Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

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Date Aired: February 11, 2024

Produced by:

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Dennis Tubbergen:

Welcome back to RLA Radio. I am your host, Dennis Tubbergen. Joining me on today's program is Mr. John Rubino. John is a very bright economic historian and researcher. You can read his work at rubino.substack.com, the website again, rabino.substack.com. John, also co-wrote a book called, The Money Bubble, What To Do Before It Pops. That was about 10 years ago and it turned out to literally be a prophecy is a lot of what John wrote about in that book is now playing out in real time today. John, welcome back to the program.

John Rubino:

Hey, Dennis. Good to talk to you again.

Dennis Tubbergen:

Well, it's always fun to catch up with you and as I said in the intro, your book, The Money Bubble, What to Do Before It Pops, really is playing out now in real time. And for our listeners that may not be familiar with the book and the premise of the book, maybe just a 30,000-foot view of what the book talked about.

John Rubino:

Yeah, the book talked about the emergence of what we now call, The Everything Bubble. We called it, The Money Bubble. James Turk, my co-author and I back then, because basically it wasn't just one sector of the economy that was being bid up to just crazy levels and generating insane amounts of debt and things like that. It was basically the whole financial system all of a sudden in what was an epic bubble.

And so, we predicted that the financialization of the world and all these simultaneous bubbles in The Everything Bubble would cause inflation, which would cause interest rates to go up, which would break the financial system. And we were eight years too soon with that.

The interest rates didn't start to rise here until just lately. And it is and what has been, and it is on an ongoing basis, breaking lots of different parts of the economy, we're so over leveraged that higher interest rates are existentially threatening to governments and to companies and to people out there. And we're just now seeing the effects of that.

Dennis Tubbergen:

So, John, we talked a little bit here before we started recording and we talked a bit about the health of the US economy. Give the listeners your assessment as to the health of the US economy at the present time.

John Rubino:

It's not nearly as strong as the headline numbers make it seem like. We've just had a really good GDP report and a spectacular jobs report, but a lot of that is due to basically government playing games with the numbers. The jobs report, for instance, what they do over and over again lately is they'll report a great monthly number. Lots of jobs created, a really low unemployment rate, et cetera, et cetera.

And then they'll go back in subsequent months and revise that number down to something that would've been a disappointment if that was the original headline number. And they also hide a bunch of things in the verbiage of the report. For instance, they don't tell you that the number of part-time jobs is increasing while the number of full-time jobs is decreasing. And that's a sign of ill health in a society. You want most people employed with good paying full-time jobs, but that's not the case.

And another weird stat that just came out lately is that the number of people with two full-time jobs is soaring. That's also a sign of societal ill health because if you've got one good full-time job that's paying all your bills, you don't go out and take on another full-time job. You only do that in two circumstances. One is if you're a techie who is somehow able to wrangle two full-time jobs and work from home so nobody knows that you're working two full-time jobs.

And that's actually a thing, people do that in the tech sphere, but that's not a huge number of people. The other is that you can't make ends meet with a full-time job, so you have to take on another. And life is horrible if you have two full-time jobs normally. And it's horrible for your family. Nobody wants to be around somebody who works 16 hours straight that comes home and has to sleep and has to have quiet and everything. And that's kind of the kind of world we're creating.

So, you can take that kind of manipulation of statistics and spread it across the rest of the economy. And then you get today's world where they're kind of lying about just about everything. So, things are not nearly as good as they say. And to the extent that they're good at all, it's because we're running massive government deficits now.

This year it's going to be like $1.5 trillion that the government is going to have to borrow. And that's pumping some money into the system, but it's also massively increasing our debt. So, it's the kind of thing that's unsustainable, gives you a little pop in the short run, but at the cost of a bigger crisis than anybody can imagine in the long run.

Dennis Tubbergen:

And John, just the deficit spending, which wouldn't surprise me, you can weigh in, but it wouldn't surprise me that we see some kind of an election year goodie bag here, which could drive the deficit even higher. But roughly a $25 trillion economy if all of a sudden, the government was running with a balanced budget, our economy is 6 or 7% smaller and aren't we in recession? Isn't deficit spending really the only thing keeping us out of an official recession at this point?

