

SURVIVING AND THRIVING DURING THE GLOBAL PANDEMIC OF 2020

Surviving and Thriving During the Global Pandemic of 2020, Part 15

Featuring George Gammon

HOSTED BY:

ADDISON WIGGIN



Addison Wiggin is the founder of Agora Financial and the Financial Reserve. He is also the best-selling author of *Financial Reckoning Day*, *Empire of Debt* (with Bill Bonner); *The Demise of the Dollar*; and writer and executive producer of the documentary *I.O.U.S.A.*, shortlisted for an Academy Award.

FEATURING:

GEORGE GAMMON



George Gammon is an American real estate investor and entrepreneur who produces and stars [The Rebel Capitalist Show](#). After 12 years as a successful entrepreneur, George semi-retired, and shifted into real estate, where he has remodeled and flipped over 40 properties in and out of the United States.

George is a gifted teacher with a passion for learning and teaching macroeconomics: see his “white boards” here: <https://www.georgegammon.com>

“Shoot First and Ask Questions Later”

Addison: Welcome to *Surviving and Thriving During the Global Pandemic of 2020*. This is *Part 15* with George Gammon, the rebel capitalist. I like the name.

George: Appropriate for today’s day and age, right?

Addison: Yeah. Before we get started, I just want to tell viewers what you’ve been up to. George is an American, but you have most recently been living in Medellin, Colombia and you are the star and host of the Rebel Capitalist Show. I’m happy to make your acquaintance. I’ve been watching some of your whiteboards on the Rebel Capitalist, and I hope to introduce that to the reserve members because you have a talent taking

complex macroeconomic ideas and making them easy to understand. So welcome.

George: Thank you. Thank you. Thank you for having me.

Addison: Yeah, yeah. When we were talking yesterday, getting to know each other a little bit, you said that you had just traveled from Medellin to St. Barts, and maybe you can tell us what that was like.

George: Well, it's definitely getting more challenging traveling outside the United States for Americans who are under the assumption that they can just easily go wherever they want in the world just because the airports are open. I think they're sadly mistaken and those restrictions are increasing by the day. And I've had personal experience with that, as you pointed out. I was in Medellin. I retired in 2012. I started investing in real estate in Medellin in 2015. So I'd spend maybe three, six months there a year. In 2019, I did a TV show there so I was there the whole year. Bottom line, when we had this whole lockdown thing, I was in Medellin so I got stuck there for pretty much five months. They had very similar laws to the United States... restrictions, but the big difference was their international airport was not open. So I could not get a flight out of the country. They weren't allowing flights in or out.

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I was able to get a humanitarian flight out last Friday, and so that went to Fort Lauderdale. When I was in Fort Lauderdale, I was going to get a COVID test because now pretty much everywhere in the Caribbean, including Puerto Rico, requires that you have a negative COVID test to get into the country that was done no more than three days prior. And so you got to get the test done, you got to get the results negative, and then you've got to book the flight. It makes things logistically hard, but what makes it impossible is pretty much everyone in the United States, especially Florida, you can't get that COVID test result back within five days at a minimum. So if you can't get the COVID test back for five days, you're pretty much stuck. You're high and dry.

And so I went to the US Virgin islands because that was the only place I could find that I could actually potentially get a test done and that didn't have that stipulation yet. And so I snuck in just in time. Now while I was there, they instituted the same regulations. So now if you go to the US Virgin Islands from, I think it's 10 or 12 states

that have the highest rates of COVID, then you need that same negative test. But I was able to find a place there, which is extremely challenging. I got a doctor to do it. I just got the test results back 48 hours, right on the nose, and then the airline needed the results 24 hours prior to me getting on the flight because they had to submit it to XYZ country you're going to. So really you had to get it within 48 hours.

And then I got to Puerto Rico, and then from Puerto Rico, I got on a Tradewind flight, which is like a semi charter to St. Barts. The reason I came to St. Barts, it was the only place in the world that I could find that didn't have any restrictions. They have the COVID test getting in, but once you're here, all the restaurants are open, the bars are open, the beaches, the water sports, the gyms. It's pretty much as close to normal life as you can find in the world right now. So that's what prompted me to come here and there's some really interesting guys here and gals in the finance and macro space, so that was a fringe benefit.

Addison: Yeah. Are there cases in St. Barts?

George: They haven't had a case since April.

Addison: You can live free. That's awesome. Let's get into a little bit of your background. I don't know you that well, so other than what I've seen on your website and stuff, but I find your background pretty interesting and you know it better than I do. So maybe talk about, you said you were an entrepreneur for 12 years prior to semi-retiring and you moving down to Columbia. Maybe you can talk a little bit about that experience and what led you to be interested in macroeconomics and then feel the need to write it down on whiteboards.

George: Well, I was an entrepreneur, like you said, for many years. Got out of college, started a T-shirt business. I was working valet at the Golden Nugget in Las Vegas. I was working the graveyard shift so I could work all night and work on my business during the day. I'd take my tip money, I'd "invest it" right back into the T-shirt business. Of course, that didn't go too well, but that got me going in that direction, and throughout the years, I started several businesses. I took a couple over from bankruptcy, sold a couple. I had a few winners, a few losers, and fortunately, I was able to come out ahead at the end of the day. And in 2012, I had grown my most recent business that I started in 2009, up to about 24 million in annual revenues, about a 100 employees part time, full time.

“Money doesn't buy you happiness, but it buys you a hell of a lot of freedom. So if freedom makes you happy, well then there's a correlation there.”

And I realized, in fact, on a flight from LA to Australia, and I remember it well, one of those 14 hour flights. And it just dawned on me that I'd built this monster, so to speak, that I had become a slave to. And I thought, “George, why are you trying to make this money? What's the point?” And it's just so you can have more freedom and it's ... Money doesn't buy you happiness, but it buys you a hell of a lot of freedom. So if freedom makes you happy, well then there's a correlation there. And I thought to myself, I have no more freedom right now in my schedule than I did when I was in college and I didn't have two nickels to rub together. So what's the point in all of these gray hairs?

And so I just said, “Listen, I'm going to take some time off,” and I had a couple of business partners at the time, “And I'm just going to see how it goes,” and I just never went back and I just hung it up right there. And in 2012, this was in 2012, I don't know if I mentioned that, and this was at the bottom of the housing market. So that lead me to my next adventure, if you will. When I got back to the United States, I knew that I had to invest my money and I wanted to do it myself because I didn't want to have to go back to work anytime soon or ever. Again, it was all about freedom for me. So I started looking into macro. I started reading investment books like Market Wizards. And at that point in time, I hadn't stumbled across Jim Rogers.

I was in Vegas for about a month or so. I went to Singapore and I was staying at the Marina Bay Sands, and I was watching YouTube there. I had about 15 minutes before a dinner date, and I stumbled across Milton Friedman's series, Free to Choose. And that just took me straight down the rabbit hole because he just articulated so well what had been in my mind since college. Even as an employee, employer, regardless of what side of the coin I was on, it just crystallized all of my thoughts and it just made so much sense. And then from there, I went to Thomas Sowell and then I started studying the investment guys who saw economics from that side. I know they're not Austrians, Friedman and Thomas Sowell, but they're more free market guys obviously.

