Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Brien Lundin
Gold Newsletter

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Dennis Tubbergen:

Welcome back to RLA Radio. I am your host, Dennis Tubbergen. Joining me once again on today's program is a returning guest, Mr. Brien Lundin.

Brien Lundin:

Thank you.

Dennis Tubbergen:

Brien is the CEO of the New Orleans Investment Conference. He is also the editor of Gold Newsletter. You can learn more about Gold Newsletter at goldnewsletter.com, and you can learn more about the New Orleans Investment Conference at neworleansconference.com. And Brien, welcome back to the program.

Brien Lundin:

Great to be back on it. Dennis. Thank you so much.

Dennis Tubbergen:

Brien, our audience is growing all the time, and I think for our listeners maybe that aren't familiar with Gold Newsletter, I think the backstory and the history of the newsletter is fascinating. Could you share that with listeners?

Brien Lundin:

Yeah, absolutely. My longtime mentor, and for a while business partner, in this industry was a guy named Jim Blanchard, who was driving in his car on vacation and heard Nixon on August 15th, 1971, come out and say that he was basically severing the dollar's last remaining ties to gold. From then forward, foreign governments would not be able to send their dollars to the US Treasury and exchange them for gold out of Fort Knox. And Jim knew that this was going to usher in a period of unrestrained spending by the US government and therefore a period of very high inflation, which of course happened. But at the time, it was absolutely illegal for American citizens to own gold. You could not invest in gold. And other than rare coins or jewelry, it was as illegal as, say, owning plutonium or heroin or anything like that.

And Jim thought that was absolutely ridiculous, because what the government was doing was basically setting up to steal from the American citizens through a hidden tax called inflation. And by not letting US citizens own gold, it was also preventing them from protecting themselves from this inflation. So it would be like the skipper of the Titanic directing the Titanic into the iceberg, but before he did that, removing all of the life jackets and lifeboats. And so that's what was happening. So, Jim started a publication from his kitchen table called Gold Newsletter, that was part of his advocacy and lobbying for the return of the right of gold ownership for American citizens. He was successful in that in 1974. So he decided to have an investment conference to teach Americans how to invest in gold, and that started what became the New Orleans Investment Conference. So Gold Newsletter is now in its 52nd year of publication. And I own and publish it, and carried on Jim's legacy after he passed away in 1999. And the New Orleans Investment Conference just completed its 48th annual event, so we are the oldest newsletter out there. Consistently published, constantly published newsletter on precious metals, and also the oldest retail investment conference still going. So, it's a legacy that we're very proud of, and try to burnish that legacy every day and build upon it, and that's where we are.

Dennis Tubbergen:

Well, I appreciate that background, Brien. And when you fast-forward to today, you mentioned 1971 is when Nixon made the dollar officially a fiat currency. Since that time, according to a number of reports, measured in gold, a number of the reports that I read anyway, the dollar's lost like 98% of its purchasing power. Where do things play out from here? We've got rampant inflation, arguably much higher than the official measure of inflation, the consumer price index. And the Fed's raising interest rates, but is it enough? Where do things go from here?

Brien Lundin:

Well, the first thing that people need to realize is none of this is new. This is a scenario, a play that's played out many times over human history. In fact, every civilization, every government throughout human history has always reached a point where it has overspent its means. Created debts that it couldn't handle. Ancient Rome did it through military campaigns and, believe it or not, entitlement systems. Bread and circuses, all of that sort of thing. And in every case, the prescription and the recipe are the same. You devalue the currency so that you can pay back those debts in cheaper currencies. In the times of Ancient Rome, it was a Roman denarius, and you can track the fall of Rome with the decline in the purchasing power of the denarius. And interestingly, since the 1960s, when the US removed silver from its coinage, you see a very similar trajectory, as you just mentioned, in the purchasing power of the dollar.

So, none of this is new, and the end result of all of this is that the dollar will continue to depreciate. It will continue to lose purchasing power, but at an accelerating rate. But the good news is that investors can protect themselves, because gold retains its purchasing value. If you take certain values... And there's a great website called pricedingold.com that does this for a number of indices. Not just consumer items, but the Dow Industrials Index, the S&P 500, a Big Mac, the value of an Ivy League education. And it's tracked these costs over decades, but divided them by the price of gold, the value of gold at that time. And you can see that, priced in gold, the Dow hasn't moved in 60 years. Priced in gold, the cost of an Ivy League education is the same today as it was in the 1930s. So, that's what gold does.

