Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Brien Lundin
Gold Newsletter / New Orleans Investment Conference

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Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. Joining me on today's program is returning guest Mr. Brien Lundin. I'm always excited to have Brien on the program. He is the editor of Gold Newsletter. You can learn more about Gold Newsletter at Goldnewsletter.com, and he is the producer and host of the New Orleans Investment Conference. You can learn more at NewOrleansConference.com. Brien, welcome back to the program.

Brien Lundin:

Great to be here as usual.

Dennis Tubbergen:

So, Brien, let's jump in. We'll talk a little bit about the really amazing history of Gold Newsletter before we get through this segment. But there is a lot going on around the world. We have debt levels at record levels. We've got gold breaking out to new highs. Silver looks like it's about ready to break out. We have the BRICS countries definitely accelerating this whole de-dollarization movement that's going on. So, is 2024 the year this all breaks loose in your view?

Brien Lundin:

Yeah, I really think so, Dennis, and I think it already has to a very large degree. Gold has since really the last day of February or the first day of March, has embarked on a truly amazing rally. It's up about 6% over that time span. And as we speak over the last few days, it's actually down a little bit. So, it's done even better than that and for no apparent reason. I mean even the top experts out there are admitting that you really can't point to one single precipitating factor for this big rally in gold. And generally speaking, you have to look at it that gold is sensing something ahead or it's reacting to what's been a gradual trend in debt in some uncertainty about that payback, et cetera. And perhaps foreshadowing the fact that the Fed has to cut rates simply because the debts out there are too large right now to have rates at interest rates at these levels.

So, it's a number of things, but the fact that there's not one single easy answer for why gold has rallied is I think a sign that this rally has more legs on it, is more fundamental, and is real. And we're starting to see the reactions not only in the gold mining stocks, but also in silver, which has actually outperformed gold during this rally. And that's a key sign of a rally that is secular in nature, is long-lasting and has as its root monetary concerns. And so, I think 2024 is the year for gold and silver in particular and associated investments, and I think it's already begun.

Dennis Tubbergen:

Brien, if I could, let's drill down onto something you said. You said the Fed is cutting rates because there's simply too much debt to be financed at higher interest rates. And yet in the whole scheme of things, interest rates, really if you look at the last 40 years, interest rates are probably below the average. The US government, just to drill down on that, is adding a trillion dollars in debt every one-hundred days. That's obviously a trajectory that can't continue. And yet how can the US government sell debt at lower interest rates when we're such a bad credit risk? Doesn't that mean the Fed's going to have to step in and print no matter what they call it?

Brien Lundin:

Yeah, they will eventually. If you look at the history of interest rates and the Fed funds rate, if you go back to the early eighties when Paul Volcker just started to lower rates after he had raised them really over 20% to kill off the inflation of the 1970s, it's about a 40, 45 year trend of ever lower interest rates. If you trace the bottoms of each interest rate cycle, it's a steady stair step down. And until 2008, they had to go to zero. And in addition, they had to invent things like quantitative easing and a bunch of other programs to rescue the markets, rescue the economy, protect the banking system, and etc. So they increasingly had ever easier money and then they had to come through with some extraordinary rescue efforts. Then came COVID and they did everything they did after the 2008 great financial crisis, but they did it in a winding speed into a much greater degree.

Everything that took them four to five years after 2008, we did it in literally four to five days as COVID broke out. So, what we see is that it's not only a trend of ever easier money, but it's a trend of ever more extraordinary rescue efforts of each crisis or each slowdown because the markets and the economy have become addicted to that drug of ever easier money. That means that it's also developed a tolerance. And every time you inject the drug on average, you have to give more of it to get the same effect. So that's why when this next crisis comes, which always happens, is the Fed overreacts in one direction and then the next, the next crisis that comes, what they are going to be forced to do to get the markets to react is really just going to blow your socks off. You won't believe what they're going to have to do next time.