So then I started looking into Jim Rogers and Jim Rickards and Jim Grant and Peter Schiff, Doug Casey, Rick Rule, and it just made a lot of sense the way they looked at investing, especially Jim Rogers. He's, to this day, he's my favorite and fortunately, I've been able to interview him. But just buying things when they're cheap and

selling them when they're expensive, it just made a lot of sense. So I thought when I got back to the States from Singapore, how can I be like Jim Rogers? What can I do?

Addison: You could take a motorcycle trip around the world like Jim Rogers.

George: Well, at that time, I had already been to almost 40 different countries. So I'd travel a lot but not to the extent that Jim has, but maybe one day, I will. I'm a big fan of motorcycles as well. So anyway, I stumbled across the chart of housing in the United States going back to 1900 when you adjust for inflation and the size of the homes. And I saw pretty much it was flatlined from 1900, all the way to the

But then of course, in the early 2000s, it just goes parabolic and comes crashing all the way down 2012 to where we were, at the time, I didn't know we'd bottomed out. In retrospect, that's about the time when the market bottomed. But I thought, "Wow, it's down at its historic trendline." And then I looked at a chart of Japan going back to 1990 and what their real estate market did. I saw it went down from the top to the bottom about 60%. We were down 50. So I was thinking "Well, maybe we've got an extra 10% of downside." I started looking at the cash flows and they were really, really cheap. So I thought, "Well, yeah. Let's go into real estate." So I started buying real estate in the Midwest and accumulated a rental portfolio, and as an entrepreneur, I made quite a bit of money overseas. So when I understood the real estate game in the United States, the next logical step for me, especially since I like to travel and experience different cultures, was to try to do this outside the US.

So I went down to South America. I was in Ecuador. I bought some property down there. And in 2015, if you recall, that's when oil I think just briefly got down below \$30 a barrel, and I wanted to go long oil, but I didn't really know what was going on. I kind of knew it, and going back to 2012, at that time, I didn't know anything about macro. I

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didn't know what a yield curve was. I didn't know what the FED was, zero. And so now I'm three years into it, so I get it, but I don't. I'm still listening to all the podcasts and being obsessive compulsive about learning as much as I can, but I still am much more of a real estate guy at the time.

But I was still thinking "I want to go long oil. I don't understand how to," but I know that there's a correlation between oil and the Colombian peso. So I thought if I can buy something denominated in pesos, then I'm going to buy long oil. Well I know

real estate slips by Colombian peso denominated real estate and then see if I can buy low. I can force some appreciation, get some good cash flow, and then maybe I can increase my money or my investment by just forcing that appreciation maybe the market goes up. And if I'm right on oil, the peso appreciates against the dollar, you have a double whammy. So that was the Genesis of why I went to Columbia initially. And ironically enough, I haven't made much on the peso play, but I've made a substantial amount on the actual real estate. So I've been there on and off doing this real estate thing. Now I've got a group of people that work for me because I'm out of the loop. I'm more getting in the way now.

2019, we started a TV show there because we were doing all of these remodels. So I thought why not just turn it into a TV show? So I pitched the local station, they put

“I snuck a couple macro videos into the YouTube channel that initially was more about real estate investing. Now the channel has almost 160,000 subscribers, 1.5 million views a month.”

it on air, everyone loved it. And between the first and second season, I had all these great editors so I started the YouTube channel, which was originally about real estate investing. But now, I really just like talking about macro. That's really what I'm super passionate about. So I

snuck a couple macro videos into the YouTube channel that initially was more about real estate investing. The real estate investing videos really didn't pick up too much traction, but the macro videos did. And so it was really a win win because that's what I really enjoy talking about and that's what seemed to resonate with the YouTube audience. And then the rest is history. Now that was maybe nine or 10 months ago, now the channel has almost 160,000 subscribers, 1.5 million views a month. We got a podcast now that's really jamming, a website, the whole nine yards.

Addison: The TV show is done now? It's all online on YouTube?

George: No, it was actually a network show. It was a network show that I did. It's very similar to Flip or Flop or one of the American gringo shows. I saw that they were very popular in the States so I went to the local station in Medellin and pitched them on doing the same type of show. And they said, “Listen, if you produce it, we'll put it on air.” And then we can just split revenues or whatever. I said, “Yeah, that sounds good to me.” I knew nothing about producing a TV show, but I just ... As an entrepreneur, you shoot first and ask questions later and that's exactly what I did. And as soon as they greenlit the project, I'm like, “Okay. Now I have three weeks to learn how to produce a TV show. Go.” And fortunately, I was able to figure it out.

So that took us straight into the YouTube channel where we are today. And initially, it was the macro videos, the whiteboard videos. Those were extremely popular, but they're very time consuming. So what I started to do is interview people because that was a lot easier to produce the content and plus I love it. I love talking to all these people that for the last eight years, I've been consuming their content. Guys like Jim Rickards and Doug Casey and all the guys that we talked about earlier. So I started reaching out to them and fortunately, they were nice enough to agree to do interviews. So a lot of the guys on macro voices and real vision and it was incredible. It was such a cool experience and that gave me the opportunity to insert some more content that wasn't as labor intensive, and that's when I started the Rebel Capitalist show. That was specifically to interview these people.

So then we were doing three whiteboard videos or two or three whiteboard videos a week, and then a couple of interviews. And then the Rebel Capitalist show just grew and grew and grew. And now they're getting almost as many views as the whiteboard videos do on the George Gammon YouTube channel. So that's how it sprung. Necessity is the mother of all invention I guess, and it's really the story with the entire YouTube channel.

Addison: That's good and you quite clearly enjoy it.

George: I do. I love it. I absolutely love it. I would be talking about this stuff regardless. I'm just one of those people that whether I'm in the shower or whether I'm eating breakfast, whether I'm at the gym, whether I'm driving, on an airplane, I'm always listening to podcasts on macro and investing. It's just what I absolutely love doing.

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Addison: That's funny. I have a similar story. I was actually working at the Cato Institute in Washington and I was helping set up the forums where authors could come and present their work. I helped edit one of the journals that they publish. I managed the online bookstore. I did some jack of all trades things which was really boring by the way. It was working at a think tank in Washington. It was like, what am I doing here? I was wasting my time one day, I was in an argument online with a friend of mine who I went to graduate school with, and we were arguing about a very nuanced idea that Murray Rothbard had written in one of his books, *What Has The Government Done*

With Our Money.

And I left the office that day after wasting my entire afternoon arguing with a friend of mine. I'm like, "Man, I should just do this myself and start a newsletter publishing company. I'm just happy it worked because it really wasn't work at the time. So that led to Agora Financial. Well, let's move on to some of that, the macro stuff.

I have this quote, I just found this quote this morning from Noam Chomsky. "When you trap people in a system of debt, they can't afford the time to think," It resonated with me because you look at the Black Lives Matter protests that are going on that are turning violent in places like Portland. And I've been trying to draw the connection between the economic state of the world and specifically with middle and lower class people as their economy got shut down during the pandemic. They're the ones that have gotten, they're taking the short end of the stick on the entire thing.

