Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: John Rubino

Date: January 3, 2021

Produced by:

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

Phone: (866) 921-3613
Email: info@plplanners.com
Website: www.RetirementLifestyleAdvocates.com

Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. I have the pleasure of joining me, once again, on today's program, and the first program of 2021, Mr. John Rubino. John is the co-author of the book The Money Bubble, and he also has the website dollarcollapse.com. The website is dollarcollapse.com, and I would encourage you to go check out the website. And there is a 'join the email list' button you should click on, enter your email, and you'll get all of John's terrific information. So, John, welcome back to the program.

John Rubino:

Hey, Dennis. Good to be back.

Dennis Tubbergen:

So, John, you published, or you wrote or co-authored The Money Bubble, and for our listeners that maybe are not familiar with that book, talk about when it was published and really what motivated you to write the book and the premise of the book.

John Rubino:

Yeah. Well, James Turk, the founder of Goldmoney, which is a big gold storage company, and I, wrote that book in 2014 on the assumption that we had pretty much gone as far as we could go with all the borrowing and spending and money creation things. And the financial system was getting ready to break down and be replaced by something else. And lo and behold, six years later, this terrible, unsupportable financial system is still limping along, and it hasn't collapsed yet. But it's doing a lot of those things that we predicted it would do in the book, which is to say having bigger and bigger booms and busts, and then reaching a point where a bust was so severe that everybody in sight had to be bailed out for trillions and trillions and trillions of dollars. And that that would shift the pressure from the economy over to currencies because we're creating so much new currency to manage all the debt we're taking on, that that would push down the price of the dollar and the Euro and the yen versus real stuff. In other words, all the big currencies would start to fall versus farmland and gold and silver and housing, and now Bitcoin and the other cryptos.

John Rubino:

And we're starting to see that now, with the dollar starting to fall, huge amounts of new currency being created around the world. And again, in 2021, that's going to have to happen, just like it happened in 2020. So a lot of the really extreme gloom-and-doom kinds of predictions in that book are finally starting to come true, which means the investment advice in the book is finally really timely. So even though the book is six years old, it actually is more applicable now than apparently it was when we published it. And that's bad news for everybody, except the people who take steps to protect themselves from what's coming.

Dennis Tubbergen:

Well, I have read the book a couple times, I'd encourage the listeners to do that as well. John, for those people that think 2020 was an aberration, from a new currency from thin air standpoint, it was really probably not, as you indicated. The Fed at the beginning of 2020, I think the balance sheet was a little over four trillion, it's now over seven trillion. Now we're looking at another $2.3 trillion in spending that will be supported largely by just more money creation. Where do you see the Feds' balance sheet being at this time next year?

John Rubino:

Well, the Feds' balance sheet is basically a proxy for how much new currency the Fed has created and dumped into the market. So the increase in the money supply via the Fed shows up on its balance sheet. So yeah, when it's rising by trillions of dollars a year, that means there is a flood of new money pouring into the system. And we're seeing that now, because when the government creates a lot of new money and dumps it into the system, it doesn't go equally across the board. It usually flows into a few sectors. And in this case, stocks are soaring and bonds are soaring and trophy real estate is through the roof and houses are up, so we're seeing raging inflation in certain parts of the economy because of all this new money. And now the Fed has to do it all again, because the coronavirus, or more specifically, our response to the coronavirus, all these lockdowns, have basically gutted the US economy, and the global economy, but we'll talk about the US so we can focus on the Fed here.

John Rubino:

And right now, going into 2021, we have the restaurant sector on its death bed, we have hotels at five or 10% occupancy rates in a lot of places. The airlines are a mess. The cruise lines are a mess. Commercial real estate, the guys who own malls, they're dying left and right right now. And state and local governments cannot pay their bills, and their pension obligations are just blowing up on them. So all of those guys need to be bailed out, which means this coronavirus relief bill that we just passed is a drop in the bucket. It is so inadequate compared to the need out there that it will be superseded pretty soon by an even bigger one. This was 900 billion or whatever, the new one is going to be two or three trillion, by necessity, because even that won't cover the breakdown in state and local financial budgets. But the 900 billion that we just put out won't even scratch the surface of the bills we have to pay. So we're going to have to do another one here in the not-too-distant future.

John Rubino:

And then the Fed is going to have to finance all the borrowing that's required to do the big bailout, and that means we've got to create a lot of new currency. We'll just have to flood the system with dollars again. And so the sound money piece is basically what gold bugs believe, and what I think is absolutely true, is that at some point basic supply and demand kicks in, when we're just creating so many new dollars that the value of each individual dollar starts to fall at an accelerating rate. And once that happens, the Fed and the other central banks in the world lose their last tool for manipulating markets, because you can only prop up the stock and the bond and the housing markets with newly created currency if people think that currency has some value. And as soon as that ceases to be the case, then it's game over for this whole thing. The whole fractional reserve banking, fiat currency, central bank dominated economy that the world has developed since we went off the last vestige of the gold standard in 1971, that breaks down. It just stops working. And that's going to be chaos for everybody who's depending on the money in the system for their savings. Like if you have a bank account, you're in trouble. If you have a bunch of bond funds, those bonds are paying you interest in a depreciating currency, which means their value goes way down.

