Audio: This is The Rich Dad Radio Show, The Good News and Bad News About Money. Here's Robert Kiyosaki.

Robert Kiyosaki: Hello, Robert Kiyosaki, The Rich Dad Radio Show, The Good News and Bad News About Money. This is our first interview of the year, will be our second Rich Dad Show of the year. Our first show was with Gerald Celente, but Jim is the guy I go to when I really need some mental stimulation. And I'm a stalker of his, I sat in audiences and listened to him, and then behind his back, I call him the fire hose. I call him the fire hose because, his brain must be connected straight to his mouth. He does not think, he just pours stuff out. It's amazing man to listen to, and I've been following him for years, any comments, Kim?

Kim Kiyosaki: Well, yes. And so, our guest is Jim Rickards, macroeconomics expert and his latest book came out in 2021, it's called The New Great Depression. What a great way to kick off the new year with, Jim, and giving us the macro look at what's going on in the world and what's going on in the U.S., and I just want to turn it over, so let's started.

Robert Kiyosaki: And so, the thing I love Jim is the book is called, The New Great Depression, and fabulous book because you have the data there. I'm going to give you three questions, your job is to relate the three of them. Number one is, why do you say there's no inflation versus disinflation? Number two, why are you calling for... What's your justification for $15,000 gold? And the third is, what do you really think of the Fed? Because, the greatest period of prosperity in America is when we had no Fed, this our third central bank we've had. So we can weave them all together, take off.

Jim Rickards: We spend a couple hours on each topic, but we'll work within the time limits, and maybe I just need us to speak faster to cover all the ground. So on the first question, inflation, disinflation, real important distinction. Of course, you can't say there's no inflation, there is inflation. I always say, you're entitled to your opinions and your analysis, you're not entitled to your own data, the data is what it is. And inflation has been running hot since last spring, since April, May of 2021, and some of the monthly numbers have come in, whether it's the producer price index PPI or CPI, they're printing numbers that are the highest in 30 years or sometimes longer. So we're going back to, if not the worst in the '70s, at least the early 1980s, but some cases longer for these inflation numbers.

So inflation is showing up, so that's undeniable, you can argue about the forecast, but it's here. When it first turned up in April, May, June, even July 2021, you could say, and there was good support for it, that a significant part of it, what we call base effects, and you have to know how they calculate inflation, how does the government do it. They look at the monthly data, and they compare it to the same month the year before. So it's a year over year comparison, but only for one month, then they take that number and they annualize it, so whatever it is, they times 12 or there's a little more to the math, but basically they annualize that, and that's the number you read about in the headlines. Well, if you say, April, May, June 2021, we're hot, well, what was going on in April, May, June of 2020? Because, that was the comparison. Well, the economy has shut down, literally shut down. The worst collapse since 1946, and one of the worst in American history.

So we didn't just have low inflation in 2020, we had deflation, prices were going down. So when you get to 2021, the year over year comparison, of course, it was going to go up, of course, that was going to be more than usual, that was completely expected. It's hard to disentangle what I just described as the base effect from, it's called real inflation, real price increases, but the best estimates were, about half of it was a base effect, so if you were seeing number of 6% inflation, and that was about what it was.

You could say, well, it's three real and three base effects, because we're comparing to a very weak year. However, as you got into August, September, October, the base effects started to go away, which is, you say, well, what was going on in August, September, October 2020? Well, that was one of the strongest periods of growth in U.S. history, that was the other side. It went down and then it came back up. It didn't make it all the way back up, but that was the strong rebound in the third quarter of 2020, so therefore the base effects went away, but the inflationary remain hot, it didn't fade as much as I thought it would. It was like, well the base effects are gone, but the inflation is still there. In fact, by some measures it's even worse.

So here we are early in 2022, and as of the most recent data, we don't have the December data yet, but we have November data. We have some other indicators and it's still a little bit hot. So now we're at a point where you say, is this real inflation? I would define real inflation, not just as numbers, but is it persistent? Is it pervasive? Is it across the board? Is it feeding on itself? Is it raising expectations? That's something to worry about, or are there some specific causes we can point to and say, that's causing a little inflation, but it's going to go away? So that's the debate, the biggest debate in economics right now, I'll give you my view, but I'll be clear that there are definitely two sides of the coin, no pun intended, but definitely two sides to the debate. And in particular you say, let's just argue a little bit. The other numbers have been hot, but what's driving it?

Well, the number one thing, one of the number one things are energy prices. Well, but what was Biden's energy policy from the day he was sworn in? He shut down the Keystone XL pipeline. He handicapped fracking in Texas, and Pennsylvania, and other states. He prohibited new oil and gas leases on Federal lands. He limited offshore drilling, and he did a number of other things, all of which were designed to basically handicap the oil and natural gas industry. Well, that's part of the Green New Deal agenda, and then they're subsidizing wind turbines and solar panels. I have nothing against wind turbines and solar panels, I actually own the largest non-commercial solar field in New England, so I run my house on solar power, but I don't have any illusions about how scalable that is. I had to clear three acres of land to put in the solar modules.

And everyone's like, why'd you clear three acres of land? Well, I'm up in New England, we have trees. You don't want a tree to fall on your solar panels and you got to create a little room. And it's enough to run a house, so I'm like, three acres of cleared land, nine towers to run one house, how does that scale? How do you run a city on that? Well, the answer is, you can't. So solar and wind have a place, but they're supplements, and they're not reliable, you can't power a grid on it, it's intermittent power. As the owner of a large solar field I know one thing, it doesn't work at night. It just doesn't produce any electricity at night because the sun is down, and it doesn't work in cloudy weather, it doesn't work when it rains and snows, so that's why you have batteries. You really run the house on batteries and you have to charge the batteries.

