



Retirement *Lifestyle*
Advocates

RADIO PROGRAM

Expert Interview Series

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DollarCollapse.com

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Dennis Tubbergen:

You are listening to RLA radio. I'm your host, Dennis Tubbergen. Joining me again on today's program is returning guest, Mr. John Rubino. John has a website that is one of the primary news sources for me. It's dollarcollapse.com. He has a feature on the website, titled, I believe, Breaking News: Best of the Web. It's constantly updated. There's links to a lot of great stories there. A lot of John's perspective there as well. So I'd encourage you to check it out. That's at dollarcollapse.com. John, hey, welcome back to the program.

John Rubino:

Hey, Dennis. Good to be back.

Dennis Tubbergen:

So, John, I don't even know where to start. Many of the listeners know that you co-authored a book several years ago called the Money Bubble, and it talked about the ultimate demise of fiat currency. It seems like we might be now headed down that path a little bit more firmly. Can you comment?

John Rubino:

Yeah. Well, the backstory is that fiat currencies exist by government decree or fiat, and they're not backed by anything, which means the big governments in the world, the guys who are under the euro, the yen, and the dollar, basically have unlimited credit cards. They can create as much new currency as they want to, to do anything they want to. Human nature being what it is, they have abused that privilege outrageously by creating way too much currency.

John Rubino:

So we ended up with a world that's just awash in debt. Everybody owes money. A lot of people can't pay that back and governments have to create huge amounts of new currency to cover the cost of their old debts. So we're heading off a cliff financially.

John Rubino:

What's happened lately and this was always going to happen, but the pandemic basically made it happen a little sooner than would have otherwise, is that we bumped up against a crisis that is so huge that it's forcing all the governments of the world to bail out, basically everybody in sight. So the US is just creating new dollars as fast as we can and dumping them out into the banking system. It's causing a lot of disruptions in the financial world.

John Rubino:

You've got bubbles in so many different places now. The tech stocks are a bubble and housing is almost a bubble again. Cryptocurrencies just went crazy in the last year. It goes on and on. These bubbles are not far from bursting in a lot of cases. So instead of having, like we have in the past, a bubble in one sector where prices go through the roof and everything gets crazy and then it bursts, and then the government creates a lot of new currency to fix that sector, we've got the whole economy, the whole global economy, basically in a bubble right now. When when the bubbles that make up that greater bubble start to burst, it's not clear how to fix it.

John Rubino:

So that's where we are now. We're at a point it's possible that this crisis, the coming crisis, is going to be too big to be fixed. Then what happens? That's the big story. What is it going to be the lifetime to get from that point to some sustainable future, if that's indeed possible at all? So that's what we're headed into. It's a very interesting time from the standpoint of economic theory and probably a terrible time from every other standpoint. It's not going to be fun to pass through.

Dennis Tubbergen:

So, John, when, when you look at the Stephanie Kelton's of the academic world that are advocating for modern monetary theory, the idea that you can print as much money as you want, and if we have inflation, you just pull it back out in the form of taxes. That's just really rubbish. It's fertilizer, but are we now seeing that that's really, that point is being proven now with all the inflation that we're seeing?

John Rubino:

Well, you can make the case that we're already doing other monetary theory, which is a theory that says, yeah, governments don't really have to borrow money or tax their citizens or anything. They can just print up as much money as they need and run the government that way. The operative phrase being "as much new money as they need." They get to define their needs, the governments of the world. Then they get to finance that spending out of thin air.

John Rubino:

We're doing that already. That's what we're doing with central banks, financing government operations. So you can make the case that we're already doing modern monetary theory, and that the results of what we're doing is the result of modern monetary theory. It's bad. We've got suddenly soaring inflation in a lot of different sectors, which is what you get when you

create too much new currency. We've got massive financial instability. We've got really bad debts being taken on by all kinds of different parts of the global economy.

John Rubino:

There doesn't seem to be any way out of that mess. So the people who are proponents of modern monetary theory are really just saying, "Let's ratify and acknowledge the current system by giving it an academic name," instead of it being just this mess that evolved organically. Now we're going to give it a name that implies, we actually understand what we're doing, but we don't understand what we're doing.

