Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

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Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host Dennis Tubbergen. I have the pleasure of chatting once again with returning guests, Mr. Brien Lundin. If you're a longtime listener, you probably remember Brien as the President and CEO of Jefferson Financial. Jefferson Financial is a highly regarded producer of investment-oriented events and publisher of investment newsletters and special reports. Jefferson Financial actually sponsors The New Orleans Investment Conference, which I believe is the largest conference of its type in the world. They also produce Gold Newsletter, which is the oldest gold newsletter in the country. Brien, welcome back to the program.

Brien Lundin:

Great to be with you, Dennis.

Dennis Tubbergen:

Brien, for our listeners maybe that are not familiar with Gold Newsletter, it really... The founding of Gold Newsletter was really kind of when it all started. Can you give us some background?

Brien Lundin:

Yeah. Back in August of 1971, President Nixon severed the last remaining tie between the dollar and gold. It was illegal at the time for U.S. citizens to own gold, so they couldn't turn in their dollars and get gold. They couldn't own gold in any way, but foreign governments could turn in their dollars to the US Treasury and get our gold in return. They were sensing that the dollar was overvalued, and worth a lot less than we said it was worth. They were doing that. They were turning in lots of dollars and getting lots of gold.

He put a stop to that, and said that the dollars no longer transferable into gold, no longer any connection whatsoever, in a temporary move that's now lasted some 51 years. But that was going to actually reduce or eliminate any restraint on the government for producing dollars any longer. A guy named Jim Blanchard heard that, heard Nixon's announcement and decided to do something about it. He realized that would usher in an accelerated era of inflation of high inflation.

Without being able to own gold, American citizens really couldn't do anything to protect themselves. He started advocating for the return of the right to own gold for American citizens. He started Gold Newsletter that day to... It's really a tool in his effort to lobby for the change of this loss. He was successful in 1974 and decided to have an investment conference to teach Americans how to buy gold. That started our conference business, and it's been going strong ever since. It is the longest running investment conference in the world. Gold Newsletter is the longest standing precious metals advisory in the world. Jim Blanchard passed away, sadly, in 1999, and I was working for him and running his business at the time and have been continuing to carry the flag ever since.

Dennis Tubbergen:

Well, again, it's a pleasure to have you back, and thank you for that background. You mentioned the seventies, Brien, which I think you see a lot of parallels, some parallels. Anyway, loose parallels between the seventies and today. It was a period of high inflation. The seventies saw the worst bear market that really since the time of the Great Depression, a lot of that was due to the fact that link between the dollar and gold was severed. Now it's almost like, here we go again. How would you compare where we are today with the environment that existed at the time Gold Newsletter was founded?

Brien Lundin:

Well, while the inflation rate isn't quite up to the levels that we saw in the 1970s, it's pretty darn high. In fact, the real interest rate, which means if you take the current rate of interest like the Fed Funds Rate and subtract the rate of inflation from it, then you get to levels of real rates that are as negative as anything they were in the 1970s. A lot of similarities to the 1970s, but a couple of big differences. One thing is that, and the primary issue I think, is that back when Paul Volcker was cranking up interest rates to kill off inflation, he could do that because the size of the federal debt was only about 30% of the gross national product at the time. It was still relatively low. Today, instead of about 30% of GDP, the federal debt is about 130% of GDP.

That means that current Federal Reserve chairman, Jerome Powell, no matter what his intentions are, even if he has the same fortitude as Paul Volcker had in fighting inflation, he just doesn't have the tools. He doesn't have the weapons at hand. In fact, he has nothing he can really do, because he can't get the rate of interest higher than the rate of inflation. He can't do that because the debt is so large. If you say have interest rates at four or 5%, then you're going to be paying with the debt at $31 trillion now, you're going to be paying over a trillion dollars a year, every year just to service the debt. Just to pay the interest costs. Considering we're already in a deficit spending situation, where's the government going to get that extra trillion dollars? It's going to borrow more money.