We're fortunate enough where we can live the way that we have always lived. I work at home most of the time and I travel when I want. Haven't been traveling that much lately, but a lot of people can't. They're not in a position to be able to do that. And a lot of people have approximately 47 million people that have applied for unemployment. There's a lot of people with a lot of anxiety, mostly caused by, well caused by the pandemic, but then their economic situation exacerbates everything and it's fueling a lot of the anxiety that the person then spills out onto the streets. So I wonder if you have some opinions about what we're effectively watching on TV.

The World Through the Lens of a Marxist

George: I absolutely do. And also too, I think the United States gets a bigger ... They have a bigger problem when it comes to the overall population because we're such a consumer driven economy and so much of the jobs are in the service sector, which get really, really hit when you have something like COVID come in where everyone's got to stay home, where if we were more manufacturing or if the economy was structured in a different way, it might not have as dramatic of an effect.

It takes me back to a video I did the other day that was based on another video, my good friend, Jeff Snyder and Emil Kolonowski, did on their channel, where they talked about the world through the lens of a Marxist. And so many of us free market

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people think that, “Oh, well, it’s easy to debate a Marxist because all you gotta do is bring up Russia or just bring up China before they started with their push towards capitalism. And it just kind of defeats their entire argument.” But it’s not necessarily true. If you really go back and study Marx, and if you look at the way they see the world, they don’t really have a negative, at least Marx didn’t really have any negative view of capitalism. In fact, he thought it definitely had its place, and he would give credit to the capitalists.

He said that they were extremely efficient, and that if you have a society that’s based in let’s say feudalism, the best way to advance the society is through capitalism. But he also felt as though the capitalist efficiency was there downfall, and that they could push a society forward only to a certain point where the communists would have to come in and take over the means of production and basically steal that from the capitalists in order to continue to move society forward. And he never called it end stage capitalism. This is kind of what the new buzzword is with the modern-day Marxists. And if you don’t think this is a thing, just go on Twitter, Google it. Just Google late stage capitalism, and it will blow your mind how popular it actually is now. But what Marx said would be the latter point of capitalism, although he didn’t use that term directly, is that the wealth gap would start to increase.

Because the capitalists would try to squeeze their margins, you’d have them competing against one another. They would try to continually lower and lower prices. Therefore, the only release valve would be the wages of the worker. The problem there is the lower they push wages, the fewer buyers they have for their goods and services. So then what happens the only way they can continue to make more and more money is if they take their profits and they invest them into financial instruments. And what this does, because there’s not a solid base to the economy, is it creates this boom and bust cycle. So if you look at everything that personally I lay at the blame of the FED, with the quantitative easing, the money printing, and they’re the ones that are really exacerbating this wealth gap because they’re making asset prices go sky high by creating all these bank reserves, but they don’t see it that way.

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They see that as a result of capitalism, where I would see it as a result of not enough

capitalism. I see that as a result of socialism, where we're not allowing businesses to fail, we're not allowing the stock market to go down. So, everything that you see in today's society, whether it's the wealth gap increasing or this boom bust cycle, the Marxists see that as a result of capitalism. And they think the only way to alleviate the problem or to prevent the capitalist from collapsing society is to go in there and use any means necessary to take the means of production away from the capitalists. And I think that's when you see the BLM, you see all of these organizations, where they really echo the views of Marx. I mean, if you look at their rules and guidelines and what they're pushing for, it's straight out of the Marx textbook or the Marxism textbook.

And I think that's why you're seeing what you're seeing. Now, I think where that leads as far as an end game is the political class, because they're trying to basically buy the votes from these people who 10 years ago studied Marx and now they're in the general population, and they are seeing the FED come in and this wealth gap

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we're referring to, and they're like, “Oh my gosh, my Marxist teacher in college, they were right. They're proven right. They were a genius.” So, it just solidifies this belief they had in their head. So, they're the people that are actually voting. So the politicians are going to cater to that. So you're going to get higher taxes, and you're

going to get fewer goods and services produced in the United States. You combine that with this push towards de-globalization right now, and you got all these supply chains moving back to the United States.

That's kind of the societal narrative, the political narrative. And you see this environment where we could have demand staying the same and the supply of goods and services decreasing. Now, why I say demand staying the same, everything that's going on with COVID, is because of the additional unemployment that the government is giving, stimulus checks, you call it helicopter money, whatever you want to call it. This is happening. And I see it getting worse, not getting better. And it's to the extent where if you look at the average incomes of Americans going back to March once they started these stimulus checks, they actually went up. So we're seeing incomes go up while at the same time we're seeing unemployment go up. I mean, they say unemployment's at, whatever, 15%. I don't know where they've got U6 pegged right now, but I think U6 is very much like the CPI in the sense that it's

definitely understated.

So say we've got 20% unemployment, while at the same time incomes are actually going up. So the only way that you sustain that and that level of demand is if you just print money, you spend money into existence. So when I say print money, I'm just talking about the FED monetizing the debt. So the government can go ahead and spend it into existence.

They can increase the M2 money supply, and the FED can just buy those treasuries hot off the press, so to speak. They just go through the primary dealers in a kind of shell game that we all know is completely ridiculous, but they're really monetizing the debt. Also, if you look at a chart of who is buying debt right now are treasuries, and you see that the foreign central banks and the foreign entities have really leveled off while the FED's balance sheet and what the treasuries are putting onto their balance sheet as well as the more direct securities have just gone completely parabolic.

So we've gone from this point of foreigners buying our debt like China and Japan, and now it's pretty much just the FED buying the debt. So, the only release long term

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is going to be the US dollar, but they're not going to be able to lower the deficits. The deficits are going to continue to increase. If you look at a chart of the deficits prior to COVID, the deficit as a percentage of GDP was like 5-6%. I mean, we had never seen those types of deficits other than when we were in a recession, and this was supposedly the greatest economy of all time.

And so if we were running those types of deficits prior to COVID, you throw COVID on there, and then you have this supply destruction with the people who are actually paying the taxes, the producers, and you can just see deficits going to the moon.

And another thing I want to throw in there, I know I'm kind of going off on a tangent here, but it's very important that people realize that a lot of economists and a lot of people that are out there on fin twit, they assume that if inflation goes up that the CPI, or what the government will admit to, that that's good for the government because their tax revenue will increase and they'll be paying back the debt with cheaper dollars. But that only works out if the tax receipts increase. One thing I'd like to point out that nobody's really talking about is if we have a large portion of society,

which we're seeing right now, go from being employed to unemployed, even though the demand stays the same because they're getting these stimulus checks, and they might be paying income tax on those checks that they're receiving, but they're not paying payroll tax.

And prior to this, 50% of the receipts or the revenue that was going to the federal government was from payroll taxes. So you can see the situation where we go into the 1970s, CPI going up at 10%-12% per year, while at the same time tax receipts are actually going down. And we could have a situation where the asset prices are going down. If you look at the stock market in the 1970s, from '72 to '74, it actually went down by 60%, while we had all of this inflation. So as you and probably most of your listeners or viewers know, the main catalyst or the main measurement of tax revenue coming into the government is going to be a recession, and it's going to be the stock market. That's the main driver for tax revenue. So if you have the stock market going down, asset prices going down, while at the same time the revenue that would typically be made from the payroll taxes is going down, then the expenses for the government are actually going up because of inflation and UBI, everything we talked about.

