Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: John Rubino
DollarCollapse.com

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Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. Joining me on today's program is Mr. John Rubino. John is a prolific author. He's written many books about the economy. He is also the manager of the very popular financial website, dollarcollapse.com, and that is constantly updated with links to stories from around the web. I would certainly encourage you to check it out. Again, the website is dollarcollapse.com. John, welcome back to the program.

John Rubino:

Hey, Dennis. Good to be back and congratulations on your success. I hear your audience is really growing lately.

Dennis Tubbergen:

Well, thank you very much. We have over 60,000 listeners every week with the podcast and traditional radio shows. So, thank you. And thanks to all the listeners. So, John, the big news, Russia invaded Ukraine. I think a topic or a perspective or an angle, if you will, of this particular development is the effect on the US economy. Do you want to elaborate on that?

John Rubino:

Yeah. The whole Russia, Ukraine upset comes at a really tough time for the rest of the world, because we were already seeing broken supply chains in basically every industry, where there's not enough of one thing or another thing, and that slows down production and raises prices. And so, it's very inflationary, it's very disruptive. And now, with Russia and the US at loggerheads over that part of the world and us imposing a bunch of sanctions on Russia, that's going to make all of us work. Russia is one of the biggest energy exporters in the world. It's the biggest natural gas exporter to Europe. And it produces a lot of other things from agricultural products to basic raw materials that go into the various supply chains out there. If we're going to screw with that, that's going to make things even more complicated out there in a world that's already very complicated.

John Rubino:

The car industry is just one of many examples where they can't produce enough cars to satisfy demand because there aren't enough microchips in the world right now. To the extent that Russia produces the materials that go into today's microchips, then it's going to make it that much tougher. So, this is a big deal geopolitically. I don't think it's going to be World War III. So hopefully it's not that big a deal geopolitically. But it's a much bigger deal financially and economically if we end up with sanctions on Russia that last a long time, and that actually bites. So, this is definitely something we need to be watching. If we're, for instance, investing in anything that has an inflationary component or that requires microchips or anything like that, all of a sudden, the world is even more complicated and tougher to figure out than it was three months ago.

Dennis Tubbergen:

Well, John, I was reading an article and it may have been linked from your site, dollarcollapse.com, but I read an article that the country of India is actually now working with Russia to come up with a non-US dollar-based way to settle trades, because India gets a lot of their fertilizer from their very robust farming industry from Russia, as well as energy from Russia. And it seems that one of the unintended consequences of these sanctions is maybe accelerating the move worldwide away from the US dollar. Is there any validity to that statement in your view?

John Rubino:

Oh, absolutely. We use the dollar in general and the SWIFT international bank clearing system in particular as weapons. In other words, when anybody makes us mad, we'll freeze their bank accounts or will prevent their banks from being able to clear international transactions. And of course, what that does is drive other countries to alternate systems so that they're able still to buy and sell internationally without using US nominated SWIFT systems.

John Rubino:

This just adds to the imminent, or to the forces that are pushing the dollar into a terminal decline because a fiat currency, in other words, a currency that's not backed by anything tangible, only exists and has value because we think the people running the currency are doing a good job of it. And to the extent that the US does a demonstrably bad job of running the dollar, which is the world's reserve currency and other countries start looking for ways around the dollar, that's going to lead to a big drop in the value of the dollar at some point, because people just won't need it the way they currently do if they, Russia and India, like you said, are doing most of their bilateral trade in rubles or rupees, or if China is cutting trade deals with a lot of other countries in which they use the Chinese currency, then you just don't need as many dollars if that's what's happening. And that is indeed what's happening.

John Rubino:

That's another big thing. It's headline news now because of the Russia situation, but it's something that's been going on for a long time. The Canadian thing also plays into this because Canada had some political turmoil and they decided to define the people who were opposing government policy as basically terrorists and then went in and looted their bank account, which tells any rational person who's watching that, that you don't want to have as much money in a bank as you did before because now they're, at the drop of a hat, first time you vote a way they don't like, they're liable to come after your account, because they've set that precedent in Canada.

