IGWT Report

Exclusive Interview with Russell Napier: Save Like a Pessimist, Invest like an Optimist

The inconceivable is absolutely conceivable when the survivability of the state is threatened.

Russell Napier

- Debt -to-GDP ratios in the developed world are at historically high levels. Financial repression has been used as a policy tool to reduce these levels in the past.
- Various governmental bodies have stepped up to ensure that large-scale depositors have not lost any money in banking system collapses. These guarantees can lead to an increase in government debt and thus governments are now getting more actively involved in the asset side of the balance sheets of banks to direct the flow of credit where they want it.
- Governments around the world intervened in their economies during the COVID pandemic. We are now paying the price for that, and that price is financial repression. Commercial banks will become increasingly politicized to achieve political goals.
- Previous financial crises could easily be solved by throwing money at the problem, but the current inflationary environment is a totally different story.
- The global west will need to recapitalize in the case of a cold war with China, which seems likely.
- This is an opportunity for investors to share in the gains from these old economy companies, mainly in the manufacturing and resource sector.
- Because gold could be seen as an antidote to financial repression, the gold mining sector might come under societal pressure from various angles. This could prove positive to the price of existing gold.
- A digital world does not make it easier for individuals to escape capital controls, in fact the opposite could be argued.

Professor Russell Napier is author of *The Solid Ground* investment report for institutional investors and co-founder of the investment research portal ERIC, a business he now co-owns with D.C. Thomson. Russell has worked in the investment business for over 30 years and has been advising global institutional investors on asset allocation since 1995.

Russell authored the book *Anatomy of The Bear: Lessons From Wall Street's Four Great Bottoms* ("a cult classic", according to the FT) and is founder and course director of *The Practical History of Financial Markets* at the Edinburgh Business School.

Russell is Chairman of Mid Wynd International Investment Trust, a GBP 500mn market cap closed-end investment vehicle listed on the London Stock Exchange. He is a member of the investment advisory committees of three fund management companies, Cerno Capital, Kennox Asset Management, and Bay Capital.

In 2014 Russell founded the charitable venture *The Library of Mistakes*, a business and financial history library in Edinburgh that now has branches in India and Switzerland.

Russell has degrees in law from Queen's University Belfast and Magdalene College Cambridge. He is a Fellow of The CFA Society of the UK and is an Honorary Professor at The University of Stirling and a Visiting Professor at Heriot-Watt University. He is a contributing columnist for *The Toronto Star* newspaper. His second book, *The Asian Financial Crisis 1995-1998: Birth of the Age of Debt,* was published in July 2021.

Ronnie Stöferle and Nikolaus Jilch conducted this interview with Russell Napier by Zoom on May 2, 2023.

The video of the entire interview can be viewed on YouTube

Ronnie Stöferle
Good morning, it's a great pleasure having you here for our Advisory Board meeting with our very, very special guest, Russell Napier. Russell, thanks for taking the time.

Russell Napier
Ronnie, thanks very much. Great to be here.

Ronnie Stöferle
Also here with me is my dear friend Niko Jilch. Niko, the last time we spoke to Russell for our 2021 *In Gold We Trust* report, you were still with Agenda Austria, the think tank, and now you're running your own business as well, doing a very successful podcast.

Niko Jilch
Good morning. I can say good morning, even though we don't know when people are going to listen to this. Hi, Russell. Hi, Ronnie. Thanks for having me. Yeah, I'm a freelance journalist, slash one person media business now and I'm running a German and English podcast, *www.wasbitcoinbringt.com*, and I'm happy to be here. Because we did have a very, interesting discussion. Many things that we talked about, Russell, two years ago, have come to fruition – unfortunately, I have to say – and I'm looking forward to what you have to say today.

Russell Napier
Well, Niko, here's to the power of one.

Niko Jilch
Thank you.

What are your next big calls? Would you say inflation and fiscal stimulus are over and it's back to the old playbook.

Ronnie Stöferle
I will briefly introduce Russell, I think most of you already know him, obviously. Russell is an acclaimed financial historian and market strategist. He writes the *Solid Ground* newsletter, where we are subscribers, and it's highly, highly recommended. In it he shares his global macro thinking with a readership of mainly professional investors. He's also the co-founder and keeper of the Library of Mistakes, a library and reading room devoted to the study of financial history and associated mishaps. He is the host of the library's podcast, and Russell is also the author of two acclaimed books, *The Anatomy of a Bear Market,* a fascinating study of bear markets, and more recently, *The Asian Financial Crisis 1995–98: Birth of the Age of Debt*.