You could just see deficits going to, I mean, who knows where they... I think we could be a Japan type of debt, call it 200-220% of GDP in five years. I mean, that might not be my base case, and I'm not going to say it's for sure going to happen. Everything is just probabilities. There are no certainties. But, I definitely see a path that's very realistic on how we can get there.

Addison: Yeah. Just to clarify, CPI is consumer price index, and that's the general, there's a basket of goods that the data clinchers look at in order to determine how well the demand side of the economy is doing. I mean, that's effectively what they're measuring is what are people spending and what are they spending it on.

George: The way they measure is just totally bogus though, because they do hedonics and all of these substitutions. If steak, let's say, is in that basket that you're referring to, and let's say the price of steak goes up, it's 10 bucks a pound, and it goes up by a dollar. So it goes up by 10%. But the cost of hamburger also goes up to let's say \$10 a pound. Well, what they'd say is that there's no inflation at all because you can still buy beef. You can't buy steak for 10 bucks, but you can still buy something that's beef. So if you can substitute it, well then the cost of living hasn't gone up. They play all these tricks like that. And they do that with car, it's something different, but with cars, they'll say,

“Oh, if your car that you did pay \$10,000 for last year, if you’re buying the same car this year for \$100,000, but it’s got chrome wheels, it’s got air conditioning, it’s got a sunroof, well then the price really didn’t go up at all.” It’s crazy.

Addison: Well, one of the things that you write about in the Daily Reckoning all the time is even though there’s hedonic price indexing and there’s substitutions going on, as you described, those are numbers that mainstream economists use. The CPI is the number that gets reported on the news. It’s what people base their decisions on. If you look under the hood, it’s all messy and complicated. But on the simplistic view, that’s what people use to make decisions and what economists use to draw their conclusions about how successful the economy is.

I’m not dismissing the hedonic price indexing. In fact, we used to publish Dr. Kurt Richebacher, an economist from Germany for probably 15 years. And that was one of his main points that he made all the time. Every time the CPI came out or different data points about unemployment and things, he would reorganize the data based on the classical European model, which didn’t use all the hedonics and stuff like that. So he would actually publish what he thought was the true rate of growth in the economy and what the actual GDP was and stuff like that. It was very enlightening, and he was kind of a cranky old dude. So he would just take aim at some of the people that were championing these changes to the way that the data gets reported.

But I do think it’s important for this reason. If the economy is shut down and people are 20% of the population are counting on unemployment for their incomes, it’s very difficult to see what path would be taken for the economy to reopen. I’ll just give you a little anecdote. I work with a personal trainer, may not look like it, but I do. And he was laid off from his regular job at the gym, where he had clients. And then he does some work with me as kind of a private arrangement. And he has a couple of clients that he does like that. They opened the gym back up, Maryland’s stage three opening or something like that. And the gyms open again. But a lot of his clients are, they’re in rehabilitation for surgery and that kind of thing. And so they’re afraid to go back into the gym, so he could go back to work and he could get off unemployment, but he’s choosing not to because he’s getting more from unemployment than he would be getting from his own clients, his own business.

George: Right. We’ve seen incomes go up.

Addison: Right. I think that... I will fall into this trap where I start thinking, well, once the

economy starts opening back up, then we're going to see the stock market take off and people are going to get rehired at restaurants and stuff like that. It clearly doesn't look like it's going to be flip the switch and we're going to start all over again, which means that that system of issuing more treasuries and then the FED being the buyer or last resort for monetizing, it seems like the annual deficit and the national debt is just going to continue for a long time and be an albatross on the economy for years to come. It's going to change the way that we actually think of the economy. I do think that we're talking about marches in the streets, I think they're looking at the way things are unfolding.

It looks pretty juicy to them and motivates them to continue to be in the streets. I saw a note this morning that just the interest on our national debt is greater than the GDP. And it's the first time since World War II that we've reached that point. So one of the things that I have said many times in my own writing that that's not a problem until it's a problem, and then it's a really big problem. And entering that phase where nobody predicted the pandemic, I mean there was a lot of speculation that a pandemic could shut down the world economy. But when it happened, we were already over indebted, in stress, and there were a lot of fissures in what we considered to be a highly functioning capitalist economy.

And that's what I think is late degenerate capitalism. That's what you were talking, we're nearing the end game as it is. The question is what happens next? And then the real question is, especially for readers who come to us for understanding the environment but also for financial advice, what should readers think about? If it's the end game and it's going to be a prolonged reopening of the economy, both domestically and globally, we're going to have to readjust the way we think about investing. As a real estate investor, for example, what do you think about that? Or if you're looking at the stock market and it does start going down and you've got all of your savings in there, how do you think about that?

George: Well, there's a lot in that question. The first thing I try to do is just buy things when they're cheap and sell them when they're expensive.

So me personally, I would have been out of the stock market quite a while ago. I would have been very, very happy to miss out on all those gains. I'm much easier off going into something that I know well, that I can get a good deal. Right now,

"The first thing I try to do is just buy things when they're cheap and sell them when they're expensive. So me personally, I would have been out of the stock market quite a while ago. I would have been very, very happy to miss out on all those gains."

commodities are cheap. But I know a lot of people in their 401k, in their IRA, they really can't invest that way. So it's a very difficult thing to answer. As far as the end game, I think people have to start looking at the possibility of inflation and stagflation, going back to the 1970s. I had a conversation with Jim Bianco the other day, and he made a fantastic point where even going back to the GFC, the economic output for the United States only went down to about 94%.

So just that 6% delta is what gave us the GFC. If you go back to the Great Depression, that went down to about 75% of economic output. So you have a lot of people right now I think in the United States that would be very happy if our economic output went just back up to 75% of what it was prior to COVID. But they don't really realize that that puts us into a great depression. Just getting that optimistic view gets us to the 1930s. And now, I don't think there's an appetite for any type of deflation whatsoever. So I think they're just going to print and print and print, and they're going to inject as much money into the economy as they need to, to really make sure that they're getting negative, real rates, which will allow them to hopefully, if you're in their shoes, decrease the amount of their debt burden by paying things back with cheaper dollars. We have to see how it plays out with the tax receipts and the tax code.

That's a whole different topic that we talked about before. But I think that's going to be the end game of the government. They've only got a few options. Either you inflate the debt away or you default, and I don't think that they're going to flat out

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default. I think inflating the debt away is a form of default because you're not paying the people you owe money back with the same amount of purchasing power. But I think that that's kind of what people have to sort through in their minds is kind of an inflationary de-leveraging. But

where we start with consumer price inflation, I think that you could see the dollar actually going up against other currencies, while at the same time we're having a 1970s type of situation here because the transfer mechanism to get dollars out of the United States is generally just the trade deficit.

