

Hello Everyone,

“The greatest wisdom is seeing through appearances.” Atisa, 11th Century Buddhist Reformer

Today’s missive links the policies of Kublai Khan with Janet Yellin...sort of. :>)

Now, ancillary to this, is what is happening behind the scenes in the gold and silver markets. All seems quiet. In fact, these markets seem to be languishing. “Seem” is the correct verb.

There is a massive (and I mean massive) scramble by the big players to get their hands on the physical metal. The two largest Silver Exchange Traded Funds (ETF ticker symbols SLV and SIVR) rewrote their prospectuses last weekend. Suddenly, they issued all kinds of disclaimers saying they may not have the silver they say they have. Hmmmm.

And no. None of you (my clients) are in either of those ETFs. I never trusted them. They tried to pass off “paper silver contracts” for real silver.

Anyway, I hope you see how the lessons from the Mongols’ 13th Century conquest of China are relevant to today.

Signed, Your If-2020-Was-The-Year-From-Hades-Is-2021-The-Year-Hades-Froze-Over?
Financial Advisor,

Greg

KKOB 2021.02.22 Kublai Khan and Build Back Better

Bob: So, Greg, today’s topic sounded pretty interesting.

My understanding is you want to link the Democrat’s mantra of ***“Build Back Better”*** to Kublai Khan and the Mongolian Empire. Is that right?

Greg: It is. And it was an article at the ***Sovereign Man*** website that inspired this thought.

Bob, Kublai Khan was the grandson of Genghis Khan. And as great as Genghis was, he never quite finished his conquest of China. So, Kublai set his sights on the grand prize. And, after a series of epic battles, the Song dynasty fell to Kublai and his Mongolian warriors.

The problem was that while the Mongols were good at conquering, they weren't very good at building. Plus, they had expensive tastes. Those mostly revolved around war and women.

Anyway, post-conquest, what the Mongols discovered was the Song Dynasty used paper money. Now, this was very intriguing (and appealing) to Kublai. He soon concluded that whenever he needed money, he could just print it up.

Well, this was far different than how the Song Dynasty used paper money. They tied their issuance of currency to gold, silver, and copper coins. That ensured the paper held its value. Kublai, however, either didn't understand--- or outright rejected ---that idea.

Backing the currency with something of value, required hard work. And this was rather a nuisance to the Mongols. I mean, why go through the effort of mining, refining, and casting precious metals, when you can just print up what you need?

Bob: It sounds like today. I mean all the major currencies of the world used to be backed by either gold or silver----or both. But now everyone just prints. In fact, we don't even print the money anymore. We just type digits into computers and call it money.

Greg: Right. Why even waste all that paper and ink?

So, back then, what followed was rather predictable. As the money was devalued, prices soared. People's lives (and businesses) were turned upside down. Rebellions broke out. Violence and crime rose. And within decades Kublai's great achievement collapsed.

But it was out of this disaster that arose the Ming Dynasty.

Bob: So, this is the “*Build Back Better*” part, right? You would think the Chinese would want to do the exact opposite of what had failed so badly.

Greg: You are jumping ahead...but you are absolutely correct. A peasant-farmer-turned-monk named Zhu Yuanzhang rose to the rank of Emperor. And the Ming Dynasty was born.

To rebuild from the ashes, Emperor Zhu encouraged unprecedented levels of economic freedom. Regulations were slashed. So were taxes. Government controls of key industries were abandoned. Merchants were encouraged to set their own prices. Entrepreneurship was both encouraged and praised.

The new Ming currency was limited in its issuance and was backed by gold and silver. Even foreign money (like the Spanish silver dollar) was allowed to circulate.

And the results were remarkable. The economy blossomed. Crime and civil unrest fell. Canals, bridges, and roads were built. Even the Great Wall of China was repaired and fortified, because, Bob, no one wanted the Mongols back.

Bob: But the Democrats aren’t promising any of that in their “*Build Back Better*” plans. In fact, the opposite. They are acting like the Mongols.

Greg: Sure. But in fairness, the GOP wasn’t much better. Republicans were running trillion-dollar annual deficits even before Covid. Then we hit \$3 trillion last year. And now we are looking at a \$5 trill deficit this year. Stunning.

Bob: So, we're accelerating down the same path as Kublai Khan. Spending is out of control. Civil unrest is rising. So is crime. So are prices. Nothing changes.

Greg: That's the lesson of history. But, Bob, we can build back better. If a peasant-farmer-turned-monk could do it for China, we can do it here in the US. But until we come to our senses, you might want to invest with an eye toward rising inflation.

Bob: Makes sense to me. And I must admit, I'm getting pretty tired of today's *economic Khan-jobs*. How do people reach you?

Greg: Khan jobs?! Very clever. Especially for a Monday morning. Just go to my website at zanettifinancial.com.

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