But it's a whole lifestyle thing where you run the washing machine on a sunny day, stuff like that, it works, but I'm saying it's just not scalable, it's intermittent, it's not reliable, you can't power a grid on it. We're shutting down uranium plants, we're shutting down nuclear plants. Forget coal, coal is the biggest pariah out there. Well, guess what? If you handicap oil and natural gas, and you outlaw coal or make it not feasible, and you shut down your nuclear plants, and you're going to run on hydro, solar and wind turbines, you're probably, it's going to fail. You're going to have black outs which we are seeing in California, this whole thing doesn't work, but it does raise energy prices, and that's the point.

The demand for coal by the way, is close to an all-time high because we still have a lot of coal fired plants and I can't get anything else, get some coal, so that's one of the drivers. The other big driver are used car prices. Well, what's up with used car prices? Why are they going up so much? Well, the answer is, you can't get a new car. Maybe you must spend $200,000 on a Bentley or something, maybe you can find one, but everyday Americans can't get new cars, so why not? Are we out of steel? We out of rubber? No, we're out of semiconductors. This is where the supply chain comes into it. So you can think of a car, I remember used to stick a screwdriver in the carburetor when the engine was flooded, they don't even have carburetors anymore, but the point being, your car is a computer on four wheels. It's hardly a car, the kind I grew up with, it's a computer on four wheels.

And if you can't get semiconductors, you can't make new cars, and if you can't get new cars, you got to buy used cars, and they're in short supply, so those prices are going up. So my point is, energy's real, you need it, I fill my tank just like everybody else, I'm not immune to this, used cars. But when you have a couple things like that, that are driving the whole CPI, you have to step back and say, wait a second, is this widespread of inflation? Are expectations changing? Is this sustainable, or is this just a short-term spike in a couple of key indicators?

And rental equivalent housing is another one. There's a housing shortage because, zoning requirements and BlackRock's buying up all the houses, and there are other reasons for that. And so, as I look at it, what I see is, the inflation numbers are up, there's no question about it, but this is not the inflation we had in the 1970s.

The '70s it was, you got to raise every two, I was starting my career and we get three or four raises a year just to keep up with inflation. It's like, well, thanks from the raise, but prices just went up 13%, which they were at the time. This is not that inflation. In the 70's, it was everything, it changed expectations, it was what's called cost-push inflation, which is workers are like, well, you got to give me raise and unions were stronger, but even non-union companies said, I do actually, that's not true today. Workers don't have the bargaining power, labor force participation is low. And like I said, it looks like a couple factors that are going to run out of steam, and the economy's slowing, and then we can get into the whole supply chain base. So just to sum up, I would look for disinflation. I'm not calling for deflation, deflation is when prices go down. I can't rule that out, but I don't see that, that's not my intermediate-term forecast.

But disinflation is, I see these numbers going down from 6%, 7% annualized, which is what the government's showing, getting down to the 4% level and eventually down to the 2% level, which is where it was from 2009 to 2019, during that 10-year expansion, during Obama and Trump. And there wasn't much difference between Obama and Trump in terms of growth. I know Trump claimed the greatest economy ever, that's fine, that's a talking point. But the fact, if you look at numbers, the Obama and Trump economies were the same, right around 2.2% growth. Inflation was between 1.6 and two, and rarely if ever touched, the Fed start over 2%, that's where it's heading again. So not deflation, but disinflation, this inflation bubble is going to go away.

Robert Kiyosaki: So Jim, let me ask this question, because I want to help sub-sell some of your books, The New Great Depression, and it's a fabulous book.

Jim Rickards: Thank you.

Robert Kiyosaki: And I want people to be inspired to read it so they're prepared, because you and I are old enough to be either Paul Reveres or Chicken Littles, if you know what I mean. Where for all these years we've been saying the British are coming, or the sky is falling either way. And I first came across the dollar going off the gold standard in 1971 while flying in Vietnam. I said, "What does that mean?" And I knew it was going to get bad, which is why I became a gold and silver bug, but I didn't think it was going to get this bad, and so that's why your book, The New Great Depression. Would you mind defining that great new depression for us, because that's disinflation?

Jim Rickards: Sure.

Kim Kiyosaki: I just want to interrupt for one second, can you just give your definition of disinflation?

Jim Rickards: Disinflation is inflation at a lower rate. So now as you still have inflation, but if it goes from 8% to 6% to 4% to 2%, which is what I'm saying, you still have inflation, perhaps inflation of 2% and that's not trivial. Look at the value of the dollar and it happened in 35 years, most people will be young adults at the time your kids are in college, it's about 35 years so or less, so that's real. But going from 8% to 2% is a big deal for a couple reasons. Number one, it means that six to 8% number is not sustained, if it is, if I'm wrong, I don't think I'm wrong, I wouldn't be giving this analysis, but if I'm wrong and inflation goes six to 8%, then it's probably on its way to 15, so that's a completely different scenario, it's not the scenario I see [crosstalk 00:13:12].

Robert Kiyosaki: That what you did find was hyper, or super inflation then.