But if you have that de-globalization and those supply chains coming back to the United States, there's not as much of an opportunity for those dollars to get outside the United States where there's a lot of dollar denominated debt. That's a whole

other can of worms right there. But if I'm just the average investor, I'm looking at the 1970s as pretty much my playbook. So I'm going to want to be in hard assets. Again, I like commodities right now because historically they're very cheap. But real estate's tough in the United States because it's in a bubble. So it's like, what do you do? How do you protect yourself when we're in an everything bubble type thing? And the only thing I don't like about commodities is they don't pay you to own them. And I've made a lot of investments since 2012.

The Achilles Heel of the Fed

George: I've made a lot of investments since 2012. And fortunately, most of them have panned out, but the ones that didn't pan out or the ones that I didn't buy cheap and sell expensive, I bought expensive and tried to sell even more expensive. But I wasn't getting paid to hold it, right. Even the investments I've made that were actual mistakes, if they would've been income producing assets, I would have been able to sit on them a lot longer and not have to take a hit by selling them to get the liquidity. So how do you do that with commodities? I'm not quite sure. What I do personally for my own portfolio is I separate it into buckets. So I have three main buckets. I have insurance, which for me is just physical gold. I like to have 10% of my portfolio allocated to insurance, 10% speculation. So I define that as something that I think is cheap right now, that's got some good asymmetry, and then 80% of the portfolio in something that pays me to own it like we were just talking about.

"What I do personally for my own portfolio is I separate it into buckets. So I have three main buckets. I have insurance, which for me is just physical gold. I like to have 10% of my portfolio allocated to insurance, 10% speculation."

So that would be a good cheap dividend paying stock, or maybe a rental property. Right now, I'm not sure where the opportunities are. I think if I was the average investor, I'd be just starting to form a watch list so if we do have another leg down in the stock market, I can kind of exclude emotion from the equation and start buying things on my watch list when they get cheap even if I think the prices are going down further. That's the real hard thing for people to do and I know that from reading the comments on my YouTube channel and to talking with people is... Going back to March as an example, I bought some dividend paying stocks back then, some of the oil producers, but I was under the opinion that oil was going to go down even further

in price, but I bought them anyway.

And that seems very counterintuitive to people. They say, “Well, if you think it’s going down further, why don’t you just wait and buy?” Because I’m not that good and I don’t think any of us are really. And so the only thing that you know for sure, definitively at this point in time is whether or not it’s cheap. You can’t really tell where it’s going to be next week or a month down the road or something like that. So if you just kind of eliminate the outcome from the decision making process and focus solely on the fundamentals and the price of where it’s been historically, I’m talking about commodities adjusted for inflation, I think, yes, you’re going to still have some losers, but over the long run, you’re going to end up making money.

Addison: Let’s say, I just want to go back to the monetization of the debt just a little bit because I think there’s another reason for investing in gold and precious metals and commodities too, which is it’s kind of a two part question. If we’re wrong, if I’m wrong, and the economy does open up more quickly than what we’ve been forecasting... Like for example, one thing that could trigger that would be sort of a euphoric celebration of a vaccine that starts getting distributed. Let’s say that’s in January of 2021 or something, whatever they’re projecting they can start. There’s that company in [inaudible 00:47:34]. That’s a research Institute at Oxford in England. That has advanced to now there’s a trial phase and they think they are. I just saw something yesterday that they think they can start releasing some of that vaccine as early as late 2020.

So if there is a shift and the economy starts opening up more quickly because of a new optimism and a new competence in a vaccine, people start moving around more, they start traveling more, that kind of thing, where is all that debt going to go? They say we have \$26 trillion or 26.5 now, I think, and also the deficit year over year. And then people are getting stimulus checks right from the government and they’ve been saving it more or less. If competence level grows, that money is going to pile into the economy first, but my suspicion is that it’s going to go right into the stock market and or into things that are cheap. Gold is still relatively cheap. Commodities are cheap. Oil is cheap. I think we could see a period of rapidly rising inflation just for all that cash that’s sitting out there or all that debt really is sitting out there and not being used right now.

George: As far as I can definitely argue for the stock market to go up. I wouldn’t buy it right

now because I think it's wildly overpriced, but I could definitely see the stock market going up from what you're saying. But if you had that belief, then I like commodities as well, like gold, silver oil, uranium, all the things that you mentioned for those same reasons. But I think that you bring up a great point that very few people think about is they get really fixated on money supply, but they forget about velocity. And you've got to have a combination of those two things if you want to see substantial consumer price inflation. So going back to what we're talking about with the government actually spending a lot of money and all these deficits, how does that differ from the Fed printing money?

And this is where most people really struggle. So if the Fed prints money, the only thing they're doing is creating bank reserves. I call it funny money in my videos because it's not really dollars that circulate in the economy, it just sits at the Fed for all these primary dealer banks and banks under the Fed umbrella. It's just an asset swap where they're creating bank reserves and they're buying assets from these primary dealer banks. So now that can translate into additional money supply in the real economy if the commercial banks choose to extend more loans, because they're the ones that are really in control of the money supply historically. They, meaning the commercial banks, but there's not really a causal effect with bank reserves that the Fed prints and M2 money supply. In other words, the broad money that circulates within the economy. There has to be some sort of action taken by the banking system typically.

Now I think we're moving into a time when all that's going to change, but historically that's how it's been. So the difference though is when the government comes in and spends that money directly into the economy, it does two things. It not only increases the bank reserves just like the Fed printing money, but it also increases the amount of deposits in the real economy. It does directly increase M2 money supply. So this takes me to my next point, which is the TGA. And I don't know if you guys have talked about this too much on your show, but the TGA is just this bazooka that the Trump administration has that will create more M2 money supply directly, and I think they'll do it prior to the election, but my main point there is that-

Addison: Can I stop you right there and just explain what TGA is?

George: The TGA is the Treasury General Accounts. So that's basically the bank account for the Treasury and I won't go into the history of it, but it's a crazy, crazy history

going back prior to 2008 and how they changed it in 2008. They brought it from the commercial banking system into the Fed and they did that to specifically manage the amount of reserves in the system, because back then when they were starting QE, they were worried about the amount of reserves and it causing inflation and whatnot. But now what that does is gives the Treasury a massive, massive amount of leverage and power because they control the amount of reserves just like the Fed does and most people don't realize that. So if they allow the Treasury General Account to increase, they're sucking reserves out of the system, and so how would that happen?

Well, people are paying their taxes or doing treasury auctions. They're sucking dollars out of the system and allowing them to accumulate in the TGA without spending them, right. And so that's basically quantitative tightening, just like the Fed was doing. But then when they spend that money into the economy, it's quantitative easing. And to give you some context, right now the TGA has over \$1.7 trillion, trillion with a T in it, and if you look at QE three, that was what, \$80 billion a month. So prior to the election, what I think is going to happen is the administration, they're going to try to buy votes like any administration would.

So they're going to take this war chest that they have in the TGA that they've let stockpile, and they're going to spend, let's say a trillion dollars directly into the economy, which will give this massive sugar rush through these stimulus checks. It'll increase M2, but it'll also increase velocity because it's going into the pocket of people who will actually spend it instead of just creating these bank reserves for the primary dealer banks. Additionally, it will increase the bank reserves so then what will most likely happen is the stock market goes up because it's just like the Fed doing this QE on steroids right before the election. So I think all of that plays into the thesis that you're referring to about inflation and really lighting the fire under commodities for sure.

