gonna get all this growth as a result of cutting taxes, that's a bunch of nonsense. And in fact, as Peter Boockvar mentioned on the panel before me, "Just because taxes are being cut, you can't look at the in the vacuum." First of all interest rates are already rising, what is the effect of higher interest rates going to be on the U.S. economy given the enormity of the debt that we already have both on the personal level, corporate level. You know, Americans are already loaded up with more debt than ever before. We have more auto debt, more student debt, and more credit card debt than ever before. All three are at record highs, the only debt that's not at a record is mortgage debt, and that's because home ownership is at a 60 year low. You can't have a mortgage if you don't have a house.

But a lot of people that use to own houses, are now renting, and I just read another article this morning on Bloomberg about how rent increases are so rapid this year, so many families are being crushed by rising rents. And then the Federal Reserve is talking about how prices aren't rising fast enough, well the rents are rising pretty fast.

And so people that use to have, you know, mortgages now how rents but the rents are going up. But the difference is when people had a mortgage they also had a house. And in general, before the housing collapse they had home equity. So people's balance sheets are in much worse shape when they don't have an asset anymore, but they're loaded up with credit card debt, auto debt, and student loans.

Corporations have taken on an enormous amount of debt in order to sustain this bull market, and that debt is gonna be more expensive to service as interest rates go up. And of course larger deficits will put even more upward pressure on interest rates than what already exists and of course the biggest debter of us all is the federal government and the federal government finances its debts with short term paper. This is not 1980, this is not like it was when Ronald Reagan came in and Paul Volcker had to raise interest rates to 20%. I mean, that was bad but at least it didn't impact the debt that had already been financed.

But if interest rates go up now, it infects the entirety of the national debt. I mean, almost all of it is financed with short term paper. And all that stuff has to be rolled over, and now you have the Federal Reserve saying that their not gonna roll theirs over, they're gonna let their bonds mature. Well whose gonna pick up the slack, and start buying up all those bonds, and so the upward pressure on interest rates ends up doing more damage, to the economy, then whatever stimulus you're gonna get from the tax cuts in fact, the most expensive way to pay for government is with debt.

It's cheaper to pay for it with taxes, so when the President says he's gonna relieve us of a burden, he's not relieving us of anything. All these tax cuts are simply a down payment on future tax hikes because the government is simply gonna borrow the money that it used to collect in taxes. And who's on the hook for that debt. The same people who just had their taxes cut and in the meantime, the government has to borrow that money, borrow it from who?

Right the last time we went on a borrowing binge, we borrowed from China, we borrowed from Japan, we borrowed for Saudi Arabia, and we borrowed from the Fed. Well the Fed is saying they're out of that business, they're gonna be shrinking their balance sheet, now I don't believe that's gonna happen, but that's what they're saying.

But I do believe that there is not the appetite for our bonds in the rest of the world. And I think given the attitude of the Trump Administration to currency manipulating, I don't think a lot of central banks wanna be accused of currency manipulating, by printing up a bunch of money to buy up U.S. Treasuries as the government is trying to finance these larger deficits.

And at course, the other problem we are long in this expansion, this economic cycle that we're in. I mean, this has been one of the longest recoveries in history. It's also the weakest recovery in history, in fact I think it's so weak that it's not even a recovery, cause the average American is worse off today than when the recovery began, right. You're supposed to get better not sicker during a recovery, and that's the reason that Donald Trump was elected President in the first place.

Do you think that Trump would have been able to get that nomination if everything was good, if the economy was in great shape like everybody was pretending. You know, as a result of this so called recovery that we were experiencing. And would it been able to beat even Hillary Clinton, I mean, Hillary Clinton was a continuation of the Obama Administration.

Well if everything was great wouldn't the voters have wanted to continue the successes, supposedly that were earned. And you know, another reason that Donald Trump was able to win is because what he was saying was resonating with a lot of people because it was true.

What did candidate Donald Trump say about the stock market? He said, It was a gigantic bubble. He said it was a big fat ugly bubble, and that it was gonna pop and accused the central bank of playing politics, of keeping interest rates artificially low, in order to prop up the stock market to make Obama look better. Which was exactly what they were doing. And they were also trying to make it easier for Hillary Clinton to win.

Right, but does Donald Trump, the President, does he say the stock market is a bubble now, even though it's a lot larger than it was when he was elected? No, it's not a bubble anymore, it's now a bull market, and in fact he's taking credit for it. It's a validation on the effectiveness of his presidency.

Right, the same bull market that was going on under Obama, now all of sudden shows that he's doing a great job, and he has basically hung his presidency on the success of the stock market. So he's more concerned about propping up stock prices than making America great again. Because one of the reasons that America is not great is because the Federal Reserve has redirected resources and misallocated resources in order to prop up asset prices, stock bonds, real estate at the expense of the real economy.

They have drained the capital out of the real economy we no longer have the savings necessary to make the investment to grow the economy in a real way, to raise real wages and raise living standards, and now Trump needs to perpetuate those very policies because he has now defined the success of his candidacy by the level of the stock market, and in an order to solve the problems on main street, stock prices have got to go down. That's part of it. Interest rates have got to be allowed to rise.

Trump says he's a low interest rate guy. Low interest rates are not helping the U.S. economy, we need higher interest rates because we need more saving. We need less consums, we need less speculating. But none of those things are gonna be accomplished if you're goal is to keep interest rates artificially low, but that is his new goal.

And look at Trump said as a candidate about the unemployment rate. I mean, he was like just talking like he his speech writers were just listening to my podcasts. I mean, he talked about how the numbers were phony, he said that the five percent unemployment was the biggest hoax in the history of politics. That the real rate was 20%, 30%, 40%, I mean, some of these numbers got ridiculous. What he claimed the actual unemployment rate was, but he was right that it wasn't four percent.

He talked about all the discouraged workers who don't have jobs. All the people who have two or three part-time jobs. That people have part-time jobs and they really want full-time jobs, and they're actually unemployed but the statistics don't capture it.

He doesn't talking about that anymore, what is he talking about, hey look how low the unemployment rate is. And he wants to take credit for it, every time it comes out, another low number, he's tweeting about how low the unemployment rate is, and everything is great because he's president.

Right, so everything has turned, it's no longer about draining a swamp, it's about pouring more water into the swamp. And that is exactly what's happening. Right, the water level in the swamp is rising and ultimately this is gonna come back and I think bite in a very, very big way. Because you know a lot of people when Trump was first elected, they said, "You know, this is another Ronald Reagan."

And you know the circumstances are very, very different now than they were when Reagan was elected. The country is in much worst fiscal shape. I mean, when Reagan was elected we still had trade surpluses. When Reagan was elected we were still a creditor nation.

Now we're the world's biggest debtor nation, we have massive trade deficits, and you know we have the Fed that has already got interest rates down to zero. I mean, interest rates rose sharply when Reagan was president, or they didn't rise, but they were very high when he came in and so we were able to borrow a lot of money because we were able to pay our lenders high interest rates.

We can't do that anymore, we have no ability to pay high interest rates anybody, so to the extent that we can finance tax cuts now, like we had in the 80s, it's all gonna have to supplied by the Fed. It's all going to have to be money printing.

You know if Reagan is gonna end up looking like another president. My feeling is he's more likely to be the next Jimmy Carter than the next Ronald Reagan. And where do I see the similarities between Trump and Carter? Carter was sandwiched in between two Republican Administrations. The first one was Nixon Ford, eight years of Nixon and Ford combined, and during those years, the economy was weak. The 1970s were difficult times and that was the byproduct of the sheet money policies, the big guns and butter deficit spending policies of the 1960s of the Lyndon Johnson Era, the John Kennedy, Lyndon Johnson, Vietnam, Guns and Butter, that's when we really started printing a lot of money, running these big deficits, which resulted in the 1971 decision to go off the gold standard, but the 1970s were the payback for the growth of government and the growth of government spending that incurred from the great society, and war on poverty, and all that stuff.

And things were so bad by 1976, that they elected Jimmy Carter as an outsider, he was a peanut farmer, he had like a one term as a governor, but he really wasn't a career politician. And he was gonna go in there, he was gonna clean up, he was gonna drain this swamp, that wasn't his terminology, but that was the idea.

And then of course the problems just got much worse under Carter. He wasn't able to deliver any change in fact, the problems that were already developing got even worse. The inflation got even higher, right. And that actually paved the way for the country to go hard back to the right and elect Ronald Reagan, and I don't think Ronald Reagan ever could have been elected president if things weren't as bad as they were under Carter.

And the Democrats got the blame, and they should have got the blame because they actually deserved it because of the policies of the 1960s, and of course I'm not a fan of Nixon because he continued the same Keynesian policies that he inherited.

But the point is you had this Democratic outsider that inherited a bad situation and it got worse, not better. And then that caused the country to go to Reagan. And Reagan was definitely a step in the right direction. But I think the opposite is gonna happen this time, because you have problems that we had under Obama, not for the stock market, but for the average guy, the average American. Their living standard went down, real wages went down, people lost good jobs, they replaced them with lousy jobs, and then Donald Trump comes in and promises, "I'm gonna drain this swamp, I'm gonna make America great again," And I think the problems that were created during those eight years of Obama, not necessarily all by Obama, I mean he certainly didn't help with Obamacare, and lot of the regulation. But a lot of the problems were created by the Fed.

Right, by the Alan Greenspan Fed that began the Bernanke Fed, the Yellen Fed. I mean, if you go back to the financial crisis of 2008, and how bad that was, and recognize that that was caused by Alan Greenspan keeping interest rates at one percent for a year and a half. And then taking another year and a half to get them back up to five. It was a few years of artificially low interest rates that did enough damage to the economy to cause the 2008 financial crisis, and to create a recession that was the worst since the Great Depression. And that would have been much deeper had the Fed not been succeeded in inflating another bubble.

But if the Federal Reserve did that much damage, then could you imagine the amount of damage that was done to the U.S. economy during the last eight years? We had interest rates at zero, I mean, they're still practically at zero, despite the fact that they raised them a little bit. They're barely over one percent.

Look what happened to the Fed's balance sheet. They have now blown up a bubble in everything, the stock market bubble now is bigger than the bubble that the Fed inflated in the 90s and it's bigger than the one that they inflated in the 2000s. And it's not just the stock market that's in a bubble, it's the real estate market, it's the bond market, I mean, there's never been a bond bubble this big.

And it's not even just in the United States, it's worldwide, but then you have all sorts of assets that are in bubbles. I mean, so the Federal Reserve has done enormous damage, and unfortunately I think all that is going to, you know, come to the surface under Trump. Trump could be the fall guy for this whole thing, everything's gonna hit the fan and he's now talking about how great the stock market is, how great everything is. He's take ownership of this mess.

What he should have done is what George Bush should have done when he inherited a mess from Bill Clinton, he should have talked about the problems, not tried to claim credit for phony solutions. Yes, it was able to buy him a second term, but look at the costs, look at how bad things ended up in the final analysis.

I don't know that Trump is gonna be that lucky, cause I don't know that he can make it to a second term. I don't think the collapse is gonna happen on his second term, I think it's gonna happen before the end of his first term. Which as I said earlier, could pave the way for a big move, what's the opposite of Ronald Reagan? Maybe Bernie Sanders, maybe somebody to the left of Bernie Sanders.

And maybe the Democrats by 2020 not only do they get the White House, with a real left wing socialists. I mean the socialists almost got the nomination last time. Maybe, he does it, that's like Ronald Reagan, Ronald Reagan almost got the nomination from Gerald Ford. He lost it in 76, but he came back and got it in 1980, he moved the Republican party to the right.

Sanders has moved the Democratic party to the left, and if they get a big left wing socialist as the president in 2020, with a Democratic Congress, what is gonna happen? So I think we have lot of problems on the horizon, politically, we have a lot of problems monetarily, and these are gonna have major, major implications. When I wrote my book ... I'm out of time ... When I wrote the book, "Crash Proof," the crash that I was referring to in that book from 2007, was not the financial crisis, even though I predicted it, it was what I thought was gonna happen as a result of what the government would do, of what the Federal Reserve would do, as a result of that crisis. And I think we're gonna be experiencing that crash sometime over the next few years, and what I'm gonna be talking about in my workshop tomorrow is what you can do now to not only prepare for that, but to profit from it.

Thanks.

Judy Shelton

"Golden Opportunity: The Case For A New International Monetary System"

Speaker 1: Next up is Judy Shelton, and your biography book contains her full resume. But, I want to focus on just two points. The work with Jack Kemp. I worked with Jack in the early 90s on the Jack Kemp Newsletter for Eagle Publishing, got to ghost-write for Jack and work with him closely. And Judy Shelton then came on for his political campaign and policy discussions, later on leading up to his run for the presidency and then being on the Dole ticket as V.P. I also want to point out the exceptional nature of her books. I remember in 1989, Ravi Batra had a book called "The Coming Crash of '89", and James Dale Davidson and William Rees Mogg had a book called "The Coming Great Depression". Problem is, they got their geography wrong. The 90s depression happened in Japan, and the crash happened in the Soviet Union, in the empire, the political crash. And she got it right with a book called "The Coming Soviet Crash", and it had to do with money, Gorbachev's desperate pursuit of credit in Western financial markets.

And right now, she's doing the Lord's work on establishing honest money and gold standard, and that's embedded in her title "Golden Opportunity: The Case for a New International Monetary System". Welcome, Judy Shelton.

Judy Shelton: Good afternoon, everyone. Thank you for the kind introduction, and let me say what a great pleasure it is to be here with you. What an honor. This conference is legendary. The roster of past speakers includes so many of my intellectual and political heroes, Ayn Rand, Margaret Thatcher, Jack Kemp. Plus many of my current comrades-in-arms, Steve Forbes, Jim Grant, Steve Moore, Larry Kudlow. So, thank you for inviting me.

I am very aware in speaking before this audience that I am talking to some of the world's most savvy investors, and I apologize that my topic for today is not really about providing actionable investment advice. The golden opportunity I am proposing has more to do with an investment in the future of America and the world, an investment in free market capitalism. It's an investment that will require a lot of political capital, but the expected gains should be counted in terms of preserving American principles and ensuring the leadership of the United States in the world economy.

What are those principles? Free markets, equal opportunity, rule of law. I think under this president, America has a golden opportunity to forge a long-term investment toward aligning our monetary policy in support of those principles both domestically and internationally. I'm talking about major monetary reform. I strongly believe we need to establish new rules for international currency relations because we have two big problems today. One, our Federal Reserve caters to financial markets, not to the small businesses and entrepreneurs who actually produce goods and provide services. So, there's a disconnect between monetary policy and how it impacts the availability of credit for the real economy. Two, we have a problem with regard to how our nation performs in the global marketplace, which is that economic outcomes are highly vulnerable to exchange rate effects so that we could see the gains we're trying to achieve through tax and trade reform overturned by currency movements.

Here's the challenge. We need to reconnect the value of our money, both here and abroad, to productive economic activity so that it supports genuine competition in a way that is consistent with our principles of free markets, equal opportunity, and rule of law. And that requires a level monetary playing field. We have to restore the integrity of the dollar. Now, Americans should care about that because the dollar is our unit of account. I find it unconscionable that the Federal Reserve can deliberately seek to reduce the purchasing power of the dollar by 2% a year as a matter of policy. That's more than a 20% loss in a single decade. The dollar is our legal tender. It's supposed to provide a dependable store of value. You should be able to trust the money you've earned, the money you use to make plans, to build businesses. Stable money is vital to productive economic growth. You can't carry out a successful pro-growth agenda if it's built on quicksand.

