

Failing Fiat! - Gold and Silver Linings

Ross Welcome to Renegade Inc. It was the biblical economist, Norm Franz, who said, 'gold is the money of kings, silver is the money of gentlemen, barter is the money of peasants but debt is the money of slaves. We're living through one of the greatest monetary experiments in modern history where monetising debt is enslaving millions. But is there a silver lining to the cloud of massive monetary debasement?

Ross David Morgan, great to have you back at Renegade Inc.

David Morgan Ross, it's always a pleasure. Thank you.

Ross When we look at what central banks have done in response to the Covid-19 pandemic, what do you foresee the unintended consequences of all this QE? What do you see those consequences to be?

David Morgan Well, I think it's pretty inevitable from studying monetary history, even at a cursory level, that if you have a lot of something, the value decreases. With the amount of money pumping that's gone on, not only through the Federal Reserve, but through the European Central Bank, Japan, and basically everywhere else, they're diluting the money supply, which eventually leads to destruction of the currency or what many of us refer to as a currency crisis. So I think we're on that path, Ross. I don't think there's any way to get around it.

Ross How long does a currency crisis take to take hold, if you like? How long does it take to develop and then ultimately end?

David Morgan The type of currency crisis that I'm talking about is one that only happens once a generation or every couple 100 years. And this is one that will go on the record books. And, you know, where do you start it? I mean, if you look at the Reserve's own Web site, the basic 1913 dollar that was 100 cents, by their own admission, is worth about two and half today. And that's after, what, 100 plus years. So it's been deteriorating. The problem is it's like any function that goes exponential near the end of the currency experiment, the unsound money - and this has always happened in the past, fiat currency has a 100 percent failure rate - you accelerate. So at some point as they're accelerating the money supply and it's not really doing much good, it's keeping the system together barely. That acceleration goes exponential, so more and more does less and less. So as you saw in Zimbabwe, you see these signs with people holding up these signs - 'Starving Billionaire'. So it's not a function of how many zeros are in your bank account. It's a function of what the value of the currency is. And we're on the road to ruin right now. There's no doubt in my mind. Whereas - I'll hazard a guess, Ross - I would be very surprised if we had three years. Last time we were together in London, you asked me how long before something really blows up. I said five and it's already blowing up. I'm willing to take credit for that. Not what happened, but for the fact that somebody was shocked. I seemed so honest and trustworthy. But how could he, you know, say five years? It's very bold there. Very bold. Well, it was much less than five years.

Ross You edge at sound verses unsound money. Just explain to our viewers that differentiation.

David Morgan Well, sound money, usually, and through history, the people's choice has been gold and silver. But you know, to be really objective about it, I mean, basically, what is the value of a human being? And it's their labour, whether it's their intellectual labour or their physical labour or some some combination thereof. So in theory, I mean, you could do your own currency in your own community and you could give out chits for labour. And as long as it was really the truth, you weren't making the subs in the back room and flooding the market with labour that didn't exist out of nowhere, which is what's going on in the financial system as most of your viewers would know for a long, long time, the system, in theory, would work. But gold and silver has been kind of the basis because it's something hard. There is something there, all the functions that Aristotle said you need to have for real money exists in those. They're fungible, their visible, recognisable, all the functions that, you know, real money that people have sought for thousands of years ride in those two metals or maybe even three. You could probably throw copper in.

Ross A lot of our viewers are savers. We get regular mails - because basically they think that they've been mis-sold. You know, the idea was that you work hard, you save hard, you get rewarded for that saving. And actually, what viewers are saying is that, you know, these people have speculated, taken on massive mortgages, huge amounts of debt, the economic arrangements have favoured them over savers. What can people in that situation do to protect wealth, the really hard earned wealth that they've worked many, many years to accumulate?