Addison: I'm actually just wondering this while you were talking, in the era of de-globalization and you ended up Brexit and got Hungary and you've got Brazil doing a similar thing and the US under Trumpism, sort of repatriating production. And also just to be blunt about it, building walls all over the place. Rebuilt the while, we're trying to build a wall. And there's a sort of economic nationalism underway. How dependent on a global market for treasuries is the system like using the TGA and trying to pump money directly into the system? And I ask that for a very specific reason, 80%

of the world's total debt is priced in dollars and it's dependent on people or banks, European Central Bank or the Bank of Japan, acquiring and holding their wealth in treasuries. But if we move into a period of negative interest rates on treasuries, which is one of the tools to try to stave off deflation, then those treasuries become less attractive to a global market for US debt. And you said, you'd mentioned earlier that the rate at which foreign banks are purchasing treasuries has leveled off already.

So how dependent is the treasury and the Fed in pulling their levers and pushing the buttons to try to restart the economy? How dependent are they on foreign banks and in that system that's been in place for since the seventies?

George: It all depends on the rate of inflation because that's really the Achilles Heel of the Fed and that's the Achilles heel of money printing. If you think about the Fed's tools and just your point, just decreasing interest rates artificially, and just doing quantitative easing or money printing basically. The thing that gets in their way is inflation because if we get a big bout of inflation, then any tool they have exacerbates the problem, right? And the reason I bring up the Fed is because they're the ones that would have to buy those treasuries you're talking about. If they have these three, four, five, \$6 trillion deficits, and the foreigners just aren't willing to buy that much debts, even if they have a lot of debt, they just roll it over and they're just not buying more debt then the only buyer is going to be the Fed because the US public, they don't have the savings for it.

It's not like the 1940s with World War II when we could just tap into the savings of the average Joe and Jane. Right now, the consumers totally tapped out. I mean, even prior to COVID, the consumer debt was also at an all-time high. Corporate debt, all time high. The sovereign debt, all time high. State debt is at all-time high. So there's

“Even prior to COVID, the consumer debt was at an all-time high... corporate debt, all time high... sovereign debt, all time high... state debt, time high.”

really no way for the general public to fund and to buy those treasuries so the only game in town is the Fed, but if they're increasing the money supply at least base money by buying those, that exacerbates inflation, and you get to a point

where they've got to make a choice. Do you risk like a hyperinflation type of scenario by continuing to buy the debt, or do we have austerity in the United States? And if we do, what does that do to the economy?

And if we've built our entire system around ZIRP or even NIRP, 0% interest rates

or negative interest rates, well, what happens when there's no buyer for that debt and the interest rates go to their real level at call it, I mean, even six, five, 6%, which actually historically is pretty darn low if you just look at the ten year. I mean, even that would totally crush the economy because all the debt that has to roll over. I mean, it would almost bankrupt the government. So, I mean, I haven't done the numbers, but if you look at how much they're paying on interest, you brought up that point earlier, and that's with an average interest rate right around 2%. And most people don't know this either, that the government rolls over about 10 trillion every single year, right? Most of their debt is short term.

So even though we've got \$26 trillion in debt, they're rolling over a good percentage of that every single year. And if they're rolling it over right now at 0% interest rates or very close to it, well what happens if we're at five, 6%? Then the interest payments on that debt goes through the roof, which exacerbates the deficit. And if we couldn't monetize the deficit, then we just have to have more austerity, which means less government spending. Another thing that people don't realize is throughout this crisis, or prior to it, government made up 40% of economic activity or spending in the economy. 40% was the government's, only 60% was the private sector. Now with COVID, it's up to 50/50 split. So if you've got the entity that's producing 50% of GDP through their spending, if they have to tighten their belt, I mean, my goodness, it's just... Again, I think the only way out is through inflation and that the release valve has to be the dollar I think at the end of the day even if you've got a fantastic argument.

“Another thing that people don't realize is throughout this crisis, or prior to it, the government made up 40% of economic activity or spending in the economy. Now with COVID, it's up to 50/50 split.”

I'm good buddies with Brent Johnson. And I don't know if you've interviewed him, but he's got the dollar milkshake theory. And it presents a fantastic argument for the dollar going to let's say \$110, \$120 on the DXY, which is basically a basket of currencies, mostly the Euro. But even Brent says, “okay, at a certain point, the world and the United States isn't going to be able to handle that strong dollar if it does that and they're going to have to come in with a Plaza Accord 2.0, where they artificially lower the value of the dollar. But the problem with that is we don't have any FX reserves to support the dollar. So if, to your point, all the foreigners that are holding this US denominated debt, if they start to sell that because the dollar becomes a hot potato, then the only way that the United States would have to support it would be FX reserves, which we don't have, or increasing interest rates, which would be just as

bad as what we're dealing with with COVID.

Addison: Yeah, well I've used this phrase several times, but what if the Treasury held an auction and nobody showed up?

George: Well, yeah, so right now the only one showing up is the Fed.

Addison: Is by raising the interest rate and they have to do it incrementally even during the opening sessions out of the auctions. Sometimes they have to get the money that they need to keep the lights on. I was reading too, that there are several institutional bigger money movers within the market who are favoring gold over treasuries right now because of that environment where we're moving towards a negative interest rate. We're not there yet, but in that environment that we're describing, gold would be a better flight to safety trade than treasuries have historically been. Even through all of the 2008 crisis and all of the bailout spending that was going on at that period, treasuries continued to strengthen because it was a reliable flight to safety trade, but it looks like there might at least be some rebels on Wall Street that are looking at gold as a replacement for the Treasury.

That could be a bad trend as well because if that catches on like the virus, then people who fled the treasuries into gold, you would see gold go up. It's priced in dollars. It would actually destabilize a lot of the wealth preservation strategies like teachers pensions and college endowments or university endowments, they're predominantly conservative. And the bedrock of most of those holdings is in treasuries itself. If they're paying negative interest rates, people start bailing out to gold, that could be a different type of... I don't think you've ever seen anything like that, except that would prompt the government to do what they did in the thirties and make it much easier to hold it.

George: Complicate it through executive order.

Addison: Yeah, right.

George: There's definitely a risk there that's above zero, for sure. But as far as the treasuries, the only real knock on gold if you're comparing the two is that gold has a negative carry. But if your treasury is having a negative carry as well that's even more than gold, to where gold, relatively speaking, has a positive carry, then it's kind of a no brainer. What are you doing with these treasuries? Unless you're just playing this

game, which I think a lot of money managers are right now where they're no longer looking at treasuries or bonds as an instrument that produces yield. They're looking at it as a stock. They're looking at it as an instrument that produces a capital gain and talk about a crazy, crazy world upside down world we're living in right now. I think people, these money managers, they're buying stocks for yield and they're buying bonds for capital appreciation.

Addison: Yeah. It's crazy. The Fed itself is buying bonds, corporate bonds.