It's going to borrow money to pay a rising interest on the debt it already has, and then it's going to have to pay interest on that money that it borrows to pay the interest. As you can see, it quickly accelerates into the kind of debt spiral that would quickly bankrupt any private enterprise or private individual. Obviously, the US government operates under different rules, and it takes a lot longer for these issues to really create a big problem when you have a government like the United States that is the world's... Issues the world's reserve currency. But people need to realize, too, that this has been going on now for this era of deficit spending for 60 some odd years since the 1960s. It's been going on a long while, and we're getting to the end of really... Of a trend that I think is going to have tremendous repercussions for everything, every financial market out there.

Dennis Tubbergen:

Well, if you're just joining me, I'm chatting today with Mr. Brien Lundin. Brien is the president and chief exec executive officer of Jefferson Financial. He publishes Gold Newsletter and also, Jefferson Financial sponsors the longest running investment conference that exists today at the New Orleans Investment Conference. You mentioned a couple of things there, Brien, I want to follow up on. But let's start with the last thing you mentioned, and that is these severe repercussions for financial markets, because short of balancing the federal budgets, so the federal government doesn't run a deficit. Even if you make that assumption, the debt problem's really too big to pay it down with honest money. It just seems to me that these repercussions are going to be a big financial reset and the dollar, the currency in use is going to have to look different than it looks today. Is that an out-there conclusion on my part? Would you differ with that, or would you agree?

Brien Lundin:

I would agree that, again, this is a trend that was started in the 1960s with guns and butter and deficit spending. It takes a long while for a country like the United States, the dominant world power issuing the world's reserve currency to get into the same kinds of dire financial situation that any private enterprise would in the same circumstance or even any other nation. But it's been a trend, you can look at charts, and I show them in my presentations all the time, but since the early 1980s after Paul Volcker raised rates. When he started lowering rates, every success of Fed governor, every Federal Reserve board has always lowered rates in reaction to any recession or any slowdown economically. You can see this in a stair step pattern that rates kept going lower and lower and could never return to any normal levels.

It got to the point where they were at zero post the 2008 financial crisis, and then zeroed again post Covid. They can't go any lower without going negative, but this endless parade of easy money policy coming in waves and waves and waves has created asset bubbles. It's created or encouraged the accumulation of ever greater levels of debt. It's all coming to a head right now.

Now, I don't know if the next crisis that we go into that where the Federal Reserve has to lower rates again, will be the one that destroys the credibility of the dollar or whether it's going to be the next crisis after that or whatever. But we are in the end game of this long process, and I don't believe it's necessarily just a dollar story because every developed economy, every developed nation is in the same boat and doing the same thing. I think it's going to be a matter of all of the world's currencies will have to restore credibility in some way. One of the ways, and probably the primary way that they could do so would be to return an attachment to gold in some way to instantly restore credibility. I think that's going to happen eventually, but whether that happens next year or in the next 10 years, I don't think anyone can really say.

Dennis Tubbergen:

Well, then Brien, we're got just maybe two and a half minutes left in this segment or so, but when you look at what's going on with Russia, China, the bricks countries there, there's a lot of talk and a lot of stories that are making mainstream media that these countries are looking for dollar alternatives to facilitate their trade. It just seems that this move away from the dollar might be starting already. What's your take?

Brien Lundin:

Yeah, it is. I'm pretty skeptical that it could happen in the near term or in any timeframe that really makes any difference for us. I think the US remains as the bastion of law in international circles. Rule of law in the US is better than anywhere else. It's not as good as it should be, naturally, but it is still better than all of the other competing regimes for an international reserve currency.

I don't think the world is going to accept a Chinese yuan or a Russian ruble as a reserve currency globally, because those are essentially dictatorships that are run depending on the moods of the man in charge of each country. I'm really skeptical that the dollar is going to lose its reserve currency status. With the exception however, that if there is some sort of an international consortium that attaches those currencies to a standard like gold or to gold itself, and there is a move afoot to do that, then I think that could help overcome the issues with the rule of law and the fact that these governments are run by a diktat. If there is an international movement to establish an international reserve currency that is based on gold, I think that could actually represent a threat to the dollar.