And it doesn't do it consistently, tick by tick. It doesn't keep track of inflation, but what it does is move higher in terms of the local currency when people get really concerned about the purchasing power of that currency. So, it makes up for lost time and tends to overshoot. And we're seeing that play out right now. We're seeing gold prices really responding to what the Fed has done, and really just breaking all the rules and easing money to levels that no one ever thought possible, due to the COVID crisis. And we're seeing them try to, again, bring that back, but they really won't be able to, because in that process they built up so much debt. So it's a long way of saying that I think the Fed is trapped at this point. They cannot raise rates much more because of the size of the federal debt. They also can't raise rates much more because they're going to break the financial system if they do. So the markets are starting to sense this, that the Fed is nearing the end of its rate hike campaign, and they're starting to react to that.

Dennis Tubbergen:

Yeah. And Brien, I mean, from where I sit, and then please correct me if you have a different perspective, but the Fed, they have two options. They can continue this tightening, they can continue to increase interest rates and sacrifice the economy, at which point we go into this deflationary collapse, or they can go back to the gun. And they've got one bullet left in the gun, and that's easy money, and that feeds inflation. So, I mean, can this possibly end well? I mean, these economists that talk about a soft landing, I mean, is all that at this point just fiction, in your view?

Brien Lundin:

Well, we may have a softer landing than many expect, but every indicator is pointing toward a recession. So, I think we're going to have that, and that will also be a speed bump in the Fed's plans. You say they have two options. I really don't think they have any options, or at least no good options. There's no way out of what they have done other than a further depreciation of the currency. And so, I think they are going to be forced to turn back pretty soon, because the size of the debt alone is too large for them to keep interest rates at this level. They're talking about over 5% and higher for longer. At 5%, your cost, your bottom-line annual cost of servicing the federal debt of $31 trillion is over $1.5 trillion a year. So, not only are you spending on entitlements and everything else that the government does, and running an annual deficit of well over $1 trillion, but on top of that, you're going to be paying out $1.5 trillion in interest on the federal debt. Therefore, accelerating the debt spiral.

And even though the US can get away with it much longer than other countries, and far, far longer than any individual or company could get away with it in a private sector, the day of reckoning is coming. The debt will accelerate at much greater rates because of this cost of servicing the debt. And that cost, just paying the interest on the federal debt, is about to overwhelm every other spending category in the federal budget.

Dennis Tubbergen:

So Brien, do you have an ultimate inflation forecast? I mean, when the Fed reverses, doesn't that have to feed this inflation monster again?

Brien Lundin:

Yeah, it will. Right now, goods inflation, the goods component of the CPI, is falling very quickly. But the services component, which a lot of is driven by wages, is catching up and is still accelerating higher. So, it's a bit of a mixed bag. What I think is going to happen is that inflation, at least in this interim cycle, intermediate cycle, is going to settle around 4% to 5% and remain stubbornly around that area. And the Fed is not going to be able to get it any lower. It's not going to be able to get it close to its 2% target before it's forced to give up these rate hikes, either by an economic slowdown or the cost of servicing the federal debt. So, the scenario then would be that the Fed is forced to give up on fighting inflation before it gets to its 2% target.

In that kind of an environment, it's really not bullish. And really for the first time ever, because Federal Reserve liquidity and easy money have driven all of the markets up together, markets that used to run against each other periodically. Equities, the stock market, the bond market, commodities, they've been lifted on easy money and brought down by the withdrawal of easy money altogether, really since post-2008. What we're getting into, I believe, is a situation where you'll have stubbornly high inflation, and the Fed is proven powerless to prevent it. That's not bullish. That's no longer bullish for equities or bonds, but it is very bullish for precious metals, gold, silver, and other commodities, other things, tangible assets. So, I think that's really going to come into its own, because you'll see allocations of investments, of this huge global pool of liquidity, you'll see some small shifts of allocations away from equities and bonds into the much smaller markets of gold and silver, for example. And because these markets are so small, it won't take that much of a shift in allocations to send them far higher. And I think that's what we're going to see over the next 12 to 18 months.