John Rubino:

Yeah, it's the main thing that is. And it's going to get much worse because this year the US is scheduled to issue $10 trillion worth of treasury paper. Part of that is the deficit that we just talked about. And part of that is the fact that a lot of existing treasury bonds and notes are rolling over. They're maturing and so we have to borrow the money again to cover them maturing.

And so, $10 trillion. What that will do is since all of it is that these new higher interest rates that we've got today, that means that the interest costs that the government is paying, which is currently about a trillion dollars a year, is going to go up to 1.5 trillion next year and basically forever after. So that means that we've got embedded deficits, money that we have to borrow of what would've been considered a crisis level deficit just by itself.

Just the interest expense would've been something that you would only borrow in the face of the great recession of the 2010s or the pandemic of 2020 and 2021. And now we don't have anything like that going on, yet we're still borrowing that kind of emergency level of money. And that's a sign that we're kind of in a death spiral now where we have no choice. We can't stop borrowing because like you said, if we stop borrowing, that would lower everybody's standard of living by a really noticeable amount.

And whoever did that in the government would get voted out of office. So, we're basically stuck borrowing absolutely immense amounts of money year after year and then paying ever higher interest expense on that new money that we borrowed. And there's no real end to it until the whole system breaks down. So, we're looking at a piece of financial history here that nobody in their right minds would want to live through. So, we're going to live through it. So, the coming decade is going to be one for the record book.

Dennis Tubbergen:

Well, I'm chatting today with Mr. John Rubino. You can read his work at robino.substack.com. The website again is rubino.substack.com. And John, as you were talking and you said, "Wow, $10 trillion the government has to borrow this year either to fund a deficit or to refinance." Who's going to loan the US government $10 trillion? Can it be done or will the Fed become the buyer of last resort here in your view?

John Rubino:

Yeah, you would wonder. For instance, China or Russia, they in the past have been big owners of Treasury paper, but we're picking World War III with those two so why would they help us finance our military budget? And if you look at what they're doing, I think Russia is completely out of US paper, and China is selling some of their Treasuries each month likely to buy gold, interestingly.

So, you're right. It's not clear who out there in the world is going to buy $10 trillion of new Treasury paper and it might just have to be the Fed. Which means that the US government is just creating dollars out of thin air and then running its operations with those newly created dollars. And that's one of the things that presages the gigantic financial crisis, in the past governments who have tried something that extreme have always ended up with a gigantic crisis.

So, there's no reason to think that we in the US who are now doing this on the biggest scale that any society has ever tried to do it, won't end up with a big problem too. And that kind of takes us to the whole de-dollarization, BRICS coalition thing, because as we use the dollar as a weapon around the world, we pick on other countries in various ways, either militarily or financially.

A lot of them are looking for alternatives to the dollar in trade and for foreign exchange reserves. And so, they formed a coalition called The

BRICS, which stands for Brazil, Russia, India, China, and South Africa. And they're getting together and looking for ways to, for instance, do bilateral trade where they just use each other's currencies to buy and sell things with each other. And they're all buying, or a lot of them are buying huge amounts of gold with the idea of possibly creating a gold-backed currency that's just theirs as competition for the dollar. And they're expanding their membership.

Lots of countries that were maybe allies of the US let's say, or at least non-aligned are starting to join the BRICS Coalition, including Saudi Arabia, which there's the whole petrodollar thing there. We cut a deal with them in the 1970s, and we said, "As long as you only take dollars for your oil, we'll protect you militarily." And that really helped make the dollar the world's reserve currency because you had to have dollars in order to buy oil.

Well, if the country that's part of that deal decides to join an anti-dollar coalition, what does that mean? It means probably the petrodollar is not a real thing anymore. So, there are a lot of trends pointing towards a financial crisis for the US and we could go on and on looking at the other things that are happening in the world, but suffice it to say that there's a lot of them. And all of them point in a dangerous direction for the US and we don't seem to understand it or to be able to do anything about it.

Dennis Tubbergen:

Well, I want to talk more about that in the next segment. Stay tuned. John will join me again in the next segment. You're listening to RLA Radio. My guest today is Mr. John Rubino. You can read his work at rubino.substack.com, that's rubino.substack.com and I'll return after these words with Mr. John Rubino, stay with us.