John Rubino:

MMT is a side show because we've already made those mistakes. We may make bigger mistakes over time as we try to get out some of the mistakes we've made in the past, but there's no real fix. So whatever we call it, whatever we call the monetary system of the next two years, is going to be a catastrophe because we've already baked into the cake some kind of, again, a financial crisis by taking on way too much debt.

John Rubino:

The people who are running the show right now, or put it in a different way, the people who caused the problem in the past are the people we've charged with fixing those problems, going forward. So there's no reason to think that they have any special knowledge that'll allow them to save us. The daddy is not coming home to fix it. There's no adult supervision in these markets anymore. That's it. We just have to live through some horrendous financial crisis and try to come out the other end.

Dennis Tubbergen:

So, John, what does this look like? I got maybe a sadistic kick out of the fact that the Fed was shocked by the inflation report, and yet they're the ones engaging in all the money creation. If you use the CPI over, I think it was February, March and April, then we've got an annualized inflation rate officially of more than 7%. That's obviously a number that is manipulated as well. So what does this end game look like? When the bubbles begin to burst, does the Fed just try to put the pedal down and create more money and do we have a hyperinflationary event, or how does this play out in your view?

John Rubino:

Well, yeah, that's the really scary part of this story. As scary as the present is, when these bubbles start bursting, the Fed only has one tool, which is easier money. So they will have no choice. Well, they'll actually have two choices. One is to stand back and let the global financial system collapse into something worse than the 1930s' deflationary depression, or try to inflate their way out of all the bad debt that's bursting, by creating even more new currency and dumping into the system and pushing interest rates down even further.

John Rubino:

That's what they'll try because that's worked for them in the past. It's really all they know. These guys only know easier money. That's their whole tool, toolkit. Like the old saying goes, "When all you've got is a hammer, every problem looks like a nail." So for these guys, anything that happens, they automatically respond to it with easier money. So they will do that.

John Rubino:

But the problem is that they're starting from a place where they don't have a lot of leeway because interest rates are already extremely low. They're negative in a lot of places. In other words, if you lend somebody money, you have to pay them for the privilege of lending money to them, in a negative interest rate environment. So they'll have to push US interest rates down into negative territory, probably. They'll probably have to go to some kind of government cryptocurrency, which eliminates cash. They won't let us have cash anymore. They'll, on our bank accounts, they will take money from us instead of pay us interest. That'll be the next world. They'll hope that fixes things, and it won't. It'll just make things a lot worse.

John Rubino:

So but when I talk about a collapse, basically what I mean is that governments and big companies and individuals will have a lot more trouble borrowing money because everybody's terrified. Nobody wants to lend them money. So a lot of governments and companies and people will start going bankrupt. Then the Fed will step in and try to bail everybody out. That will make things worse because that'll push up inflation, which will push up interest rates against the Fed's attempt to push them down, and the system will just break down.

John Rubino:

There's a thing in the Austrian School of Economics called the crack-up boom, which is I think what we're headed for. That's the point at which a critical mass of people just realize that their currency is going to get less and

less valuable at an accelerated rate, basically forever. So they bail on the currency. The minute they get paid, they swap those dollars or euros for real stuff, like farm land and houses and gold and silver. So the financial side of the economy, in other words, bank stocks and government bonds just tank, because nobody wants to touch them anymore.

John Rubino:

So you've got huge inflation in real assets. In other words, gold and silver are going to go through the roof and you won't be able to touch farm land. Good luck trying to buy something like that when this gets going. So it manifests as inflation. It'll feel like a really aggressive inflationary stretch that we go through, but it's really people losing faith in the currency. That seems to be what's coming. What's at the other end of it is anybody's guess because historically, countries have done this quite a few times in the past. In fact, dozens, if not hundreds of times.

John Rubino:

Frequently you get a political crisis, which leads to some authoritarian government. Germany had a hyperinflation and they got Hitler. In the 1700s, France had a hyperinflation, and they got Napoleon. So that's the scary part of this that we end up in a situation where our governments are even more authoritarian than they are now with no real fix, because tomorrow's authoritarian governments are going to have some serious technology in which to maintain their power.

Dennis Tubbergen:

John, I'm sneaking up on the end of this segment here. My guest today is John Rubino. I will continue my conversation with John in the next segment when RLA radio returns. Stay with us.