And that day is coming because ever lower interest rates also encourage ever greater debt accumulation. And of course, in politics, there's a natural tendency for politicians to spend more and more and borrow more and more. It's a basic human tendency that we've seen throughout history, and they did that. And the federal debt is growing right now at an alarming rate, and what is the solution we see from Washington? Increasing spending by 15 to 20% as the latest proposals have come out. So the debt is growing at an ever faster rate. And in addition to that, because the debt is so large, interest rates even at these levels which are the treasuries, are now rolling over to about a four to 5% rate interest rate, that means that the bottom-line cost of servicing that debt is soaring. And it just recently passed the threshold of a $1 trillion a year.

So, in addition to a deficit of say, $2 trillion a year or thereabouts, we're adding another trillion that just goes to pay interest in the federal debt. And where are they getting the money to pay that interest? They're borrowing it and they're borrowing it at these elevated rates. So, it is essentially a debt spiral that I think can create a very big problem even for the country that issues the world's reserve currency. We are in a debt spiral that would take down any other economy in the world, save the United States because it is the one that issues the global reserve currency, but that's coming under attack as well. And at this rate, at this decline and this debt spiral, it's going to have a big effect even on the U.S.

Dennis Tubbergen:

Brien, as you were talking and these treasuries are now rolling over to higher interest rates near 5%, the research I've done says that we've got $8.6 trillion of debt that has to be rolled over this year. And I'm talking U.S. government debt. And in addition to that, we've got another trillion dollars in commercial real estate loans that are maturing and are going to roll over to higher interest rates. Seems like just those two statistics are a recipe for what could be a perfect economic storm.

Brien Lundin:

Absolutely, and you're absolutely right about the commercial real estate. It's just under a trillion dollars this year that's going to roll over. And these are companies that were having trouble, that were essentially zombie companies when interest was near zero when they were paying 2, 3% or 4% on your loans, and now they're going to be refloated and refinanced at eight or 9% because the banks are dimmed. They're not just going to rewrite those loans at higher interest rates, they're going to look at the underlying collateral as well. And if the collateral has dropped 15, 20% in value in a commercial real estate market that we see is in big decline, then they're going to demand either higher rates or not even write those loans. So, it is a tsunami that's just off the coast that's going to hit eventually. It's not anything like, it doesn't take a genius to forecast this kind of a thing.

You can see it coming. We all see it coming and it's just simple math. So when we see talk that the Fed really will leave rates like this, they won't cut rates for some time because they see that the labor market is still somewhat buoyant, they don't really have a choice. This tsunami is going to wash on the shores of the US economy. Commercial real estate loans, the federal debt, et cetera, no matter what, and they can't ignore it. And even though they say it's really not their purview to regulate that or to take that into account, they can't ignore it because it will crater the federal budget eventually. And it will definitely send the US, I think, into recession once those loans come due, and we see a lot of these zombie companies that of course just give up the ghost and finally go bankrupt.

Dennis Tubbergen:

So, Brien, we've got about a minute and a half left in this segment. Tell the listeners about the New Orleans Investment Conference. You can learn more at neworleansconference.com.

Brien Lundin:

Yeah, Dennis. It is the longest running investment event in the world. This is our 50th anniversary this year. It was all started by my friend and mentor, Jim Blanchard in the early 1970s to teach us investors and savers how to buy gold. It was illegal to old own gold back then, and Jim was instrumental in getting gold legalized. So then he decided to have a conference to teach people how to buy gold, and it's gone great guns ever since. We've had many of the giants of history from Ayn Rand and her last public appearance, Margaret Thatcher, Alan Greenspan, Milton Friedman. The list goes on and on and on.

And in recent years, we have been featuring some of the most insightful commentators in my view on the macroeconomic picture out there. And they're coming again. We're going to have a gala celebration this year with some special speakers and special events for our 50th anniversary. It's held in the fall each year here in New Orleans, and this year it's November 20th to 23rd, and it really is a can't miss event. One of those things you really have to experience to believe it, to understand it. And once you come, you want to come back.

Dennis Tubbergen:

Well, my guest today is Mr. Brien Lundin. He is the producer and host of the New Orleans Investment Conference, the editor of Gold Newsletter. And I'll continue my conversation with Brien when RLA Radio returns. Stay with us.