Dennis Tubbergen:

Well, my guest today is Mr. Brien Lundin. He is the editor of Gold Newsletter. You can learn more at goldnewsletter.com. He's also the CEO of the New Orleans Investment Conference. You can learn more at neworleansconference.com. I'll continue my conversation with Brien when RLA Radio returns. Stay with us.

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. I'm chatting today with Mr. Brien Lundin. Brien is the editor of Gold Newsletter. You can learn more at goldnewsletter.com. He is also the CEO of the New Orleans Investment Conference, he said in the first segment, in its 48th year. Very impressive. You can learn more at neworleansconference.com. And Brien, for our listeners that may not be familiar with the New Orleans Investment Conference, can you give them a bit of a glimpse as to what the conference is all about?

Brien Lundin:

Yeah, absolutely. It is a unique event. There's really nothing like it out there, and it's hard to explain to people unless they actually experience it. But we are known for bringing in some of the biggest names in investing, in financial information, macroeconomics, even geopolitics, and have done that for years. We had Ayn Rand, for example, and her last public appearance at our conference. We had Lady Margaret Thatcher as a speaker. We had Alan Greenspan many times. We had Milton Friedman many times. And our stage has attracted these people because we have a reputation for being the best of the best in a really exclusive investment environment, but also focused on bringing information that people would not get necessarily from their mainstream news sources. And our experts will talk about things in our kind of intimate environment that they wouldn't necessarily talk about to the Wall Street Journal or CNBC or in the mainstream news. And you get to meet these people as well, as you're walking the halls.

So, it's really an incredible event that is valuable, not just because of the information that you get from these outstanding speakers on the stage, but also for your fellow attendees. We bring together hundreds of people who are independent thinkers. They're maverick investors. They chart their own course. They make their own investment decisions, and they think for themselves. And they're all willing to share their ideas and views, and choices and predictions. And it's a wonderfully intellectually stimulating environment. And we have people who have been coming for 20, 30, even 40 years on a regular basis to this event and would not miss it. So, it's really special, and it occurs every fall. This year, our dates are November 1st to 4th, of course, here in New Orleans. And I really encourage people, we haven't really built out our agenda, but you can go see our 2022 speakers that we had just last fall and get an idea of the kinds of speakers that we present and the kind of information that's presented. So, I would encourage people to take a look at our website, neworleansconference.com. Look at our list of speakers and circle the date and try to make it down, because it is an incredible experience that's duplicated really nowhere else in the financial industry.

Dennis Tubbergen:

Well, thank you for sharing that, Brien. And maybe to jump in and pick up a bit where we left off in the last segment, but maybe from a little bit of a different angle, it seems now worldwide that because of this excessive currency creation by the Federal Reserve, that now the rest of the world is quickly moving away from the US dollar. There's talk of the Petro-yuan, there's talk of the BRICS countries having a commodity-backed currency sometime this year. Do you see this year or next the dollars reign as the world reserve currency coming to an end?

Brien Lundin:

No, I really don't. And I disagree with a lot of my fellow contrarians out there in that. I don't think that the dollar will lose its status as a reserve currency anytime soon, or anytime that really matters to investors today. Because while there's plenty to criticize about the rule of law in the US, it's still the best out there. And you combine that with the size of the US economy and its military, and it will continue to be the destination of choice for governments and for global flows of money, of currency. There's a lot of talk about China taking over that role, or Russia, or some combination thereof, but when you consider that the monetary policy and the value and the security of your funds in any of those countries is really dependent on which side of the bed a dictator woke up on that morning, you won't see a lot of the really important stores of money in the world and very important areas of the banking system and financial flows, et cetera, seeking to take up residence in China or Russia, or any currency that they promote.