John Rubino:

So a lot of people who trust the current system are going to be hurt by this very, very badly. And so the message, I know that that's your message too to your listeners, and that's the message that I'm putting out there, is that it's time to protect ourselves and our families from what's coming by getting away from that stuff that depends on the value of the dollar, or the Euro and the yen, and into real assets that don't have counterparty risk. In other words, they don't require somebody else to keep a promise for them to have value. And that's really the investment piece going forward that I think makes the most sense. And real assets are gold and silver and farmland and rental houses, and maybe some energy assets, things like that that you just can't make more of very easily, and therefore they tend to be valuable even in crazy financial times.

Dennis Tubbergen:

Well, if you're just joining us, I'm chatting today with Mr. John Rubino. He is the coauthor of the book The Money Bubble, which, as John pointed out earlier, was published six years ago, but probably more relevant today than it's ever been. His website, again, dollarcollapse.com, I'd encourage you to check that out as well. John, when you look at history and you look at the Roman empire, you look at early colonial America, you look at Weimar Germany, you look at John Law's France, in every one of those cases where we had really a currency fail, it was because the government went down the spending road and spending was off the charts, and there was only one way to finance it. And that was by creating currency. That seems to be where we are today. At least that's what I'm hearing you saying. Is there any hope that this could be reversed at this point? Or are we just too far gone in your view?

John Rubino:

Well, we're at the point where we have two choices. One, because we have all this debt that we have to get rid of somehow, because we can't manage it, so one way to get rid of it is the 1930s approach, which is to have everybody go bankrupt. And then the debt just disappears through default. The other is ... you mentioned a lot of inflationary episodes in human history just now, and that's the other way to get out of it. You create even more new currency, make the currency way less valuable because there's so much of it out there, and then the debt that is based on that currency becomes easier to manage because it's still paying the same number of dollars, but those dollars are cheaper and easier to get. So you manage your debts that way.

John Rubino:

We're going to try that second approach, obviously, because that's what we're doing. And there's no guarantee that it succeeds, but historically, a lot of countries have tried that and seen their currencies collapse, right? So yeah, you can get out from under your debt, but at the cost of a hyperinflation that bankrupts everybody who has their savings in that currency. So I think that's what's coming, because we really only have those two choices. We owe so much more than we can ever hope to pay off in normal times that we're going to try to get rid of it via inflation. And once you let that genie out of the bottle, it's not something you can control.

John Rubino:

A financial analyst named Jim Rickards, whose books are must reading if you want to understand what's going on out there, has this analogy. He says the people in charge of the monetary system think they're working with a thermostat where they can just tweak it a little bit; "We'll move it from 68 to 69 degrees and that'll be fine, and then we'll move it back down to 66." But what they're really working with is a nuclear reactor, where once it gets past a certain point, it goes critical and blows up. And because that's what we're working with, and these guys don't understand it, they're taking wild chances with it and creating the conditions in which it can go critical. And that's probably, in monetary terms, what's coming, where the system just spins out of control because we no longer have the ability to manage it via monetary policy or fiscal policy. We just have no tools left and it's going to do what it's going to do. And we're just bystanders at that point, watching the train wreck.

John Rubino:

And what happened with the coronavirus is that it moved all of this stuff up from the indeterminate future to the immediate future. We have to make these choices in 2021, and then we'll see the results of those choices in later 2021 and 2022. So it's right now. This is no longer one of those inevitable things, it is now an imminent thing. And that's what makes it such a fascinating time, but also a terrifying time, because you shouldn't wish living through something like this on your worst enemy. And all you can do is try to minimize the impact of it by doing the things I talked about before; getting into real assets. But most people won't do that. So we're going to see our friends and our family members who trusted the status quo get hurt really badly in the next few years. And it's going to be really unpleasant. And the only upside is that, if we make the right decisions and we've got a lot of capital available, we can help our friends and family. But there's a limited amount of help that you can give somebody when they go bankrupt because they trusted the government.

John Rubino:

And in episodes past, in other words, in past hyperinflations, that changed the culture of the country in fundamental ways, because everybody lost faith in their leaders. And in a lot of cases, they ended up either electing or allowing to take power people like Hitler or Napoleon. In other words, you get authoritarian government during times of extreme crisis because people just want the bleeding to stop. They don't want to hear about the constitution anymore, they don't want to hear about civil rights, they just want the craziness stop right this minute. And so they tend to be open to people who promise to do that, and those guys tend to be very scary dictators in a lot of cases.

