

Inflating A Cold War State Of Mind

Ross: Welcome to Renegade Inc. What do you do when inflation is so high, your people are having to choose between heating and eating? Well, logically, you should admit that your economic management has been poor. The reality is, Western nations are now looking around the world for a war.

Ross: Matthias Weik, really great to have you back on Renegade Inc. Thanks for joining us.

Matthias Weik: That's alright. Thanks for the invitation.

Ross: About 18 months ago, two years ago, we sat in Berlin and you gave a very stark warning about the global economy, specifically about inflation. Then we sat in Norway in a place called Stavanger. You'd written a book which is in German. It's called The Biggest Crash Ever, and you warned everybody about the biggest crash ever and inflation. Now we're sitting together again, and it turns out, central bankers are stuck between a rock and a hard place. Jerome Powell recently came out and said, 'I think there's an issue. I think inflation's out of control'. So it turns out, Matthias, that you were right.

Matthias Weik: Yeah, but it was not so hard to predict. You can't print incredible amounts of money without receiving inflation. We see the inflation for many years and the stock markets on the crypto markets and in real estate markets and now finally, the people notice it when they go shopping. The ECB balance sheet tripled and the Fed balance sheet tripled. So all the money has to go somewhere, and now we see the effects and now the inflation now hits the fan.

Ross: Are you shocked that these central bankers are seemingly shocked or, well, they're at least pretending to be shocked? Recently, beginning of this year, Jerome Powell said that the US national debt is on an unsustainable path. It's growing faster than the economy. It wouldn't take a genius to work out, if you printed all that money, then that's going to happen because ultimately that money's going to find its way into land prices, asset bubbles, the bubble, everything.

Matthias Weik: Yes, it wasn't difficult to predict. But you must see like this. We had a really good time since 2009, since the crash of Lehman Brothers, and we had a great party and who wants to be the guy in a party that turns off the music and switches on the lights? So you have to understand a lot of people have really rich in the past years, like the super rich more than doubled their wealth. So it's no wonder like you see a massive divide between poor and rich and super rich. And so those people kept on printing money, we've got a massive profit from it. And most of the people didn't notice it, and some who had a little flat or small house said, it's great. My house has doubled, but now they go to the petrol station or to the supermarket and notice, now it's getting really expensive. And like heaps of people in Germany, if they get like the final bill in spring, what they're used for heating for their houses, they get a massive shock. And even in Germany, we have the highest electricity prices in the world and so there will be a lot of turmoil.

Ross: On Twitter, there is Not Jerome Powell tweeting. And he is claiming that Jerome Powell should be called double o seven - zero rate rises, zero reasons for tapering and seven trillion dollars printed. That pretty much is his CV, isn't it?

Matthias Weik: You can say it like this, but don't just blame it on him because they had the decision. If they wouldn't have printed so much money, our economy wouldn't be down where it is now. But now they've got a problem if they stop printing money, the share markets, the crypto markets, the real estate markets will go down and people lose their jobs. But if they keep on printing, the inflation will go through the roof. So it doesn't matter what you're doing, it will always be the wrong decision.

Ross: Okay, so let's say that they're all in together, so they've got diffused responsibility. We can't single out just J. Powell, right? We were told after 2008, and this is something that we've touched on before, that QE was a temporary measure. And we're going to use it as a temporary measure so we can fix the fundamental structural problems within the economy. Well it turns out that it hasn't been a temporary measure at all. It's now become a permanent economic tool. Shouldn't there have been some foresight with policymakers to say, actually, we're going to use this until this moment and then we have to wean our way off what is the easiest route out?

Matthias Weik: It's tricky to say. Do you want to be the guy who is in the party who turns off the music and switches on the lights? For sure, they should have done it. And everybody knows if you print money, you can postpone a problem, but you can't solve it. But now we're so far that I think what can they do now? They can say, OK, we keep on printing money. Inflation would go through the roof. We stop printing money, the share markets, the crypto markets, real estate markets will go down. What I expect what they probably will do is they'll increase the interest rates by a bit and a bit and then they see the stock markets will go down and the big pension funds in America won't be happy. And so then they will go down with the interest rates again, further and further, and we make the bubble bigger and bigger until it finally bursts. I think we won't see in the long run, higher interest rates like we had seen, like in the 80s and 90s. No way. Because if we do that, we should think they're not just private households. They're governments, they are all the zombie enterprises. And how should they pay their interest rates if, for example, we have interest rates in America or in Britain on the euro zone of four or five percent. That won't work out. We'll never, ever, see high interest rates again.