Now that said, there is something going on with Russian and Chinese purchases of gold, which have remained strong for years. And China recently let it be known that it is adding to its gold reserve, something it hasn't done for a number of years. That is, letting people know that it is adding to its gold reserve. So, there is some kind of a long-term plan there, and there have been some thoughts expressed about connecting a currency, a new global currency, to gold. If that were to happen, then I think it would over the longer term have a chance to compete with the dollar. Because if it were regulated independently of whatever Putin or Xi or any other dictator could do, then I think it would be a viable alternative and competitor to the dollar. But until that happens, I don't see any way the dollar will lose its international reserve currency status.

Dennis Tubbergen:

I want to talk about maybe an ancillary topic. I'd love your opinion on it. There is a push by many central banks around the world, including the Federal Reserve, for a central bank-issued digital currency. Do you think that that will be a reality? And if so, how will it affect the gold investors?

Brien Lundin:

Yeah, it's scary. I think it will one day become a reality in some form, just because the government always seeks more and more power. So, they're going to try it. It is the most dangerous idea out there. It would be absolutely calamitous for personal liberty and freedom and would allow the government to not only track whatever you spend anything on, but also punish you if you're not doing what they think you should do. Fortunately, my sources who know Chairman Jerome Powell of the Federal Reserve, feel like he's very much against that. And the current regime is saying the right things as far as they're studying it, but don't see any real use for it. But again, the arc of history says that governments always seize greater and greater power.

And unless there's a very strong popular uprising and some sort of an amendment to the Constitution preventing it, I think eventually that's going to come about. And that would make it more and more important that people have their own store of precious metals, physical gold and silver in their possession, because the government is going to seek greater and greater control. And gold and silver, it really is your protection against that. It's protection against government mismanagement of the economy and the currency, but it's also protection against government intrusions into your privacy.

Dennis Tubbergen:

Well, I'm chatting today with Mr. Brien Lundin. He is the editor of Gold Newsletter. You can learn more at goldnewsletter.com. He's also the CEO of the New Orleans Investment Conference. He described the conference at the beginning of this segment. Neworleansconference.com is that website.

So, we talked about this a bit in the first segment, Brien. Last year, those who may be invested using the traditional Wall Street one-bucket approach, like 60% in stocks, 40% in bonds, or some combination thereof, are licking their wounds this year. Do you see any point in the near future that this one-bucket stock and bond approach will be successful again, or do you think we're in a little bit of a new era here for the near future?

Brien Lundin:

Well, as I alluded to, the old portfolio allocations haven't worked for some time, and that's because all of the correlations have trended toward one. In other words, all of these markets that used to be contra-cyclical, when one went up, the other one went down and vice versa, which is why you have a diversified portfolio, so you're not subject to that kind of volatility and something's always working for you, that hasn't worked really since 2008. And the Fed came in and flooded the markets with liquidity, with new money, cranked up the printing press, and therefore the markets have become addicted even more so. To not just easy money, but ever-easier money. And that process has been accelerated, and we're seeing actually the reaction of when the Fed tries to take that punch bowl away. But still, they're all going up together and down together, according to whatever, however, the Wall Street traders read the tea leaves for Fed policy on any given day.

Now, what's interesting is that commodities and precious metals, gold and silver, have been caught up in that as well. They've gone up and down as well, depending upon how the market views the upcoming fed policy. But in very recent weeks, we've seen the metals start to decouple a bit from the equity market, for example. And that, I think, might be a precursor to that scenario I'm talking about, where the Fed is shown to be powerless to fight inflation, but has to yield to all these pressures and step back from hiking rates, and maybe even pivot and start lowering rates again. In that kind of environment, I think precious metals will be the place to be, and it will not necessarily be bullish for every other asset class. So that's something that could happen over this year, over the coming 12 months. And if it does, it's going to be very lucrative for people who are invested in this sector.

Dennis Tubbergen:

Well, my guest today has been Mr. Brien Lundin. He's the editor of Gold Newsletter. The website, once again, goldnewsletter.com. He is also the CEO of the New Orleans Investment Conference. The website, neworleansconference.com. Brien, I always get terrific feedback when you're on the program. We appreciate you taking time out to join us today, and we'd love to have you back down the road.

Brien Lundin:

Would love to do it, Dennis. It's always a pleasure.

Dennis Tubbergen:

We will return after these words.