Dennis Tubbergen:

Well, our guest today is Mr. John Rubino, the website is dollarcollapse.com. I would encourage you to go check out the website and get on John's email list, he has a lot of great information you won't want to miss. I'll be back with John after these words. Stay with us.

Dennis Tubbergen:

I'm Dennis Tubbergen, you are listening to RLA radio. I'm chatting today with returning guest to the program Mr. John Rubino. John is the co-author of the book The Money Bubble. The book is very relevant today. What John and his coauthor James Turk wrote about six years ago is now coming to pass, so the advice in the book is very relevant. His website is dollarcollapse.com, and I would encourage you to join his email list. He's got some great stuff he puts out and his website has ever evolving information with a lot of terrific links to good stuff in the news. And from what I can tell, John, you update that every day.

John Rubino:

Oh yeah, Den, it's a continuously site, because there's so much stuff going on, so it's very easy to find interesting stories that relate to the dark side of the financial world, because we are making mistakes everywhere you look, and those mistakes have consequences. So it's a fun topic to cover, especially at this point in history.

Dennis Tubbergen:

So let's talk, John, a bit about what's happened with just gold and silver prices this year. Both have had terrific years, a bit of a pullback here at this point as we're recording this. Where do you see gold and silver prices going? And there have been a number of admitted instances of price rigging in both of those markets over the past few years; to what extent do you think that is suppressing the price, and where do you see gold and silver going from here?

John Rubino:

Well, gold and silver have had pretty good runs over the last few years. They brought them to below $1000 an ounce for gold in probably, I think, let's say 2017. Okay? And they've been running up ever since, kind of irregularly, and in mid 2020 gold hit its all time high. So we're back in the bull market for precious metals, but it is irregular. It'll go up for a while and then have a correction. And then we're going back up again in gold and silver at a time that's really good seasonally too. Normally January and February are excellent months for gold and silver because of Asian buying. They have their weddings in Asia in the spring and summer, and they like to give gold and silver as wedding gifts. So the jewelers over there have to buy a lot of gold and silver and that pushes the price up seasonally usually. And that's starting to happen again now.

John Rubino:

At the same time, we're doing these gigantic bail outs of everybody in sight, and they will continue in the coming year, which will put the wind at precious metals' back monetarily. In other words, the Fed is going to have to finance all this new borrowing and some of that money is going to flow into gold and silver. So I think this is going to be a good year for precious metals and a great year for the mining stocks, because if you're a gold miner and you're already making money and then gold goes up by another 20 or 30%, that's all gravy. Your margins just explode. And then that brings you to the attention of investors who look for earnings momentum, which then they buy your stock and that pushes the stock price up. And then momentum traders come in, who are looking for rising stock prices, and you get this positive feedback loop thanks to rising metals prices. So the miners could have just a phenomenal couple of years.

John Rubino:

Now, having said all that, you're right, there's manipulation of all the big markets out there. So gold is no exception. But I think it's important to understand that there are two different kinds of manipulation. One is the big one for gold, which is that the central banks of the world that have a lot of gold have been suppressing the price of gold by lending their gold bars to what are called bullion banks, big banks that then sell that gold in the open market. That pushes the price down to levels that are lower than would be the case just if gold was reacting to the monetary madness that's going on out there. And so that's probably been going on for a long time and has resulted in gold being lower than it would be otherwise.

John Rubino:

And then there's the other kind of manipulation that's been in the news lately, where traders on big bank prop trading desks push the metals prices in the futures markets one way or another, using fake orders or other kinds of manipulation, in order to be able to trade in and out at a profit. And some people have been, I think, going to jail for that lately, but it's not very important in terms of the longterm trend for gold and silver.

John Rubino:

So I think the big behind the scenes manipulation is still going on, but that's creating a short position, which eventually ends that kind of manipulation. Because the big banks that are borrowing that gold from the central banks have to give it back at some point. In other words, they've sold it to make a profit in the market right now, but at some point they owe that gold back and they have to go out and buy it. So we're at some point looking at a big short squeeze because of that manipulation in which the big banks, the bullion banks, have to go into the market and buy gold at any price in order to get it to give it back to the central banks. And once they start doing that, that's going to be upward pressure on top of the upward pressure from a falling dollar and Euro and yen, and from a panicked populace. So we could just see this perfect storm for precious metals where you've got through the bullion banks buying because they have to, lots of other people buying because they're desperate to get out of dollars and into something that's not going to tank in value the way the dollar has been, and possibly central banks buying because they need to back their dramatically declining currency reserves with something that's not declining.

John Rubino:

So I think we could see prices for gold and silver that don't even make sense to people today. $10,000 an ounce gold is very easy to envision in that kind of a world. And if gold goes to $10,000 an ounce, silver goes to a couple of hundred bucks an ounce very easily. And so that's the kind of thing that's out there at some point, as all these forces come together to create that perfect storm.