Jim Rickards: Well, we're getting close to hyper inflation at that point. And again, Kim, just to be clear, I do the analysis, I have a view, I look hard at the data, I have models, so I exercise a lot of care on this, but I don't just ignore the alternatives, sometimes you're wrong, you have to pivot, so we should all be watching for signs of inflation. I don't see them, I see disinflation, which means you still have inflation, but it's at a much lower rate. But there's a world of difference between let's say 1.8% inflation, and 6.8% inflation. Those are completely different worlds, because one is much more manageable, but it also changes expectations, and expectations are the key. The Fed doesn't control inflation, everyone's like, oh, they print money, you get inflation. That is not true. It's not true in prices.

It might be true in asset prices, it might be true in stocks, and bonds and real estate, but that's not the consumer price index, that's not what the Fed looks at. That's not what most economists, or many economists mean when they say inflation. They're asset bubbles. Money printing can lead to asset bubbles, but it does not lead to price inflation, unless velocity picks up. Velocity is a psychological phenomenon. So if you change the expectations and change the philosophy, or sorry, they change the psychology, and change the velocity, you will get inflation, but I don't see any of those things changing. What I see is, this runs out of steam and we get back down to below 2%.

Robert Kiyosaki: So my concern is why did you write The New Great Depression?

Jim Rickards: Well, first of all, thanks Robert. First of all, it has to do with the definition of a depression, and most people don't have a good definition of depression, and economists don't even use what I call the D word. They don't like it because, let's compare it to recession, the R word. So recession is well-defined. It's two or more, or at least two consecutive quarters of declining GDP. There are a couple other bells and whistles about employment, and there's a referee, the National

Bureau of Economic Research, a private econ think tank in Cambridge, Massachusetts, they call the balls and strikes. They tell you when recession begins, and when it ends, when the expansion ends, et cetera. But, two or more consecutive quarters of declining GDP, that's the classic definition of a recession. So people go, huh? Depression sounds worse than recession.

And if recession is two quarters of declining GDP, a depression must be 10 quarters of declining GDP, it must be way worse. And that's not the definition of a depression. First of all, 10 quarters of declining GDP has never happened, if it did we'd all be in trouble, but maybe during a great depression to some extent, but not otherwise, but that's not the definition of depression. Depression means depressed growth, meaning you can have growth in a depression, but the growth is depressed, relative to trend, relative to potential. So in other words, if your economy at the long-term trend in a recovery growth in a recovery is 3.5% which it is, and you're growing at 2% which we were for 10 years, that's depressed to growth. You're creating a way, so here's the 3% trend line, and here's the 2% actual growth, we're in between those two lines, that's depressed growth. That's lost output. You could have been here, but you're actually here, and because it's a wedge, guess what? Over time it gets bigger.

I would say we've been in a depression since 2007, that the entire so-called recovery from 2009 to 2019, that was a 10-year recovery, the longest recovery in U.S. history, but it was also the weakest recovery in 10-year history. The average annual growth for that 10-year period was 2.2%, but for all post 1980 recoveries, average growth was 3.2%. And if you go back to post World War II recoveries, it's closer to 4%. So if you have an economy that can grow three, 4% and you're growing at about two, that 1% is, 1% what's the big deal? Sorry, 1% of 20 trillion compounded for 10 years is a big number. You're talking about trillions of dollars of lost wealth, lost output, from the government's perspective, lost taxes, so that is the definition of a depression.

John Maynard Keynes defined it that way, it was good enough for Keynes, it's good enough for me, so obviously, we've been in depression in 2007, but the new great depression is where we are now. By the way, that book has three chapters on economics, The New Great Depression, but also has three chapters on the pandemic. So it's a mixture of the impact of the pandemic and then the effect it had on the economy.

Robert Kiyosaki: Fantastic book.

Jim Rickards: Thank you. You can't disentangle the two. I had a debate with my editors, we love you on economics, but you're not an epidemiologist. And I said, "Well, I know I'm not, I'll admit to that, but you can't be writing about the economy and not mentioning the pandemics, like talking about property damage in New Orleans in 2005 and not mentioning Hurricane Katrina." You have to mention the pandemic, and I did. And I included a chapter on mental health aspects, by the way, there's a lot in that book that was way ahead of today's conventional wisdom. I concluded that the virus came from the laboratory in Wuhan, today that's the consensus. I said that lockdowns don't work, today that's the consensus, masks don't work, today that's the consensus. But all the stuff is heretical. A year ago when the book came out, but it's all in there. But as it relates to the economy, it's just one more reason. Now, having said all that, COVID has not gone away, the pandemic is still here. It's still depressing growth in the way I described. And you're going to say this growth-

Kim Kiyosaki: Can I interrupt you for a second?

Jim Rickards: Sure.

Kim Kiyosaki: When you say depressing growth, we still have growth, but it's not at the potential where it could be. Is that correct?

Jim Rickards: Correct. Now, in 2021, we don't have the fourth quarter numbers yet. It looks like the fourth quarter will be decent, maybe relatively strong. The third quarter was quite weak, the fourth quarter of 2020 was quite weak. We did have another strong quarter along the way in 2021, so it's jumpy. We're getting some strong quarters followed by weak quarters, but now I would expect that to trend lower. I think we're going to see that very quickly. And in addition to the pandemic, which we just talked about, there's a new headwind of growth, a big one, which is the supply chain breakdown. And that scenario I'm doing a lot of time in research too right now. So between the new Omicron variant, which fortunately is mild, appears mild, it's highly contagious and relatively mild.