David Morgan Again, I just kind of revivify what I said. I mean, basically, they're saving their labour for the future. So, you know, if you save 10 years worth of your labour and you retired at age 60 as an example, you'd have to 70 to live based on your stored labour. Well, what you have to do is save. So they're correct on part of the situation. The other half is saving money. And very few people understand the difference between money and currency. Gold is the safest by far. Silver, I think, is certainly a subset of the precious metals are far more volatile, and I think all precious metals savers should have both. But I think for stability and longevity, gold is preferable to silver, and you should absolutely have it. So in that question, I would say gold only would be an answer. You just save in real money. Don't save in a failing fiat. So when you save your labour, put it in those chits where that hour that you work, those those weeks that you save, those months and years that you save, save it. If you look at gold over the long term, it always in quotation marks, because it does fluctuate in value, but over the long term, it always preserves purchasing power. Rarely does it make you rich very often. In other words, it doesn't get overvalued too often in history, but it can. And I believe the fact we're on that path now. So if you were to, let's say, convert your British pounds into gold - and I do think right now you need some currency so I don't want to be a hypocrite because of the inflationary forces that we're witnessing - I wouldn't go all gold and not recommending all gold and recommending a hedge, but some you're saving. Some should be in gold, no doubt.

Ross You've spent a lot of your career and life trying to educate people about the difference between fiat currency, sound money, sound and unsound money. What propelled you, what compelled you to do that?

David Morgan Well, it's a long story. I'll try to be brief, but I was eleven years old when the silver dimes, quarters and half dollars were usurped by president Johnson's administration, which what I call the Johnson slug's. And I notice that as an 11 year old, I thought, this is interesting. How can these copper, whatever this other metal on top is, be worth the same as silver? I just intuitively thought this can't be. And of course, I was correct. But many of the adults didn't pay any attention to it. Some did. And of course, the silver that was in the coinage quickly was, using Gresham's law, taken out of circulation and used, of course, as a store of value. So it disappeared. But that kind of caught my attention. And then when I got in the eighth grade and started studying the constitution and what the monetary you know, what our forefathers here in the U.S said about coining money and that only congress could regulate it, kind of started a deep dive at that age into money and banking. And when I understood that banking was based on a promise to pay something that didn't exist, that they made on an entry in a ledger somewhere, that was like the biggest wakeup call of my life. And I've kind of been on that mission ever since in one form or another.

Ross A contemporary of yours, Hugo Salinas Price, also coincidentally bought his first silver coin at eleven. And, similarly, he's been on a lifelong crusade to educate people about the difference between sound and unsound money. Is it the case that you've just got to buy your first coin, silver coin at eleven? Is that the sort of entry into this club?

David Morgan Typical British humour. I love it, Ross. Probably a fact.

Ross What do you say to those people, though, who say that the gold standard, silver standard constrain the currency so much, that actually, you can't go out and have the flexibility necessary to fund certain projects, infrastructure, whatever it might be? What do you say to those people who say, actually, gold is a barbarous relic and getting rid of that gold standard meant progress?

David Morgan Yeah, it's a it's a really good question. And a lot of people are very strong, emotionally, about that question. So if you are going to progress in society and there is a bigger population, there's more labour to pay and you've got a constant goal to pay them. And how does that work? The answer is the gold supply generally increases about one to one and a half percent a year. So if you read my book, The Silver Manifesto, I go through this more detail. But what you find is that maybe this idea of sustainable development - I'm just going to stay neutral on those two words - but if you were in a stable monetary supply that's growing at one and a half percent and the economy was growing globally at two and a half percent, what you'd find, as I outlined in the book, is that money becomes more valuable over time. But it doesn't curtail growth. It doesn't curtail wages. It doesn't curtail anything. It just means that if you save, if you're 22 and you get in the workforce and you decide to leave it at 62, all that savings that you put away in gold would be worth at least what it was when you started the workforce at 22 and more likely under this scenario, more.

Ross Are you getting at within that answer that there is a sort of natural law, if you like? Because what we see with fiat currencies is if we need to wage a war, you're able to expand the monetary base. You know, there is a break, a handbrake, if you like, because you can just print and print and print, which is what we're seeing at the moment. Is with precious metals and sound money that there's actually a natural law between the amount that's created and the commerce that can go on in the world.

David Morgan Ross, of all the time that we spend together, this is the one thing you've absolutely nailed it. And you nail it time and time again probably every show that you do, that we did. This is it. This is the absolute best thought that we can give to people and hopefully comes to the head and heart, because if we lived under a natural law, you would have, as you outlined, we would basically have peace on earth, goodwill toward men, and we would be in a more or less different paradigm than we find ourselves in.