Russell also runs a very, very interesting course regarding financial market history. Mark and I attended this course, which was pretty interesting because it was in London exactly that week when the UK gilt market basically broke down, so it was really fascinating to talk to mostly British fund managers during that very, very turbulent week.

Russell, thanks again for taking the time. We've got many, many topics to cover. As Niko said, you've been basically spot on with your very, very big forecasts. I think your biggest shift was actually from being a deflationist for almost a couple of decades, to becoming an inflationist. You've said that the Great Moderation is over and that we should expect higher inflation rates and more inflation volatility. This has been a brilliant, brilliant call. The second big call, probably, was that you expected fiscal stimulus to become much more important than monetary policy and monetary stimulus, which has also happened. So, Russell, everybody wants to know, what are your next big calls? How do you see those major market calls developing? Are you still sticking with them, or would you say inflation is over for now, fiscal stimulus is over for now, let's get back to the old playbook?

Russell Napier

We know that the goal is to reduce the debt-to-GDP ratio, but how does that manifest itself?

Certainly, Ronnie, the things you just mentioned are just ingredients. They're not the final, cooked, baked product. They're just part of it, and I think that's the problem. I think people can't see that yet. They don't fully understand yet. **But the final cooked product is a thing called financial repression**. I think most people listening to this will be familiar with what that is, but it's a policy setting necessary to reduce the excessively high debt/GDP level of the developed world.

The governments increasingly take control of the banking system, which is the wellspring of money creation, and the saving system, which is a necessary thing for them to control in order to depress the rate of interest along the yield curve in a period of high inflation.

The other thing that's happened since we spoke in 2020 is that I'm having difficulty persuading people of this financial repression, although there is ample evidence. So, **we know that the goal is to reduce the debt-to-GDP ratio, but how does that manifest itself?** Well, I can talk about that for about three hours, but the essential issue is this: **The governments increasingly take control of, A, the banking system, which is the wellspring of money creation, and B, the saving system, which is a necessary thing for them to control in order to depress the rate of interest along the yield curve in a period of high inflation**. High inflation, which they have rather successfully generated, is not in itself sufficient if market-determined rates were to go too high.

Switzerland, shockingly, are now in the business of controlling and corralling the balance sheets of banks and the savings of the people to help with inflating away their debts.

My forecast is not just that inflation will remain sticky, though it will come down; that is part of the growing evidence of a financial repression. This all comes in bits and pieces; that's the nature of government reaction. But let me just quote from the British Chancellor of the Exchequer, who said less than a week ago that, ultimately, he would not be against forcing British pension funds to buy certain assets. Now, the British Chancellor is supposed to be right of center, not left of center. He said he wasn't that comfortable with it, but he wouldn't be against it. And for all those calls about inflation and fiscal policy, ultimately, neither of those will be as important as this, if we are back in the business, as I suspect **Switzerland now is as well. Another great shock since we last spoke is that they are now in the business of controlling and corralling the balance sheets of banks and the savings of the people to help with inflating away their debts.**

Niko Jilch

As we speak, we've just had another bank failure in the US. Do you see any connection with this? I think the regulator's going to use these bank failures to introduce new rules for banks to make them "safer", but some of the problems did come from holding too much government paper.

When governments rush around trying to make things safe, they don't always succeed in that goal.

Russell Napier

Yes, they are going to find other things that will make them safe. That is interesting, as, **when governments rush around trying to make things safe, they don't always succeed in that goal**. The argument is not that they make things safe, it's that they direct the flow of credit. What the government has done – the FDIC, but ultimately the American government, and we also have to keep referring to the Swiss government here –is guaranteed all the deposit liabilities of the banking system; that's the crucial feature of these collapses.

A government that backs the liabilities of the banking system is ultimately on the hook for its assets.

For those that I can think of, none of the large-scale depositors have lost any money. Now, whether the actual bondholders will lose any money, I guess time will tell; but Janet Yellen has slightly flip-flopped on whether the system is now backing large-scale deposits, though I think everybody thinks they are. Warren Buffett has said that they are. Now, **a government that backs the liabilities of the banking system is ultimately on the hook for its assets**. The Irish government tried this on the 30th of September 2008, a day in Irish history that will live in infamy. What they ended up with was government debt/GDP blowing out, as they had to pour more and more money into the banking system to meet these guarantees.