You are listening to RLA Radio. I'm your host, Dennis Tubbergen. I have the pleasure of chatting today with the producer and host of the New Orleans Investment Conference, Mr. Brien Lundin. You can learn more about that conference at NewOrleansConference.com. And Brien is also the editor of Gold Newsletter. You can learn more at goldnewsletter.com. And you mentioned in the first segment, Brien, that your friend and mentor Jim Blanchard, founded both the New Orleans Investment Conference and Gold Newsletter. Tell the listeners a little bit about, excuse me, Gold Newsletter.

Brien Lundin:

Yeah, Jim Blanchard started it in 1971 literally on the day that Nixon closed the gold window, which means he severed the convertibility of dollars into gold from foreign nations. In 1933, FDR essentially confiscated everyone's private gold and made it illegal for U.S. citizens to own gold. But in the post-World War II economic environment and the Bretton Woods Agreement among all of the industrialized nations at the time, nations could turn their dollars that they got from trade with the U.S. into the U.S. Treasury and demand gold in return. Well, these nations, particularly Charles de Galle in France, realized that because of all the overspending that the U.S. government had done, for example, in guns and butter regime of the 1960s, that the dollar really wasn't worth it's, what we said, its weight was in gold and the dollar was much cheaper. So, he and others began to turn their dollars into the U.S. in exchange for gold out of Fort Knox.

So, in August of 1971, President Nixon stopped that and just unilaterally abrogated the treaties and the agreements and said that dollars would no longer be convertible into gold. Jim, hearing this, knew that there was going to be a wave of inflation coming up because dollars would get ever cheaper because there was no longer any restraint on the issuance of those dollars. Unfortunately, at the time, it was illegal for citizens to own gold. So he started something called Gold Newsletter as a way to advocate for the return of gold legalization. And he did a lot of other crazy things. He had a biplane tow a legalized gold banner over Nixon's inauguration, something that would get you thrown in Guantanamo Bay today, of course, but he got away with it back then. He began holding press conferences around the country where he would hold a two-ounce bar of gold that he had smuggled in from Canada and dare the Treasury Department to come arrest him, which they unfortunately declined to do, but still it got the point out there.

And through his efforts in lobbying in Washington, they were able to get the gold legalized through a bill that passed on the last day of 1974. So, in advance of that, Jim had his first conference in New Orleans to teach people how to invest in gold. That became the New Orleans Investment Conference, and Gold Newsletter evolved into a market commentary newsletter, which I continue today. And it is the oldest precious metals advisory in existence, longest running, and probably even the longest running investment newsletter still in existence. So those are two legacies that we are very proud of, and we try to burnish those legacies every day and deliver great value to our readers, subscribers, and clients.

Dennis Tubbergen:

Well, Brien, I want to read a quote from Ludwig von Mises, which I talked about on the program about a week ago, and I want to get your reaction. He said, "There's no means of avoiding the final collapse of a boom brought about by credit expansion. The alternative is only whether the crisis should come sooner as a result of voluntary abandonment, of further credit expansion or later as a final and total catastrophe of the currency system involved". And I want to ask you, do you agree with this Austrian position? And if so, which alternative do you think we'll see?

Brien Lundin:

Yeah, Dennis, I do agree with it. If you look throughout human history, every economic regime, every currency has eventually collapsed even when those currencies were based on gold and silver because they would still debase those currencies by either diluting the amount of gold or silver in the coins while actually clipping the edges, making the coins smaller, etc. Again, as I alluded to earlier, this is basic human nature. It happens over and over again. Governments overspend their means. In ancient Rome, it was bread services and military campaigns and entitlements actually for the citizens that caused them to debase the Roman denarius. And if you look at the chart of debasement of the Roman denarius, the loss of its purchasing power, it perfectly mirrors that of the US dollar since the 1960s. So again, this is nothing new. It is in our case, a 40, 50, 60-year trend that has come about through deficit spending beginning in the 1960s, and it's going to come to a head at some point.