Ross So how does this end? What are the sort of practical steps? I'm not asking for timelines. We've covered that. What are the practical steps of how this falls apart?

David Morgan Well, for the individual, I think the best and even for companies, is you want to live within your means. Be debt free if you can. Reduce your exposure to basically all of the debt based instruments, which means the bond markets across the board, corporate bonds, even, there'll be some that will survive. Look for sound money to be part of your holdings. You don't want to rush in all gold, especially under the current conditions. You want a balance. And you basically do the one thing - and this is philosophical, but it's important - is tell the truth. Tell the truth to your friends and neighbours and tell the truth to power. I think it's reached a point where, if I can use the analogy of the Revolutionary War, you know, and the Patriots looking at King George and, you know, they were most were ready to go along with it. It's just he put so much pressure on them, they said, that's it, you know, enough is enough. We're standing up. And I think we're at that point or close to it right now for some people that are awake and alive and understand, you know, what you've done with Renegade Inc. for so long and so many other channels that have brought the truth to light. Let people make up their own minds. I mean, maybe you're tired of me saying it, but the movie, you know, The Four Horsemen, was one of the best, in my view, outlines of the whole system - non-judgemental, objective, and gives some ideas at the end of the movie of what people can do to actually take action that will help them in time going forward.

Ross Famously in the film - and we get, still, a lot of inbound for it - you say you can't get enough of what you don't need. Do you still agree with that? Do you still think that you can never get enough of what you don't need?

David Morgan Yeah, it goes back to natural law. I mean, you look at the obesity problem here, you know, you're getting a lot of stuff you don't need, but not the nutrition you require. You know, that's a good example. So, again, if you go back to natural law, we have natural money, I think a lot of those problems would hardly even arise because the farmers would be farming organically. They wouldn't be a corporate farm. It wouldn't be under this Keynesian model where it's basically a monopoly and control mechanism. Those that print the money make the rules is basically what happens where it's dispersed. Under a natural law, you would have a different structure and it'd be a far more diverse culture with a lot more opportunity for everybody and a lot more interesting place to be. There'd be a lot more free thought and critical thinking. It would be much more dynamic, much more. You wouldn't need Facebook, you wouldn't need all this stuff. People would be more connected than they are now, by far.

Ross Mark, great to have you on Renegade Inc.

Mark O'Byrne Great to be on. Thanks for having me on, Ross.

Ross Post 2008, the quantitative easing, a term first coined by professor Richard Werner, the banking expert. We were told that quantitative easing was a temporary measure just to buy a bit of time so we could structurally fix some of the problems in the economy. It turns out quantitative easing has been here to stay. What are the ramifications of that and where do we stand today with so much money printing and asset purchasing?

Mark O'Byrne Well, basically, we're engaged in one of the biggest monetary experiments in the history of mankind. And ultimately what we're seeing is the greatest degree of currency debasement in the history of mankind. And that's what we'll be seen for in time. What many of us warned that is a short term panacea and it should not be used on an ongoing basis to support the financial system. In fact, that's what has happened over the last 10,000 years. And now what's happening is it's shocking that they're actually engaging in not just government bonds, you know, you can understand that in the support of the the sovereign debt market, but where they're going and buying junk bonds and they're buying ETFs and they're buying shares of companies that are actually in difficulty are now trying to prop up the entire economy, not just systemically important banks. So the ramifications are just, ultimately, it's going to lead to currency debasements and massive currency devaluations in the coming months and years. And the bottom line is what they're doing is to make trillions and trillions and trillions. When I started this business in 2003, you know, a billion was a big number. And, you know, we used to talk about millionaires and we used to talk about millions and billions and then we started trillions more recently. And a trillion is one with 12 zeros after it. So it's one, zero, zero, zero, zero, zero, zero, zero, zero, zero, zero, zero, zero, zero. It's a very, very big number, you know. And we lose track of the scale of these numbers, you know. And the word trillion sometimes you can write a dollar symbol and a one and small little T beside it, you know. That's much more palatable to people. When you release so much money into the system, ultimately, they just go on a keyboard and they create trillions and trillions of dollars, euros and pounds to support, not just the bond market now, but also the stock market and to support the entire ecosystem that this gigantic Ponzi bubble that they've created, you know. The ramifications of this, we are obviously going to see quite significant inflation, and I think stagflation and stealthflation where the products we buy we're paying the same amount of money, but the size of the bag of spinach, you used to get a 300 gram bag of spinach for three pounds now you get a 200 bag of spinach for the same amount of money.