John Rubino:

That also is not good for these fiat currencies because if you're not going to keep your currency in a bank because you don't trust the banking system, then you really don't trust the currency either. Because the banking system is kind of what underpins the currency and you're going to be more likely to own real assets like gold and silver, which you should have anyhow been stacking. But now you've got another very good reason to buy gold and silver coins. And that is that your bank account isn't secure. You don't actually own that money. It can be taken away from you. So, there's a lot going on out there that should make us all very nervous about the fate of the world's big fiat currencies and of our own finances. Because we don't own what we thought we owned as clearly as we thought we did.

Dennis Tubbergen:

Well, if you're just joining us, I'm chatting today with Mr. John Rubino. He is the author of many books on all things economic. He's also the manager of the very popular financial website, dollarcollapse.com. And John, for our listeners maybe that are not familiar with your work, you wrote a book several years ago. Co-authored a book I believe with James Turk called The Money Bubble and you can maybe give a little background about that book, but it just seems to that a lot of what you and Mr. Turk wrote about in that book looked pretty prophetic at this point.

John Rubino:

Yeah, well that was a book basically about the many mistakes that the developed world was making financially. In other words, borrowing way too much money and creating way too much currency to cover all the bad debt that we're accumulating out there. And we made the prediction that at some point inflation would start to pick up, interest rates would spike because of rising inflation and that would throw the financial markets into chaos. Now we wrote that book in 2014, which was a bit early in retrospect because interest rates continued to go down for another six years and it looked like the financial system was basically rock solid despite the fact that we were taking on so much debt year after year after year. Well finally, a lot of those predictions are starting to come true. Interest rates are rising, inflation is rising.

John Rubino:

There is growing volatility in the financial market. And we're looking at the very real possibility of simultaneous bear markets in the stock and bond market, which would just be catastrophic for everybody with, for instance, a 60, 40 portfolio mix. In other words, where you do the standard thing of buying 60% stocks and 40% bonds in your savings. And with the idea that when one goes up, the other probably goes down and vice versa and you generally do okay over time because something is always going up. Well, if both of those category's crash, which is something that could very easily happen in the environment that we're creating, then a lot of people who think they have a pretty good retirement nest egg because they have a lot of money in it, and it's well diversified between stocks and bonds, are going to find out that everything they have is going down.

John Rubino:

How many people could still retire if they lose 50% of their nest egg, probably a lot of people would be in the no category at that point, because that's a big hit to take later in life. But that's what's going to happen to lots of retirees, or soon to be retired people, just because the financial markets have been mismanaged for such a long time that everything is wildly overvalued. And now that the fed has to tighten in the face of rising inflation, a lot of financial assets will go back to their intrinsic value, which is 50% less than today or 70% less. It's going to be a blood bath if it goes that way. And it's very possible that it will go that way. And that's basically what we predicted in The Money Bubble.

John Rubino:

Our solution was to get out of the financial system as much as possible. Don't own a lot of bonds that go down when interest rates go up, don't own a lot of stocks that can be wildly overvalued and drop by 50% without the company's fortunes really changing it all. Avoid that stuff, own gold and silver, other kinds of real assets like farmland or a high-quality rental house, energy assets, things like that. And you'll basically be okay. So now, if people haven't started doing that, it is time to start doing that.

Dennis Tubbergen:

So, John, and we've got maybe a minute and a half or so left in this segment so we'll maybe need to pick this up on the other side, but the fed needs to tighten, but do you think they're in a position that they actually can tighten to the point that they can get inflation under control?

John Rubino:

Well, this is the box they're in. Inflation is high enough now that if they don't take steps to rein it in, it risks spinning out of control, where people start buying in a panic all the things they're going to need for the next few years, which makes prices go up even more, which causes more panic, the fed doesn't want that. But if they raise interest rates even a little bit from here, the stuff I just talked about before starts to happen. The bond market collapses, stocks tank and probably home prices go down too. So, you'll see huge amounts of wealth just evaporate and they know that. I'm sure it's hard for them to sleep at night knowing that whatever they do, they're risking some catastrophic crisis that they probably can't fix.

Dennis Tubbergen:

Well. My guest today is Mr. John Rubino. Check out his website at dollarcollapse.com. I will continue my conversation with John when RLA Radio returns. Stay with us.

Dennis Tubbergen:

You are listening to RLA Radio. I'm your host, Dennis Tubbergen. I am chatting today with multiple time author, Mr. John Rubino. We chatted with him in the last segment about his book, The Money Bubble, which is really a prophecy of where we are today. He is the manager of the popular financial website, dollarcollapse.com. I'd encourage you to check that out.