Dennis Tubbergen:

I'm Dennis Tubbergen. You're listening to RLA radio. My guest today is Mr. John Rubino. His website is dollarcollapse.com. I mentioned in the last segment that that's one of my go-to sources for news. John does a brilliant job in his Breaking News: Best of the Web segment or section of his website, where he links to a number of different stories. I would encourage you to check it out. I always appreciate his perspective as well.

Dennis Tubbergen:

John, in the last segment, we talked about the fact that these difficult economic times that are looming apparently often lead to a more authoritarian government. I can't say it any better now, John, but let's talk a little bit about what that might look like. We chatted a bit before we started

talking today that Bitcoin in China, there's some events going on there. So that all is related.

John Rubino:

Yeah. Well, the cryptocurrency emergence is one of the really interesting stories of the last few years. Now, basically what cryptocurrencies are, and Bitcoin is the main one that everybody's heard of. They're basically private sector forms of money that have been created by some individual computer programmer and then turned loose on the internet. They keep track of them via something called the blockchain, which is an online ledger where everybody gets updated at the same time and, in that way, makes it in theory at least, unhackable.

John Rubino:

These things started very small and they were under the radar, but in the last few years, they just exploded and Bitcoin is now worth more than most big companies' market cap. So it's basically like we're running an experiment to see whether it's possible just to transition to private sector forms of money and just bypass the world governments. In other words, take away the printing presses from the big government, by just creating a new form of money, that they don't have any control over. A fascinating experiment, really interesting concept. I'm rooting for cryptos to succeed.

John Rubino:

But their success in the last few years has been without government paying much attention, and now they're big enough and valuable enough to become a threat to the world government. So what we saw in the last couple of days is the government's starting to strike back and overnight, I guess, China just reiterated a ban that they've had in place on their banks doing anything with cryptocurrencies at all. That caused cryptos to tank overnight. So Bitcoin is now down from 60 some thousand dollars per coin to 30 some thousand. So it's almost down by 50% from its recent peak. The other cryptos are down, in some cases more than that.

John Rubino:

So this is a challenge that crypto has always had to face at some point. Now they're going to apparently going to face that challenge in the near term where governments respond to the threat by trying to regulate them out of existence, or just ban them or coopt them or whatever. There's going to be a lot of different strategies, probably, employed by governments to stop crypto.

John Rubino:

Crypto fans say that cryptocurrency people can come through this with flying colors, that it's going to turn out that governments cannot control cryptocurrencies, short of just shutting down the global internet. When they find that out, they'll just back off and cryptos will just become the de facto core value, and maybe a medium of exchange in the world. So we'll see. I think governments have more power than Bitcoin fans think governments do, but I really don't have any way of knowing how this is going to play out.

John Rubino:

It's just a fascinating thing to watch. Yet another fascinating disruption to global financial system that might be good, and it might be very bad for a lot of people. So we'll have to see. But I think the crypto story is, is probably one of the really interesting stories of the coming decades, because by no means it's over just because China made an announcement and crypto went down last night. The story has a long way to run and cryptos have a lot more interesting things to do and to have done to them.

John Rubino:

I don't know how to invest in them, though. I really don't know how to advise anybody to treat cryptos within their investment portfolio, because we saw this kind of volatility in the last, well, really in the last few years where Bitcoin went from 3000 to 15,000 then ... Oh, no, from 200 to 15,000, then down to 3000, then up to 60,000. So how do you invest in something like that? It's not clear, but because things are evolving so quickly and it's still uncertain, you might want to include Bitcoin and some of the other cryptos in the basket of real assets that you look at.

John Rubino:

If you were an individual trying to get away from this big financial crisis, by moving into real things, you want some commodities like copper and iron, or maybe some housing exposure, and you definitely want gold and silver, and maybe farm land, stuff like that. But maybe you want cryptos, too. I wouldn't say that definitively yet, but I think that's definitely something to look at as you're structuring your own finances, especially if they get whacked some more here, and they go down.