So it's like the cold or mild flu version of COVID, but it's around and it's affecting... People can't believe how quickly it's torn through New York City, and nationally look for a million new cases a day. Now, fortunately, the mild, but it's still enough to keep people home from work, it's still enough to, some people unfortunately are in the hospital, but even if you're at home for 10 days, well, you're not working for those 10 days. So this is a new headwind on top, and then we have the supply chain crisis, and then they feed into each other, supply chain [crosstalk 00:20:40].

Robert Kiyosaki: Jim, can I add one more because it was in the news. It was, they had to raise the debt ceiling, our debt went past 30 trillion, which comes out to my second question, your forecast for 15,000 gold. And for those who may not be following gold, this is January 4th or 5th, 2022, gold is about 1,800, so for Jim to be calling $15,000 gold, I think we're all connected in there with the debt and all this stuff.

Jim Rickards: Well, the $15,000 gold is actually very straightforward. It's not a number I pulled out of the air, it's not a number I made up to attract attention, you don't really need that, but it is the number that gold would have to be, or higher, it's a base, but it's the lowest number the gold would have to be if we were going to use gold to support the value of the U.S. dollar. And why is that? Because, we know how much gold the United States has, 8,133 tons. The people like the [inaudible 00:21:40] Fort Knox, they're not empty. By the way, most of it is not in Fort Knox, it is at West Point. There is a lot in Fort Knox, but more of it is at West Point, the Denver Mint, and a few other locations, they're not empty.

The U.S. government could have leased the gold out and that's fine, but the gold doesn't go anywhere, and you can terminate the leases and it's still there. So we know what the money supply is, the Fed publishes that, we know how much gold we have. And so, if you were going to go on a gold standard, you would basically have to say, well, what's the value of an ounce of gold? Where am I going to set it? Because, that's what a gold standard is. By the way, just to be clear, there's not a central banker in the world with the possible exception of Elvira Nabiullina, who is head of the Central Banker of Russia. She's the only central banker who really answer her job. She's taking gold up to 20%, slightly more than 20% of Russia's reserves. Russia's reserves is just a new all-time high of 600 billion. And the gold component is 20% of that, so over $120 billion in gold, about 2,300 tons.

And everyone's like, well, the U.S. has 8,000 tons. They only have, maybe a little over a quarter of that, but their economy is only one twelfth the size. So when you look at gold relative to GDP, they have a lot more gold than we do, and they're in a much better position. And part of it is just to, so U.S. sanctions don't hurt them, because they're not relying on treasury bills or dollar payments to support their reserve position because they have a lot of gold. But getting back to the U.S., so if you said, because one of the objections to a gold standard, people go, well maybe we had it once upon a time, and maybe it worked, but we can never go back there because commerce, and credit, and trade, and bank balance sheets are so high, we don't have enough gold to support that level of commerce. We just don't have enough gold. That's nonsense, there's always enough gold, it's just a question of price.

Now, if you say, we're going to go on a gold standard at $1,800 an ounce and here's how much gold we have, you'd have to cut the money supply by about 75%, and that would be the great depression, you collapse the economy, you can't do that, by the way, it is the mistake that the UK and Winston Churchill made in 1925, when they went back to a gold standard at the pre World War I rate, and that was basically overvaluing Sterling, so they had to cut the money supply and they did go into a depression four years ahead of the rest of the world, so hopefully lesson learned, although with the central bankers, you never know. So if you say, if I want a gold standard, I can't peg it at 1,800, because I'd have to cut the money my supply by three quarters or more, so what's the alternative? Raise the price of gold. So now it's the same amount of gold can support any amount of commerce at a higher price.

So then the question is just an eighth grade math problem, it's like, well, what would the price have to be to match the money supply? [inaudible 00:24:47] as an example. And I assume 40% gold backing, the Austrians and the monetarist they bang the table, no, it has to be 100%, your level, that's the debate for another day. Historically 20% is worth, so I'll be conservative and say 40%. So if you take 40% of the money supply, and that's how much gold you need by value, and we know the weight, divide one by the other and you come out to $15,000 and less. So the reason I explain that, Robert, is I want to be clear that there's not a central bank in the world who wants a gold standard. They're not going to go to it voluntarily, but if they have to, because of collapsing confidence in the dollar, then it follows that you have to go to $15,000 an ounce. Because, any smaller, any lower valuation is deflationary and that's the last thing you want.

Robert Kiyosaki: So thank you very much. We're going to go to break, and when we come back, because he's answering all my little questions here about $15,000 gold and inflation versus disinflation and depression and all this. But when I come back, I want to ask Jim personally his opinion on the Fed, because he makes little remarks off to the side here and then, but I said, I want to ask him what he really thinks. So when we come back, we'll be talking to Jim Rickards about the third central back in the United States called the Fed. We'll be right back. Welcome back, Robert Kiyosaki here, The Rich Dad Radio Show, The Good News and Bad News About Money, I want to thank our special guest, Jim Rickards. We'll just keep this running, because this is too important, so we'll go to part two now.

Kim Kiyosaki: I got one question, I don't know if it's relevant, but there's talk, Jim, of the U.S. dollar of losing the status as world reserve currency. What do you [crosstalk 00:26:29]

Jim Rickards: You're right, Kim, I hear that all the time, I get asked that all the time. It used to go into the name of the great reset. It was like, the great reset was going to be, we'll have a new Bretton Woods, and we'll reset the international monetary system, the dollar won't be the leading reserve currency, begs the question, well, what is? Is it going to be the SDR? Maybe. Is it going to be a digital SDR? Okay. A digital SDR backed by gold? Well, that could work, but nobody wants gold except me and a few other people, but so that's the great reset. What's interesting is that our friend Klaus Schwab, who is the head of the Global Elites, he's their chairman, runs the Davos conference, of course, came out with a book called, The Great Reset.