The crucial thing that's happening is the capture of the financial system, not the collapse of the banking system.

The governments know this; they've been here once before. So, what we'll see now is them getting more actively involved on the asset side of the balance sheet. There's a price to pay, and that is the price, and it's already evident. It's been evident, particularly in Europe, post-Covid; it was evident everywhere during COVID; and that's the price. Now, there are different ways of doing this, and one of them is providing guarantees on bank lending. But the Inflation Reduction Act is actually another way of doing it. You create so many good incentives and cash flows in certain private sector companies that the banks are, let's say, encouraged to lend to them. **The crucial thing that's happening is the capture of the financial system, not the collapse of the banking system.**

You have freedom of speech, but freedom after speech, that I cannot guarantee.
Idi Amin

This is the capture of the financial system to do the public good, as the public needs, in a time of serial emergencies. And that is why equities are going up and not coming down. Because this is not a rerun of 2008; this is more a rerun of 2020. There are sufficient emergencies in the world that the government can justify not just bailing out the banks but also taking control over banks and steering bank credit growth. So **now you get two entirely different views of the world, depending on whether you think the banking system is collapsing or the government is taking control of it, and I'm certainly in the latter camp**. It will be quite a shock in America, but my goodness what a shock it will be in Switzerland when it comes to pass there.

If we say that fiscal policy is basically taking control, then first of all, what then is left as a job for banks and for central banks?

Ronnie Stöferle

Russell, in one of your most recent interviews, you said that most people in financial markets still stick to the 2008–2009 playbook. What people forget is that in 2020 we had basically the biggest GDP decline since 1707 – something like that. But actually, we could also say that they managed it pretty well. We didn't see any major banks going bust; we didn't see any bankruptcy in bigger companies.

We didn't really see too much volatility in financial markets. So, I agree on that point; but then, on the other hand, **if we say that fiscal policy is basically taking control, then first of all, what then is left as a job for banks and for central banks?** We all have an opinion on that, and the market couldn't care less about our opinion; but are we still in a free market, liberal economy anymore?

Russell Napier

So, the price we're paying for that form of intervention is inflation today; and that inflation is creating not just economic havoc but political and social havoc.

Yeah, so, about 1707. That's just relates to the British economy, and as you know, 1707's economic statistics are not entirely trustworthy. But yes, that initial decline in GDP was supposed to be the biggest decline since 1707. What was the price we paid for the success in managing that? Well, the price we paid is that across the developed world, the banks were forced to lend money into recession and create money. That's the important thing. And that's why we have inflation today. **So, the price we're paying for that form of intervention is inflation today;** and that inflation is creating not just economic havoc but political and social havoc, in some places much more than in others. **There is a price to be paid for this. We've already seen part of what that price is.**

If commercial banks create money, and the government can control the size of commercial banks' balance sheets, that's number one.

What is the role for central bankers? Well, I'm sure everybody listening to or reading this has read Friedman and Schwartz's *Monetary History of the United States of America*. If you haven't, it may be worthwhile reading the history of the Fed for the period from 1942 to 1951. Because it's quite clear in the pages of Friedman and Schwartz that the role of central bankers from 1942 to 1951 was really to drink coffee. There was no other role for them, and that is because there was a financial repression. Obviously, in warfare there is an extremely strict form of financial repression. It's something I think maybe we're unlikely to see in that form. But Ronnie, you've hit the nail on the head here, because **if commercial banks make money, and the government can control the size of commercial banks' balance sheets, that's number one.**

They will be controlling both the quantity of money and the price of money, and then there isn't anything for central banks to do all day.

If I'm right, we eventually get to the stage where they also do yield curve control. They are controlling both the quantity of money and the price of money, and then there isn't anything for central banks to do all day. I do genuinely think that that is where we're going. I know a lot of people have said to me, "*Will the central bankers give up*?" Well, they announced that we're not going to have 2% inflation. But it just became obvious to the market that the central banks do not have the power to deliver these things; these powers are being stripped from them; and that's the path for central banking. Not that they fail conventionally by having the wrong policy settings, it's that the tools they need In order to deliver are being stripped from them. So that's what I think happens to central bankers, and commercial bankers as well. **It's just the politicization of credit.**