Ross: When you compare, then, interest rates which were high in the 80s to now, something the policymakers and central bankers don't often talk about, or in fact ever talk about because it's ultimately the banking model, is that there wasn't so much private debt in the economy in the 80s as there is now. As soon as you start tweaking interest rates, the economy capitulates because of all the stuff that we know. And all this stuff we know is we've got subprime auto, we've got subprime real estate, we've got margin debt for the stock market, we've got crypto. All these things, all these exotic financial products that weren't there in the 80s. How different does that make it a landscape for the central banker to try and navigate?

Matthias Weik: Super difficult. We had a massive crypto boom over the past two years. And they were not just smart investors, they were also investors who said, OK, I go to the bank

and get a loan of 20 grand and I buy some bitcoins or ethereum for that. The other problem is like we're living the leasing society. When I grew up, you know, you had like five German Marks and you could buy something for five German Marks. Now you've got five euros and could buy something for 10 euros. Like people lease their cars, the house is owned by the bank, the girls have leased their handbags. The watch is leased. It's all not used anymore. It's all a big bubble and we pretend to live a lifestyle a lot of people can't afford. And this is the craziness. If that bubble bursts, we've got a much bigger problem than we would have had probably in the 80s or the 70s.

Ross: Is that bubble bursting now?

Matthias Weik: It is tricky to say. And like for me, like the AHA effect was the past two years, but things with the corona politics, things can happen we can't imagine. So but they even print more and we on the other side, we have to see that a lot of assets, what people have so you can raise taxes, big time. Like taxes are still low and you can make them taxes of all your wealth and all this stuff like. They'll probably play the game as long as they can. I think if the increased the rates, definitely the stock market bubble in the crypto market bubble will burst.

Ross: I'm only asking you to predict the future. So what we'd see is interest rates go up, stock market comes down, crypto comes down. What then? What's the next one to go? Will that be real estate? Because ultimately, I know you don't know this, but from a sequencing point of view, how do these things crash? Because it's never an orderly landing, is it? It's always know a sharp, hard landing.

Matthias Weik: Yeah, I think if they raise the interest rates, the asset markets, the share markets will drop down and then the crypto markets and a while later, it will probably hit the real estate market.

Ross: The man or woman in the street realise intuitively and when they think about what's going on in the global economy, they realise that the stock market and certainly crypto and all this other exotic stuff, it isn't the real economy and they face a really difficult choice, certainly in the UK at the moment. You can divide it between eating and heating. Soaring energy prices and in Germany, too, and across Europe. From an energy security point of view, you've had a pipeline put in your country called Nord Stream Two. And it seems to me that people throughout Europe want cheap gas. Why do you think there's been so much push-back from the Americans to Nord Stream two, especially because it's implemented by the Russians?

Matthias Weik: Maybe it's just because they want to make business, and they've got fracking gas they have to sell as well. And so now that tankers from the states come to Europe and yeah, it's all about business, and why should Americans support that Russia sells gas to Germany if they can sell gas to Germany as well?

Ross: Well, let's look at the environmental aspect of this and the business case. How can you ship gas across the Atlantic to the west coast of Europe cheaper than you can run it through a pipeline from Russia?

Matthias Weik: No, you can't. And it is not cheaper, but a friend of mine said never ask the why question, because there are so many things that make no sense. And. It's all about power under their consent why do you make our enemies stronger? And that's what it's all about. It makes no sense. Gas is always dirty, but the fracking gas is definitely dirtier. And you know, the pollution what they have in the States when they do the fracking process, it's disastrous for the environment. We need the gas. Electricity doesn't come out of the plug, it comes out of a power station. Then we can decide to have nuclear power stations. Do we have gas? Do we have wind? Do we have sun? But the problem is, probably similar in England, like last November here it was cloudy and we had no wind, but we still need electricity. So we have to think where it should come from. And we can't get everything, especially in Germany, from alternative energies.

Ross: Seems to me that there's a pragmatism in Germany, though, with that economic reality staring you in the face. And Ola Schultz, your chancellor, knows this, that ultimately taking cheaper gas from Russia is going to be a way better economic option than shipping it from the US. Has he been able to sell that to the Americans?

Matthias Weik: I don't know yet. Well, I'm not a big fan of the our new chancellor, and I don't know what he's actually doing. He's he's not saying much. We've got another thing. We've got the Greens in power and I can't follow their plan because it makes economically no sense what they are doing. They should think about the economy but if we ruin our economy, it won't help the environment as well.

Ross: Do you think, coming back to the central banking and monetary policy issues having touched on energy security, do you think that bankers, central bankers, realise that juicing asset prices in the way that they have ultimately always leads to devaluation of the currency? And if we want a real world example of that, look at Australia.

Matthias Weik: It's tricky to say, but it's probably right. But if we see now in the United States, if they rise interest rates, the dollar will go up, the euro will stay down. But we also have to import gas, oil, steel. We've got no natural resources in Germany. I don't know if it is so sensible for the economy.