So now, let's focus on the international monetary system we have today. A couple of weeks ago, The Wall Street Journal published an op-ed of mine under the title "Woodpeckers for Sound Money" because my point in that piece was that what we need at the Fed is not a hawk or a dove, but a woodpecker, someone who will hammer away on the importance of sound money. We need a stable dollar not just for economic reasons, but also for strategic reasons in the geopolitical sense. We have rivals out there, and when the exchange rate value of the dollar can be shifted by what other central banks do, it can have the effect of neutralizing or even reversing what we're trying to accomplish for our own nation's economy.

Just think, you want corporations to move back to the U.S., you want them to repatriate cash, and you're going to lower the corporate tax rate to get them to do that. That's great. But then the dollar shifts, and they will have to consider whether it will cost them more in currency losses than they would save on taxes by coming back. Or maybe you're trying to renegotiate trade agreements and you're wondering whether you should impose a tariff or a surtax on goods imported from Mexico or Japan, and then the yen and the peso depreciate against the dollar so that goods imported from those countries are still cheaper for Americans to buy.

I find it ironic when I hear world leaders talking today, making speeches at Davos, at the International Economic forum, people like Chinese president, Xi Jinping, saying, oh, we need to preserve our rules-based global trading system. When he says that, of course, he's insinuating that America has abandoned its leadership role and he's suggesting that President Trump doesn't believe in free trade. But, that's not true. He does believe in free trade. He's said so many times. But, it has to be fair. You have to have a level playing field. It is totally unfair and nonsensical to talk about a rules-based global trading system and not talk about currency manipulation and the effect of exchange rate movements on trade and capital flows. We don't have a level monetary paying field because there are no rules. We have not had a rules-based international monetary system since President Nixon ended the Bretton Woods Agreement in August 1971.

Now under that system, exchange rates among currencies were fixed, and the dollar was convertible into gold. Why did we have a system like that? What was the purpose? And what about the timing? It was in 1944 that the Bretton Woods Agreement was established. Well, we actually need to go back to December 7, 1941, the day Pearl Harbor was attacked. Henry Morgenthau was U.S. Treasury Secretary at the time, and he immediately directed his deputy to start thinking about how to coordinate monetary arrangements among the United States and its allies who were now at war against the Axis powers. The goal was to figure out a way to stabilize exchange rates to strengthen the Alliance. Now, why was it deemed so important to ensure stable exchange rates at a time of war when the very survival of those allied nations was at stake? The answer, those nations needed assurances that a more prosperous economic future lay ahead if they could summon the will to prevail and triumph.

During the 1930s, which was fresh in their memories, nations had resorted to competitive devaluation as a tactic to gain an export advantage over their trade partners. As the gold standard was serially abandoned, the total volume of trade started dropping. The currency chaos gave way to rising protectionism, which became a recipe for world-wide economic depression. But now, there was a chance to fix it. Once the United States was brought into the war, we were in a position to bring economic leadership, along with military strength, to the table. Morgenthau decided that something new had to be done in the sphere of international economic relations, something powerful and comprehensive. The objective was to establish new rules that would ensure a level monetary playing field as the logical foundation for free trade. America was going to provide those assurances that would unify and encourage the anti-Axis forces, and that would greatly strengthen their will in their effort to win.

So, that was the motivation. America felt compelled to create a stable international monetary system, and gold was always part of the plan. Gold would provide a common reference point. It would anchor the whole system. Even John Maynard Keynes believed that gold should play a central role in this new monetary system, though he wouldn't have elevated the U.S. dollar to being the key currency at the heart of the system. He wouldn't have wanted the dollar to be the only currency officially convertible into gold if he could have prevented it. But, he could not. We were the most powerful country in the most powerful position.

And so, less than four weeks after Allied forces landed at Normandy on June 6, 1944, the Bretton Woods conference was convened. Representatives from 44 Allied nations assembled for three weeks at a mountain resort in Bretton Woods, New Hampshire to agree on the rules for a fixed exchange rate international monetary system based on a U.S. dollar convertible into gold.

And now, the big question - did that stable monetary platform deliver as promised? Actually, better than promised. We had strong economic growth rates around the world, particularly in the United States for the next two and a half decades. We also saw tremendous gains in labor, productivity rates, which mostly benefited the middle class, so that meant we also experienced the big decreases in the inequality of wealth among Americans. But that period of exceptional economic performance ended in 1971 with the closing of the gold window.

Video Footage: Richard Nixon....We must protect the position of the American dollar as a pillar of monetary stability around the world. In the past seven years, there's been an average of one international monetary crisis every year. Now, who gains from these crises? Not the working man. Not the investor. Not the real producers of wealth. The gainers are the international money speculators. Because they thrive on crises, they help to create them. In recent weeks, the speculators have been waging an all-out war on the American dollar. The strength of a nation's currency is based on the strength of that nation's economy, and the American economy is by far the strongest in the world.

Accordingly, I have directed the Secretary of the Treasury to take the action necessary to defend the dollar against the speculators. I have directed Secretary Connally to suspend temporarily the convertibility of the dollar into gold or other Reserve assets except in amounts and conditions determined to be in the interest of monetary stability and in the best interests of the United States.

Now, what is this action, which is very technical, what does it mean for you? Let me lay to rest the bugaboo of what is called devaluation. If you want to buy a foreign car or take a trip abroad, market conditions may cause your dollar to buy slightly less. But, if you are among the overwhelming majority of Americans who buy American-made products in America, your dollar will be worth just as much tomorrow as it is today. The effect of this action, in other words, will be to stabilize the dollar.

Now, this action will not win us any friends among the international money traders. But our primary concern is with the American workers and with their competition around the world. To our friends abroad, including the many responsible members of the international banking community who are dedicated to stability and the flow of trade, I give this assurance. The United States has always been, and will continue to be, a forward-looking and trustworthy trading partner. In full cooperation with the International Monetary Fund and those who trade with us, we will press for the necessary reforms to set up an urgently needed new international monetary system.

Stability and equal treatment is in everybody's best interest. I am determined that the American dollar must never again be a hostage in the hands of international speculators.

Judy Shelton: Well, whether you blame that decision by President Nixon on our budget problems here in the U.S. trying to finance both guns and butter during the 1960s, or whether you attribute the collapse of the Bretton Woods System to an internal design failure because of its dependence on a single Reserve currency country, it's called the Triffin dilemma, in any case, the vision of providing a solid monetary foundation to optimize free trade and capital flows, that approach was shattered by Nixon's decision to suspend gold convertibility of the dollar. And even though Nixon stated in his speech that we will press for the necessary reforms to set up an urgently needed new international monetary system, that new system didn't happen despite very strong efforts to restore it, notably by Paul Volcker, who was then Treasury Undersecretary for Monetary Affairs.

Instead, we went into the great unknown of floating rates, and that was largely due to the ideas of a very influential monetary economist who was making the case that not having any kind of system should be the new system. Milton Friedman argued that if we let exchange rates float freely, we would end up with balanced trade. Because if there was a lot of demand for cheap goods from Japan, let's say, and Americans had to keep cashing in their dollars to buy yen to pay for the Japanese imports they wanted, that would drive the value of the yen higher against the dollar. It would push up the exchange rate, which would then make those Japanese goods more expensive for Americans to buy. It's a very appealing theory, and it came at an opportune time when the Bretton Woods fixed rate system was under pressure.

Now, I was with the Hoover Institution at Stanford University for a decade, from the mid-1980s to the mid-90s. And I had discussions with Milton back then, we were both senior research fellows, and I came away appreciating the theoretical model, but felt growing concern over how it was actually being applied. One thing for me is very clear. The way his theory of freely floating rates turned out in reality was not the approach he had in mind. Milton's primary goal in all his work was to restrain the power of governments to interfere with free markets. But what we have today, without any rules, in the absence of any kind of monetary system, gives governments tremendous power to accumulate reserves with which they can target the value of their currency against other currencies. Milton detested the idea of a dirty float, and his worst nightmare would be the vast discretionary authority now enjoyed by central bankers who can move exchange rates by merely hinting what they are planning to do with interest rates.

Well, a very influential politician was running for president in 1980, and he, like Milton Friedman, was highly skeptical about the omniscience of government officials. Ronald Reagan wanted to empower the private sector by going back to a stable dollar that people could trust.

Speaker 4: Ronald Reagan believes government causes inflation. Not business, not labor.

Video Footage: Ronald Reagan…In the 1960s, the Federal government decided to stop tying the value of the dollar to gold. This permitted them to print as much money as they wanted to spend, and that's why we've had this crippling inflation. We'll never regain price stability until we restore some form of gold backing to the dollar. As president, my first priority will be to make the dollar the most trusted currency in the world.

Judy Shelton: "The most trusted currency in the world." In that video, Reagan puts the issue of dollar integrity in moral terms. Reagan is supporting the idea that the dollar should be an honest unit of account and meaningful store of value. And he makes it clear that he believes the trustworthiness of the dollar depends on having some sort of gold backing to provide the necessary discipline to ensure its integrity.

Now, Reagan was influenced intellectually by the thinking of economist Robert Mundell, who designed the supply-side economic growth agenda that became known as the Reagan Revolution. That agenda had a formula for productive growth that boiled down to lower taxes and stable money. It was a plan that was championed by Congressman Jack Kemp from Buffalo, New York, the former quarterback, who played a major role in bringing about tax reform. Jack Kemp enthusiastically supported Robert Mundell on the monetary front as well. He co-authored this 1983 book with him. And, like Professor Mundell, Kemp believed that gold could provide the lodestar for setting up a level monetary playing field for world growth.

For Jack, that was the key to free trade. He wanted people around the world to compete in the Adam Smith sense because he thought that would be the best way to strengthen support for free market capitalism. But the competition would depend on setting up an international monetary system linked to gold convertibility so that everybody played by the same rules. Well, as many of you know, Jack Kemp paid a political price for those views. He was sometimes mocked as Mr. Gold Standard. We know how ruthless the press can be, not to mention my fellow academics.

But now, let's listen to someone who, love him or hate him, you have to say he knows something about the impact of monetary policy on economic performance. He knows something about central banks, what they can and cannot do, and whether they do more harm than good. Here next is Alan Greenspan, speaking in October 2007, and keep in mind this conversation is taking place a good year and a half after he stepped down as Chairman of the Federal Reserve.

Video Footage: Alan Greenspan…What that demonstrated, which has been true pretty much around the world, is that central banks no longer have the capacity to significantly impact on longer term rates, and it's the longer term rates which create bubbles.

Speaker 7: So then, why do we need a central bank?

Video Footage: Alan Greenspan…Well, the question is a very interesting one. We have at this particular stage a fiat money, which is essentially money printed by a government and it's usually the central bank which is authorized to do so. Some mechanism has got to be in place that restricts the amount of money which is produced, either a gold standard or currency board or something of that nature, because unless you do that, all of history suggests that inflation will take hold with very deleterious effects on economic activity.

Speaker 7: Now, you were a great admirer, in fact an acolyte, of Ayn Rand, the great philosopher who believed that in the absolute most limited role that the government could play in people's lives. She probably wouldn't have been a fan of the Federal Reserve Board, would she?

Video Footage: Alan Greenspan…Well, I don't know because we never discussed that in particular. But, I think she recognized that there are lots of institutions which we would be better without, but nonetheless probably require them if indeed society as a whole decides to do that. Remember, we live in a democratic society and that compromise is the very essence of a democratic society because if we're all individuals with different ideas and we want to live together, we have to do that. And there are numbers of us, myself included, who strongly believe we that we did very well in the 1870 to 1914 period with an international gold standard.

Speaker 7: Yeah, we did well without the Federal Reserve. People forget...

Judy Shelton: So, where does that bring us to? The fact that the person who headed the world's most powerful central bank for 18 years feels compelled to praise how the world economy functioned under an international gold standard without the help of central banks. And remember, in October 2007, we were just heading into what would turn out to be the most devastating global financial meltdown since the depression.

Here we are today, 10 years later, and I ask you, what have we learned? Has anything really changed? Have we adopted any bold new ideas with regard to fundamental monetary reform, or are we still relying on the wisdom of the Federal Reserve to get it right until we learn too late they got it wrong?

Well, we have had somewhat of a political upheaval in this country. I am proud to have served as a member of the Trump economic advisory council and on his presidential transition team. I was assigned to the Treasury Department as lead advisor on international affairs, and I will tell you I was drawn to doing that precisely because of positions Donald Trump had taken which showed his willingness to address this need to restore monetary integrity. It started a few years back, in 2011, with an interesting initiative by Trump as a private businessman concerned about policies affecting our nation's money.

Speaker 8: Donald Trump says gold is better than cold, hard cash. Donald Trump is renting out the 50th floor of 40 Wall Street for 10 years to APMEX, American Precious Metals Exchange, and accepting three 32-ounce gold bars as a security deposit.

Video Footage: Donald Trump… Well sadly, we all know what's happening to the dollar. The dollar is going down and it's not a pretty picture, and it's not being sustained by proper policy and proper thinking. And this was an opportunity, and may be an opportunity to show people what's happening with the dollar so that we can do something about it.

Speaker 8: Mr. Trump is also ready to keep doing business in gold.

Video Footage: Donald Trump…I never thought this would happen. This is the first time it's actually happened, and maybe it's going to set a trend.

Speaker 8: A trend that would turn gold from just a safe haven investment and into a viable business alternative to the U.S. dollar.

Judy Shelton: Now, I consider that a pretty bold move and something he clearly wanted to bring to public attention. He said the dollar was not being sustained by proper policies and proper thinking. So for me, that was interesting, and I say that as someone who wrote a book in 1994, while I was out at Stanford, that looked at the relationship between international monetary stability and economic growth. And I wondered why wasn't there more support for what Reagan had talked about and what Kemp had talked about. Why pay homage to free trade if you don't believe in a rules-based monetary system? The title of my book was "Money Meltdown: Restoring Order to the Global Currency System", and it called for a modernized gold standard not as a throwback to some bygone era, but as a sophisticated new mechanism for ensuring that international trade would not break down again as it did in the 1930s because of currency manipulation and the fallout of competitive depreciation among trade partners.

I liked that Candidate Trump was calling out currency manipulators for engaging in unfair trade, and I even liked when he accused the Federal Reserve of being political in its decisions. Look, it's healthy to recognize that when you put so much discretionary power in the hands of a very small group and those people don't want to be bound by any kind of rule or automatic discipline, you're asking for trouble.

I believe we should have the right to be able to trust in the value of our nation's legal tender. Government officials should not have the ability to expropriate the value of dollars you have saved. I don't think the Federal Reserve should be able to punish some Americans at the expense of others. I don't think it's fair that people who do the right thing, who save money in their bank account, get virtually nothing on their savings while at the same time, big investors can fund their portfolios at extremely low cost. It's monetary favoritism. Trump has long said, while still a candidate, that it's not fair. He said that savers were getting creamed, that's how he put it, while developers such as himself had access to very cheap money. He likes low interest rates, of course. But at a gut level, he recognizes that monetary policy decisions should not make suckers out of savers because saving is a moral virtue. It's what underpins faith in the future. Why sacrifice today if you don't believe the financial seed corn you are willing to plant in the field is going to result in a bigger harvest? Savers are the venture capitalists of the American dream. They are blessed. Money has to work for them as well as it does for the wealthiest 1%.

Here's another short clip now from very early in the Trump presidential campaign. Several months before he was even an officially declared candidate, there was this comment from Donald Trump during a town hall event.

Speaker 9: Can you envision a scenario if this country ever goes back to the gold standard?

Video Footage: Donald Trump… You know, there's something very nice about having something solid. You know, we used to have a very, very solid country because it was based on a gold standard. We don't have that anymore. There is something very nice about the concept of that.