George: Junk bonds. Let's take it. If you're going to spike the punch, let's do it all away. Let's go for it. I think that realistically within the next year or two, they're going to be buying equities as well. I just think anyone that brings up the Federal Reserve Act, I just, I mean, I get it. I understand the argument, but I just don't think they pay any attention to it anymore. I think they totally ignore it. I think they pay attention to it when it's convenient and when it's not convenient, they're kind of like, "Oh yeah, let's just shush it over there in the corner and not worry about it." Just like the government does with the Constitution.

So Much Tailwind for Gold In General

George: The whole US economy is so tied to asset prices that I just cannot see them allowing the stock market or trying, it might not be up to them, but I can't see them not stepping in and trying to prop up the market if it goes back down to what we saw in March, or if it goes down by more than 20%. That they've got to step in and try to do something.

Now, whether it works or not is a different story. I think the Fed Put might be expired and has been replaced by a government put, which would stoke the inflationary fires even more. I mean, if you want to think that one through, remember when the Fed had that emergency meeting in March, where they were going to meet on Wednesday to decide the interest rate policy, but they had that emergency meeting on Sunday where they dropped interest rates by 100 basis points, took it down to zero and they announced QE Infinity and they're committing a trillion a day to the repo market.

And Monday, the market opens, it does go higher for maybe three or four hours,

but then it just tanks, drops out of bed. Even though the Fed throws everything at it but the kitchen sink. And then the government comes in and announces all these stimulus programs. Then at that point, the market started to go back up a few days later. So it seems like maybe, just maybe the Fed Put has expired and has been replaced by a government put. So now the only entity to prop up the market is going to be straight government spending, which goes back to our earlier conversation. What that means is not just bank reserves, but that means a direct M2 money supply and increase in velocity.

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Addison: Well, it's going to be interesting. I think the longer the pandemic pans out, the more complex any kind of bailout is going to be. And we've been covering these things for 20 years or whatever, but nobody expected the kind of bailouts that happened in 2008 that just reinflated the bubble. Eventually the bubble was way bigger than it ever was. We get the pandemic and then now, debt is through the roof. And you were talking about all the mechanisms by which they can try to stoke inflation and reinflate the economy, both on the consumer price level, but also asset prices, and real estate is a beneficiary of that right now with interest rates as low as they are. That has contributed to the bubble that you're describing, real estate in the US. We're kind of wrapping things up here. I'm just going to list some asset classes.

And even if you've already talked about it, just kind of recap in a sentence or two, we call this the lightning round, just sort of give you your assessment of these different categories. So we'll start with real estate, since you've got a company in Columbia, you can talk about real estate in the US and real estate in markets like Columbia or globally.

George: Real estate in the US is very expensive right now, but that said, it's a very inefficient market. So it's not like gold, where if it's selling at 1,800, you can get someone to sell

"Real estate in the US is very expensive right now, but that said, it's a very inefficient market. So it's not like gold, where if it's selling at 1,800, you can get someone to sell it to you for \$900, right?"

it to you for \$900, right? Real estate, you can find someone crazy. You might be able to find a deal, if you know what you're doing at a 2012 price. So if you could get real estate at a cheap price, I like that. I liked the positive cashflow. I like buying real estate with 30 year fixed rate debt. So if you're getting that

positive cash flow from a rental property, you're basically shorting the dollar, which plays into exactly what we've been talking about. So if you can get a good deal, then I like it. If you can't, if you just buy straight off the MLS or retail, especially in one of these cyclical markets to go way up and way down like the coastal states, then I don't like it at all. I'd be very patient and let the market come to you.

Addison: And globally?

George: Globally, there's a lot of cheap real estate, but you have to know what you're doing. See, although it's inefficient in the United States, Canada, Australia, the UK, it's 10 times more inefficient when you get into these markets like South America, Asia, Eastern Europe, and that's where the deals are, but that's also where you can get your butt handed to you. You don't know what you're doing. So if you're a local expert like I am in Medellin, then you can make a lot of money there. There's some smoking, smoking deals. But it's all about who you know and just be careful with that one.

Addison: Okay. Stocks in general, just as an investment.

George: In the United States?

Addison: Yes. In the United States. Most of our viewers and readers prefer to keep their money close to home.

George: So wildly overpriced. And I want to make sure that people understand that there's a total disconnect between the stock market and the economy. I don't think they're even correlated anymore. In fact, I think there might even be an inverse correlation between the stock market, especially moving forward. The worst the economy does, maybe the more the stock market will go up because it's just all about liquidity. But I wouldn't try to play that game. I would sit on the sidelines and I would just be very patient with some dry powder and wait for another March type of event where you might be able to go in and buy some things cheap. I like commodities, but if you have to have stocks, you can buy some of the producers. But I would just be very patient with that one and let the market come to me.

"Stocks are so wildly overpriced. I want to make sure that people understand that there's a total disconnect between the stock market and the economy. I don't think they're even correlated anymore. In fact, I think there might even be an inverse correlation between the stock market, especially moving forward."

I wouldn't chase it. One thing that really benefited me that I didn't talk about is my background at Blackjack. I did that extensively really back long time ago in the early 2000s. And I always use that as an example because you hear people say, well, if I wouldn't have bought XYZ stock when it was at a super high price, I wouldn't have made all these gains like Tesla or something like that. And I always say, yeah, but if you're at a Blackjack table and you and I are sitting there and you've got a 19, let's say, and you say, "Well, I think I should hit." And me knowing Blackjack. I say, "No, you should not hit on a 19." And you've had a few drinks, you hit on the 19, let's say you get a 21. You say, "Oh, see George, you are too conservative. If I wouldn't have hit on that 19, I would have lost out on all those gains."

Right, but if you do that over the long term, you're going to lose money. And I think that's the exact same thing by trying to go into the stock market, just the broad stock market right now. Yes, there's definitely an argument how you could make money and how the stock market could go to 40,000 with the TGA and everything else, but the probabilities are not on your side. You got to buy low, sell high. Don't try to buy expensive and sell more expensive.

Addison: All right. How about specifically, not stocks in general, but the tech sector, especially as people are doing Zoom interviews like we're doing now, and a lot of the tools that people need for working at home, and the Darwin's of Wall Street like Apple and Amazon. Amazon has kept us all well fed, kept this household well fed and appreciates it. So there is a sector that is sort of disassociated from their intrinsic value and people are trading for capital gains in that space, but it's still really expensive. So what do you think about tech and stocks that are benefiting from the new normal in the economy?

George: Yep. So same thing. I think there's a great argument for those stocks going up. I totally get the bull case, but in my mind, you're buying a dollar for \$3, hoping that it goes to \$5, and I don't like to do that. I like to buy a dollar for 50 cents. So going back to March, really the only time I've bought stocks since 2012 to any significant degree would be back in, I think it was 2013 or so. And that was when Cyprus had their bail in. I don't know if you remember that. The stock market there went down by like 99%. And I set up a trading account there with a broker and I bought a bunch of stock in Cyprus because there was blood in the streets. Boy, it couldn't have been any bloodier there. But that's an example of when I like to buy. I like to buy when nobody wants to touch it.