Dennis Tubbergen:

Well, you are listening to RLA Radio. I'm Dennis Tubbergen. I'm chatting today with Mr. Brien Lundin. Brien is the president and chief executive officer of Jefferson Financial. You can learn more about the New Orleans Investment Conference at neworleansconference.com. You can learn more about Gold Newsletter goldnewsletter.com. I'll continue my conversation with Brien when RLA Radio returns. Stay with us.

I'm Dennis Tubbergen. You are listening to RLA Radio. My guest on today's program is Mr. Brien Lundin. Brien is the president and chief executive officer of Jefferson Financial, and under the Jefferson Financial umbrella, there is something called the New Orleans Investment Conference that occurs annually. Brien, for our listeners that may want to get more information, maybe get a different perspective, can you tell us a bit about the New Orleans Investment Conference?

Brien Lundin:

Yeah, Dennis, it was started by, again, by Jim Blanchard back in the early 1970s to teach investors how to invest in gold, teach American citizens how to invest in gold, because prior to that, gold was illegal to own. It started off, it was a big success and it's grown over the years to cover really all of the major financial assets and markets, but still has a kind of consistent theme of precious metals, gold, silver, sound money, as well as personal liberty and free markets. We've always focused on that kind of an idea or ideal with each annual event. Over the years, the speakers that have graced our stage represent many of the giants of recent history. People like Lady Margaret Thatcher, Milton Friedman, Alan Greenspan, Ayn Rand, had her final public appearance at our event. We've become known for presenting some of the really most insightful thinkers and thought leaders of the day on everything from geopolitics to economics, to the individual investment markets. It's been going strong. Again, this is our 48th year coming up next month in October.

Dennis Tubbergen:

Well, that's terrific. If you'd like to learn more about the New Orleans Investment Conference, you can check out the site neworleansconference.com. I'd encourage you to do that. Brien, maybe to just go down this road of inflation a little bit more, and then talk about metals and gold and kind of tie up the conversation we had in the last segment. When you take a look at where inflation is today with the consumer price index, the government will admit to eight to 9%. However, when you take a look at the way the CPI has changed over the years, the way the calculation methodology has changed, there are independent analysts like John Williams at Shadowstats that would argue the inflation might be almost twice that. What's your opinion?

Brien Lundin:

Yeah, I think John's right. He's been tracking the methodology very closely. I tell people all the time, the current CPI is not our father's CPI. They've adapted it, major recalculations and rejiggering of the calculation in the CPI at least twice since the 1980s. They've thrown in things like hedonic deflators and substitution. Really looking for any excuse to try and downplay the rate of inflation. As one example, if only the CPI calculated healthcare costs correctly, it would already be well into the double digits if just for that one indicator. The federal government only uses Medicare reimbursement rates as its measure of health costs. That vastly understates the actual cost that people are paying every month for their healthcare.

You can go down the list of items in the CPI, and it repeats over and over again. It's dramatically understating inflation and it's not calculated the same way as it was back then. Every other indicator we're seeing shows that inflation is close to the rates that we had in the 1970s, or even exceeding it. That actual real rate, when you factor in the still relatively low interest rates right now, real rates adjusted for inflation are way negative and as negative as they've almost ever been in the history of the United States. This should be a very conducive, a very bullish environment for things like gold, silver, precious metals, and other tangible assets.

Dennis Tubbergen:

Brien, what would you say to a listener that says, "We've had significant inflation here, certainly over the last year, very significant inflation and yet precious metals, gold and silver don't seem to be reacting price wise the way one would expect?" What's your take on this? What's your explanation? What would you say to that listener?

Brien Lundin:

Well, I would say that the prices of the metals and really prices of every financial asset are set these days on Wall Street by traders that in many cases are just computers. They're just using very simple algorithms. Because every financial market out there since at least 2008 and to a lesser degree even further back, every financial market has been driven by Federal Reserve policy because the Federal Reserve really is the bell cow for every other central bank. Every other central bank follows its policies. The Federal Reserve has floated the US financial markets on an ocean of liquidity, easy money. All of these assets that used to be, used to have an inverse relationship like stocks and bonds. People always advised having stocks and bonds at certain levels in your portfolio because they tended when one went down, the other tended to go up.