Judy Shelton: Now, Candidate Trump went on to say it would be difficult to go back to a gold standard. He said we had lost much of our wealth to other countries through bad government policies that had weakened our economy. Nevertheless, I think his instinct on this was right, saying there was something solid about our country when we were on the gold standard. When he talks about making America great again, I don't think he means going back to the Coinage Act of 1792. I think his frame of reference is more the 1950s and 60s, when America had those high growth rates, increasing labor productivity, and a closing gap in terms of wealth inequality. Was it sheer coincidence that the U.S. had that solid economy with so many people sharing in the economic gains during the same period when the global economy operated under the fixed exchange rate rules of the Bretton Woods Agreement, when we had that solidly anchored international monetary system based on a gold-convertible dollar?

I say, it wasn't just a coincidence. Stable money is a pillar for productive growth, and that's why we need to make the case now for a new international monetary system. We have a golden opportunity with this administration, with a president who speaks favorably about the gold standard. We need to take up the challenge because if we're going to denounce currency manipulation as an unfair trade practice, we have to be willing to put forward our own initiative for ending competitive depreciation. We have to acknowledge the role of central banks as currency manipulators.

Now, I'm not going to suggest that a proposal along these lines is forthcoming from this administration. I do not expect to see invitations going out next week for a Bretton Woods-type conference at Mar-a-Lago. But I do think we will see more language coming out of the Treasury emphasizing the importance of a stable international monetary system as being an essential contributor to strong and sustainable growth. In fact, the communique issued last week by the International Monetary and Financial Committee of the I.M.F., which reflects the new priorities of the Treasury Department under this administration, has that very language referring to the benefits of long-term growth from the stability of exchange rates. And those words are quite different from past communiques.

It's important to seek exchange rate stability because we don't want a strong dollar or a weak dollar to work against a pro-growth economic agenda. What we want is a dependable dollar or, as Ronald Reagan put it, we want the dollar to be the most trusted currency in the world.

We've seen this definition of the goals of the Trump administration. I'd say if we're going to make America great again, we have to make America's money great again. We have to restore the integrity of the dollar. How do we do that?

Video Footage: Donald Trump… Bringing back the gold standard would be very hard to do. But, boy, would it be wonderful. We'd have a standard on which to base our money.

Judy Shelton: Well, I can't say it any better than that, except to add that it's time to get started. Thank you all very much.

Speaker 1: Thank you.

Mark Skousen
"Is The Stock Market Really Overvalued? Not Yet! Why I Am 100% Invested In Market-Beating Stocks"

Lindsay: You're in for a treat. Up next, you have Mr. Mark Skousen. He is a staple of the New Orleans Investment Conference, having presented here since 1978. He was recently named one of the top 20 living economists in the world. In 2014, he was appointed a Presidential Fellow at Chapman University in California. He has a unique distinction of having worked for the government, ie. the CIA, non-profits, President of the FEE and several for-profit companies. Since 1980, Skousen has been Editor in Chief of Forecasts and Strategies, a popular, award-winning, investment newsletter.

He is the producer of Freedomfest, which is, the world's largest gathering of free minds, which, occurs every July, in Las Vegas. Based on his work, "The Structure of Production", the federal government has actually published, now, a broader, more accurate, measure of the economy gross output, every quarter, along with GDP. Both, wonder and wit, please give a warm welcome to my friend, Mr. Mark Skousen.

Speaker 2: Thank you.

Thank you, I'm delighted that those of you who have stuck around and you're not out to dinner. I'd like to give this talk to all those who are not here. There's a sermon, a famous church sermon, that somebody gave and that was the topic. He said, "I'd like to give a speech to every person who's not here." It was a fantastic speech, but nobody believed him.

So, as Lindsay says, I've been speaking at the New Orleans Conference, now, since 1978. Any of you there in 1978? I didn't think so. But, my first talk was on financial privacy. I gave four workshops. They were standing room only, and it was an evening presentation. I'm doing a workshop tomorrow night, tomorrow evening, and hope you'll stick around for that. But, I thought, before I get into my subject, "Is the Stock Market Really Overvalued? Not Yet. Why I'm a Hundred Percent Invested In Market Beating Stocks," I want to talk a little bit about the media, because we do have Tucker Carlson here, representing Fox News, and the media. I've had a lot of experience being interviewed on t.v., and so forth, and I am really concerned about what is going on. The divisiveness, that the media, in particular, is promoting in this country.

You wonder why the Republicans and Democrats do not get together, anymore? It's not because of them. It's because of the media. The media is creating this divisive left, right, even when people don't fit into their little labels, they still label them. It's not just MSNBC, or CNN, it's also, Fox News. The New York Times says, all the news that fits, that's important today, that is fit to print. That's their slogan. "All the news that's fit to print." Of course, we all know that, it really is all the news that fits their agenda. But, it's also true of Fox News and other news outlets.

This became very apparent to me when, one of the greatest tragedies, in the last couple years has occurred in our world, and it's not being covered. What I'm talking about is the great tragedy in Venezuela, where 32 million people, citizens, are systematically being starved and deprived of their basic human rights. Now, you would think, that this would be worthy of major news coverage, but the fact is, it has only made the front page of two newspapers. The New York Times and The Washington Post, that you might not consider as a great source for news, but they were the only ones who covered it. So, I contacted Tucker Carlson and I said, "So, why aren't you covering this? Why is it that the only news" ... Have you noticed that when you turn on the t.v., I guarantee you that within 10 seconds, you will hear whose name?

Audience: Trump.

Speaker 2: Trump. Everything is Trump. Twitter, and all of this sort of thing, and stuff like that. Meanwhile, people are losing their lives in a country that used to be ... In the year 2000, Venezuela was the richest country, in per capita terms, in South America. Today, it's one of the poorest. In 17 years, the communists have managed to ruin this country. So, I e-mailed Tucker. He's a longtime friend of mine and I said, "Why aren't you covering this?" I'll let him answer that question as to why he decided, no, this wasn't covered, and why it's not being covered.

So, fair and balanced, yes. Fair and balanced, we might say that, but they're not comprehensive. They don't cover all the news. They cover the news that fits their agenda, and you can see this, also, in the sex scandals that's going on with Harvey Weinstein. I mean, they, the Fox News, is all over this, right? But, have we heard anything about the Bill O'Reilly sex scandal? No, you haven't. That's not right. That's not reporting. That's entertainment. That's not news.

It's a tragedy. So, I just had to get that off my chest. I've had my run-ins with speakers at the conference, before. I almost had a fist fight with Jim Rickards, a couple years ago. Some of you may have remembered that. I've had my encounters with Alan Greenspan and a few others. So anyway, I think it's important that we hold these people, their feet to the fire, when it comes to these kinds of issues.

Now, what about this topic, "Is the Stock Market Really Overvalued?" It's very important, this topic I give to you today, among a conference that's well known for its mining investments, gold bugs, doomsdayers, and so forth. We heard Robert Prechter, this morning. I got up early to hear his session and he showed every chart imaginable to indicate that the stock market was topping out, including a chart, I found interesting, a 17-year chart. Did you remember that? So, every 17 years, the market tops out. So, the market topped out in the year 2000, and 17 years later, is what? 2017. So that's, the top of the market. That's what he was predicting. Did you notice that he did not consider 2008 and 2009 as a serious market top and crash. Or, bear market.

I mean, we all suffer from confirmation bias. You've heard this term before? Confirmation bias. So, we all look at the charts that prove to us that the market is overvalued, or undervalued, or what have you. So, if you believe that the market is overvalued, and that we're headed for a bear market, you're just gonna put up every chart you can to demonstrate that. Now, I'll give you an example. So, I have this picture. Let's see. So, this is a picture of me with Robert Shiller, the Nobel Prize winning economist. Longtime friend of mine who is known for the Case-Shiller index and real estate index, as well as, the book, "Irrational Exuberance."

He's had some pretty good calls. All in the tops of the markets, never the bottom of the market. That's a very important, telling sign, because some are good at getting you out at the top, others are really good at buying at the bottom, and there isn't anybody, by the way, including myself, that can tell you both the tops and the bottoms of the markets.

As Bernard Baruch said, and I quote this from the "Maxims of Wall Street," "Those who can predict the top of the market and the bottom of the market, are liars." That's the basic fact. So anyway, Robert Shiller, is famous for his CAPE index. So, here's a chart of the CAPE index. Now, the CAPE index is, basically, the price-earnings ratio of the S&P 500, spread out over a 10 year period. So, you can see, that it's topped out in 1929, 1966, and the year 2000. Those are pretty good calls. So, where are we right now in the CAPE index? We're at 2017. You can see, we're, basically, right at a fairly high level. So, one could say, and I would agree, that stocks are pretty fully valued, at this point, and it's hard to find bargains.

Another great quote from the "Maxims" ... This is the most hated quote by all investors, and I'm sure you've heard it here, already. "The easy money has been made." You don't want to hear that, do you, as an investor? The easy money has been made, now, you're stuck with buy high and sell higher. That's how you make money. So anyway, the CAPE index is very important, but you need to know the agenda. You need to know the background. So, Shiller is a permabear. He has thought stocks have been overvalued since the early 1990's. So, you gonna be in bonds the whole time? You gonna be in cash, during that whole time? You missed out on a lot of opportunities, there.

So, what is he missing? See, this is the important point. If, you have been wrong, if, you have been coming here as a speaker, every year, and saying that the market is topped out, and now it's headed lower, then, you must ask yourself the question, what am I missing? Where was I wrong? You need to self-evaluate. Again, as one of the great investment advisors, J. Paul Getty says, "I always like to ask myself the question" ... "I want to learn from my mistakes." Unfortunately, too many of the permabears, who have been wrong for years, do not really ask that question, because I have asked them that question and they have a hard time answering it.

So, what are we missing? So, this chart, here, is a really interesting chart of stocks versus bonds. So, what we have is a cyclically adjusted earnings yield on S&P 500 stocks, and compare it with the 10 year Real Long-Term interest rates yield on the treasury's. So, what are the superbears missing? They are missing the historic, dramatic decline in interest rates that have occurred, and the fact that interest rates are still incredibly low. That's the factor they're missing.

Now, Warren Buffett, has not missed this point. He's made this point over, and over, again at his annual conference at Berkshire Hathaway. He makes the argument that if, indeed, we have historically low interest rates that continue on, indefinitely, and that's a big, if. But, if it does happen, then, we're in the middle innings of a bull market. So, this is ... This is the other thing. You hear this things about optimism. That people are way too optimistic about the market. But, it has not reached the point of euphoria. I don't think anybody is just throwing money at the stock market, no matter what. That's euphoria and that, usually, is a sign of the top of a market. I don't think we're seeing that. In fact, this is the most disrespected stock market, bull market, in history.

Last month, alone, 30 billion dollars was taken out of mutual funds, because people are panicky. They're afraid that the market is way too high. And again, to quote a "Maxim of Wall Street", "The hardest thing in the world to do, is to hold onto your stocks during a bull market." Isn't that true? Well, I'll give you another truism. The hardest thing in the world to do, is to hold onto stocks during a bear market. They're both true, even though, they're contradictory. So, I think it's a very important point that we take into account this low interest rate scenario. That's really bullish for gold stocks that don't really pay much of an interest rate, at all.

So, I was on CNBC with Rick Santelli, last Thursday. It was the 30th anniversary of the stock market crash. So, I made this presentation with Rick, and we talked about the 30th anniversary of the stock market crashing, why it occurred. Of course, one of the reasons the stock market fell 22% in one day, which, is unprecedented. It's never happened before, but really, bear markets are much more dangerous than a crash. Did you know that? So, the stock market fell 22% in one day, and then, it recovered after that. It was a very small, mini, crash, mini bear market, if you will.

But, the bear market of 2000, lasted three years. The bear market of 2007, where it topped out, lasted almost three years, and fell 55%. So that, we can handle a crash, but can we handle that grinding bear market, that goes down, and down, and down? Another great quote from Steve Forbes, "Everyone is a disciplined, long-term investor, until the market goes down." There's a lot of cynicism in these maxims. I've been collecting these since 1982. There really is a lot of wisdom in just these one liners.

For example, this is very critical for those who are doomsday types of people. You need to know their background. You need to know where they are in the marketplace, right now. So, here's a great quote. "Nobody is more bearish than a sold out bull." Now, what does that mean? That means, when they get on t.v., they want stocks to go down to prove that they were right in their prediction. I had that same problem when I made ... Six weeks before the stock market crashed, I issued, sell all stocks and mutual funds. And, I was proven right. So, I get on t.v. 30 years later, as one of those who predicted the crash, but why have I not predicted another stock market crash since 1987? 30 years of writing my newsletter, "Forecasts and Strategies"? Which, by the way, is what color? It's gold. Gold. It's not yellow. I keep telling my people, it's gold. It's not yellow. Pay attention.

Alright. So, why I have never given another sell all stocks and mutual funds, because it took me two years to get fully back into the market, when I should've gotten into the market the very next day. But, every bear market is different. Look at the Japanese market, which, has never recovered from its 1990 high. By the way, Robert Prechter mentioned that European stocks topped out in the year 2000. Did you see that chart? And, has never recovered. Well, breakup that European Stock Exchange, will you please? Okay so, maybe, Greek, and Italian, and Spanish stocks have pulled the whole market down, but Germany just hit an all-time high. So, you have to disaggregate. You can't just look at the indexes, in general.

So, here's an example of a prediction that was made by a well-known promoter in September 2011. Any of us remember this? Because, this was the top of the gold market, and we saw a collapse in the gold market after that. But, here was a guy that was promoting a promotional copy that, I guarantee you, there are people in this audience who fell for this promotion, and followed their advice. So, it says, the American dollar will stop being accepted as good currency, stock up on gold and silver, move assets abroad, stock up on food, water, and other basic supplies, in preparation of rioting and protests across the country. None of that happened. In fact, the dollar rallied, right after that, and gold, of course, and silver, plummeted.

I'm not saying that I do a very good job of getting in and out of markets, and so forth. I'm not saying that, but I did give a sell signal in December of 2011, and we sold our ETFs in, both, silver and gold, and that was a good call on my behalf. So, here's another one. Look at ... I love Ron Paul. A lot of you feel the same way, in this audience. But, he doesn't know what he's talking about, in finance. It's a totally different field from politics. He's good on political matters and on monetary matters, but when he predicts, as he did in 2015 as the stock market was moving, and still had lots to move up, and he was predicting a next huge disaster for America, worse than 2008, where the market fell how much? 55%.

Black Monday, fell 22%, in one day. And, the Great Depression. For those of you who remember the Great Depression, show of hands. Might be a few out here. I met someone last night, who was alive during the '29 to '32 crash, and the market fell how much? 90%. So, he's saying, it's gonna be worse than all of that. Well, it hasn't happened. So, these doomsdayers double down, and they make the same predictions, year after year, and the fact that they keep advertising, suggests there are people out there that follow their advice. So, I just give that as a warning sign, to you, that you need to be very careful on who you listen to.

I'm going to do a workshop tomorrow night, if, you're not going out to dinner. If, you could postpone that a little bit, I have a very important workshop that I'm doing. Let's see if I can ... Here, it's called, "My Favorite Techniques to Beat the Market, and Why Gold Mining Stocks Are Burning Matches, In General, With One Exception." There's one I recommend in my newsletter. So, I think, if you take back any advice ... Let me see if I can go back, here. Let me see if this will ... Yeah, go back, here.

This is a picture of me giving advice to Warren Buffett. I thought you would appreciate that. It's not Photoshopped. By the way, I had a wonderful opportunity meeting with Warren Buffett, and we talked about his father, Howard Buffett, who was a conservative congressman from Kansas. So, we had a, rather, extensive talk, and I pulled out a gold coin. This is a Mexican, 50 peso, gold coin, which, I keep in my pocket. My wife thinks it's a condom, but that's a different story. But, I keep it in there to, kind of, stick it to Donald Trump. It's a Mexican, 50 peso, gold coin. But anyway, I showed it to Donald Trump, and he said that his father was a collector of gold and silver coins. Then, he said, "But, I collect businesses and friends," and he walked away.