I can't remember if I mentioned this book the last time I was here, but it is called *Controlling Credit*. It's a history of the French banking system post-World War Two, written by Eric Monnet. It describes a form of monetary policy which I think is completely alien to just about everybody today, but it's one we have to go back and focus on, and that is credit controls. If a government can cut the rate of bank credit growth, it can cut the rate of money supply growth. Now, the problem for bankers is, yes, it's quite nice that they get allocated a certain growth in credit, but the government would want to have a huge role to play in the allocation of credit, within, let's say the limit is 10% growth in bank balance sheets per annum. It's inconceivable that that would be done purely by market forces. For commercial bankers, the future is the politicization of their balance sheets to achieve political goals, and those goals are easily framed in an age of emergencies.

And when the word emergency is right up front and center in political discourse, you should expect emergency finance.

I rarely hear a politician speak when he doesn't use the word *emergency*. So, we have a climate emergency – and I'm not saying these aren't emergencies; I'm just saying the word is spreading. We have a hot war emergency, a cold war emergency, an inflation, cost of living emergency, an inequality emergency. **And when the word *emergency* is right up front and center in political discourse, you should expect emergency finance.** And the role of the commercial banker in a period of emergency finance is to provide the finance to end the emergency, full stop. That is the future for bankers. Now back to Niko's question. The more influence and control or safety nets the government provides for these institutions, the more they are ultimately beholden to the government.

Niko Jilch
Quick question. **Do you think that the push for central bank digital currencies is a way for central bankers to get some control back from the governments?** Do you see a conflict there or is this part of the governments taking control?

Russell Napier
The go-to opinion on this is from Agustin Carstens, who runs the BIS. He wrote a paper on central bank digital currencies, I think in early 2021, which is absolutely worth reading. It's on the BIS website.


Source: Getty Images

He looked at central bank digital currencies and came to the following conclusion: In unlimited size, they are fundamentally dangerous; they would ultimately destroy commercial banks and pass all the power of allocation of credit to the central bank. Let's think of the mechanism of that. All of us have deposits, and let's say one morning we concluded that the safest deposit in the world was with the central bank, with the CBDC. And we decided to move from the commercial banks to the CBDC. So now all the deposits of the world rest with the central bank. It will be up to the central bank to allocate those – I mean, probably not directly; I'm not suggesting it would be lending, but it would pick which commercial banks would receive the liquidity. This would be the biggest threat to liberty. Not just economic and financial liberty, but all liberty that we have seen since the Second World War.

There's no way that governments will let them do it, because of the amount of power that would flow to the central bank with a CBDC.

Carstens doesn't quite use the words as dramatically as I've just done. But he does make it very, very clear that the CBDC – in unlimited size, not in a limited amount, but in unlimited size – is fundamentally dangerous. If the central banks were to go ahead with CBDCs and unlimited size, which they will not do, but if they did, then they would become by far and away the most overmighty citizen in the whole world, much more powerful than the state, in my opinion, much more powerful than any private-sector institution. So yes, if done in size, CBDCs are dangerous; but they won't do it and they can't do it. **There's no way that governments will let them do it, because of the amount of power that would flow to the central bank with a CBDC.**

I must tell you a funny story. There is a CBDC in the Bahamas, and I was recently in the Bahamas, and everybody I met, I asked them if they're using the sand dollar, which is the CBDC, and I couldn't find anybody. Believe me, I did ask young people, because obviously old people tend not to; and the reason they weren't using it is that it wasn't really adding any functionality. Then I was at dinner one evening, and I asked the gentleman beside me. He said, "Oh yes, I use it all the time", and that surprised me because he was the first person I encountered that used it, but also he was probably about as old as I am. I said, "That's really interesting". He brought out his phone, showed me the app, and told me how he used it. I said, "That's interesting; what do you do for a living?" He said, "I'm the central bank governor". Then the lady next to him chipped in, and she showed me how she was using it as well. I said: "Well, let me guess. Are you the wife of the central bank governor?" She said yes. So, as a means of transaction, it doesn't really add any functionality. However, as a store of value, it could, particularly in a crisis, become a huge threat to just about everything.

There's only room for one overmighty citizen in a financial repression and that's the state, it's not the central bank.