And, but they hijacked the term. They hijacked it as basically the new world order. So now when you say the great reset, you've got to define your terms, because there's a whole lot of, gold supporters, people worry about the dollar, hey, we're going to have a great reset, but then you got Klaus Schwab and Jamie Dimon talking about the great reset, meaning get back to globalization, get back to the new world order, break down borders, and maybe get away from the dollar, but not in favor of gold, in favor of something controlled by the IMF, so that's in the air. I don't see it happening, see, here's the thing, you're never going to have a world where people lose confidence in the dollar where they say, hey, get me those Euros, or get me those Yens, all these currencies are going to go down together. They may stay up together, people may have confidence in them, but if they collapse, they're all going to collapse.

The idea that, I hate the dollar, but I'll take all the Euros you get, no that's not going to happen, you think Europe's going to be better off than the United States in a world where confidence in the dollar is collapsing? That's going to be a world where confidence in everything is collapsing. Now, that's the world where everyone goes straight to gold. However, some people are going to go straight to Bitcoin, or they already have. So I don't think Gold and Bitcoin are comparable, and I've been in more Gold-Bitcoin debates, and I hate them all, but I get invited, I'm always asked to join them and I do. I actually was the cut man for Frank Giustra, when Frank did a Gold-Bitcoin debate with Michael Saylor. Michael Saylor has made $5 billion in Bitcoin.

So it's real money. He hasn't sold it, but on a market-to-market basis, he bought it at 19 and went to 16, and he bought like two billion and he tripled something, he's up to six billion. And Frank is the greatest gold mining financier of since probably, George Hearst. So here you had your gold guy and your Bitcoin guy, so I coached Frank from the sidelines, and we did a couple prep calls and all that. Frank did a great job in the debate, but whatever I think of Bitcoin is irrelevant, because you can't dismiss it. It's out there. So I think what I would expect is something possibly chaotic and a real roller coaster, and that's the world we would definitely want gold.

Robert Kiyosaki: Again, would you go back into why we have three Feds? There have been three Feds, the greatest prosperity was between the second and third Fed, and why do we have the third Fed?

Jim Rickards: Well, you can say we had three Feds, we actually had three central banks, one of them was called the Fed, because they didn't want people to know [crosstalk 00:30:01]... There was a reason for that, Robert, you're making a good point, because they didn't want people to know it was a central bank. The Fed is our third try, so the first bank of the United States, I think it was 1797 to 1816. It had a 20-year charter, so it went from the late 1790s to around 1814, give or take, and then they shut it down. They said, well, we don't need this, this is concentrating all of that, it was actually based in Philadelphia, concentrated too much power in Philadelphia, the Eastern merchants and all that, so they let the charter expire. Well, then it was a hangover from the war of 1812, and we needed to finance, and the trade was disrupted, et cetera, so they... Oh sorry, I guess, the first bank ended around 1812, but then after the war we needed a new one, so they chartered a new one in 1816.

And that was called the Second Bank of the United States, also a central bank on, I think Chestnut Street, in Philadelphia, the building's still there, it's a beautiful old building. Now, that was a 20-year charter, also still ran until 1836. Well, guess who was president in 1836? Andrew Jackson, and he hated the central banks, and he came from Tennessee, he campaigned to shut down the central banks. Well, it was one of the biggest fights in history with the Congress who authorized it, or 90-vetoed it, and so the second bank in the United States ended in 1836. So two tries, two failures, we had no central bank from 1836 to 1913, there was no central bank. And that was for another, as you pointed out Robert, one of the greatest periods of prosperity in American history. The Telegraph, the telephone, the electricity, the automobile, I guess, the airplane came along at the tail end of that, harvesters, machinery, ocean shipping, steam, you name it, [inaudible 00:32:04], we just grew and grew and grew from coast to coast, massively productive, inflation was not a problem.

Actually, deflation was a problem, but it was a good deflation, where when prices go down, if you make the same amount of money, you get a raise, you can buy more for your money, what's wrong with that when you think about it? So there were guys, you get guys who just lost their way, like Paul Krugman said, but look at all the financial panics during the gold standard, it's like, I could list them, 1893, 1898, there were a lot of financial panics by the way, look at all the financial panics without the gold standard. 1990, we had a serious recession, 1987, the stock market felt 22% one day, 1998 we came within an hour short of shutting down every market in the world, and the LTCM crisis. 2000, the NASDAQ lost 80% after the .com bubble blew up. 2008, after Lehman bankruptcy, again, the world was hanging by a thread. 2020, the economic stock market collapse 30% in about one month, and there are many other crisis. The Tequila crisis in 1994, et cetera.

The point is, there are financial crisis on a gold standard, there are financial crisis when you're not on a gold standard. Guess what that tells me? As a statistician I would say, there's no correlation between gold and financial crises. Financial crises happen, but they don't happen because of gold and otherwise gold works fine, so that's something we can dismiss. So there were those crises, but the turning point, the U.S. economy was doing just fine without a central bank. National banks could issue dollars, the dollars were redeemable for gold, about $20 an ounce. If you had a $20 bill, you could walk into the bank and say, give me an ounce of gold, and they would, and some equivalent silver would be 20 ounces of silver at the time. That was the definition of a dollar, it was a one ounce of pure silver, that was a dollar. So why in 1913, why all of a sudden did we want to bring back the central bank? Well, it goes back actually to the San Francisco earthquake in 1906, devastating of course.