Ross: How does the man or woman on the street now protect themselves, bearing in mind that we've just been through this pandemic - some two years of this stuff.

Matthias Weik: In Germany we are still in it.

Ross: Gosh, good luck. Only New Zealand is more barmy. But bearing in mind, a lot of people have been furloughed, a lot of people have lost jobs. You know, because often what I say on this programme, how do people protect themselves against inflation? People say, 'go out and buy precious metals or go and buy hard assets, wine, real estate. People can't do that. They just simply can't do it. How does a man or woman on the street who's doing an honest shift day in and day out, how do they protect themselves to what's coming down the track?

Matthias Weik: If an ounce of gold is too expensive, buy an ounce of silver that's like, I don't know, 15 pounds, 20 pounds. So you can afford that and don't make any debt because

debt you have to pay back. And that will be even harder in the future to to pay back your debt. Live the lifestyle you can afford and not what you can pretend to afford.

Ross: And would you say to pay off debt now while the sun is still kind of shining because this is going to get a lot gloomier?

Matthias Weik: For me, the biggest thing is health and freedom. If I've got debt I'm not free, that's why I don't have debt.

Ross: Alex Krainer, great to have you back on Renegade Inc.

Alex Krainer: Pleasure. Thank you for having me.

Ross: Alex, It was the Scottish writer, Robert Louis Stevenson, who said 'Sooner or later everybody sits down to a banquet of consequences'. You and others have been warning about inflation and loose monetary policy for many, many years. Is this the banquet of consequences that you were warning about?

Alex Krainer: I'm afraid so. I think that we've come to the point where inflation has become entrenched. The central bankers have only one tool left and that is QE - quantitative easing - which is just a fancy word for printing money. And basically, they will not abandon that one policy tool. And what we'll up getting is a period of stagflation, and inflation will probably over the years accelerate and could even turn into hyper-inflation.

Ross: Stagflation, just explain it.

Alex Krainer: Well, stagflation, the word coined out of stagnation and inflation, basically. So you have very poor economic growth and at the same time, you have rising inflation. If we could name that a benign kind of inflation is what you what you have when the economic system is growing, there is growing demand for products and services which bid up prices gradually, slowly over time. So you have inflation with healthy economic growth. But when you get like, very sluggish economic growth or no growth at all, but inflation keeps rising, that's where you have stagflation. This is a typical outcome of monetary policy going overboard, printing far too much money, debt's getting to unpayable levels, and the outcome is practically baked into the system from the beginning. But we are now at the point where the bankers are scrambling to do something about it. But all they can do, the only tool they have at their disposal, is printing money.

Ross: So more debt monetisation, printing more debt to solve a debt crisis. Even the biggest cheerleader of this system knows that this is nonsensical.

Alex Krainer: Oh, they know that it's nonsense. They just have no choice because if they stop printing, we get deflationary collapse, we get an economic depression. By printing, they gain time because the unravelling is is never, you know, it never happens overnight. Well, it usually doesn't happen overnight, but it gives them time to finagle, to try to muddle through and think up some kind of another solution. Preferably, you know, they could get some kind of a war started to distract everybody away from their problems and to maybe blame all of

the problems on the external adversary. But printing money doesn't create prosperity. It doesn't solve any of the economic issues. It only makes them worse. But for the central bankers, it buys them time.

Ross: Do you think that that is a real option for, for instance, America now? America has inflation now hitting seven percent, same in the UK, first time in nearly 40 years. We've seen some of the pictures out of America. In fact, you've tweeted some, one of them saying, Wow, flavela's in California. But we've also seen trains being robbed of Amazon packages and medical packages going to people. Do you think that the internal collapse now because of the crisis of living over there, is a very real reason for people in Washington to go around the world and try and find a war to say, well, actually, it wasn't us, it was these other people over here, and that's why you're living standards are squeezed?

Alex Krainer: I think you touched on a great point, and I think it's hugely relevant to discuss this because the monetary system that we have, it's a fraudulent monetary system. It has crisis baked into it. It's extremely crisis prone. But worse than that, it has a strong tendency to move societies towards war. I would remind your viewers that when the Bank of England was created in 1694, and then since between 1701 until 1815, England prosecuted 18 officially declared wars against its rival France at that time. That's not a coincidence, you know. And you had US congressman Ron Paul, say that it's no coincidence that the century of central banking has coincided with a century of total war. And we even had, you know, in the more modern times we had the study. published in the Journal of Public Health in the United States, where the researchers tallied up all the wars that have been prosecuted in the world between 1946, so after World War Two, until 2001, and they found that the United States initiated fully 80 percent of all those wars. So, you know, every time there is a war scare on the horizon, there's a rationale behind it. You know, like now, you know, Saddam has weapons of mass destruction will have to kill him. Then, you know, we have to stop the madman Gaddafi. Then Bashar al-Assad is killing his own people. Today, we have to protect Ukraine from the evil Hitler, Putin. But you know, the fact that 80 percent of wars have always been initiated by one side in this equation needs an explanation, and the explanation is systemic. It's not about Putin. It's not about Saddam. It's not about any of these leaders. It's the fact that the West needs war and it seeks out war. And now we're seeking out war against Russia. And war would be a beautiful distraction from all the other problems. And you know, war creates that kind of an emergency that allows the ruling establishment to get away with all kinds of crimes and the silencing of dissent, silencing of opposition, rationing food rationing fuel and so forth. You name it. Anything they want, they can get under that kind of an emergency.