Ross How does man, woman on the street begin to protect their wealth and think differently about the financial system, if you do say that this is the greatest monetary experiment in human history?

Mark O'Byrne I suppose the bottom line is they need to diversify, diversify, diversify. You know, most people have their money in the bank, the local bank, the local post office in sterling or in euros or in dollars or whatever it is. And you're not getting any yield whatsoever. And you have all the risk of currency devaluation. Also a bail-in whereby deposits could actually be confiscated in the event of banks and sovereign nations getting into difficulty again. In the legislation now across the world, you know, we have deposit guarantees. But those deposit guarantees could be reduced and if banks get into difficulty depositors money could come into play in order to bail out these banks, you know. So you have to, you know, diversify your money, in effect, diversify your savings, diversify your investments. And wealthy people have known this throughout history. You know, that's why

wealthy people own investments in property. They invest in lands. They might invest in art, these stores of value. And then they would have portfolios of stocks and bonds and property.

Ross So if you were to give us a very short rule of thumb, a new rule of thumb, for people who are worried and concerned that their hard work and their labour is going to be squandered by profligate central bankers and policymakers, what would be that new rule of thumb?

Mark O'Byrne I think today, given the scale of the risks in the world and it's I mean, it's absolutely unprecedented. You know, what we're seeing in the world, there are so many risks. And I won't go into the detail because, again, your listeners are very well informed and they'll be aware of the many risks that are out there, you know. But there's geopolitical risks, there's monetary risks, actual risks and systemic risks and indeed environmental risks - very, very serious risks and ramifications for assets. A lot of people aren't joining the dots between these large risks to their money and their assets, you know. Given the scale of these risks, I think there's many advisors around the world who are urging people to have higher allocations of precious metals. And so you could go as high as you know, 20 or 30. Some of our clients are 50 percent or more in actual physical gold or silver. But that's the key. You need to own the actual coins and bars. You need to own, have outright legal ownership of the underlying physical asset and not be exposed to various products, ETFs, exchange traded funds, various derivatives and other forms of paper and electronic gold, that attract the gold price because they may become compromised between bank holidays, stock exchange closures. If the New York closed for a period of time, which is quite possible - no, I think it's quite likely actually - then your exchange traded funds will not be much use to you. You have to have underlying physical assets, you know. Gold Britannia, Silver Britannia, gold sovereigns, gold maple leaf, these one ounce gold bullion coins and silver bullion coins that are produced by the biggest government mints in the world, these are the assets that are going to protect people in the coming months and years.

Ross What is the probability from your point of view of the government saying, actually, we don't want all this gold everywhere? What we're gonna do is go out and confiscate some of that because we need to be able to shore up our finances. Is that a probability?

Mark O'Byrne I don't think it's a probability in terms of governments' confiscating gold and silver coins and bars from the citizens of Western nations, because unfortunately, the citizens of the Western nations in the UK, the EU and the US and most countries internationally, they own very little gold or silver whatsoever, you know, compared to, you know, 50 or 100 years ago, our grandparents generation back then. So there's a lot of concern about this. And the reason for this is there is a precedent. So in 1933, president Roosevelt, at the height of the Great Depression, he confiscated - people say he confiscated gold - he actually confiscated currency at the time, which was gold. So he would actually exchange your 20 dollar note for a twenty dollar gold piece. So in 1933 Roosevelt confiscated the money of the people which was gold and a few months later they devalued the dollar, revalued gold from twenty dollars to thirty three dollars. The gold went up 70 percent overnight. So that's why people are concerned that governments, again, if they're desperate, may confiscate precious metals from them. I do think where the risk is, is that they will actually go in and confiscate. They will nationalise, most probably, you know, depending how bad the crisis is, but if the price is very bad, I would not be surprised at all if strategic gold mines and silver mines around the world,