And so, what happened was, there were insurance claims, everyone's buildings got wiped out, knocked down or burned out, because it was huge fires, put in insurance claims. So the insurance companies had to sell assets in the Eastern

Markets, they had to sell stocks and bonds to get the cash to pay the claims in San Francisco. That created financial pressure in New York, and then throw in a couple of frauds, there was a panic with the Knickerbocker Trust, it was financing a corner of a copper market that blew up corners, usually do. Anyway, there was a financial panic and there was no central bank, so what happened? Everyone turned to Pierpont Morgan, original JP Morgan, and he got all the bankers in his townhouse in Murray Hill, around 35th street in Madison Avenue in Manhattan. And he sent actually Benjamin Strong, who later became president of the Federal Reserve Bank in New York. He had to audit all the banks in New York, and they did triage.

And they broke the banks into three categories, is like if you are strong enough to weather this storm, you're okay. This category, you're broke, you're insolvent, you're hopeless, we're going to let you go. And there was a middle category where they were not insolvent, but they were illiquid. So what they said is, the strong banks lend money to these banks that'll prop them up, we'll keep them open and these guys will let them fall off the cliff. And they locked the bankers, he had the servants bolt the doors, and then made us stay up all night. [inaudible 00:35:47] you're not getting out until you come up with an answer, and they stayed up all night. He knocked on the door and then they said, "We got an answer," and then they came out, and they did exactly what I just described. Well, it worked, and the panic was over, and the banks survived, but they didn't mind shutting down banks in those days.

They don't anymore, but there were a large number of banks, and large number of depositors lost money, but they said let's be more careful about your bank next time. But what happened was, Pierpont Morgan died not long after that, and the bankers, basically the Rockefeller interests, Stillmans, the Morgan interests said, well, this is going to happen again, because bankers are dopes and they do it every 10 years like clockwork, and we're not going to have Pierpont Morgan around the next time, there's nobody like him, so we need a central bank. We need a print press basically. And they cooked up the idea for what became the Federal Reserve, but they knew that Americans hated central banks, and they do, they still do.

So they said, well, don't call it a central bank, call it the Federal Reserve. It sounds like a brand of whiskey, it's like aged Federal Reserve, but they call it the Federal Reserve and have a Board of Governors, and break it into 12 regions, so it doesn't look too ominous. They did all these gimmicks to basically make it not look like a central bank, even though it was. And the original purpose of the central bank, it really only had one purpose, lender of last resort. So next time there's a panic, like the panic of 1907, your job is to lend to illiquid institutions, not insolvent institutions, the illiquid institutions. And Walter Badger, a 19th century writer had written the playbook for central banking in the mid 19th century. And he said, a central bank in a financial crisis should do three things, lend freely to solvent institutions at a punitive rate.

Turn the money, stick it on, crank up the printing press line freely, but only to the people who are solvent. Do not lend to the insolvent, let them fall by the wayside, and a punitive rate to teach them a lesson. Now, what did, Ben Bernanke, do in 2007? Well, he lent freely. We know he had to increase the balance sheet by four trillion dollars, but to solvent and insolvent alike, they lent to everybody. AIG was insolvent, half the banks on Wall Street weren't solvent, but they lent to them anyways. So they didn't follow Badger's number two rule, they lent to insolvent institutions, and it was not a punitive rate, it was close to zero. So, Bernanke, broke two of the three rules. He lent freely, but he lent to everybody, wasn't selective and he lent at a zero rate.

Well, that just means that, you got through it, but you just propped up a bunch of insolvent institutions and set them up for the next time. And, 2020 was different, 2020 was an economic crash. It was not a financial crisis. We did not have a financial crisis in 2020. We probably will the next time, so the point is, we have a central bank for all the wrong reasons, but the real problem is that in 1934, during the Roosevelt administration, they reneged on the original Fed deal. They pulled all the power from the regions and put it back in Washington where it is today. And then in the 1970s, I think 1979 or thereabouts, the Humphrey–Hawkins bill, they expanded the mandate of the central bank. It was no longer just price stability, which it always had.

Well, the state of mission was price stability. The real mission is bail out the banks, that's what you're there for. The state of mission was price stability, we don't want too much inflation, but they added a third mission, which was full employment. Well, mission two and three are inconsistent. A lot of times what you need to do to get price stability, it doesn't necessarily give you full employment and vice versa, full employment might mean inflation, which is inconsistent with goal number two. So we've given, and now by the way, now the central bank, in fact has a fourth mission, which is climate change, and that's another, we'd spend a couple of hours on that, Robert, we don't have to, but they're going to basically, [crosstalk 00:40:00], Exxon.

Robert Kiyosaki: It's like I said, Jim, behind your back, we all call you the fire hoses, because you can't, I don't know how you do it for all that information.