Dennis Tubbergen:

John, we were talking as we ran out of time in the last segment about really the box the fed is in. I had Peter Schiff on the program not long ago, and he contends that to get inflation under control we need to have real positive interest rates and with an inflation rate that is officially between 7% and 8% and I think a 10-year US treasury note yielding about 2%. We're a long way from that. Would you agree or disagree with that assessment?

John Rubino:

I agree that you need positive interest rates to restrain inflation, and as Peter Schiff likes to say that we're a long way from that to get from here to there. I mean, inflation is officially 7% and probably in reality, something more like 10% or 12%. You might need double digit interest rates to actually have monetary policy that has the desired effect of restraining inflation. But if we did that, then the leveraged speculating community, which is almost everybody in the financial system right now. In other words, lots of people who depend on low interest rates in order to who have the trades they've put on workout. They will just blow up; their trades won't work anymore. They'll lose massive amounts of money. They'll be default on their debt. Then the people who lent them money will default on their debt and you get this cascade failure of the financial system and the economy.

John Rubino:

What we should do is have positive interest rates, positive, real interest rates, pretty much all the time. But we've gotten so far away from that as the governments of the world have borrowed more and more money and needed to create more and more currency and needed to push interest rates down further and further in order to keep all their bad debts from the past from coming back to haunt them. We've gotten so far away from this idea that interest rates ought to exceed the rate of inflation, that there's no way to get back there. So, we'll try, I mean, the fed feels obligated to start moving in that direction, but more than likely, there's a number on, say the yield of the 10-year treasury bond, for instance, that we can't go beyond. And once the fed raises interest rates or engineers higher interest rates and the longer part of the yield curve to that point, the system will just blow up. We've seen that happen quite a few times. I mean, in 2008, 2009, that's what happened. Interest rates got too high for all the debt that was out there to survive and the system just cratered.

John Rubino:

We've seen many versions of that since then called paper tantrums. When the fed starts to try to tighten just a little bit because they know things are getting out of control, the stock market just collapses. That happened in December of 2018, and it was terrifying to the guys running the economy. So, they immediately changed directions and started easing again and pushed interest rates down even further and created more new currency and that stuff. The magic number for the 10-year treasury yield that we can't go beyond is probably a little bit lower than it was in 2018, the last time we had a massive paper tantrum, and that means it's not much higher than it is right now.

John Rubino:

If we get up into the twos, the low twos for the 10-year treasury, I think we're in the danger zone. We can't go much beyond that without the economy just tanking. And we are really not that far from that. So, let's have another year like last year going forward and we will probably be up in the range where the economy is getting ready just to implode. And there's really nothing that fed can do about it because they're out of possibly good choices. All they've got is bad choices now that will lead to some kind of a catastrophe and their choices between a deflationary crash or accelerating inflation that eventually causes the deflationary crash and that's basically it. I don't think we have any good solutions to look forward to in the near term.

Dennis Tubbergen:

Well, John, that's exactly what I was going to say. I mean, inflation, if the fed does taper, we have a lot more debt than we had at the time of the financial crisis. Some of the numbers that I've seen, $120 trillion of debt worldwide at the time of the financial crisis, that's now ballooned to $300 trillion. I mean, ultimately when this deflationary collapse kicks in, isn't it going to be a lot worse than what we saw in 2007, 2008?

John Rubino:

Oh, potentially it's worse than anything we've ever seen, worse than the great depression and definitely worse than 2008, 2009, because the numbers are so much bigger. Finance is basically just math really. You've got this much debt which requires this much interest to satisfy, and you're generating this much cash flow and that's it. If the cash flow doesn't meet the level of your interest expense, you go bankrupt. And if you're a government, you can create a lot of new currency to cover that stuff, but you can't control the price of that currency or its value and that's where you get into trouble. When you start creating so much new currency to cover the bad debts from your past, and the value of your currency starts to fall because of excess supply, you lose that last tool that you had to manage excess interest expense, too much debt. You can't stop those things from causing the problems they're going to cause.