In fact, just to give you an example that I always give to my subscribers is, if you talk to your friends and family members about an investment idea and they say, “What? George, that is the craziest thing I’ve ever heard in my life. You’d have to be insane to buy XYZ asset class.” That’s when I get excited, that’s when I like to buy. If you tell them about an investment and they say, “Oh, wow, that’s actually a good idea. Yeah. I think I might do that as well.” That’s when you need to hit the bid.

Addison: Well, that’s probably why we were talking yesterday and you said you like Bitcoin.

George: I like Bitcoin as a speculation. Going back to how I kind of segregate my portfolio, a lot of people see it as digital gold. I don’t, but that doesn’t mean I don’t like it because of the asymmetry. I just think that you need to buy it for the right reasons.

Addison: And those are?

George: Well, that you’ve got a massive amount of upside. I mean, if they work out all of their logistical issues with the amount of electricity that it takes, and if you could somehow figure that out and there’s some brilliant people working on it, obviously, and we have this complete collapse in the confidence of our fiat currency system around the world. You could see people gravitate towards Bitcoin, not just as a store of value, but for transactional purposes as well. Again, they’ve got a lot of things to iron out there. I don’t think they could do it as it is right now, but you’ve got that upside and you’ve got a fixed cap on \$21 million. So look at the market cap right now, there’s a fixed number of them. And if it becomes more accepted, if they adopt it, I’ve even heard of very good arguments for central banks buying Bitcoin in the future to alleviate some of their debt burden.

So let’s say you’ve got 120% debt GDP, you as a central bank buy some Bitcoin if you think the price is going to go to the moon and maybe you’ve got some insight as far as the government banning it or not banning it in certain situations. So you buy it and it triples in price and you use it as a play to reduce some of your debt load. I’m not preaching that. I’m not saying that’s going to happen, but I’ve heard some very strong arguments for how Bitcoin may be used in the future. And if that’s the case, go to a 100,000, go to 250,000 per coin. So if you look at what your upside is there relative to your downside of maybe let’s say 7,000 or 8,000, and that’s some good asymmetry. That said, I wouldn’t really allocate more than maybe a half a percent or maybe 1% of my total portfolio to Bitcoin or really any type of speculation. But I think that it’s definitely worth looking into.

Addison: It's worth pointing out though that Bitcoin and other cryptocurrencies are susceptible to bubbles like real estate and stocks as well.

George: A couple of years ago and it got to \$20,000. That was a massive bubble. Look at the chart. I mean, just a stereotypical bubble. It's like the tulip thing. So yeah, on the way up, it can definitely crash and burn and be incredibly volatile, but that's why it's a speculation and that's why it's not digital gold. When people argue about, what's better, gold or Bitcoin? I do not understand that argument at all. To me, it's like arguing, what's better, oranges or Ford pickup trucks? How do you even compare the two?

Addison: Yeah. Okay. You mentioned that you like commodities. Maybe you could just talk about commodities as an asset class. I know that you were interested in oil a couple of years ago.

“When people argue about, what's better, gold or Bitcoin? I do not understand that argument at all. To me, it's like arguing, what's better, oranges or Ford pickup trucks? How do you even compare the two?”

George: Back in March 2015.

Addison: Are you talking about the components of the CRB index or more specific?

George: You mean when I bought in March?

Addison: Yeah.

George: I just bought some of the producers just because they were thrown off a great dividend. And so I thought it was a pretty safe bet and I'm not going to sell them. And even though stocks I have in Cyprus, I still have those. I just don't sell things until they're expensive. So what would that mean for me on those particular stocks? If oil gets above 80 or 90, then I'll start thinking about offloading some of my position and trying to find something else that's cheap at that time. But until then, I'll hang on to it. But as far as commodities in general, if you look at the commodities relative to the SNP, they're at an all time low, historically. And yes, they could go a lot lower, but I just like buying stuff when it's cheap. And so right

The difficulty with commodities is I don't like to play in the futures market or anything like that. So I just try to look for ways to get exposure to commodities without having to get too cute. I like the kiss model of just keeping it simple, stupid.

And so maybe we can go long by buying a soil company, maybe a fertilizer company. Maybe you could go along some of the currencies that would do well if commodities go up in price. Maybe if you're a real estate guy like me, you could find a country whose currency is loosely tied to commodities and buy real estate. So you've got something denominated in the currency. Something like that is what I'm kind of looking at right now, personally.

Addison: All right. Let's get a little more specific. I know you like gold, silver, precious metals.

George: I don't even worry about the price. I don't even look at the price. When I get an extra hundred grand, bam, 10,000 goes into gold. But as far as silver, I look at that more like a speculation, more like Bitcoin. And I know some people will freak out to hear me say that, that it's insurance, that it maintains its purchasing power. Yeah, I get it,

“When I get an extra hundred grand, bam, 10,000 goes into gold.”

but it's just a little more industrial. The supply side is a little bit more unknown because I'm not an expert by any means, but from what I've heard from talking to people like Rick Rule and Doug Casey is that silver, when it's mined, it's kind of a byproduct of other copper or something like that. So they're mining gold directly. So the supply side is a little trickier. So I kind of put it in that category.

But I think the ultimate speculation right now are the gold miners. And I was fortunate enough to buy a lot of those back in March as well. And they've had a good run, but again, I'm not planning on selling them at all. And if they go back down even further, I'll buy more. But I think if you look at everything we've talked about on this podcast and the M2 money supply, the velocity, the deficits, not only that, but you've got oil that's very low, which definitely helps the P&L for the gold miners because a lot of their expenses are energy. So if you can get oil cheap, that benefits them tremendously. And you just got so much tailwind for gold in general. And again, they could go down. If they go down, I'll happily buy more and just wait until I think they're expensive, which probably is going to be a long bull run from now.

Addison: I just want to remind viewers too that in a partnership with Casey Research, Doug's former research business, we were founding partners with the Hard Assets Alliance, which is a platform that you can trade. You open an account and you could trade gold very easily from account to account and you can get in and out of gold. And so we're speculating silver, for example, it's very to trade and get in and out. I can do it from this laptop right here. And we've been encouraging readers to open an account

and begin trading on the advice that you've given, that we write about on a regular basis. So thank you for putting in Doug's name.

George: Sure. I'm a huge, huge Doug Casey fan. I really enjoy listening. I think he's a funny guy. Him and Rick Rule have just a great dry sense of humor. For some reason, it really resonates with me.

Addison: Yeah. I mentioned to you yesterday that we were partners with Rick for years in a conference in Vancouver. And Doug, he was a perennial speaker and he was always the highlight. He would do things like get up on stage and say, "I just ran into the fire warden in the hallway and he told me there's no smoking in the auditorium." And he would light a cigarette and then give his entire speech with a cigarette.

George: Yeah. I think that's up on YouTube. I saw him do that. Yeah, he's a funny guy. That's for sure.

Addison: All right. Well, George, it's a pleasant conversation and hopefully it was helpful for a lot of people. And I enjoyed it, so I hope that we get a chance to talk again soon.

George: Yeah, I hope so too. Thank you very much for having me on the show.

Addison: All right. Thank you.

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If you’re not eligible for a Roth or you want to take deductions now, you can of course still sign up for a Traditional IRA instead.

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