Jim Rickards: I'll wrap up, here's what I'll do with central banks that, the Fed is, I'll say always wrong. I do a lot of economic forecasting, I have models, but one of the best factors is if the Fed has a forecast, it's wrong. If you assume the opposite or certainly significantly reduced, you'll probably be very close to the strong prediction. And I got nervous last summer, because as I just explained saying earlier, Robert and Kim, I'm expecting disinflation, not strong inflation. But the Fed was saying the same thing, they were saying, inflation is transitory. And I got nervous, said, wait a second. I'm agreeing with the Fed, what am I missing? Because, I know they're always wrong, and I was like, if I agree with him, I must be missing something. But fortunately for me, Powell, flipped. He said, well, it's not transitory. Inflation's a real problem, so I feel much better, because I feel that my forecast will be valid because the Fed finally disagrees with me.

Robert Kiyosaki: So, make me happy, because I've been a pessimist since '71. So this national debt just hit 30 trillion, COVID's going to be around, the Euro, Dollar market is bigger. Europe is in trouble. What's the possibility of $15,000 gold?

Jim Rickards: Well, it gets better every day. So, two things with the 30 trillion of debt. First of all, it's a big number. I look at it, but what I look at, and others do also, is you look at the debt to GDP ratio. The number could be, if you have a bigger economy, 30 trillion might be just fine, but you say, well, what's the ratio of the national debt to the size of the economy? Well, when the debt is 30 trillion, which it is, you're right, just got there, and the economy's about 22, 23, maybe trillion. That's a dept to GDP ratio of 130% or more. So why is that significant? Well, there's a huge body of economic research. We don't have time to go through it all, but [inaudible 00:42:12] have been the leading scholars, but there are many other studies you don't have to rely on Reinhardt and [inaudible 00:42:20], you can, but there are many other studies that say the same thing. When the debt to GDP ratio goes over 90%, it's no longer any monetary stimulus, it's a headwind to growth.

The Keynesian idea, you borrow a $1, spend a $1 and get a $1.20 of growth. Borrow a $1, spend a $1 and get a $1.10 of growth, but the number keeps getting smaller. What happens when you borrow a $1, spend a $1 and you get 80 cents of growth? You didn't even make your $1 back. And so, now the debt GDP ratio is getting worse. That effect is getting worse. You're off the right hand to the diminishing marginal returns curve, you're actually into negative marginal returns. So not only is it not stimulative, calling the Biden thing stimulus is nonsense.

Not only is it not stimulative, it's a head winded growth, number one. Number two, the people say, well, we'll never be able to pay off the national debt, the $30 trillion, you don't have to pay off the national debt, but you do have to roll it over, that's the key. So as an old, a 10 year note that you issued out 10 years ago matures this year, you got to pay off that note. Well, maybe you issue a new 10 year note, or maybe you issue a new 30 day bill, or a five year note, or whatever it is, so treasury securities are maturing all the time every day. New securities are being issued, at least weekly, sometimes daily, depending on the maturity. And that's the system Alexander Hamilton invented in 1789, and it's been going strong for 230 years. But, it's always been based on confidence and good management.

In U.S. history, and I cover this in chapter two of my book, Aftermath, the U.S. history shows that, the debt goes up, but it always goes up, the debt to GDP ratio goes up in times of war. And then in times of peace, we pay it back down again, and it goes up in a war, then it comes back down again, so you can think of it as dry power. It's almost like, ammunition, and gun powder, and artillery, or today jets, or cruise missiles or whatever.

You keep your debt to GDP ratio modest, so that you can ramp it up when you have to. That's gone, thanks to Stephanie Kelton, and Johnny [inaudible 00:44:37], and modern monetary theory, and Bernie Sanders, and a lot of other influences that's gone. Now, the debt to GDP ratio is at a very high, historically high war time level, even higher, but there's no war. What are you going to do if there is a war? Where's your borrowing power then? Or something like the great depression, not the technical definition I gave, but a collapsing economy, where's your borrowing power then? And that's the problem. It's not that you have to pay up the debt. You do have to roll it over, and when you lose confidence, you can't roll it over, then you lose confidence in the dollar itself.

Robert Kiyosaki: And that's the issue. That's the head issue right now. So my friend, I want to thank you for your ungodly recall, and great brain, and the ability to just come, just keep going at it. I don't how you do it. Any comments Kim?

Kim Kiyosaki: One final question, I know we're short on time, one final question. So going forward 2022, the supply chains happening, these vaccine mandates that people are getting fired, what do you see? How do you see 2022 panning out in terms of...?

Jim Rickards: The vaccine mandates are going to start to collapse. The courts take their time, but justice moves slowly, but it keeps grinding. And so, I think most of the vaccine mandates will be thrown out. I think, the 80% of the U.S. population woke up a couple weeks ago and said, oh, vaccines don't stop infection. They have been sold like, vaccines stop infection, they don't. They have other effects. I'm not anti-vax, I am anti-mandate, but they reduce symptoms, they reduce hospitalization, that's a good thing, but they don't stop infection, they don't stop the spread. A lot of people thought they did, so I know 20 people or more who personally, who have got Omicron in the past three weeks, and every one of them has double vaxed, every one of them.

So it's like, well, what's the point of vaccination if it doesn't stop the infection? Good question. And more to the point, what's the point of the vaccine mandate, if it doesn't stop infection? Because, the people you're firing are marines, airmen, soldiers, truck drivers.

Robert Kiyosaki: Nurses, doctors.