I'm Dennis Tubbergen and you are listening to RLA Radio. My guest on today's program is Mr. John Rubino. John is the co-author of the book, The Money Bubble, What To Do Before It Pops, and you can read his work at rubino.substack.com, the website again, rubino.substack.com.

And John, prior to the break, you're talking about BRICS and the fact now that Saudi Arabia has joined BRICS. You also have a couple of other oil producing countries that have joined BRICS. You've got United Arab Emirates, you've got Iran. And when you start talking about Iran joining BRICS and then look at some of the geopolitical tensions between us and Iran, how do you think all these pieces are fitting together and might fit together moving ahead?

John Rubino:

Yeah, that's a potentially big deal because the US has, in trying to control the Middle East, the US has traditionally played Iran and Saudi Arabia against each other because they're traditional Muslim enemies. The Shia and the Sunni Muslim coalitions don't get along with each other and those two countries are the leaders of, respectively, those two blocs. And so normally they're bitter enemies. But now I think we're entering a stage where the old saying, The enemy of my enemy is my friend, comes into play. And the US has antagonized both Saudi Arabia and Iran to the point where maybe they're willing to put aside their diversity in order to protect themselves from what they see is an aggressive empire.

So it could be that there is a coalition that includes Saudi Arabia, Iran, UAE, like you said, and India, and Russia, and China, and a bunch of other countries. That's a really powerful coalition. They own a lot of natural resources, and they control a lot of territory. So, it's not clear what the US would do to punish them because normally we punish individual countries by kicking them out of the Swift International Bank Clearing System or deny them loans via the IMF or the World Bank or whatever. Or we go right in and send the CIA in to overthrow their government, or we directly invade them.

We do all those things, but it's not clear how you do that to a coalition made up of those countries we just talked about. So, the balance of power in the world is shifting and it's not shifting in a favorable direction for the US, and simultaneously the US is going broke. So, like I said, chaotic world coming up, and there really doesn't seem to be any way to go from here to a peaceful world where everybody gets along without an awful lot of pain.

Dennis Tubbergen:

John, I'd like to go back and revisit something that you talked about in the first segment. You suggested that this deficit spending by the United States government of one and a half trillion dollars a year plus, interest costs at the end of this year are going to be one and a half trillion, which by my recollection, is greater than the outlay for social security.

So, these are really big numbers, and you mentioned that this will continue until the system breaks down. And when the system breaks down, could you share with the listeners in your view, what does that look like and how will they be affected?

John Rubino:

Well, it looks like, probably, that we lose faith in the big fiat currencies out there. In other words, the Dollar and the Euro and the Yen, because we're borrowing so much money and that's causing inflation that causes the value of the currencies to go down. We see this massive lack of trust in the people running the system that in the currency that they're running. And that leads people to not want to hold those currencies.

There's a thing in the Austrian School of Economics called the Crack-Up Boom, which is the point at which a critical mass of people figure out that it's the official policy of their government to inflate away the currency. And so, they dump that currency as soon as they get it, they get paid and they go out and use that money to buy real stuff, land and gold and silver and maybe the shares of energy companies and other commodities based companies that have things that governments can't just inflate away.

So that causes a huge shift of capital flows from financial assets like bonds and a lot of equity into real things that causes the value of real things to go through the roof. That's the inflation that we see when a currency starts to fall. So, in anticipation of that, you want to own things like that already. So have some farmland, if you at all can do that, buy gold and silver. You can buy gold and silver coins from Costco and Walmart online right now.

Dennis Tubbergen:

It's amazing.

John Rubino:

Yeah, which makes it easier that it's ever been before to shift your finances into real things. Just buy a bunch of gold and silver coins from these companies that you trust to deliver them to you and then keep them in a very safe place. And the bedrock of your financial life then is made up of real things, real money that will probably go up in value as the currency in which your country is managed goes down.

So, it's a very quick, easy way to take the first steps in protecting yourself. There are lots of things you can do beyond that. That's basically what I focus on in my Substack newsletter, actionable stuff. In other words, "We know there's a crisis coming, but what all can we do to protect ourselves from ourselves from what's coming?"

And it turns out there's a lot of stuff. From improving your personal privacy to investing successfully, to developing certain skills that might be really valuable going forward. There's been no shortage of material to write about. There probably won't be going forward because there doesn't seem to be any way to avoid some kind of a big crisis. The details of it are unpredictable, but that will define it as a crisis when it comes is almost guaranteed.