So, I thought I, kind of, lost my friendship with Warren Buffett, but I sent him a copy of the "Maxims of Wall Street," and he endorsed it. He wrote back and said, "You have my permission to quote me," and said that it was his favorite quote book. I found out later, why? I went back to the index and I counted. He's quoted 36 times. More than anybody else. So, it was definitely to his self-interest. So, I'm making the book available. Dennis Gartman, kindly endorsed the book, earlier today. So, I'm gonna be out here, after my talk, right around the corner, if you'd like to meet with me and get a copy of the book. I'd be glad to autograph it. I'll be over here at the speakers' registration table. So, you just turn right and walk out that way. I'll be out there, after my talk.

So, I thought you'd get a kick out of this picture, me and my wife, with Donald Trump. I like to point out where Donald Trump's hand is. My wife said, "He's used to shorter women."

It is interesting what's going on in this country. This is a very unique time in our lives, and it's gonna be interesting to see how this unfolds, over the next few years, with the Trump Administration. I, truly, hope the best, despite the crazy things that Trump says, from time to time, that the Republicans can get their act together, and frankly, work with the Democrats. You know, I think this is another great tragedy in this country. We've had a lot of good legislation that has passed over the years, because Republicans and Democrats worked together, and passed legislation that was positive for everybody. There really isn't any, much, debate about what it takes to get our country going again. We need to lower taxes and lower the interference that government has in our lives.

As Larry Kudlow said, on November 8th, the American people ruled that the war against business is over, and we need to be pro-business. This is why I was mentioning my gross outputs statistic. People just don't understand how important business is. It's business that creates jobs. It's not government. It's business that creates profits and a rising stock market. Saving and investing is very positive. The consumer society is not what drives our economy. Consumption is the effect, not the cause of prosperity.

This is the great principle called, Say's Law. This is what I preach to all of my students, and now, it's becoming a reality with this gross output statistic. I do a press release every six months, every three months, when the federal government, the Bureau of Economic Analysis, the BEA, comes out with the quarterly gross output statistic. It measures spending at all stages of production. So, it's like ... Well, you know, in finance, if you watch CNBC, you'll hear a lot about top line and bottom line accounting. Does everybody know what top line means? What's top line?

Audience: Revenue.

Speaker 2: Revenues, or sales. What's the bottom line?

Audience: Profit.

Speaker 2: Profit, earnings, net income. So, you have top line and bottom line, and no analyst on Wall Street is worth his salt, if he doesn't look at top line and bottom line, because the bottom line might look really good. Earning might look really good, but what if sales are struggling? What if sales are down? Is that possible? Yes, it's possible, because earning can come from selling off assets. There's all kinds of methods that can be used in accounting, to change that. So, you have to look at both of those. It's the same thing with national income accounting.

In national income accounting, you need a top line and a bottom line, and for the last, since the end of World War II, we have only had a bottom line. We've never had a top line. Now, we do have it. It's called gross output. I met with BEA officials, just last month, and they said, "We're very happy to announce," ... They're very enthused about my gross outputs statistic and they're reporting it every quarter. You haven't heard about it because the media, still, hasn't quite picked up on it. The reason is, is because they're issued at two different times. But, within two years, gross output and GDP, are gonna be announced at the same time.

So, it's gonna be, like, top line, bottom line, in national income accounting, just like financial statements do during earning season. That's a very exciting concept. So, if you go to my website mskousen.com, I have all kinds of press releases and graphs. You can take a look at that. I just bought grossoutput.com as a website. It hasn't been developed, yet, but I will be putting on, there, all my articles that I've done on this subject. So, this is a paradigm shift. This is a major, macroeconomic breakthrough, in economics. I've worked on it since writing the book, "The Structure of Production," since 1990.

But, business, the main point, is that you gotta watch what business is. They're much bigger than the consumer. Business spending is twice the size of consumer spending. Consumer spending is not 70% of the economy. It's 70% of GDP, but it's only 30%, 31%, of gross output. So, total spending in the economy, the consumer's important. 31%, but business is a much bigger sector of the economy than we realize. So, savings, investment, capital formation, entrepreneurship, innovation, technology. This is what we need to encourage in our country. The more we do so, the faster we will grow, economically.

So, I thank you all for coming. I look forward to seeing you, afterwards, at my workshop. If, you can't make that, I think, at 10 o'clock, on Saturday morning, I have a speaker's table. I look forward to meeting you there, and autograph books there, and get copies of my newsletter, at that event. So, I'll be here for the next couple of days. If you see me, and see me in my Panama hat, say hello. Thank you all and have a great conference.

Lindsay: Thank you, sir.

The Future Of Money Panel

Robert Helms (MC), Doug Casey, Danielle DiMartino Booth, Chris Martenson

Speaker 1: Our panel today is on the future of money. Money is one of those things that is easy to think about, and hard to understand. Our panelists come with a very diverse background, and I think in this room, they probably need no introduction, but it'll be my pleasure to introduce our panelists anyway. I think we'll start with Chris Martenson from Peak Prosperity. Chris is a PhD. He's a smart guy. He studies energy, the environment. He takes a look at the world from a very interesting perspective, and has a holistic approach to the various forms of capital. So please welcome the author of Prosper, Mr. Chris Martenson. Hey.

Danielle D. Booth: Hey.

Speaker 1: And it's Danielle, and with a brand new knee.

Doug Casey: Yes, sir.

Speaker 1: All right.

Danielle D. Booth: Doug.

Speaker 1: So many of you know Doug Casey, probably need no introduction to the international man. Doug can talk about just about anything for quite a while. As the real estate guys, we had the pleasure of having Doug talking purely about real estate on our show for an hour. He's lived in more places than most of us can pronounce, and had a lot to say about today's topic.

And then our rose between the thorns, Danielle DiMartino Booth, spent nine years at the Federal Reserve of Dallas, and of course, today, she writes about all things economics, and very excited to have our panelists with us today. How about a hand for this esteemed panel.

So rather than debate the merits of currency versus money, and those kinds of discussions, which we've had over the weekend, there's a few topics we'd like to get to when it comes to the future. I really do want to focus on the future of money, and not necessarily the current state of money. But none of us have a crystal ball except I think Doug might, but most of us don't have a crystal ball. What we have is panelists that have tremendous experience in diverse backgrounds in this.

So I think maybe the place to start is the dollar, our money, if you will. With the dollar, we've seen many charts over the weekend that have showed us the long term value of the dollar has gone clearly in one direction. Which direction is that? Down. So might we expect that to continue, or might that turn around, and all of that. Just, I think, to start with, panelists, and let's start with Doug, tell us about the dollar.

Doug Casey: Well, the dollar is the unsecured liability of a manifestly bankrupt government, so it's going to reach its intrinsic value, and that's going to happen sooner rather than later. It's really no better than any other fiat currency around the world. They're all backed by nothing, and they're all being printed by the scores of trillions by these idiotic central banks working in concert. So since the currency is the lifeblood of an economy by which you calculate all other values, it's going to result … and inflating the currency is much worse a way for the government to get revenue than for it to tax, or even for it to borrow, it's going to result in a once in a lifetime disaster. I mean, the proportions of which are going to be really bad. That's my précis on the dollar.

Speaker 1: All right, and let me remind all the panelists, don't hold back. Tell it like you see it. Tell us what you think. Danielle.

Danielle D. Booth: It's interesting. We have not just come through a period of deleveraging as bloody and terrible as the foreclosure crisis was here in the United States. That is a misconception of vast proportions. In 2007 or so, there was about $150 trillion in debt in the credit markets worldwide. Today, there's $220 trillion, and that is what is counted. It's not even what's in the shadows. I worked at the central bank for almost 10 years, and it was infuriating because they have inflation metrics that don't actually measure inflation. So that makes it really tricky to be able to gauge where price pressures are, especially if there's a non-recognition of asset prices.

If you haven't looked at the New York Fed's brand spanking new, just was released a few weeks ago, UIG, it is a new inflation measure that incorporates six different stock indices. This is Bill Dudley's way of trying to bring easy financial conditions finally into an inflation metric. We will see if the fed follows this, because it's at 2.7% right now, which is appreciably above the 2% target that we should have never set. Inflation targeting is a slippery slope. It is a fools' game. It's done by idiots that run the central banks around the world. It's a number that is completely meaningless in Tokyo especially, and I wish they would get rid of inflation targeting because it is expressly what encourages the bill that we've seen of $70 trillion since 2007 to $220 trillion. It cannot be inflated away, but you can continue to see the degradation of the dollar every step of the way.

Speaker 1: Thank you. Chris.

Chris Martenson: So my view on this is that we can't, we shouldn't, ever confuse currency with value, or with money. Currency is a claim on real value, so wealth is tangible. Wealth is something you can touch. Wealth is intellectual property potentially, but it's something that's been created by humans, and money becomes … what we call money or currency is a claim on that. What I like to do is always understand the relationship, the balance between the claims that have been put forward, and the real stuff that exists out there that it's claiming against.

Danielle just mentioned that we're at $220 plus trillion of debt. Debt is a claim on future money, and we have trillions of new currency units that have been created courtesy of the central banks in order to inflate the markets. These are all new claims that are being laid against the economy. So now we have to wander over to the economy and say, "Well, what's going on over there?" And we discover it's growing at a very low rate, which we can understand, because when you have super high levels of debt, it's hard to grow.

There's a resource story in there as well, so there are a lot of things that say this is a really unusual period of time, and we have to back up and not pretend that the dollar itself is a useful measuring stick. We have to look at how much is being created compared to how much stuff it's being arrayed against. So in my view, the dollar is really … To summarize what I feel about this is this, I think Robert Kiyosaki did it best yesterday.

He said he doesn't hold dollars. He holds debt that's working for him. He holds equity, and he holds gold. Dollars are just this thing that he cycles through very,

very quickly. That mirrors my own view, because I think with dollars, the question that has to be asked, and particularly around debt and unfunded liability is just this, who's going to eat the losses? That's the only question we're trying to resolve. The banks are busy saying not us. Taxpayers have less and less voice in this whole thing, and so our job is to figure out how not to be the person who's taking those losses.

Danielle D. Booth: Could I add something? Because the two of you have inspired me in a good way. If you missed last weekend's Barron's and this is a first for me, read Gene Epstein's column from last week's Barron's. He goes on to quantify the collateral of the United States of America. I mean, he puts a price figure on the land that we own as a country. He goes through the most interesting, amazing analysis, and to both of your points, in a million years, we do not have the collateral to even begin to address the country's debt. The dollar is smoke and mirrors.

Speaker 1: This is one of the big points, that we rely … our entire system is based on debt, and the chart that even more folks showed this weekend than the dollar is the trend of the debt. As you've so eloquently positioned, Danielle, it's not possible for that to be paid off. So if the dollar is going down and debt is going up, there will be, as Doug points out, this day of reckoning. A lot of investors have been getting prepared for that for a long time, and yet, to their credit, not to take a position, to their credit, the Federal Reserve has kicked this can down the road a long time.

Danielle D. Booth: Did you say credit?

Speaker 1: [inaudible 00:09:04].

Chris Martenson: Yes, he did.

Speaker 1: So what happens next, and what is the role of the central bank moving forward?

Danielle D. Booth: Well, I'll jump on that. I think that right now, we have a massive confidence bubble. That is the only thing that central bankers around the world have left, and they're clawing on to. There's $20 trillion that have been created out of thin air since the financial crisis hit. We're at a record run rate in 2017 of quantitative easing despite the fact that we're so far away from DEFCON 1 from '08, '09, but we're fast approaching Doug's DEFCON 1 to come. I don't know that the central banks will have the wherewithal, the political capital given the inequality divide, given the anger that is bubbling up worldwide, given the fact that populism is as high today as it was at the peak of the Great Depression.

I don't know that you won't necessarily have the public stand back and allow the central bankers of the world to be wise and try and outright monetize the debt away, because they talk about sterilization, and a bunch of mumbo jumbo terms that make you think that they're not monetizing the debt. The next step would be the eradication of cash, negative interest rates, getting rid of large note bills, and full monetization of the debt, and I would hope that the societies of the world would not sit back and stand for that.

Speaker 1: Well, that was really our next question, is as we look at that … Some of that was painting where we've been. Where we're going, there is a couple of moves. We'll talk about crypto before we're done, but one of the moves now, and there's certainly an agenda behind this, is this idea of cashless society. There's the convenience factor at the loss of privacy. What are your thoughts on that, to the panel, about this place that we're going to be a cashless society?

Danielle D. Booth: I'm going to put my three words in because I don't know, I can't understand it. If somebody can give a primer after, thank you. I think cryptos are a reflection of the fact that there's not enough hard gold on planet A, and it is a pure reflection of anxiety about fiat currencies, but these two gentlemen are going to know a lot more than me.

Chris Martenson: Well, the cashless society … and thank you for that, and I totally agree with all your earlier comments as well. The Federal Reserve is not so much running a monetary policy as a social experiment, and they don't know what they're doing. None of them went to school for social engineering. Nobody has any experience at it. In fact, very few people at the Federal Reserve have ever run a PNL, or hired or fired anybody, or even understand the basics of how humans interact with markets, and products, and pricing, and capitalism.

They have theories and all of that, so when I look at this move towards cashless society, one of the things that you could go to the Chicago School of Economics and study is a process called financial repression. That's the regime you're living under, and it has very simple … It's a three legged stool. It's very simple to understand. First, you have to push people into a negative interest rate environment. That's where you're living. Whether inflation's is 1.5%, 2.5%, or 6%, depending on where you live and your age, the truth is you're getting 0% on savings and your inflation is higher than that. Welcome to the world of losing purchasing power by courtesy of being alive and having savings.

That's a terrible place to be, and the mystery in this is that people still don't understand that you didn't lose the purchasing power. It went away like snow falls, with some mysterious process. It's being taken from you by an active policy of financial repression. So part one of this is negative interest rates.

Part two is you have to put a ring fence around people so they can't escape it, right? So this is capital controls, and [FATCA 00:12:53], and things that make it really hard for you to get out of this place. Part three of that story is you have to cap any escape routes that exist. Gold is one of those escape routes. Bitcoin is interesting, and other crypto currencies, because that's an escape route that evolved and we're seeing it being used really extraordinarily, but gold, in my view, is something that has to be capped as a matter of active policy given a financial repression regime. You can go to Chicago and study this, and they'll tell you how to do it. This is part of it.

Cash, when you see them talking about removing cash, that's the fourth leg of the stool that has to come in where they're saying we're considering negative interest rates, more like not just real negative interest rates, I'm talking nominal.

You have your money in a bank, has to be in a bank. We're not going to give you any other place to put it, and you're going to be earning minus 2% on that. That fails if you can take cash out and put that under the mattress. So when I hear them talking about we have to get rid of cash because terrorists and drug lords, it has nothing to do with that.

Danielle D. Booth: I am not a criminal because I have two hundred dollar bills in my wallet.

Chris Martenson: I know. Did you hear Larry Summers saying, "Oh nobody needs hundred dollar bills?" I'm like, "Larry, please go to the grocery store I go to. That's called one bag." I think he needs to do more shopping. When I hear cashless society, it's code speak for "I want to take more of your freedom away. We have new and interesting torture policies for you financially in the works, and we'd love to be able to run them without you being able to get away from them."

Danielle D. Booth: I mean, I'll poke the bear. Ken Rogoff's idea of a cashless society means that if you have a dollar in your wallet, it literally will get you less money than if you have it in the bank. This is like the Gestapo. What do you think, Doug?

Doug Casey: Listen, this is a great panel because all three of us are exactly on the same page. After listening to you guys talk, and I agree 100%, I feel like Silk after Diamond. You know, those two Black ladies that thump Trump. I feel like Silk after Diamond talks. "Yup, that's right. That's right." I completely agree.

Danielle D. Booth: That's a first.

