

Hello Everyone,

Last week the stock market just crossed the “unchanged-for-the-year” line for the 8<sup>th</sup> time this year. In “the “biz,” we call this range-bound.

Meanwhile, in the world of debt, there is no range-bound terminology. Nope. Debt goes up...until it can't. This series has been anticipating that “can't” day....and what will then be done.

I hope this thread helps you understand why we are investing the we are.

Signed, Your Wishing-His-Sister-A-Happy-Birthday Financial Advisor,

Greg

## **KKOB 05.14.2018 Revaluing Vs a Standard (cont.)**

**Bob:** Ok, I must admit this revaluing currency thread we are on is a little foreign to me; but I think I'm getting it. The world has too much debt. One way out is to devalue currencies. However, if all countries devalue, things can get chaotic fast. Therefore, the cleaner way to devalue would be for everyone to devalue against an outside standard. Is that about right?

**Greg:** Excellent. And, you're talking like the International Monetary Fund. The question is, what's your outside standard?

Oil, land, and diamonds all have value, but all are too variable to be a true anchor. Some believe a basket of dollars, euros, yen, yuan and swiss francs could work. But, since all those countries are weighted down by debt, why would lashing their currencies together be stable?

**Bob:** I agree---and I know I keep bringing this up, but doesn't gold represent a standard? You could set purity and weight standards, then it's just a matter of accounting and assaying, right?

**Greg:** There are lots of people who agree with you--- though some say there is not enough gold in the world to back today's trillion-dollar economies. [Gold's proponents, however, answer, “Yes, there is...just not at \\$1330/ounce.”](#)

The reality is, we don't know what the agreed upon standard is.

Therefore, we're forced to follow breadcrumbs to try to figure it out.

Therefore, we're forced to follow breadcrumbs to try to figure it out. With that in mind, let me pose some questions to your audience. Two months ago, what compelled Vladimir Putin to show off his tons of gold to the world? Why, 15 years ago, did the Chinese cease all gold exports... and why have they been buying gold by the ton ever since? Why, five years ago, did the Germans ask for their gold back from New York?

**Bob:** Wait. Why did New York hold German gold?

**Greg:** Sorry. Good question. During the Cold War, there were concerns that an invading Russian Army could be in Frankfurt in a matter of days. Conquering armies tend to take the gold. So, we offered to secure it for the Germans. Then, decades later, they said, "Hey the Cold War is over, we want our gold back." Then it got messy. We couldn't give it to them... but, that's a story for another day.

Anyway, it took five years, but we finally made the Germans whole. Since then, the Norwegians, Hungarians, Turks, Venezuelans, and others have asked us to repatriate their gold. So, if gold is a barbarous relic, and of no use in today's modern financial world, why the sudden need for everyone to get their gold back?

**Bob:** I don't know. But, I could speculate. What if the big guys knew that sometime in the future, the post-World War II financial system would change? And, if gold could be used to erase debt, then governments with the gold would come out on top, right?

**Greg:** You're not the first one who has come to that conclusion. But, no one knows. Anyway, let's keep going. If your hypothesis is correct, then by doing what FDR did in 1934 would give governments a fresh start. And to remind your listeners, with the stroke of a pen, FDR raised the gold price 75%. Since, back then the dollar was backed by gold, our \$27 billion debt was slashed dramatically. Today the world sports \$250 *trillion* of debt. The price of gold would have to be revalued significantly higher to accomplish what Roosevelt did 84 years ago.

But, before your audience runs out and sells everything to buy gold, realize this is all just speculation. America has been in debt since 1835 and we're still here. And even though the world is carrying hundreds of trillions in debt, economies are still growing. Dollars, yen, and euros are all working just fine. Still, let's stay on the gold theme and play the what if game on Friday.

**Bob:** It does. How do people reach you?

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

**Bob:** For those of you who want transcripts of what Greg and I talk about each week, just email him at [gregradiotranscripts@gmail.com](mailto:gregradiotranscripts@gmail.com).

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