John Rubino:

As volatile as they are and the further down they go, the more upside that they have. So, again, we'll have to see. Nothing is certain in this world except probably gold and silver will be fine, but everything else is really in flux right now. So personally, I'm way overweighted in precious metals, just because that seems like the only truly safe place out there right now.

Dennis Tubbergen:

John, don't you think when you study history that you had mentioned this in the last segment, that whenever there has been currency failures, that the population pretty much insists on a currency linked to something tangible. Don't you think that ultimately eventually we have to end up there again?

John Rubino:

Yeah, I do think that, and the question is, do we do it in a chaotic way because the market imposes it on us? In other words, if currencies just start collapsing and people start hoarding real assets, and governments just have to accept that at some point after a huge crisis in which their currency just collapsed and caused misery for everybody, or do we do it in a rational way, where governments just recognize that the fiat currency experiment is a failure and just go back to some kind of a commodity-based currency where you've got something like gold? It doesn't have to be gold, but gold has been the thing that has worked pretty well for 5,000 years. You've got that as your base money. Then the currency that circulates is just a representation of the gold that is in the government's vault. In other words, the dollar used to be just a name for a certain weight of gold.

John Rubino:

That's what the other currencies of the world were, too. We could go back to something like that, only the high-tech version, where digital dollars are transferred from one place to another, via some kind of a cryptocurrency-like blockchain system, but it's still gold in a vault somewhere that is the actual money of a society. Because the supply of gold and of silver ... We can include silver in this future monetary system, the supply of those metals rose only very slowly because you have to dig it out of the ground.

John Rubino:

Historically you've gotten one, one and a half percent more gold each year, which is, is a good increase in the supply of money. The ideal money would not increase in supply at all. It would just be perfectly stable, but the fact that gold increases very slowly and in a predictable way, makes it a really good base money for a system. Because if it only increases at that very slow rate, it will tend to ... it'll stay as rare as it has been. It will tend to hold its value, which is what it's done for 3000 years.

John Rubino:

In the Roman empire, an ounce of gold bought a pretty good man's toga. Today, an ounce of gold buys a decent men's suit. It just held its value. You can say that about all kinds of other staples, where gold buys pretty much the same as way back when. The reason for that is that gold is stable in

terms of supply. It stays just where as it's always been, and therefore it's valued pretty much what it was. So if we go back to something like that, on some Sunday night, they just announce that henceforth, the dollar is just a name for 1/10,000th of an ounce of gold, and gold and dollars are exchangeable at any government office, then we would have this huge burst of inflation, which would hurt everybody that trusts the government, but would give us a sustainable monetary system going forward.

John Rubino:

That's probably the best case scenario. But it seems like the least likely one at this point. I think they're going to crash around and try all kinds of authoritarian, modern monetary cryptocurrency strategy at the governmental level before they finally give up and go back to real money. The average person who trusts the government is the one who's going to be hurt by this. The retiree who puts their money in a bank account, that bank account will be worth a lot less when something like this happens. Or middle-class people who are saving for retirement and do so via government bond fund, which will also become a lot less valuable in this scenario.

John Rubino:

Those are the guys who will be hurt. Rich people who own all the real assets, who own a bunch of gold already. Bill Gates, who is now the biggest owner of farm land in America, those guys will make out the fine of course. Once again, it'll be regular people who don't deserve to be hurt because they're playing by the rules, who are hurt most by it.

Dennis Tubbergen:

Well, my guest today has been Mr. John Rubino. His website is dollarcollapse.com. John, we've got about a minute left in this segment. Do you want to take 30 seconds or so, and talk about your website?

John Rubino:

Yeah, actually, I'd rather give a little bit of advice out there because I think it's easy to get wrapped up into the gloom and doomy side of the story, but it's actually also an investment. You can make a lot of money if you buy the right things at the right time. I think precious metals are a big part of that story. So don't think of this as this horrendous crisis that's coming. Think of it as an investment opportunity for you to protect your family and yourself by doing the right thing.

Dennis Tubbergen:

Well, that's a terrific way to end this segment. Again, my guest has been Mr. John Rubino. His website is dollarcollapse.com. I'd encourage you to check it out. John, thanks for joining us today. I'd love to catch up with you again down the road.

John Rubino:

Great. Look forward to it, Dennis.

Dennis Tubbergen:

We will return after these words.