Doug Casey: The only thing I would go a little bit further … well, I'd go a lot further actually, is that people today consider the central banks as a fixture in the cosmic firmament, and they're artificial and universally destructive creations. They should be abolished. Money should be a function of the market. It's strictly a medium of exchange and a store of value. It should not be a political football, and that's the way money is being used today. So whenever you hear anybody talking fed speak or about the fed, ask yourself, why does this institution exist? It serves no real useful purpose. It should be abolished. Think about that. Just because it's there doesn't mean it should be there, or has to be there. That's the only addition I'd make to what you guys said.

Speaker 1: Now Danielle, in Fed Up, obviously that's not the exact position you take. Having been a fed insider, you definitely have some thoughts about this.

Danielle D. Booth: I don't think we should end the fed. I think we should upend the fed. All four of my children are forced to take Mandarin. That's my State Department insurance plan in the event that we go to war with China. My 13 year old is finally starting to understand what I'm talking about, and that's that I'd rather not have my three boys on the front lines. I'd rather have them decoding Mandarin at the State Department. I know. I'm a little crazy. Thank you.

My thought is that until China is no longer a threat to my children, we need a central bank, and we need an independent central bank because China's already got the largest banks in the world. I think it's a matter of national security. Now, I think 99% of the fed needs to be abolished, and I think we need to, as I say all the time, take it down to the studs and completely reinvent it.

It wasn't always the case that you had a bunch of academics that have never existed, that have never had a payroll running the central bank. That was not always the case. The original 1913 act mandates that the President of the United States place people from a diversity of industries and geographies on the Federal Reserve board. Last I checked, they all think, look, even harp the same. I didn't say that.

Speaker 1: All right. Well, I'm surprised at the amount of agreement we've had, so let's get some disagreement. Let's talk gold because Chris, you brought that up. Gold is money or a barbarous relic. Well, let's start with Doug, a guy who, I think, has some gold.

Doug Casey: I do. Look, gold, it can't be said enough, it's the only financial asset that's not simultaneously somebody else's liability. It can't be defaulted on. You can hold it in your own hand, and I buy gold consistently. Now there are risks to owning physical gold. It can be stolen from you, but there's risks to owning anything. I often ask myself as a philosophical question, do we really own anything, especially in today's world? I mean, it can all be taken away from you.

Gold should be used as money. If somebody could come up with a better money, but listen, gold is uniquely well qualified out of the 92 naturally occurring elements, for use as money. In the same way as iron is very good for heavy construction, and aluminum is good for airplanes, and uranium can be used for reactors, gold has properties that make it peculiarly good for use as money, and that is its main use. It's nice as jewelry. It's nice as a high tech industrial metal, but it is money.

Danielle D. Booth: I prefer platinum.

Doug Casey: Why?

Danielle D. Booth: I don't know. It just makes nicer bling.

Doug Casey: Oh, you mean for jewelry? I can't argue with that. As you all probably are aware, nobody knows exactly, but in all of history, there have probably been about six billion ounces of gold that have been mined and are above ground right now. So it seems to me that if it's going to be re-instituted as money, and after the central banks destroy all the world's currencies, I think gold is going to have to be re-priced at a much higher level than it is right now just because there's only six billion ounces above ground.

It's the same argument as Bitcoin. They say well, there's only 21 million of them. That's $6,000. If it's going to be used as an actual world currency, it's going to go to 100,000 or whatever, but that's a question we're going to talk about later.

Danielle D. Booth: The only thing that I would add is A, I do think it's time to start buying gold. If you suffer from post-traumatic stress disorder after working inside the Federal

Reserve for almost a decade, as I do, you understand something called correlations. I have a markets background, and whether you're a gold bug or not, what you do need to understand is that all asset prices line up perfectly. That the efficient frontier is a myth like the Easter Bunny, and that when push comes to shove and markets do correct, and all assets correct in concert, there's one place to hide, and that's gold.

Chris Martenson: Mm-hmm, and so I love this idea of gold as money because it really is, and it represents, to me, embodied energy. Those six billion ounces, talk to any of these people mining it now, they didn't jump out of the ground. If you had about one gram per ton, or one and a half grams per ton of ore grade, you'd have a cube of ore about the size of this table in volume, and it's not going to get out of the ground and crush itself, and then be leached and taken out. So an ounce of gold represents an extraordinary amount of energy.

The reason I like gold in this context is because I trust individuals, and I don't trust groups. Human nature is what it is. We've always wanted a free lunch, whether we were Romans debasing the denarius from 92% over to 0.01%, or we're Congress wanting to spend more than we take in. Humans and money has a long history of wanting a free lunch. It's natural.

What I love about gold as a monetary instrument is that it provides a constraint. We're at the end of a long period of lack of constraint. August 15th 1971 to today is the sweep of this. I know it feels like it's going to be forever. That the Federal Reserve is like this thing that you couldn't possibly do without because it's part of it, but let's be clear, paper currency unbacked by anything has been terribly mismanaged. We have reams of data. Just tell us when to stop. We'll show you the debt, the unfunded liabilities, all of that.

What I like about gold is it's a level setting function. You can't escape it. You can't print it out of thin air. You're either importing more than you're exporting, or you're losing gold. It had a governor function that I think we'll get back to. I don't know how long it's going to be before we get back there, but sooner or later, there's going to be a crisis. I know there's people at the World Bank saying we'll fix this with SDRs, or we'll do it with some new electronic currency, but if those electronic currencies also permit the unfettered creation of them by people who, at will, decide they need more of them for some reason … there's always a reason, then those too will fail.

That's the reason I like gold because I think humans are humans. Nature hasn't changed in humans in thousands and thousands of years, and the truth is that groups of us need to have some sort of an automatic incentive system built in that we can't evade. Because no matter what the rule system is, we'll evade it. Go to a super max security prison. They have an economy running somehow in there, right? We'll always find a way around things. So I like gold because it provides that constraint that we seem to need.

Danielle D. Booth: I think there is an end date, though, by the way, that you can follow very closely. It's called Chinese foreign reserves. I think once they're depleted, I think you go from one [inaudible 00:23:08] crisis to another, to all-out war. I'm not trying to be hyperbolic at all, but I think one of the most important things to watch in this world is the level of those Chinese foreign reserves.

Chris Martenson: Well, I would agree. One thing about China that really caught me when I was over there last, it was explained to me that because of their one child policy, there are roughly 100 million more men than women of fighting age. If you are country and you have 100 million spare males kicking around, it's a pretty common thing is to tuck them into army. Once you have an army, and you have a hammer, and something looks like a nail, it's a real concern on a variety of fronts what we would be up against.

Danielle D. Booth: By the way, the longest border in the world, contiguous land border is Russia. They don't have enough young men, but they've got a ton of young marriageable women, so you think about those two as allies.

Doug Casey: Well, as you know, I always try-

Danielle D. Booth: Just saying.

Chris Martenson: I've seen the ads.

Danielle D. Booth: The yin and the yang. You've got to have two to tango.

Doug Casey: I always try to look at the bright side of things, and although-

Danielle D. Booth: You do?

Doug Casey: Yeah, I do.

Danielle D. Booth: Since like a minute ago?

Doug Casey: And all those young unmarried Chinese men is the best thing that's ever happened to not so good looking Western women that can't find them.

Danielle D. Booth: We have taken the high dive into political correctness over here. Yes, we have.

Speaker 1: That usually happens when Doug's on the panel.

Danielle D. Booth: Mr. Optimism.

Speaker 1: So a couple directions to go. Let's come back to cryptos since you've talked about China. A few weeks back, there was a lot in the … I won't say there was a lot in the news. There's a story that when we heard, we reached out to Brien Lundin and Chris Martenson and as a radio show. We did an emergency conference call, which we've only done in one time in 20 years, about this idea of the petrodollar, and the direction the Chinese are taking to be able to settle the oil in not gold, but the Yuan, but specifically the idea of a potential gold backed Yuan. I think this is a big story, so let's … maybe Chris, since I know you have your mind around this, let's start there then get input from the rest of the panel.

Chris Martenson: Thank you for bringing that up, and the opportunity to discuss it on your program before because this is the biggest news not being talked about right here in the United States right now. Petrodollar, Henry Kissinger, evil genius did a great job of enshrining the petrodollar starting in the 70s. After we unbacked from gold, the dollar was backed by oil in essence. No matter what country you were, if you were importing oil, you paid in dollars. That meant there was demand for dollars built into that. Every country that has attempted to move away from denominating oil in dollars has been bombed, or attacked, or subverted in some way.

China has come forward, and it's too big for us to do that with. They're not an Iraq. They're not an Iran. They're not a Libya, so they have different agency in this story. So what they've done, China's now the world's largest importer of oil by far, eight million barrels a day compared to the United States clocking in at number two at five million net imports. China, by doing this, is now automatically reducing demand for dollars, not by a little bit, but by a lot depending on how big their exchange is.

The first thing they're going to do is allow somebody like Saudi Arabia or Nigeria to sell oil into a futures market, deliver it, and take possession of Yuan, and now, what do you do with those? Well, China sells a lot of stuff, so they have some use, but the problem with China is they don't have an open capital market. If you have too many Yuan building up, you can't buy Chinese companies yet, they don't have an open bond market. So what do you do?

Well, then they wandered over and said, "Hey, you can wander over to the Shanghai gold exchange, and you can trade Yuan for gold, and take it off borders." That's the first opening of their capital markets in a meaningful way, and they linked it to oil, which was literally a thumbing the nose in two important directions at US policy that's been in place for decades. So that's big news, and they're moving ahead with it really strongly. Russia just opened a 600,000 barrel a day pipeline that's coming from Russia into China. This is big news. It's happening, and it's upending not just geopolitical alliances, but something called the petrodollar that's been operating smoothly for 45 years. I think that's big news.

Danielle D. Booth: It's huge. I mean, this has been a backstop to our treasury market. It has been a calming influence for our country since before Alan Greenspan ever had a conundrum and started wondering why is there such calm in our treasury market? Oh, it's because the Chinese are buying all of our treasuries. Before any of that dynamic existed, there was the petrodollar. By the way, I doubled up on Mandarin classes at home after I said, "Kids, there's a petro Yuan coming, so we're doing double Mandarin classes." Anyways-

Chris Martenson: Two a days

Danielle D. Booth: Two a day. But beyond that and this gigantic segue that they could create and demand that they can create for their currency, which is part of the strategic drawing rights, they are also succeeding in building their middle class. They're succeeding in building out a consumer middle income huge … I mean, huge number of people, which means that slowly, very slowly, they will be less dependent on their export industries. This is an extremely deliberate … Their eye on the prize is the reserve currency status.

Doug Casey: Mm-hmm, that's right, that's right.

Danielle D. Booth: Mr. Happy.

Doug Casey: But let me add something to that if I may. It's that when you're talking about the Chinese trading with the Russians, or the Pakistanis trading with the Iranians, or lots of other things, right now, they all basically trade with dollars, settling with each other. Those dollars have to go through New York. Now, you've got to ask yourself, these countries are not friendly to the US government, nor should they be, but they have to use the US government's currency. So with the Chinese Yuan, and there'll be others including gold itself directly in the future, this is one reason why the dollar is going to not be used internationally any more, just because of that, these trading patterns. Why should they use the dollar? It's crazy for them.

Danielle D. Booth: Yeah, this is the destruction of its utility. It's huge.

Doug Casey: Exactly.

Speaker 1: The reserve currency of the world has changed all throughout time. Is it just eventual that this is just our time is done? We hand out the baton? This sounds like clearly the beginning of that.

Danielle D. Booth: Well, I'll go to Dennis Gartman's point from yesterday, and he who has the biggest military commands reserve currency status. So the quicker the Chinese economy expands, and the quicker they grow their military, the greater the threat.

Doug Casey: Of course, it depends on your timeframe too, because one of the biggest influences, not the biggest, but one of them towards the bankrupting of the US government is its military. It's a gigantic albatross around the necks of the taxpayer. In addition to the fact that everything that we're spending on the military, there is basically building cavalry regiments before World War One, or battleships before World War two. The same thing's happening again. It's going to help bankrupt the government.

Speaker 1: Since we're talking about the future of money, and Danielle, you brought up SDRs, what about this potential push for a one world currency? Maybe it's not the SDR. Clearly that's not the currency the way we think of it, but what are your thoughts on that?

Danielle D. Booth: I don't think egotistical politicians have the ability to shake hands and make anything like that happen. I call BS on that. That's a technical term.

Chris Martenson: Maybe it'll be as successful as the Euro, but only more global, right? So if you're attempting to have a unified currency, but you don't have unified fiscal policies, it just doesn't work out. It can't.

Speaker 1: That may be a good transition to crypto currency then, because crypto currency is in a way without borders, and certainly there's folks who understand it well. Chris gave a nice talk about that the other night. Then there's folks that don't. What are your thoughts on the role that crypto currency, not just Bitcoin but in general, might play in the future?

Doug Casey: It's-

Chris Martenson: Well, go for it.

Doug Casey: Okay. Look, it started out not as a huge liberator, but since it's being coopted by the governments of the world, they're going to use it as a means to help get rid of cash. So once all these governments enforce crypto currencies on their subjects, it's going to be much, much worse, because you're going to have zero privacy. They're going to know absolutely everything you buy, sell, and own. It's all going to be on your smartphone. It's just like gunpowder when it was invented. Gunpowder was a huge liberator for the common man, just like cryptos were to start with. Then the state co-opted it and it became a means of suppressing the common man. The same thing is going to happen with cryptos.

Chris Martenson: I'm glad you brought that up, Doug because this crypto word, the only thing mysterious about the crypto is that people still think they have some privacy with it. It's the most traceable, trackable transaction you'll ever have. I've said sort of waggishly in the past, we won't have crypto currencies because what would … if Congress enacted that, how would they privately buy their hookers and blow? So maybe Congress will exempt themselves.

Danielle D. Booth: This is the PC panel. Don't you forget it.

Chris Martenson: If people think that they have privacy in this regard, you don't, and that's part one. Part two, I've noticed that the Treasury Department has gone out and stepped on things as small as Burlington Bread, these local alternative currencies saying, "You have to fold these into the IRS." They've stepped in and said that things like the Liberty Dollar that Bernard von NotHaus was trying to do, like squash that because of all this stuff, but they've given a free pass to the crypto currencies. That's part one.

Data point two is that you have big banks and Blythe Masters, the former person coming out of J.P. Morgan, starting a whole thing around crypto currencies. I personally know coders who are working on things called central bank, like fed coins and things like that, so we know that the government's very interested in this Russia's already started to implement exactly along the lines that Doug said, that once you have a crypto currency in place, and you're using electronic currency, it has an important role.

But if we go that direction, you will have zero freedom or privacy left anymore, including anything you buy at a tag sale will now suddenly be subject to taxation. Really it's just a dream of somebody who wants to make sure that they can dial and control taxation policies as well as remove all of your freedom so that everything can be tracked and noticed.

Danielle D. Booth: This is truly neo Keynesians' dream come true, control what you consume down to the last … I don't know what you call a penny in the crypto world, but nonetheless [crosstalk 00:34:29].

Speaker 1: Well, Danielle, your point that really it's a symptom of what people are, and I think there's awareness. 10 years ago, if you asked most people what the Federal Reserve was, they couldn't give you an answer. Today, still most people couldn't, but more can. It's become more central.

Danielle D. Booth: I can name more central bankers. Oh, it's terrible.

Chris Martenson: It's not a good thing.

Speaker 1: Okay, let's fast forward, right. Future of money, so what's a transition look like if we're used to walking around and having these dollars in our pockets? We talked yesterday, or maybe it was the day before, about the idea that a lot of mindset is to go from cash, to buy an asset or something in the ground, whatever it may be, and sell it again for hopefully a bigger pile of cash. We think the other way. We think about going to asset to cash and then back to assets.