John Rubino:

The problem is with waiting, if you think, "Okay, no, I'm going to wait till I see all this stuff happening and then I'm going to jump in." Well, when you do that, it's possible that it won't be possible anymore to jump in because the gold that is available and the silver that's available is so inadequate compared to the money that's going to be flowing into those markets, that if you want gold coins or silver coins, you may just not be able to get them. Or you'll hear from your dealer, "Oh, okay, yeah, I'll get you some silver Maples, but you have to pay twice the spot price and you have to wait for six months for me to be able to get the inventory to give it to you. But in the meantime, give me your money." That's the kind of story you're going to hear out there. So a lot of people who are waiting for signs that this is going to happen, they're going to be disappointed, because by that time it's going to be too late. So you kind of have to position yourself now in anticipation of stuff like that and accept that you might have to wait a while for it to play out.

Dennis Tubbergen:

John, over the past couple of weeks I noticed that ... I think it was the country of Uzbekistan, that actually the central bank of the country has now started to put various quantities of gold sealed in a credit card sized card, if you will. And they're encouraging people to buy those and use those in commerce. And I think it was the Italian central bank that came out and said that gold is a good asset to own. Are we seeing a change, a slow change, in the posture of central banks toward gold around the world in that they're kind of encouraging citizens to use gold?

John Rubino:

Yeah. It's not even really a slow change anymore because central banks used to be net sellers of gold. In other words, they would sell 400 or 600 tons each year as a way of raising cash that they can invest in bonds which yield interest. But lately they've turned into net buyers, and big time net buyers, seven, 800 tons of gold in a given year. And that adds buying pressure to a market that was already pretty tight. So now you basically have everybody buying. There are no big sellers of gold left in the world, only buyers of various sizes.

John Rubino:

And China and Russia have already, over the last few years, been pretty much buying all the gold that was produced by the world's gold miners. So any gold that investors bought came from Western central banks that were secretly selling their gold. Well, they're not doing that anymore. Most of them are buying now. So you've got China and Russia still accumulating, we've got the big central banks in Europe buying gold, and that's why the price is starting to trend back up now. Well, at its high in 2020, it had doubled from its low in this cycle. And there's really no end in sight for that trap. Gold, it's pretty big and slow moving sometimes, so it might not feel like we're in a bull market, but we actually are if you look at the trend. It turned basically mid decade, and now it has been trending up. And with all of these big players out there buying it, I think the trend just gains steam going forward, although there will be corrections here and there. But the overall secular trend is going to be strong and long, I think.

Dennis Tubbergen:

John, we've got about two minutes left in this segment, I want to go back to where we started. In the book, The Money Bubble, you predicted a lot of this, or all of it really, and it seems like whenever you study currency breakdowns and hyperinflations, that there's always a tipping point where the population kind of wakes up and says, "Wait a minute, I don't want this paper stuff, I want something else." Do you see 2021 as the year that we reach that tipping point?

John Rubino:

Well, 2021 is when we have to do some even more extreme financial things like bail out everybody in sight, basically. And the question is, can we get away with it? The numbers will be much bigger and more and more people will be worried by what they're seeing, but will it be that critical mass of people who see what's happening and see that it's the explicit policy of governments to make our currencies worth less and less year after year and act accordingly by just bailing on the currency? That we'll have to see, because I would have guessed that 2008/2009 would have been the time when that was going to happen, when we were bailing out all the big banks and everything. But it didn't happen. We got away with taking on another 10 or so trillion dollars of new debt in that time. And the economy ended up, to most people's eye, growing steadily and in a healthy way for a long time.

John Rubino:

The numbers this time around are going to be massively bigger than they were last time around. So it's possible that this is the time when all those zeros in all those trillions finally freak people out and cause the markets to react against the financial debauchery that has been going on. And we get the thing called a crackup boom in the Austrian school of economics, a point where prices of real things just skyrocket because everybody's cashing their currency out and getting into real stuff. And that basically crashes the system.

John Rubino:

So 2021, it could be the year in which that happens, but it also is definitely the year in which we set the stage for that to happen at some point. So we're doing things that will bring about the crackup boom and the subsequent crash, but when exactly that happens still can't be predicted. And I think 2021 is an absolute possibility, and sometime in the next five years is a high probability.

Dennis Tubbergen:

Well, our guest today has been Mr. John Rubino. I would encourage you to check out his website dollarcollapse.com, and there is a link to join the email list. I'd encourage you to do that and get all of John's terrific research and information. John, always a pleasure to chat with you and happy new year. It's going to be interesting.

John Rubino:

Thanks Dennis, a happy new year to you too. It is going to be very interesting.

Dennis Tubbergen:

We will return after these words.