Ross: It takes an enormous amount of manufacturing the consent necessary to be able to go to war. And it seems to me, we just look at this Daily Telegraph headline. Russia is ready to kill us by the thousands. And that was when that guy, Gavin Williamson, was lurking around the Foreign Office. Now this has been a boiling the frog media campaign, hasn't it? It's just been drip, drip, drip for a very, very long time. You actually go back to the Maidan in 2014, Ukraine, and people like Victoria Nuland and all the neocons in America, they have been pushing slowly but surely. And then suddenly they've got a weak leader in power in the White House. It's basically, while the cat's away the mice will play, and they are playing now. Is this not a huge worry that you've got incredibly immature hotheads, who are the neo cons

in the US, pushing and pushing and pushing for this massive blow up in Ukraine when NATO, truth be told, doesn't want Ukraine?

Alex Krainer: Yeah, well, you have a point. The leaders, generally in the West, are very low calibre people, which means that they can be pushed around and coerced by the interests that are superior to them in the whole hierarchy of command and control in the West. And this definitely represents a danger. But I do hope that the cooler heads will prevail eventually because it's a very, very small segment of the population that may gain any benefit from war, whereas everybody else, even if they can't see clearly what's coming, they understand that war is a lose-lose situation for ninety nine point ninety nine percent of the population.

Ross: But the point one percent, namely the people who benefit from the military industrial complex, namely the people who are in hock to all of these arms companies, namely all the people who write for and push these right wing think tanks in the US and other places, all of them benefit massively.

Alex Krainer: Yeah, that's correct. But you know, I have to say that this time around, I'm more optimistic that we are going to be able to arrest the progression to war than we could have been in the build up to World War one and World War Two. And a part of the reason why is because, you know, back then, the public depended on newspapers, radio and television for their information, and those sources of information were very easy to control by the central planners. Today, we have a very, very lively social media universe where people are exposed to different kinds of information. It's very difficult for them to control the narrative at this point. And we can see that there are cracks appearing in the Western resolve to go and confront Russia in spite of all the narratives, the references to the appeasement in 1938 and so forth. And so I see that they have a great deal of trouble putting together a coalition of people that are actually willing to wage war on Russia.

Ross: They've lost control of the narrative?

Alex Krainer: Yeah, it seems to me that they have lost control of the narrative and they're only trying to push harder. But as they push harder against what I see as a rising tsunami of opposition, their narrative is getting more and more incoherent. This system careers from war to war. The reasons are the pretexts are shifting and changing. But the drive for war continues, and this is why we have this state of permanent war today. It's systemic. It's not just about Ukraine's border. It's not just about US borders. It's something deeply rotten about the system.

Ross: How much envy do you think there is amongst Western leaders and central bankers when they look at the management, for instance, of the Russian economy - almost debt free, massive gold reserves? Do they look at that and think, actually, instead of printing all this money, we should have been financially a lot more conservative?

Alex Krainer: Well, I think that Western leaders should be envious of the state of the Russian economy, but I think you give them too much credit. I don't think that they are even in sufficiently in touch with reality to recognise them. You know, I listen to them and they keep insisting that Russia is about to unravel, that its economy is weak. They still think that

Russia depends on exports on oil and gas otherwise it's going to implode. They still think that, you know, the state of the stock market reflects the state of the economy in the West and that our economy is strong. I don't know who fills them with those talking points, but it appears that they actually believe them. And so, yeah, you're right that they should be envious, that they should follow that example, but I don't think that they are actually able to wrap their minds around that.

Ross: I think I probably know the answer to this question. But what can we all do that stops the war machine in its tracks?

Alex Krainer: I think the most important thing that we can do is speak the truth. In the preamble of the charting document of UNESCO it said that conditions for war are created in the minds of men. It's in the minds of men that conditions for peace have to be defended. And I think that today we can add other genders to that statement, but I think that the principle remains the same. It's always the war for people's minds. If we refuse to go to war, war is not going to happen.

Ross: Alex Krainer, always great to have you. Thank you very much for your time.

Alex Krainer: Thank you very much for having me. Always a pleasure.