John Rubino:

We're heading for a psychological change as all this math works out. When people finally figure out that there's no adult supervision left in the financial markets, the guys in charge have no idea what they're doing. In fact, they caused the problems and therefore they can't be expected to have any idea how to fix them and whatever's going to happen is just going to happen and there's nothing we can do about it. Then you will see massive amounts of capital that's in risky assets right now, try to pour through some very tiny doors to get to paper assets. And that's when gold and silver just go through the roof and when, or if you can even buy them. Quoting prices for gold and silver say three years, hence, might be pointless because at whatever price you're quoted, you still can't get any.

John Rubino:

It's that kind of a situation because there's so much global investable capital trying to get into these tiny little markets. And we don't know what that'll do to, for instance, crypto currencies, because we don't know whether they're tech stock or digital gold. That's yet to be discovered. But they're going to be incredibly volatile as we figure that out. The people who have prepared for it will see their wealth go up dramatically, or at least in real terms. In other words, in inflationary adjusted terms, it'll stay stable where everybody else is losing big. And so, there's going to be a small group of people who are prepared for this and do very well, and a much larger group of people who trusted the government, who wanted that one last killing before they got out of the market and stayed too long and just got crushed by what's happening. They are unable to get out when they finally do try to get out.

John Rubino:

It's going to be brutal, but it's also going to be poetic justice for a lot of these guys because they behaved very badly. The guys in charge were idiots. The people who listened to them were way too gullible and that's just how life worked. A fool and his money are quickly parted. We're going to see that on a vast scale in the not-too-distant future.

Dennis Tubbergen:

So, John, I've talked to some guests on the program who are forecasting that we're going to continue to see price inflation on consumer goods and services, but we'll see asset prices, real estate, stocks, bonds, we'll see those deflate and in a big way. And that's kind of what you've said. Would you concur with that potential outcome?

John Rubino:

Yeah. With the possible exception of real estate, because it's kind of a real asset itself because it has a function. It has utility in and of itself separate from the financial market. Some pieces of real estate might go up in what's coming, along with other safe haven assets like gold and silver, or they might just hold their value. Now, whether they quadruple or just go up enough to offset the decline in the value of the dollar and the Euro, in the end, we'll see. But they're still at worst, safe and at best, very profitable assets in what's coming.

John Rubino:

The financial assets, that's the distinction, real assets, financial assets. Financial assets are things that have counterparty risk. They depend on somebody else keeping a promise for them to have any value and that would be stocks and bonds. With the bond, you've basically lent money to somebody who then has to pay you back. If they can't pay you back or they pay you back in currency that's worth way less than the currency that you gave them, that's bad.

John Rubino:

With stocks, if the company whose stock you own cannot raise their prices fast enough to keep up with the increase in their cost, they lose money. They have a margin squeeze, and the value of their stock goes down dramatically too. And we'll see that in a lot of companies out there when inflation really gets going. Or when people stop paying their debt and lots of suppliers go bankrupt and things like that. The financial assets will be the things that have done great for the past 30 years and won't do well in the next 20, while hard assets like gold and silver and maybe industrial commodities, maybe certain kinds of real estate, they should do much better.

John Rubino:

You should be in the process of shifting over to stuff like that now while there's still time. In the precious metal sector, the simplest thing to do is just buy some gold and silver coins. They call that stacking. Buy a few more each month, put them in your stack, put them away and know they'll be okay. And count on that as the bedrock part of your financial life going forward.

Dennis Tubbergen:

So, John, in the time we have left, which is about a minute and a half or so, between gold and silver, do you have a favorite?

John Rubino:

I would say silver right now is probably, okay, better is more of a value judgment than I would care to make. Silver is a little bit cheaper right now than gold and there's no problem with confiscation of any kind. We've seen already with people, or with governments breaking into bank accounts and looting them that gold might again be a target since the US already confiscated gold and made it illegal for individuals that own it in 1934. And didn't take off those restrictions until 1971. So, gold probably won't be a target this time around, but it could be a target. Silver almost certainly will not be a target. So, it's cheap, easy to buy and probably safe from governments trying to loot your precious metals account going forward.

Dennis Tubbergen:

Well, my guest today has been Mr. John Rubino. His website is the very popular financial website, dollarcollapse.com. I go there to check out links to news stories regularly. I would encourage you to do the same. Again, the website dollarcollapse.com. John, always a pleasure to catch up with you. And thank you for joining us on today's program.

John Rubino:
Thanks Dennis. Talk to you soon.

Dennis Tubbergen:
We will return after these words.