in Canada, even in the USA, nationalisation of these resources is very likely. And the Western governments may be very tempted to confiscate gold that's held on the various exchanges. So the Comex Exchange, the Chicago Mercantile Exchange, the New York Mercantile Exchange, wherever there are large pools of gold in vaults that governments can get their hands on then they may be tempted to try and get their hands on it. So that speaks to the need for people equilibrium, a small amount of gold but only if they feel very, very safe and secure in their own home to do that, in your old apartment or elsewhere where you're retired or in an office. And we encourage clients to do that providing they feel very secure to do it. But most people don't and particularly don't want to do that for large amounts. For larger amounts you should store gold in the safest vaults in the world and, indeed, in the safest jurisdictions in the world. And Zurich and Singapore are the safest jurisdictions in the world where most people are storing their gold and silver coins and bars to protect against these various risk scenarios.

Ross Why does the Russian Central Bank and the Chinese Central Bank, why are the Russians and the Chinese been assiduously buying gold?

Mark O'Byrne Yeah, and not just their central banks, their people as well, particularly the people in China and India and all over Asia and the Germans, interestingly enough, you know. The Germans are very aware of these risks. So yeah, your question about the central banks, they're buying gold. So your initial question at the start of the interview was about quantitative easing. They have massive dollar reserves. They export lots of services to the U.S. They've got these little green notes sent to them in return or indeed the digits on a screen. These dollars, you know, whether the actual dollars or U.S treasuries and they're very worried that they will be devalued. The U.S has said itself, including president Trump, has said they will devalue the dollar, you know, although he says different things out of his mouth hour to hour, you know. The bottom line is the dollar will be devalued, there's no doubt about that. We're moving to a multipolar world, that is clear by the day and the dollar will no longer have the pre-eminent position that it has and the strength that we've the dollar and the experience will not be seen again. The dollar will be massively devalued and it could go the way of how most fiat currencies have gone throughout history. They've become extinct, you know, and you get a new form of currency. But they might try and back the dollar with gold. So basically, the Russians and the Chinese are worried about their dollar holdings. They're worried about the currency in general because the euro has its own set of issues and risks as sterling and all governments have massive debt now. They had massive debt before this crisis. We've been warning about a global debt bubble for a long period of time. And global debt is just astronomical, you know. I think we're 300 trillion or so, you know. And now this Covid crisis and the draconian lock-downs and the massive overreaction we've seen from an economic perspective from governments is going to lead to an even bigger debt crisis. And therefore, you will see bonds and currencies devalued in the coming years. And the central banks are worried about it and the central banks are buying gold in a very, very big way, you know. And then the banks that had gold stored in America, they've actually repatriated their gold. So the Germans are the biggest and the most notable example of that. The Bundesbank has taken the gold back from the Federal Reserve back into Germany, you know. So they're repatriating gold. And that's why when we see the clients it's interesting that bonds, they're called sovereign bonds. And this is a time people need to become sovereign to think about their financial freedom. And by taking some of your wealth, your money, out of the financial system, you know, you could become your own central bank

in effect, you know, because unfortunately, a central bank, is not going to protect your wealth and savings. Quite the opposite. They're going to devalue your savings.

Ross Very briefly, though, Mark, you talk about all this debt. I've got a total solution for it. It's called MMT. It's the magic money tree. You just keep printing and printing and printing. And actually there are no ramifications because we can run deficits ad infinitum and eventually we'll get to the land of milk and honey. Is that not right?

Mark O'Byrne I hope so. But history, two thousand plus years of history strongly suggests that it's not correct. And it sort of stands to reason in terms of economics and basic forces of supply and demand. If you just create trillions and trillions of dollars, euros and pounds. And I wish we could just put money, helicopters, money into people's bank accounts and just sprinkle out of the planes, you know. We get B52s and just throw notes all over the world. And then we'd all have a great party, you know. But ultimately, it would destroy the economy. Why would people work? Why would entrepreneurs set up businesses and take risks? Your whole capitalist system will collapse, ultimately. And you'll see massive inflation. And it's just, it's idealism. I agree with a lot of these people and their goals and there absolutely right. That's what we should aspire to. But that's not the way we're going to get there. It's going to have massive adverse effects.

Ross Mark, really great to have you. Thank you very much for your time.

Mark O'Byrne Thank you, Ross.