The fact that we're seeing these economic crises more frequently and with more severe reactions by the Federal Reserve and in other central banks is a sign that I believe the water is circling more quickly around the drain, and we are getting closer to the end of this process. We are in the end game of this process, but there's no telling whether it's going to be the next crisis or the one after that or the one after that. So, there's no telling whether it's going to be five years, 15, 20 or more. But at some point, we are going to see fiat currencies, not just the dollar, but currencies from all the major developed economies because they're all doing the same thing and have been doing the same thing. We are going to see faith and currencies be degraded to a point where they have no more credibility with the public that's using those currencies.

So how do you very quickly and immediately and assuredly regain credibility in a currency? You attach it to something that acts as a governor on government's ability to create ever more quantities of it. Throughout human history, that one thing has been gold, and that's what I think we're going to end up with at some point. Some sort of a reattachment of currencies to gold. Now that will necessitate a repricing of gold, because there's so many, in the dollars case, there's so many dollars out there and so relatively smaller amounts of gold that the gold price will have to be $10,000, $15,000 or more to back even 20 or 30% of the number of US dollars in circulation.

The thing a lot of people don't realize though, is that you could multiply the price of gold in one fell swoop overnight and not disrupt a single industry on the face of the planet. It is the only commodity where you could do that because its usages in industry are not that extensive. And where it's used, it's used in such minute amounts that the price really has no effect on the end price of the product. So gold is, imagine that, the perfect money, and I think we are going to get back to that stage, to that point, at some point because it always ends up there and it has always ended up there throughout human history.

Dennis Tubbergen:

Brien, I'd like to, you mentioned a timeframe, I don't know if this is going to be five years, 15 years, 20 years, you have the BRICS countries now that are, as I mentioned at the outset, that are according to them anyway, aggressively pursuing an alternative currency. Rumors out there, and the are rumors at this point, you can correct me if I'm wrong, I have this currency potentially linked to gold. Do you really think, given the current trajectory of currency creation and debt accumulation, that we can go 15 or 20 years before we see some type of a reset? Or do you think it might be a little bit sooner than that given, as I mentioned, some of the things going on particularly with BRICS?

Brien Lundin:

Yeah, actually, it may surprise you, I think we can actually go on toward the longer term. I think 15, 20 years is probably more like it, maybe even more. When you look at gold as, not gold, but the dollar as the global reserve currency, there's two ways to look at it. One is the purchasing power of the dollar relative to things, and the other is the purchasing power of the dollar relative to other currencies, other fiat currencies. They're really two distinct things. I think that there is a trend toward an abandonment of the dollar eventually as global reserve currency, but I don't think it's a trend that we really need to worry about over much right now because it would be so long-term in nature. We can argue and criticize the legal regime and the rule of law in the U.S. and globally, but it's still the best rule of law in the world today. And more than anything else, I think that's important to a currency's use as the global reserve currency.

Now, that said, the one effect that it's having right now because of the U.S.'s use of the dollar as a weapon with the sanctions and Ukraine, et cetera, because of that, we are seeing other nations buy more and more gold. Russia, of course, exchanged all of its Treasuries years ago for gold. China has been buying gold hand over fist, both officially as a central bank and also domestically by its citizens. And we're seeing a number of other central banks buying gold at record or near record levels. Central bank gold buying set a record in 2022. It totaled just below that record last year, and it's continuing a pace this year. So that's one of the big trends that's been supporting the gold price and supporting this new bull market has been the underlying bid in the market from central banks. And it's a bid that is not price-sensitive, so it keeps coming in. They don't care that gold's gotten more expensive. They're just filling an allocation over time to build up their gold reserves. So that's been the primary impact of this de-dollarization move to me is not so much an abandonment of the dollar or a hastening of that trend, but a hastening of the trend toward gold and more gold buying that's been the primary result of that de-dollarization trend.

Dennis Tubbergen:

Well, my guest today has been Mr. Brien Lundin. He is the editor of Gold Newsletter. You can learn more at Goldnewsletter.com. He's also the producer and host of the New Orleans Investment Conference. You can learn more at NewOrleansConference.com. Brien, always a pleasure to catch up with you. Thank you for joining us today. I'd love to have you back down the road.

Brien Lundin:

Same here, Dennis. Always a pleasure and I hope to be back on whenever you like me.

Dennis Tubbergen:

Well, thank you very much, and we'll return after these words.