So people measure their wealth in the currency. We think about what everything is worth in terms of dollars, even gold. What is gold worth in terms of dollars today? But that's hard. That's not really the best way to think about it. In real estate, we think about utilities, how many doors do you own, not how many dollars' worth of real estate. So how can we get our minds around value compared to money?

Danielle D. Booth: I think Chris needs to write a book about energy, the energy of gold.

Chris Martenson: Well, it's a really important concept which is that … and thank you for that, but the value of something is not the same thing as its price. The value of something is really contained in the embodied work that's already built in that. We were in the green room earlier, and I was hearing … Doug, were you telling me about this, about the person who built their own … Who was telling that story about building their own toaster from scratch? Was it that one?

Doug Casey: No, it wasn't that one. All right.

Danielle D. Booth: It definitely wasn't [crosstalk 00:36:14].

Chris Martenson: All right, so the story is like-

Speaker 1: Donuts.

Chris Martenson: So the story is somebody decided to figure out what it would take if they built their own toaster from scratch, and they mined the ore, and they smelted copper, and they did all this. It took them like a year and a half, and it was a poor product. There's energy contained in everything we do. Once you start to understand the role of energy and what we are as humans, it's kind of like Neo in the Matrix, where you can see this. Energy is everything, and we don't have enough of it to continue to grow exponentially in the way we have, but our money system is pretending like we can grow forever.

Since we can't, that's a big contrast, and that's what's happening. That's what's going down on our watch. That's the regime my children are going to have to live with, and it's a very, very big concept. So the future of money, to me, is along the lines that you've been talking about here, is we have to start thinking not in terms of the dollar terms, but in other sort of ratios. I love the gold to oil ratio, or the barrels of oil to the price of a house, how many barrels of oil to get into a door, things like that.

That's where we have to go because our measuring stick, the dollar, is no longer useful. It's starting to stretch in ways, and our concern is that it just catches on fire at some point, and we're already seeing this. Venezuela is already going through this, and [crosstalk 00:37:35].

Danielle D. Booth: I think that that brings up my greatest concern listening to you, is that the lack of financial literacy, and the inequality divide, which are very macroeconomic issues. How you set about this metamorphosis. This transition of a millennia, how you set about making this where you forcefully redefine the store of value in a society, societies plural, where you have so many who can't even begin to call themselves financially literate? It's a problem.

Doug Casey: They all have to save. If you want to produce more than you consume, which is the way you get ahead in the world and save the difference, how do you do that? Well, you have to use basically, or almost everybody does use the national currency, but what happens when these idiots actually destroy all the national currencies? It's going to be just total chaos. I mean, I'm trying to get into the habit now whenever I watch the nightly news, turning off the audio and just watching the video. In the future, I'll just play the Rolling Stones' Street Fighting Man on continuous loop as I'm watching my video of it.

Danielle D. Booth: I would have thought it would've been Sympathy For The Devil, but-

Doug Casey: Well, I like that too.

Speaker 1: All right. Well, in the few minutes we have remaining, I want to focus on what can we do about it, right? I mean, we're trying to predict the future, which nobody can, but Danielle, you mentioned learning Mandarin. I mean, that's something you can do. Chris, a big part of your work is preparing and through the crash course and through Prosper, you talk about getting ready. Of course, Doug, your research continues to show the things we can do. If we want to be ready, if we want to, as the Boy Scouts would say, be prepared, what are some steps we might take in the next six months or a year so we can be ready for whatever change comes?

Chris Martenson: Well, our model at Peak Prosperity is always you have to understand the context. The basic education is critical, and that's the kind of education that everybody at this panel is providing. Get lots of different points of view, but if you don't understand monetary policy, if you don't understand how the arena is constructed, you're going to not compete very successfully in whatever game is being played. So understand the context. Big changes happening. The macro stuff is really important these days.

Then information without action is just useless or worse, anxiety producing, so then convert that … My advice is only go as far with the understanding as you need to, to begin taking the actions that are going to bring happiness, quality of life today, as well as resilience for whatever future might arrive.

Danielle D. Booth: So the high point of the last 12 months was when an AP Economics class from Manchester, New Hampshire, I want to say, tweeted out a picture. All the kids were holding Fed Up, and that's what the book was written to. I mean, I'm public enemy number one inside the central bank of the United States because I translated what monetary policy is down into layman's terms so anybody and everybody, including high school students, can pick up the book and understand it, and it's going to … We have to do this one child at a time, and we have to also go and do right at the voting booth. Those two things, I think, are just extraordinarily important in the years to come.

Doug Casey: I completely agree except for the part about the voting booth, because among the other reasons you shouldn't vote is that your vote doesn't count, and you have to realize that. But specifically what you should do, I think, is watch out for more bubbles because creating all this currency is going to create more bubbles. So there are opportunities to profit from it, although it must be said that in a depression, nobody wins. The winners are just the people that lose the least. That's the nature of the beast, but there are things you can do. Buy gold and silver coins, the little ones, set them aside, forget you own them for a while.

Speaker 1: All right, good stuff. Chris Martenson and his partner, Adam Taggart have written this amazing book, Prosper. There still are a few copies left in their booth. Get them to sign it for you. Danielle's book is called Fed Up. If you haven't read that yet, you're going to want to put that on your list, and Doug Casey, I know you have a brand new book out. Tell us about it quickly.

Doug Casey: I want you all to buy a copy of Drug Lord, in which our hero Charles Knight, a very good guy, becomes a drug lord dealing with both legal drugs regulated by the FDA, and illegal drugs dealing with the DEA, so we cover all the bases.

Speaker 1: Intrigue and always something to learn. How about a hand for this amazing panel?

The Geopolitical Panel

Gary Alexander (MC), Tucker Carlson, Jonah Goldberg, Stephen Hayes

Gary Alexander: Are you ready for some politics, my friends? The Geopolitics is the name and the panel. We'll get the geo toward the end. We're going to stick with domestic politics up front. I am going to have an introduction of the panelists by just their one line current affiliation. You can read their full biographies in your program book. I want to bring them up in reverse alphabetical order, so they can file from your right to our left.

First of all, the Editor in chief of The Weekly Standard. You heard him this morning, Stephen Hayes. Are you there Stephen? Okay, while he makes his way up. Next in line, I'll warn him in advance. Jonah Goldberg is Senior Editor of National Review. Jonah, you heard him this morning, early. And just arriving by airplane, we met in an informal lunch just recently, the man who debates crazy, uneducated left wingers and other people of confused states of mind and prevails every time on Fox News, at 6 PM, in my time zone, Tucker Carlson.

Tucker Carlson: Thank you.

Gary Alexander: Now, for the benefit of our panelists, Steve Hayes is the only one, to my knowledge, has been on this New Orleans Investment Political Panel in the past. This began 12 or 15 years ago, Brien Lundin's idea of pitting philosophical positions, republican, democrat, and libertarian, or what you might say, "Left, right," the old paradigm, it's not necessarily a good paradigm anymore, with the classic liberal, libertarian.

Some of the panelists included James Carville versus Charles Krauthammer versus Doug Casey. Casey and Krauthammer argued so much that Carville said, "I feel like a hydrant in a festival of the dog show." Charles Krauthammer said, "Then allow me to lift my leg." We all wish Charles the best and we hope and trust he'll be back here next year. We thank Tucker Carlson, and Stephen Hayes, rather for filling in for him.

Another one of the trilogies was a great, if I may say in this age, cat fight, Ann Coulter versus Susan Estrich with P.J. O'Rourke caught in the middle. My proudest moment, I think, was with Carl Rove and Howard Dean. It was just after Bush had left office and I said to Carl, "Carl Rove, you had a republican majority in both houses and the White House for six years and you did not cut spending. You brought us No Child Left Behind, Medicare benefit expansion," and I named three or four others. Then I just said, "Carl, you broke our hearts." You hear that silence? It went on for about eight seconds, my proudest eight seconds. I got Carl Rove quiet, but then he went into full overdrive. Every child must be educated, et cetera.

This panel does not have that conflict with the three-way thinking. It looks like, on the surface, they would be more republican. The magazines and TV stations they're affiliated with would give you that clue. But, I remind you, that we had a similar agreement about four or five years ago, Dick Army, Newt Gingrich, and Charles Krauthammer. You would think they thought alike, but Charles Krauthammer gave his definition of what it takes to balance Social Security and Medicare entitlements over the years and it included means testing for recipients. And Dick Army flew into a semi-rage, if you recall, and said, "If a pension company would tell you, oh, since you don't need your pension benefits, as much as this other person, we'll renege on our pension promises to you and not renege on this person."

He really got excited about that, as you well might, if you had that kind of a program. So we might develop some conflict here this afternoon, at least, that is my goal. Now, if you've listened to the first two speeches, they have a lighthearted repertoire about what the other did last night, or was smoking this morning. So maybe we'll keep that spirit alive. I now want to open the questioning. I've already asked this of Stephen Hayes, let's move onto Jonah Goldberg. I asked this morning, "Will the 2018 mid-term elections be more centered around republican or democrat?" There's a problem there because you have factions, divisive factions, within both parties. Or will it be more of a consensus of I support Trump's major agenda, the four-points Stephen Hayes mentioned, or I am against Trumpism. If that is the case, who do you think might prevail in the midterms? Jonah Goldberg.

Jonah Goldberg: Well, I think the way to think about it ... First of all, it's great to be here, still, I guess I should say. It's great to be here sober, now, finally. I vaguely remember I did something this morning. Someone told me about it. Anyway.

I think you have to separate these things out a little bit. I think the republican primaries, if Bannon can deliver on challenging every single incumbent, or close to every single incumbent. Those primaries will be about establishment versus Trump, to some extent. They will also be about who is Trumpier than thou. With lots of different republicans saying that they support Trump's agenda more than the other one does. I'm very skeptical that Steve Bannon ... Steve Bannon has a remarkably lackluster record of marshaling nationalists against the establishment people. He's a ... There's an old adage in Washington among lobbyists who fancy themselves rainmakers. The old adage is, "If it rains dance."

The argument being that if something good happens you want to take credit for it as quickly as possible. That's sort of Bannon's MO. He has brought up lots of nationalist candidates against establishment guys and lost miserably. The most famous example being Paul Ryan who beat the Bannon candidate by 68 points. 68 points is an even bigger margin of victory in politics than it is in football.

That said, the general elections are going to be democrats versus republican. Being pro-Trump is going to help you in primaries, or being perceived as not being anti-Trump will help you in primaries for republicans and it will hurt you against democrats, at least, in a lot of purplish states and districts around the country.

Gary Alexander: Tucker.

Tucker Carlson: I mean, I substantially agree. The macro view is the president's party loses in the first mid-term. It pretty much always happens. The most famous exception were the 1998 mid-terms, in the middle of the Monica Lewinsky impeachment scandal, where the democrats actually gained a couple of, I think, 12 seats, or something. Typically, the president's party goes into it knowing we're going to lose because there's just a readjustment.

I can tell you, having talked to high level republican leadership, they're expecting to lose the House, which has massive implications, not just for the country, but particularly, for the White House because Trump will be impeached in the first quarter, if that happens. There's a lot riding on this. The White House is, I guess, aware of it. I don't know if they believe it. I think it's true.

The republican leadership thinks that if they can get through some kind of tax bill and get it through the Senate, which is their real concern, and have the president sign it, that it may actually save a number of seats. Because they can point to this and say, "Look, you may not like the tweets, or whatever, but we've done something. We have something to show for all of this." That's their view.

I think it's like everything, probably a little bit more complicated than that. I think you need to factor in the potential for some kind of foreign problem between now and then. Consider that the election wasn't even a year ago and look around. This country is completely different from what it was 11 months ago. A lot has changed. Pretending that the future is a pure extrapolation from today, is absurd. But, all things being equal, it's going to be hard for the republicans.

I think the more interesting question is the one that Jonah raised. What's going on within the Republican Party, and Steve Bannon is leading this insurgency, but what is it about. My view of it is, which will likely change by next week, but, as of this morning, my view is that Bannon is about half right. His instincts are anti-authority, anti-establishment and I think that, that's fair. That comports with most people's instincts because our establishment has done a pretty bad job of managing the country and the world. America is not more powerful. The country is not richer. The middle class is not more prosperous than it was, I don't know, 20 years ago.

So they failed. That's why Trump got elected. I think where Bannon falls down is in trying to figure out what the party needs to believe going forward. It's pretty easy to find a candidate who's willing to give the finger to the establishment, but they tend to be kind of outsiderry people who are mad at the establishment, partly because they haven't been admitted to it. You wind up getting a lot of people who, to be totally blunt, are kind of flaky. They're not all into witchcraft, but some of them are. And it makes it tougher, I think, to win elections. What you need to do, if you're going to do that, if you're going to throw the establishment out, which, incidentally, I strongly support.

A lot of these people should be selling aluminum siding or doing something useful with their lives. You need to figure out what you stand for. It would be super helpful if Bannon, who I don't ... No offense, I don't think is capable of this, but if someone smart were to step up and say, "Here's the cataclysm. Here's what we believe. Here's what this new brand of republican stand for, here are four things." Reagan did this. You think back in your mind to the 1980 election. There was no question about what Reagan stood for.

Now, a lot of these are battles that are no longer relevant today, but that was the beauty of it. You're for the Soviet Union, or you're not. Do you know what I mean? You're for big government, or you're not. It was really clear. It's very unclear right now. So the only criterion for admission into the Steve Bannon club is anger at the establishment. That's not enough. Last thing I'll say, this is all about immigration. That's an overstatement, it's not all about immigration, but if you were to pick the most resonant issue, that receives the least attention, but moves the most votes, it would be that, without anything close.

That's what the Jeff Flake thing is about. You keep reading these pieces. Jeff Flake is a conservative, he voted with Donald Trump 98% of the time. That's all true. By the way, I like Jeff Flake. I'm not against Jeff Flake, as a guy. I'm not here to attack Jeff Flake. He doesn't deserve to be attacked. The truth is, he's out of step with his own voters on the question of immigration. That's the whole problem with Jeff Flake. That's why republican voters are rejecting him. That's why he stepped down. He just disagrees. I personally think it's an honest disagreement. I don't think he's just taking a lot of money from the business round table, though he is. I think he actually disagrees, but let's just be honest about what the terms are.

This is about our immigration policy. The country has changed completely in the past 50 ... I mean, completely. It's a totally different country. It's either better or worse depending on your view, but immigration is what changed it. Let's stop pretending. Let's have that debate. I think it's worth cleaving the Republican Party in half over something that important, my view.

Gary Alexander: I want to look at Donald Trump in a little longer historical perspective than comparing him to recent candidates or Hillary Clinton. When Donald Trump got elected, my extended family was outraged. I was semi-entertained and thought that this would certainly make news watching a little more fun. It, in some cases, has become tedious as the Trump Administration isn't able to focus enough. But I advised my family members to look at history, in particular, read the Constitution again and lard it with the Federalist Papers all the arguments for and against these various things. And read Democracy in America by de Tocqueville and I've done both of those things this year.

One thing I want to bring up in de Tocqueville, it was 1831, when he toured, Andrew Jackson, President. And he quoted two editorials that were anti-Jackson that sounded just like the current anti-Trump, "A brutish man with mud on his boots. Says what he wants to. Profane," and on and on in a more flowery language of the 1830s. I want to ask Tucker Carlson first, because I think we have a little conflict up here that you sound a bit more favorable to President Trump than what we've heard from the other two speakers this morning, who said some negative things about his agenda.

Where do you think Trump will land in history between say, is he a [Milargy 00:13:00] Fillmore, an Andrew Jackson, or is he a one of a kind. Will he be on the positive or on which side?

Tucker Carlson: Well, I hope he's one of a kind.

Gary Alexander: Exactly.