Jim Rickards: AMTs, the doctors, the people we actually need. So I think that's all going to fall by the wayside. You don't have to be a political genius to say the Republicans are going to clean up in the November midterms, but the problem with that is, it's a long way from now to November. And in fact, if I know it, the Democrats know it. And so, if you're a Democrat, you're going to get swamped in

November, you're going to try to do all the damage you can between now and then. So I would watch out for that, and Ukraine is another hotspot, but I always say, can the, all those things that are on the list, I watch all of them. One or more of them will explode literally or otherwise. But the thing that probably deserves the most attention is the thing that none of us are thinking about, the true unexpected. But even the unexpected, the thing that's not on the list has warning signs, and that's what I look for.

Robert Kiyosaki: Thank you. So my friend, thank you Jim. And we'll be right back with our final word, but really, I value these times with you. So thank you very much my friend.

Jim Rickards: Thank you. Thanks Kim.

Robert Kiyosaki: And we will be right back. Welcome back. Robert Kiyosaki, The Rich Dad Radio Show, The Good News and Bad News About Money. We want to thank our special guest, Jim Rickards. Like I said behind his back, we call him the fire hose, he doesn't stop to think. I don't know how he does it. We should cross him with Biden, because Biden is always thinking, because you can't remember anything?

Kim Kiyosaki: No, don't do that. We don't want to diminish Jim.

Robert Kiyosaki: But I don't know how he keeps so much data flowing without stopping to think.

Kim Kiyosaki: Look at my notes. I had all these notes from his talk, and all the things to follow up on, and he's an incredible wealth of information, oh my goodness. And he was talking about what Bernanke did, violated the real thing that needed to be done with the banks and all. And I guess, what that did, and that was my question, Robert, I guess, what that did is just push the can down the road.

Robert Kiyosaki: Correct.

Kim Kiyosaki: Because, they didn't do what they needed to do, and they let the insolvent banks survive, which they shouldn't have.

Robert Kiyosaki: Because that's why everybody should read the Great New Depression. Is because, the old depression is not going to be like the new depression, and we're in the new depression today. And when I say that to people, they look at me like I'm, like I'm pessimist, but I'm saying it's really good news. If you know it's here, you can make some changes. But if you think the last, none of us were around the last depression, but if you think the last one's going to be like this one, I think you're seriously mistaken. And that's why I really appreciate having Jim on here, and I really encourage people to read his books. It's just a fantastic book, his book Aftermath. I listen to an audio book driving across Montana, oh my God, just kept hitting restart, because it took a while for the data to sink into my brain. To think about what he said, he doesn't even think about what he says. It's amazing. Sarah, what'd you think?

Sarah: Just like both of you, I have two pages of notes here. I think like Kim mentioned, the most fascinating part to me was his timeline of the three central banks. And really that pivotal moment, where in 1913, where they brought, decided to come back with the Federal Reserve, I like how he called it, it could be a whiskey brand or whatever, call it Federal Reserve. But really, and then the three different things Bernanke violated during the financial crisis, those are two huge pivotal moments in American history that-

Robert Kiyosaki: Correct.

Sarah: ... what would've happened if they, if things had been different.

Robert Kiyosaki: Correct.

Sarah: I just can't help, but think about that.

Robert Kiyosaki: And that was G. Edward Griffin's book, The Creature from Jekyll Island, and it started with JP Morgan, rounding all these guys up and said, look, we're taking over here. I'm going to back you up, but you better play straight, and that was the start of the Fed. And in 1913, The Creature, Griffin writes about The Creature from Jekyll Island, how many times we studied that book, Kim?

Kim Kiyosaki: Many times. And you know, what else Jim led off with? He said, you can have your opinions and all of this, but you can't argue with the data. You can't argue with the data. And so, I remember when he was talking about the solar panels, at his home, he's got three acres, 900 towers or something, however many towers for one house. And this whole new green deal is all about, oh, we're going to have solar, we're going to have wind. And he's absolutely correct, it's not scalable, it's not realistic, but people aren't looking at the data, they're not looking at the facts. They're just running on emotion and opinion. And I think, I just always love, look for the facts, look for the data. That's where the real information lies. Not in your opinions and your emotions.

Robert Kiyosaki: And what cracked me up when he did that little siren, [inaudible 00:51:37] the Feds are into Green New Deal too, or something, he said something like that and going, I still want to know what he really thinks, but talk about the facts, it was, I watching Tucker Carlson, and they were talking about those wind panels, the wind turbines, the big propellers. He says, why didn't somebody kill the number of eagles those blades kill. That's the facts. But the press will never report that, how many eagles those wind turbines killed, and what happens in the winter time?

Sarah: And not to mention when they break, they take him down and bury him. There's turbine blades, buried all over the Midwest.

Robert Kiyosaki: Is that right?

Kim Kiyosaki: You know that.

Robert Kiyosaki: So anyway-

Sarah: It's like, what are we doing?

Robert Kiyosaki: But the funny thing is because, I'm not up to on the environmental stuff. And I am an environmental, I just plant trees. I like trees. But anyway, when he was talking about Biden, wanting to save the environment, he just spiked coal and nuclear. The two most polluting of all energies, but oh, and we're doing it for the green new deal, but he's actually polluting. These greenies are polluting the economy worse than every, before. Same as the Tesla batteries. Those batteries are more polluting than gasoline, but they'll never tell you that. So anyway, that's why I love doing what we do, Kim and the Rich Dad Radio Show, because we get smarter.

Kim Kiyosaki: We get to talk to smart people like Jim Rickards.

Robert Kiyosaki: So, anyway, thanks all for listening. Thank you, Sarah. Thank you everybody listening to Jim Rickards, and see you next Rich Dad Radio Show. Thank you.