Dennis Tubbergen:

Well, my guest today is Mr. John Rubino. You can read his work at rubino.substack.com, that's rubino.substack.com. And John, you mentioned that developing skills that could be useful moving ahead might be a really good idea for some of our listeners. Could you dig into that a little bit? What kind of skills would you recommend that people look to develop?

John Rubino:

Well, there's an idea now that the handymen will inherit the earth. And the point of that is that most of us have gotten less and less good at doing things that maintain us day to day because we figure we'll just pay somebody to do it. And a lot of us have gotten college degrees that are turning out to be virtually worthless. That didn't really train us for anything useful.

So, there's concept called Skills Stacking, that basically says, figure out the things that make day-to-day life easier and learn those skills. So, if you can, for instance, grow 20% of your family's food, you are insulated to an extent from the risk of disruptions in the food supply chain. If you can do basic carpentry and stuff like that, it's going to come in very handy in a world where things can go wrong and there's no guarantee that you can get the repairman to come on time. Self-defense, the more stressful the world becomes...

Already if you're living in a city, you get that you really need to be able to defend yourself probably. But for everybody, if you don't have a firearm, get one, learn how to use it. So, it goes on and on from there. There are lots of things that you can learn how to do to protect yourself from times when the big systems don't work the way they should and you're not taken care of the way you have been during most of your life by the establishment. And it goes on and on.

When you look around, you see all kinds of things that you pay people to do that maybe you could learn to do yourself. So that is an ongoing process.

And the final one, and maybe the biggest is becoming more enmeshed in your community. It used to be that we knew all our neighbors and they would watch our back and we would watch their back, and that was just how our parents lived. But today, most of us have moved around a bunch of times during our lives. We haven't gotten to know our neighbors very well. We should fix that.

You want to become as intertwined in your community as you possibly can because then people watch your back and you've got people you can trust. And that's obviously always the way we should have lived, but now it's more important than ever. So that's a big one.

Dennis Tubbergen:

So, John, in the time we have left, do you see this as the system breaks, as this de-dollarization continues, do you think we're going to enter a period of time that when historians look back, they will call it a hyperinflation similar to the one that Weimar Germany experienced, similar to what Argentina Venezuela experienced more recently?

John Rubino:

That is definitely one of the possibilities because we're making the same basic mistakes that those other countries made. We're not immune to that. The idea that the basic laws of supply and demand don't apply to a country with a monetary printing press is ludicrous. And in fact, the monetary printing press lets the country make the mistakes more easily that lead to stuff like that. So that's not guaranteed though, because it's possible we could do something called a Monetary Reset before that.

Where we basically just go back to something like a gold standard, something that controls the ability of governments just to make money out of thin air. And that would end the process of never-ending inflation. But at the price of impoverishing everybody who trusted the government held onto this currency. So that's not something governments want to do. They don't want to give up the power to create money out of thin air, but they might end up seeing that as the least bad option. They might do it before we hit hyperinflation.

One other possibility is a 1930 style deflationary crash, because it could be that all this bad debt that we've got coming due just swamps the monetary authorities and makes it impossible for them to inflate their way out of this. And then so we get something like 2008, 2009, which is a very scary time when prices went down and interest rates plunged and lots of companies went bankrupt, lots of people lost their jobs. We could have something like that on a much bigger scale. So, the thing is, you don't know how all these monetary mistakes are going to manifest.

We don't know exactly what they're going to cause out there, but all the options are really bad. And so, we should be preparing as best we can for the worst case scenario. In other words, like the old saying goes, Hope for the best, but plan for the worst. And there's no end to the kinds of planning we could do. So, it's the kind of thing that keeps you nice and busy once you get going into it.

Dennis Tubbergen:

Well, the clock says we're going to have to leave it there. That's a great place to end. My guest today has been Mr. John Rubino. You can read his work at rubino.substack.com. I'd encourage you to check it out, rubino.substack.com.

John, always a pleasure to catch up with you. It's amazing how fast twenty-five minutes goes by when we start talking. Thank you for joining us, and I would love to have you back down the road.

John Rubino:

Thanks, Dennis. Look forward to it.

Dennis Tubbergen:

We'll return after these words.