

Hello Everyone,

Yes, I know this debt theme lacks “sizzle.” Nonetheless, if you understand debt, and the role debt plays in almost everything financial, you will be better investors.

By the way, war also involves debt. Things are clearly escalating in the Middle East, and war and finance are inseparable. I believe what is occurring now will accelerate trends we had already anticipated.

As usual, I hope you find this missive helpful.

Signed, Your More-Than-A-Little-Embarrassed-By-The-Typos-That-Went-Out-In-The-Last-Missive
Financial Advisor,

Greg

KKOB 05.11.2018 Devaluing vs. a Standard Part 1

Bob: So, for our listeners here is a quick re-cap. Greg and I are on the subject of debt. How do over indebted countries get out from under massive debt burdens? We've talked about outright defaults, and defaulting by way of inflation. Now we're on the subject of devaluing currencies. The problem with devaluing today, however, is almost **everyone across the globe** has big debts. So, if everyone devalues, not much is accomplished. How's that for a synopsis?

Greg: Excellent. And, you're right, if everyone devalues, then relative to each other, no one gains much. Thus, the International Monetary Fund has resurrected an old idea---and that idea is to devalue vs. a standard.

Let me explain how this has worked in the past. And, I'll use an example, from the good 'ol US of A about 85 years ago. Franklin Roosevelt had just taken office--- and the Depression was deepening. FDR wanted to lighten America's debt load. So, on April 5, 1933, he signed Executive Order 6102, which made it a criminal offense for U.S. citizens to own or trade gold. Then, nine months later, he abruptly raised the gold price from \$20 to \$35/ounce. Therefore, by decree, FDR devalued the dollar and thereby dramatically slashed the nation's debt burden.

That's devaluing vs. a standard....in this case, the standard was gold. When this happened, the US government (which had gold) won and the people (without gold) lost.

Bob: So, if all the major countries of the world wanted to erase debt, the IMF is saying everyone could devalue. They just have to all do it together, and they all must agree to a standard to devalue against. That then leads to the question, since there is no longer a gold standard, what would today's standard be?

Greg: Great question. And, now you're thinking like a big-wig. It could be oil. Everyone uses it. It has value. Oil producing countries (like us) would be thrilled. The problem with oil is there are different grades--- and supply & price can vary dramatically based on what's going on in the world. So, oil is not necessarily a stable standard. Oh, and oil-poor players like Japan, China, and most of Europe wouldn't be too happy with this.

Some have suggested land, but what land? Coastal property is generally worth more than arid deserts. Farm land is worth more than Siberia.

worth more than arid deserts. Farm land is worth more than Siberia. Diamonds might work, but color, cut, clarity, & size differences make diamonds a less than perfect anchor.

Then, there's the idea of combining all the world's major currencies into one super currency and calling that the standard. The problem here is no country has shown any discipline to keep its debts down, so why would combining them all make that standard acceptable?

Bob: So, why not pull a Roosevelt? Go back to gold. Everyone likes gold. It's been around for thousands of years.

Greg: You're like Miss Cleo this morning – anticipating everything I'm about to say! Gold makes some sense, but, gold has its warts, too. What is its utility? You can't eat it. It doesn't move a truck or a train. Plus, people peddle fake gold bars all the time. With all that said, you're right, for centuries Asians, Middle Easterners and Europeans have valued gold. We don't value it as much in America, but remember, the IMF is looking for an agreed upon global standard.

Bob: So, if you had to guess, if the world had to choose a standard to devalue against, what standard do you think the world would find acceptable?

Greg: Now, I am going to play politician and evade a little. What I think doesn't matter much. It's what the big boys think--- and they don't tell me. Still, they leave hints. And, on Monday I'll tell you where I think the trail of breadcrumbs is leading...and how, if you see it early, I believe you can protect your retirement against a possible devaluation vs. a standard.

Bob: Looking forward to it. How do people reach you?

Greg: My number is 508-5550, 508 triple 5 zero.

Bob: For those of you wanting transcripts of Greg and I talk about every week, just email him at gregradiotranscripts@gmail.com

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