Tucker Carlson: Right. No, I mean look, the funny thing about Andrew Jackson. I thought about this last night. Andrew Jackson, literally, shot a man in the middle of Fifth Avenue, or the post office in Nashville. I think Andrew Jackson died with four separate pieces of lead in him. He was actually a man of violence and an animal. He was a Viking, like Trump was. You can see him riding into your village and torching the huts, and slaying the livestock, and carrying the women over his shoulder, and rowing back to Norway.

They have a kind of temperamental similarity, and they were both anti-establishment and all that. But I don't want to extend it too far, the difference is probably in there. But the point is, about Trump, it's not about Trump. That's always been my position for the past two years, that it's not about Trump. Take [inaudible 00:13:56]. Why would the country like Donald Trump, honestly? This was a huge lie, I always thought, when you hear people saying ... The voters elected him because they like him.

That's what Trump thinks, by the way, trust me, to this day. They just like me, I'm a good guy. I'm more attractive than she was, or whatever, I'm richer.

Gary Alexander: Well, we heard that from our questioners this morning, who really believed that he spoke for the people instead of the political BS.

Tucker Carlson: Well, that's kind of it though, actually. But people didn't vote for Trump because they wanted to. I never met a single person who said, "You know what? I think he's a moral example to my kids, or I'd love to have him babysit, or I was on the fence until I saw the Access Hollywood tape and then I thought he speaks for me." There's nobody who feels that way. There never was anybody who feels that way.

Jonah Goldberg: Harvey Weinstein felt that way.

Tucker Carlson: Exactly.

Jonah Goldberg: That's my guy.

Tucker Carlson: He was the only one. No, it wasn't about that. It's really simple. This is a middle class country. You only can have a functioning democracy with a vibrant middle class. You can only have a functioning market economy with a vibrant middle class. That's the lesson of Latin America and every other country in the history of the world. You need that middle class, ours is dying. That's not cable news exaggeration, it's supported by the numbers.

Jonah Goldberg: I'm going to push back on a little of this, just really quickly.

Tucker Carlson: It's impossible.

Jonah Goldberg: I love Tucker and I agree with a lot of things he said. It's not entirely true that the middle class has fallen behind. It's that a lot of the people in the middle class have moved to the upper middle class and a lot of people who were in the middle class have moved down. You get this polarization. A lot of people ... The economy has gotten better, but more people have been left behind. That's an important thing to keep in mind. A lot of people got richer, but also there are some people who are truly hurting. I agree that was a big part of the Trump [crosstalk 00:15:43].

Tucker Carlson: By the way, I agree with everything you just said.

Jonah Goldberg: But, I want to push back a little bit, which Tucker, at the end, rhetorically conceited that we don't want to take the comparison too far. Donald Trump is really nothing like Andrew Jackson. Andrew Jackson would go off into the woods and come back with a necklace of Indian ears. Donald Trump got four deferments from Vietnam. Donald Trump is not a guy who would go marching into a Viking village. Donald Trump is the gout ridden king who would require the Vikings to come bring the maiden to him. They're completely different creatures.

Tucker Carlson: Gout ridden king.

Jonah Goldberg: That was eloquent.

Tucker Carlson: I'm stealing that, that was pretty good. Thank you.

Gary Alexander: Dilly, dilly.

Jonah Goldberg: I am entirely sympathetic to the idea that there are a lot of people who voted for Donald Trump, particularly for immigration. I think that's absolutely true. I think what the establishment has done on immigration has been terrible. I work at a magazine, National Review, which has been pro-restriction immigration for 30 years, 40 years and our argument has always been that if responsible people don't deal with an issue ... if responsible politicians don't deal with an issue that matters this most, it will create an opportunity for irresponsible politicians to come in and do it instead.

Tucker Carlson: Exactly.

Jonah Goldberg: I agree with all of that, but the one thing that always gets left out, in all of these conversations about Trump's mandate. Why he won and all that kind of stuff. People forget he was running against Hillary Clinton. No one wanted Hillary, a lot of people didn't want Hillary Clinton to be president. Even that said, she did get more votes. His mandate among republicans was twofold, in terms of truly unifying the Republican Party. One, don't be Hillary Clinton. He accomplished this on day one. The other was judges. Those are the only two issues. Because immigration does divide republicans, I think most republicans are on the Trump side of the argument, not the Flake side of the argument. I think Tucker is right about that.

But it still is a divisive issue within the Republican Party. Judges aren't, not Hillary Clinton isn't. That was his real mandate. Everything else requires an argument. I agree with Tucker entirely, Bannon can't make that argument. There's nothing to Bannonism to articulate beyond hating the establishment. There's a guy, Michael Grimm, who was a Congressman, he went to jail and now he's trying to run again from Staten Island. He gave an interview to The New York magazine recently where he clearly knows that Donald Trump gets press clippings about him.

There's this two paragraph long space where Michael Grimm is just talking about how every time he meets Donald Trump he's just so impressed by what a virile and big man Donald Trump is, with huge hands, kinds of hands that sculpt mountains. It's so clear that what he's doing. I think, in a lot of ways, those are the type of candidates who it attracted. The people that are willing to say anything to win and carry favor with Trump.

Stephen Hayes: I'm reluctant to jump in here because this is as entertaining for me as it is for you. Let me actually disagree with both of these guys, to a certain extent. I don't think immigration ended up playing a huge role. If we understand immigration as immigration policy. If you go back and you look at ... And Tucker and I have had this debate before. If you go back and you look at the exit polling, during the republican primaries, voters were given four different policies. And were asked in these exit polls, state, after state, after state, to rank the policies, in terms of the importance in determining their vote. Immigration was, I think in a couple of states, it came in third, but in virtually every state it came in fourth and it was usually with 10 to 15% of the vote, as a defining issue. The issue that drove a vote.

So I don't think that immigration, as immigration policy, was that important, but I think immigration was huge in the way that Donald Trump talked about it. I think the fact that he was willing to say to the establishment who had been looking for compromise and wagging their fingers at voters who favored more restrictionist policies, Trump was saying, "Come on, enough of that. That's not what I think. Here's what I think." Now, it has to be said, it's not what Donald Trump thought in 2012 when he beat up Mitt Romney for being too harsh on immigration policy and was pushing for all sorts of liberalization of immigration policy.

But I think it has much more to do with the way Trump talked about immigration than the policy itself. Although that's certainly a hugely important ... For the people for whom it's an important issue, it is really an important issue. Beyond that, I disagree with Tucker a little bit on the fact that it was those issues rather than Trump himself. I think the most important thing was that Trump was walking in and giving a finger to everybody everywhere in the establishment. And, in that sense, he was able to capture the frustration of some many people who might not be frustrated on policy, but are just so sick of the crap that they have had from Washington and the inability to actually solve problems and all the stuff that Jonah said this morning.

Gary Alexander: I have a second round of questions because in this panel, if you long-term members will remember this. I began by being kind of a Tenth Amendment absolutist and a Constitutional absolutist ask about why we cannot limit Congress and the President to their stated roles, which are really very limited in the Constitution. Then the Ninth and Tenth Amendments back it up. Well, over the years, the various panelists have convinced me that, that is a dead letter and the presidents and so forth, and the Commerce Clause have outlawed that.

But I want to take a new example of that and get to the Tenth Amendment core, in which, some people call it States' Rights. As soon as I say those two words, what one word comes to your mind? Of course, slavery. Everybody thinks States' Rights are connected with the Civil War. I would like to reframe it as personal responsibility or local responsibility. But the problem is, responsibility is a six syllable word and left, right, States' Rights, those are all simple roles. What I want to ask these three men, as journalists, they all have great journalistic background, which means the elegantly use of words and creating word pictures.

Can we not change the words we use from a dualism, left, right, conservative, liberal, and allow for some of the shades of gray without confusing people with a gross amount of verbiage. Because when now you call somebody a rightist, they say, "Oh, they must be pro-Hitler, anti-black, or jew." And if you say left, "Oh, you must be a communist." And people tend to ascribe a whole series of beliefs to a left or right, conservative, liberal. Is there a way we can reform the language that somebody will, maybe, pick up and start using it more accurately, or is that a pipe dream?

Tucker Carlson: I think we're going to have to because there's an absolute. I see it every day in my job, realignment going on ideologically, where the people ... Look, the overview is this. The beauty of Trump, and there are many ugly things about Trump, but maybe the best thing about Trump is he's forced everybody who's awake to trapes up the mental attic and reassess its contents. Most people got their politics in college, or high school, and you sort of signed on, even without knowing it, to a whole list of believes when you aligned with a side. Even if you're a libertarian, you think you're kind of outside the boundaries, no, there's an orthodoxy there.

Trump, because he was so radical, and crazy, and it was all so shocking, forced a lot of people to say, "What do I believe? I thought I believed this, but do I really still believe that?" It certainly happened to me. I think it has probably happened to everyone in this room. Because of that, all of a sudden, you look around you think, people I dismissed for the last 30 years are saying things, that if I'm being honest, I agree with. I see this in my ... I know I disagree with these guys profoundly on this, but I am not, and I'm hard left on foreign policy. Never thought I'd say that, but it's true. I know that because the people I agree with, on that topic, are writing for The Nation. And they're people who I've disliked intensely since high school.

I graduated in 1987, and I really dislike these people. I disagree with everything they said, and all of a sudden, I'm like, "No, actually I agree with you," for example, Syria. Where the insanity of this Russian investigation, the only people I've noticed telling the truth about those things are full-blown wackos. Who are advocating, for example, an economic view that I reject completely, still. But they're right about that, so if that's happening to me, and I'm almost embarrassed to admit it because my father's still alive and I don't want to tell him that I actually ate dinner with someone from The Nation the other night. And we agreed completely, and both of us have been denounced as puppets of Assad, and neither one of us is, but we just don't think that overthrowing another dictator in the Middle East, who has a history of keeping the country together, is a good idea.

We both believe that, but ... Anyway, I just think that's a great thing. There can be brand new categories created. I'm convinced of it.

Gary Alexander: About 40% of Americans say that they're fiscally conservative and socially liberal, which is the definition of libertarian, but they hate the word libertarian. Yet, they have elements from both the old traditional left and right.

Jonah Goldberg: I'm going to push back. Lots of people say that they're fiscally conservative and socially liberal. Lots of people are also liars.

Tucker Carlson: That's true.

Jonah Goldberg: Most of the people you meet, I don't think all, certainly ... First of all, fiscal is one of these words that sounds like a very serious word.

Gary Alexander: A lot of syllables.

Jonah Goldberg: Yeah, what does fiscal mean? Does fiscal mean balanced budget? Well, no one ... There are about nine of us who believe in a balanced budget, now. Anyone who gets in power, all of a sudden, no longer believe in balanced budgets. They no longer believe in trimming the deficit. But if you look at, say republicans, and state legislatures. The ones who call themselves as fiscal conservatives and socially liberals, tend to be the more liberal on every economic issue. From minimum wage to housing subsidies to you name it. The people who say that they are pro-life, socially conservative, actually end up being the most economically conservative, as well. They tend to go together as an ideology.

Tucker maybe right that, that could all be coming apart. This could be the Balkans of ideologies for the next 10, 15 years. That's entirely possible, but historically the socially liberal, fiscally conservative thing, actually doesn't bear itself out very much in the data. It is a way for socially liberal people to say, "Oh, I still get along with republicans or I don't want high taxes." But they, actually, only ever vote for politicians who want higher taxes.

I do whole, hour long, talks to college students about federalism. Because federalism, which is what Gary is talking about is pushing things the most local level possible, lowest local democratically possible. Actually, I can do the math for you, but it is the single greatest system ever conceived of for maximizing human happiness. Because it lets the most people live the way they want to live. You have to protect basic civil rights. You can't bring back slavery. You can't bring back Jim Crow. We fought a Civil War. We amended the constitution a few times about that. Some issues are settled and let's move on.

Besides, there's this idea out there that there's this really large constituency out there for bringing back slavery. The neo-Nazis, not withstanding, it doesn't really exist.

Stephen Hayes: I haven't met them.

Jonah Goldberg: That's what I was trying to talk about earlier today about getting some buy-in from the left. Whenever you get a republican in office, all of a sudden, they ... The New York Times magazine can be counted on to start running pieces about how an old idea called federalism might have something to it, because liberals like it now. I would rather ... Rather than say, "Ah-ha, got you, you're a hypocrites because you didn't like it when Bush was president or when Trump ... Or you didn't like it when Obama was president or when Clinton was president." I'd rather say, "Welcome aboard. Let's talk about some things that we can send back to the most local level possible and let people run their lives."

I'll just finish on this. The great thing about sending things back to the most local level possible, is when you have culture wars, and you're going to have them. It requires the winners to look the losers in the eye. You see the people you beat in a fight at the grocery store, when you drop your kids off at school. You see them all over town. They're your neighbors. Instead, what we live in, in this country, is we get these coalitions of people who just want to punish the other team, who are all abstractions. You get coalitions of lefties who say, "Everyone has to live the way we want to live." And you get coalitions of righties that say, "Everyone has to live the way we want to live."

Push it all down to the most local level possible and let as many people live the way they want to live. And if someplace makes a bad decision about how to organize their community, there is this thing that social scientists call, moving. And go find a community that you want to live in, or duke it out and fight another day, but that's the way we should be organizing the society. That's the way Tocqueville marveled at America. Hopefully, repugnance or horror at Trump will help encourage some liberals to embrace this even more.

Gary Alexander: De Tocqueville wrote about how involved people were in local politics everywhere he traveled. I, myself, have run for office in 1997. I found it the most educational, very difficult, to get through the bureaucracy, but once you get out in the media and you represent these ideas, you find you're really part of the system in the way that you can spread the word. I knew I was going to lose. I ran against a 10 time democratic incumbent, this is Virginia State House of Delegates, and Ken Plum a vigorous republican.

I got 5%, which is much better than third party in three party races do. It was an educational thing for me, and taking part in the system there. I want to frame the same question to Steve, but with a little bit of a different angle. His Weekly

Standard has, at least, two or three exceptional articles in the middle of the book each week. This one from last week on capitalism and it's discontents, The Millennials' Love Affair with Socialism by Christine Rosen. It shared a few polls that say more of the millennials born in 1980 to mid-90s, and the new iGen, I guess they call them. These little I's in the front of everything, are in favor of socialism more than 50% and are against capitalism. I don't think they can really define the words anymore that can define the original of liberal, or the original of fascism, the name of your book, Liberal Fascism.

Could you explain a little bit of that, Stephen, how the confusion of those words is hurting us?

Stephen Hayes: It's pretty fascinating. Those polls in Christine Rosen's article, I recommend, not surprisingly this article in my magazine.

Tucker Carlson: Hey Steve, should people subscribe?

Stephen Hayes: If you have subscribed to the Weekly Standard [crosstalk 00:31:22] shed some light on these things.

Tucker Carlson: Is there a toll-free number?

Stephen Hayes: I could give you the website. But she makes a number of good points and is fairly pessimistic about the way that young people simply don't understand capitalism. Young people haven't seen the ravages of socialism, in the way that us, gray beards have. The Soviet Union is theoretical to them. They don't understand what happened and, certainly, they're not getting it in their history classes the way that, I think, they ought to be. It was another reason that I thought the way that Jonah ended his speech this morning was so important.

It's important that people recognize what capitalism brings, and what a constitutional republic actually means. To pick up on the discussion a little bit earlier, I agree with Tucker. I think that we are seeing this scrambling of ideologies. I think it's happening more on the right than it is ... on what we've traditionally understood as the right, than it is on the left. If you look at polarization over the past couple of decades, there's no question that conventional wisdom is that we've become more polarized. That democrats have become more liberal. Republicans have become more conservative. And there's lots of survey data to bear that out. You can see it in Congress. Liberals, or democrats, have voted a more liberal way, republicans have voted in a more conservative way.