Well, every asset class has been driven higher. All of those correlations, all those relationships are positive now because they've all been driven higher by central bank liquidity, easy money, and that includes golden precious metals. These Wall Street traders now look at... On a daily basis, they see what is indicating, what the indicators are showing as far as Federal Reserve policy. If it looks like the Fed is going to be more hawkish or have greater restraint on that monetary liquidity, then they simply sell everything. If it looks like the Federal Reserve might be a little looser of their money monetary policy, then they buy everything together at one time.

Gold, which should be rising in an inflationary environment is suffering alongside every other asset because every asset has become a risk asset that's bought and sold by these Wall Street traders. Now in gold, their trading is on the futures market, which has no relation to the physical market. In the physical market, there's been tremendous demand broadly for precious metals, and yet that's not been reflected in the actual price because of this Wall Street trading. Again, I think that's all going to change very quickly once we see the rising cost of servicing federal debt and the Federal Reserve is forced to stop its rate hikes. I think that's going to be a real impetus for gold.

Dennis Tubbergen:

What would be your forecast for gold and silver, Brien, if you dare be so bold?

Brien Lundin:

Well, price forecasts, I like to avoid so I don't look too stupid, but I think they're both-

Dennis Tubbergen:

I'm with you there.

Brien Lundin:

Yeah, I'll give you a price or I'll give you a time, but I won't give you both. But I think that they're going to rise toward the end of the year, because I believe the Federal Reserve is going to be forced to at least take its foot off the gas on these rate hikes. I think what that's going to show the markets is that number one, inflation is still around at an elevated level. I think we have peaked over the mid-summer, but I think it will still remain in the five to 6% range for a very long time, frankly.

We'll still have high inflation, but the Fed will be proven that it's powerless because of the size of the debt to really do anything about inflation. In that kind of an environment where we're going to have to live with higher inflation and we can't have the fed restraining monetary policy, I think that's an environment that unlike what we've seen before, will be bearish for stocks and bonds, yet bullish for precious metals and other tangible assets. Essentially, I think that reality is going to hit the market over the next couple of months, and I think that's really what's going to push the metals higher.

Dennis Tubbergen:

I would gather from your statement, Brien, that you're a fan of owning physical metals, but I don't want to put words in your mouth. What would you advise our listeners who want to go buy maybe gold and silver? What's the best way in your view, for them to make those purchases and investments?

Brien Lundin:

You really do need to have physical metals. That's the place to start. You need to have it either in your home or easily accessible, not in a bank safe deposit box, but in somewhere that is accessible to protect your wealth. It really is insurance against the depreciation of the dollar. I would suggest a mix of gold and silver, and there are a lot of ways to buy that. They could go to our website, goldnewsletter.com. We have a special report and investors guide to gold and silver that details all the ways you can buy it and some of the best dealers out there. But the key is to find a dealer that you can trust and develop a relationship with and check their prices. You can check prices online, but it is good to have a local dealer that you can develop a relationship with.

Dennis Tubbergen:

Brien, you mentioned a mix of gold and silver. Do you have a favorite moving ahead? Do you think silver's going to outperform gold or vice versa?

Brien Lundin:

Yeah, it will. Silver will outperform gold, or at least it always has in any kind of a bull market that was based on monetary issues, based on concerns about the future purchasing power of the currency. That's precisely the kind of market I think we're in and will be in for years to come. If silver does what it has in every previous instance, and I see no reason why it wouldn't, then you want to invest in silver as a good portion of your holdings.

Dennis Tubbergen:

Brien, again, we are running out of time here, but in the time we have left, I want to just let the listeners know in case they're just joining us. We are chatting today with Mr. Brien Lundin. Brien has the New Orleans Investment Conference that is coming up. You can learn more at neworleansconference.com. As you mentioned, there are some free resources available at your website, goldnewsletter.com. I'd encourage the listeners to check that out as well. Brien, always a pleasure to catch up with you. It's been a while, so we'll try not to wait so long between visits. Appreciate you taking time out of your schedule today to join us. Again, love to have you back down the road.

Brien Lundin:

Yes, Dennis, it's been a pleasure. Don't be a stranger. Anytime, I'm always ready to come on.

Dennis Tubbergen:

Terrific. We will return after these words.