The difference in the two parties is that the center of gravity, in the Democratic Party, right now is very clearly on the left. Bernie Sanders, an open socialist, literally could have won. It was just a few states short of winning the democratic nomination. You ran as an unapologetic socialist. He didn't try to dress it up. He wasn't even a democrat until he was going to run for president. So you saw a much broader embrace of socialism in a real electoral way, then, certainly, I would have predicted 10, 15 years ago. When you look at who's winning arguments on the left, it's the far left. It is the socialist, either European style socialist, or worse, wing of the Democratic Party.

The people that, I think, are likely to be the strongest competitors in the 2020 Presidential Elections are the left wingers in the Democratic Party. You don't see many moderates and you don't see many moderates who have a bright political future in the Democratic Party.

On the republican side, though, what I think you're seeing is this huge readjusting or scrambling of ideology. Certainly the voters, in a certain sense, have identified, when they're asked in polling questions themselves as more conservative over the years. You can go back and trace that on the questions that Gallop asks. But what does conservative mean these days? It means something very different. I think you could make an argument that conservative, right now, again, picking up on Jonah's argument is, properly understood, people think of conservative as pro-Trump, but that's not really conservative the way that movement conservatives have understood it a long time ago.

Your seeing this ... A Republican Party that's being led by a guy who's an ideological mixture over the years. He hasn't had fixed views. He hasn't been a traditional conservative, the way that we understand it. Five years ago, he was making arguments that would be embraced by many people in the Democratic Party, on the left. Before that he was making arguments that were even further left. Republicans are being led by somebody who's basically non-ideological and democrats are moving, I think, shifting the center of gravity in their party to an extreme ideology. That, I think, will lead to tremendous volatility in voting patterns in the coming elections.

Jonah Goldberg: It also means you should buy gold. Putting it out there.

Gary Alexander: I like that. In the last 15 minutes here, I want to move to the first part of the word of our panel, Geopolitics. You know, I love the history and the coincidences there. It was 55 years ago, this weekend, the last weekend of October '62 that Cuban ... Russian based missiles in Cuba threatened our life. Unlike the gray beards up here, I, for this conference, shaved off my gray beard so I could look more youthful. But I was a high school senior that year and we were terrified by Russian missiles.

Now, if you look at your program book, we don't have one up here, but I'll describe it for my panelists. There's a picture of a rocket taking off in a parabola and it has a signature of North Korea on it, and if you look down to the bottom, it's being launched by Charles Krauthammer, a picture of Charles, right there. And one of our panelists, too, I believe. We'll have to look at that on the break. But I haven't heard too much mention of geopolitics, or North Korea, in this debate. Of course, North Korea is much further away than Cuba. Probably not as adept in rocketry, as the Soviets were, at the time.

Could you, the panelists, discuss not just North Korea, but any other hot spot that you think will possibly take over the focus of the nation, or the president, in the next year or so?

Tucker Carlson:	Well, Niger already has. By the way, is that what people voted for?
Gary Alexander:	No.
Tucker Carlson:	Right. Is it the exact opposite of what people voted for?
Gary Alexander:	And people were asking, “Why were we there.”
Tucker Carlson:	How many US military installations are there internationally? About 200, I think.
Gary Alexander:	A lot.
Tucker Carlson:	I don’t know. Part of it is just spitting into the wind. Here’s where we are. We are deeply enmeshed in military operations around the world, probably pretty hard to pull back from a lot of that. But I think people are definitely frustrated by it, because the returns ... Some of the returns are obvious, keeping the ceilings open is the primary one, I would say, which has demonstrable benefits for the United States and keeping order in certain places, keeping a demilitarized Japan, keeping a demilitarized Germany, things like that. Those are all great. I’m not an isolationist, at all, but I think ... Well, let me just put it this way. In a world where American troops dying in Niger, which 99% of our population couldn’t find on the map.
Gary:	Or pronounce.
Tucker Carlson:	Even, in the hemisphere of Africa. What side of Africa is it on? If that is dominating our news, I don’t think we’re in danger of isolationism being an imminent problem in this country. We’re very, very, very far from that. I’m instantly suspicious, people are like, “You’re an isolationist.” Really? What would that even look like?
Gary Alexander:	Is North Korea a threat? Rocket man, as he is called.
Tucker Carlson:	Who knows, is the truth and these guys are much better versed in this. My personal sense, I have a good friend at a fairly high level of policy making at the Pentagon. I just had breakfast with him last week. Who also says exactly the same thing, which is, “It’s about Taiwan.” That’s the problem. The problem for Americans looking at the rest of the world is the inability of most people who grew up here, to put themselves in the position of whatever country it is they’re talking about. What are they interested in? It may be something very different from what we’re interested in. From the Chinese perspective, Taiwan occupies a huge percentage of their mental disc drive. I mean, they really care about it. Should they care about it? Is it a little bit weird? Yeah, of course, it is, but countries are weird. They really care about reuniting China. That’s how they see it. And I can tell you that, at least, my friend and I think there are many others that feel this way, that follow this stuff for a living, is very concerned that a crisis anywhere else in the world would be a clear sign to the Chinese to move on Formosa, and what are we going to do about it? The problem with that, is not that, all of a sudden, Tai-

wan becomes Hong Kong. Pretty tough for the Taiwanese, maybe not so meaningful for us, but that it sends the signal to all the other nations. If you're Japan, if you're Abe, you don't have nuclear weapons because why? Do you know what I mean?

The threat that China poses. It's expansion in that region, inevitably causes an arms race. And it inevitably makes the whole region way more complicated, and therefore, potentially more threatening to the United States. Then, obviously, Pakistan, who's not worried about Pakistan?

Gary Alexander: Well, we imposed load defense budgets on Japan after the war, so is it good that they're rearming and defending themselves?

Tucker Carlson: Well, they're not rearming because their constitution prohibits it. But Abe, now, I guess, has ... someone told me yesterday, has politically the ability. He's consolidated enough power, they could change the Japanese ... Correct me if I'm wrong. Change the Japanese constitution. So like, I'm not attacking Japan, I'm merely saying the obvious, which is national character in countries with no immigration doesn't change that much in 70 years. If you want me to state something obvious, I'm sure I'll be lynched for saying that, but it's just true, actually. Countries with millenias long history tend to behave in predictable ways, so that's its own concern, but it's a concern because of how it affects the rest of the region.

If you're any of the emerging Southeast Asian nations, with a real history with Japan, you look upon that in horror. If you're South Korea, and you already have this problem north of you, you're thinking, "Wait, what? We're relying on 35,000 American troops? Are you joking?" Now, I've got a multi-flank concern. So you raise the temperature to unsustainable levels.

Gary Alexander: Yes, Jonah.

Jonah Goldberg: Just because we're running low on time, I'll let Steve do his foreign policy spiel.

Gary Alexander: Well, that sounds like a cop out on McLaughlin Group, or was that ...

Jonah Goldberg: No, I'm a professional.

Stephen Hayes: This is going to become a hot issue in the coming weeks. We'll be following it very closely.

Jonah Goldberg: I can speak intelligently for three minutes on almost anything.

Tucker Carlson: Law of the Sea Treaty.

Gary Alexander: You can give it up if you ...

Jonah Goldberg: Well, you know, the problem with the Walnut Sea Treaty is-

Tucker Carlson: Just kidding.

Jonah Goldberg: Reagan was right on the Law of the Sea Treaty, I'll just leave it there. I'm not trying to dodge anything, I think Tucker is basically right. I think one of the things I would say about why we're in Niger is whether we should have been there before, or shouldn't be, the simple fact is that the enemy gets a vote. When we broke ISIS, that was a great things and I am baffled, as much grief as I give Donald Trump, I am baffled why he doesn't take more credit for what's happened with ISIS. Going by the rules Obama established with Osama bin Ladin, where Obama made it sound like he, literally, put on his ninja costume and snuck into Osama bin Ladin's bedroom and snuffed him himself. Trump should, at least, crow a little bit about this.

But what happens is, that when you crush these terrorist organizations they metastasize and they throw off bits and pieces all around the world.

Stephen Hayes: Exactly.

Jonah Goldberg: I'm a conservative and a philosophical Burkean conservative. That means, I think every good thing comes with a downside, and every bad thing comes with an upside. Because we live in a flawed fallen world, and that will never change. Beating Isis in Raqqa was a fantastic thing, but it also means that they are now going to go to ground, turn into semi-criminal organizations all around Africa. We can make a decision, a prudential decision, and say, "It's not worth sending our guys in there to do anything about it, or we can send our guys to do anything about it." I think both sides have a good argument to them, but that's just simply the fact of it.

One of my favorite lines from Otto von Bismarck was that he said, "The trouble with the Balkans is that they tend to produce more history than they can consume locally." The Middle East is exporting history all over the place and we either can deal with it, or not deal with it, but the other side gets a vote.

Stephen Hayes: I probably agree with Tucker more than you would think. We just don't have the resources to be everywhere all the time. You can certainly make mistakes by being overextended. Having said that, I think there is a case for, if even in places where you can't determine the outcome of some conflagration. To try to shape the outcome, and the United States has the ability to do that, and you think about North Korea. North Korea, to go back to your original question. North Korea has been a problem for decades. It was mishandled by republicans and democrats, to make an argument going back to the 1990s, before the 1990s, but, certainly, since the Clinton administration. The policy of each successive administration, regardless of political party, was we are going to outsource this to China, because we are going to choose to assume that we have shared interests with China, with respect to North Korea.

That was crazy. We didn't have shared interests. We might have some overlapping interests, but our interests weren't identical. We outsourced the policy to China and China was perfectly happy to see us distracted with North Korea. One thing Donald Trump has done, and I think done very well, is change that calculus. Now, I don't like the way that he's done it, necessarily ... Among the things that keep me up at night about a Trump presidency is a real trade war, rather than just a threatened trade war, or a big bluff. But, you have to say, at least, with respect to North Korea, China has responded. Now, we don't know how long this will last. We don't know that they'll actually get tougher, but there was, at least, a time period where they cutoff coal. There was, certainly, if you look back to just about a month ago, you had Chinese government talking about restricting banking with the North Koreans.

Well, that hasn't happened before either. Again, time will tell whether they actually stick to it, whether it's meaningful change, but Trump has, in that sense, changed the calculus. You wonder, even if you believe in a less aggressive foreign policy, as Tucker describes. You wonder what could have happened had we gotten serious about the emerging threat from North Korea earlier. And instead of just engaging in diplomacy just for the sake of engaging in diplomacy and rewarding them for bad behavior, if we wouldn't be at this point now, which I do think is a crisis. Crisis is overused by journalists, but I think we're on the verge of a real crisis with North Korea.

Gary Alexander: Speaking of crisis, we've got about five minutes left so I've got to have one question with a fairly short answer. We've had an apocalyptic series of speeches at this conference about the economy, and the world order, and so forth. There tends to be overstatement in the internet, have you noticed, of capturing you with headlines that have the most dramatic impact, we're won election from the world ending.

I want to look a little bit further out. In my lifetime, the most impactful and positive was Ronald Reagan who said, "I'm going to break the back of inflation." It cost recessions to do it. "I am going to break the back of the Soviet Union." It cost money and military buildup to do it. And he says, "I'm going to make you feel good about being American again." That was, to me, very refreshing after the Carter years. No matter how you look at this president, I know Charles Krauthammer said ... I've got one more comment. Over the past years that is 2012, the republicans did not send up their A-team, but in 2016 they will. Well, the A-team got picked off, one-by-one-by-one, by this outsider. Is there a Reaganesque, or other kind of figure, in the wings that we can look forward to in 2020, or beyond.

That's a tough one, but anybody want to tackle it?

Tucker Carlson: That's the mystery. The lessons of Trump are really simple. You could have pulled it off much more effectively without Trump, Jonah's absolutely right. It was a super close election. Imagine someone running on the broad themes that Donald Trump ran on, but who was articulate, and serious, and who could explain it, and was interested in explaining it. That would be an unbelievable ... You could remake American politics forever if you did that. You know, who understood how lame the establishment is, because they are, but wasn't insane himself. There's a huge opening and the remarkable thing is, no one has rushed to fill it.

You know who's going to fill it? I'm sure you'll all sigh, Ted Cruz. That's exactly what Ted Cruz is doing right now. Ted Cruz is really ... Lots of problems with Ted Cruz, I'm not endorsing Ted Cruz. The problem with Ted Cruz is Ted Cruz, but Ted Cruz is super smart. And smart in a kind of agile, feral way, too, and, obviously, a marvelous debater. But he's going to emerge as a brand new guy, as a populace. This is all a guess, he hasn't told me this, but I would ... Do you think this is right?

Stephen Hayes: Yeah, I do. I think it could go one of two ways. It could go exactly as the way you're describing it. Somebody like a Ted Cruz could rise up and carry the banner of Trump and Trumpism. There are a lot of people who are, I think, trying to do this. Tom Cotton is another one, who wants to be that.

Tucker Carlson: Yeah, that's right.

Stephen Hayes: To marry the traditional conservatism with Trumpism and be this new person. But I wonder ... This is unknowable, ultimately, of course, but I wonder if politicians don't end up learning a different lesson from Trump, and it would be ... This would be a very good outcome, in my view. That is, that you don't need all the focus grouping. You don't need all the point. Go out and tell people what the hell you believe. Actually, just say what you think and let the chips fall where they may. Now, some of you are looking at me like I was smoking with Jonah. I wasn't. I don't necessarily think that that's a likely outcome, but if I'm trying to be ... If we're trying to end on a positive note, I think it's a possible outcome.

Jonah Goldberg: I largely agree, but let me just give it a slightly alternative possibility. Donald Trump's said many contradictory things. When Donald Trump went out there and said what he believed, that could change with a moment's notice, what he believes. From single payer to free market healthcare, over night. In a lot of ways his id was like a runaway monkey from a cocaine study.

Gary Alexander: We'll quote you on that.

Jonah Goldberg: I think, in a lot of ways, the way to think about it is more like ...

Tucker Carlson: That's brilliant actually.

Jonah Goldberg: He was entertaining, again, I've seen old, cold bowls of soup that are more thrilling than Hillary Clinton.

Gary Alexander: Another quote.

Jonah Goldberg: One of the trends that he took advantage of was that politics is being seen, in part because of the breakdown of civil society, where people aren't looking closer to home to solve political problems, they're all looking to Washington. When they look to Washington, Washington become abstracted as a form of entertainment. And Donald Trump, the most formative and important lessons that he learned, actually I believe, came from reality shows and from professional wrestling. Where he understood, I'm not kidding, he was a big character in professional wrestling. He understood it was better to be a compelling heel than to be a boring good guy.

The trick is to always have the camera on you and have everybody want to see what you're going to do next. What people don't appreciate is that, as we treat politics more and more ... Everyone likes to talk about how our lives are being more and more politicized, and they are, and our culture is being more politicized, and Hollywood is becoming more politicized, and entertainment's becoming more politicized. That's true, but when you politicize entertainment, on the flip side you're lowering the barrier and entertainment washes into politics. And politics, more and more, is becoming like a reality show and this is going to change politics more than anything else, I argue. It's going to be a much bigger problem for the democrats, because I don't know if you've noticed, but the democrats have much better celebrities than we do.

Scott Baio and Ted Nugent will only take you so far. Oprah, George Clooney, Tom Hanks, these guys, tomorrow could drop into politics and change America profoundly. The more we expect politics to be entertaining, the more that creates a market opportunity for people who are better at entertaining than actually making arguments or shaping policy. I think that Donald Trump's president proves that more than anything else.

Gary Alexander: I have one closing comment. The names that were named have similarities. Ted Cruz, Tom Cotton, same initials, TC, as Tucker Carlson for President in 2020.

Tucker Carlson: Yeah, right.

Gary Alexander: Thank you and thank all our panelists.

Jonah Goldberg: And I'm the one that's supposed be smoking pot?

Tucker Carlson: An escaped monkey from a coke ...