So, my view is that central bankers, Carstens in particular, has warned everybody what the consequences of this are. It would be like the central bankers going to war on the private system and the government, to strip huge amounts of power from a democratic system. I think it's very, very unlikely. I'm not saying there wouldn't be a small CBDC, but one that would be in its size sufficiently large to challenge what you and I have as a store of value in terms of deposits, not likely. Overmighty citizen. **There's only room for one overmighty citizen in a financial repression and that's the state, it's not the central bank.**

Ronnie Stöferle

The sand dollar of the Bahamas; you should reserve a spot for that in your library of mistakes. Russell, you mentioned the topic of war. Last time, in 2021, we were talking about the Cold War. But now we do have a hot war between Russia and Ukraine. We interviewed Zoltan Pozsar last week for this year's *In Gold We Trust* report.[1] He wrote a couple of fantastic pieces – you probably read them as well. He said that war means inflation. You probably agree on that topic. Then I also heard a podcast that you did with our mutual friend Marko Papic at Clocktower, and I read a piece that Marko wrote a while ago, called "War is Good". Of course, he doesn't refer to the human consequences of a war, but I think he brought up a couple of very interesting topics.

Over the short term, war could mean higher inflation, definitely. But over the long term, due to more competition and innovation, it could also be a disinflationary driver?

First of all, that investors should avoid extrapolating geopolitical disequilibrium into a global conflict, and that these periods of multipolarity, which often lasted for decades, were often providing a good backdrop for technological innovation. **This CAPEX cycle that you're also referring to, over the short term, war could mean higher inflation, definitely. But over the long term, due to more competition and innovation, it could also be a disinflationary driver.** Would you agree to those viewpoints?

Russell Napier

Now, when I look around at the levels of debt in the system today, and the levels of government debt in the system today, I just don't see how this can be financed without more money.

Marko is from the former Yugoslavia, and I'm from Northern Ireland. So, we're both very keen that there isn't any war, as we all are. I would not agree with Marko on that, and that's because I come from a different place, which is the place of saying that, not with 100% certainty but with a high degree of certainty, that inflation is always and everywhere a monetary phenomenon. It depends how this is financed – all the things that Marko has talked about; it depends how it's financed. **Now, when I look around at the levels of debt in the system today, and the levels of government debt in the system today, I just don't see how this can be financed without more money.**

The first casualty of war is the truth, and the second casualty of war is price stability.

The easy way to finance anything is by creating more money, and we're witnessing it now. For three years we've witnessed that governments will take the easy way out on this and finance it with more money. That is what happens in war as well. Of course, we have great big bond drives running, and that's what a financial repression is. It's a bond drive to get people to buy bonds at interest rates that are actually well below the rate of inflation. It's also about creating money; so everything that Marko says about the real economy can be true, but you can still have inflation if it's badly financed. **The first casualty of war is the truth, and the second casualty of war is price stability**, and there's a reason for that. It's not just about a scramble for the scarce resources, it's about how it's financed.

That's true now more than ever. Going into other wars we may have had low government debt to GDP, but I was just looking at the British debt/GDP, and let me give you some numbers on that. At the end of World War Two, the government debt to GDP was 270%. By 1991, it was 30%. Now it's 106%. Simply put, all the nice things that we want, and all that innovation, are going to have to be financed.

But, given where we are with debt, I think even a cold war is going to have to come with high inflation. Never mind that we get to a hot war.

We've had a huge debt supercycle, and that means it's going to have to be financed by money rather than debt. That means inflation to me. I hope for a cold war in Asia and not a hot war. Now, let's say I'm wrong on this. It's a truth that we don't like to recognize that the rejuvenation of Asia post-World War Two was partially based on warfare. Initially with the Korean War, which had a

[1] The *In Gold We Trust* report 2023 features a short version of the interview "Adapting to the New World Order". The long version can be downloaded here.

very stimulatory impact on Japan, and then latterly the Vietnam War, which had a very stimulating impact on Southeast Asia; and Hong Kong was a beneficiary of both of these. So yes, one can recognize that that's something a hot war can do. **But, given where we are with debt, I think even a cold war is going to have to come with high inflation. Never mind that we get to a hot war.**

The CAPEX cycle? I think that's another topic that you were one of the very first ones to address. Could you perhaps run us through the theory you have?

Ronnie Stöferle

Russell, the CAPEX cycle? I think that's another topic that you were one of the very first ones to address. Could you perhaps run us through the theory you have? Would that actually mean continued outperformance of old economy sectors versus the tech space? Then, one thing that always comes to mind is that I'm not so certain that governments are very efficient when it comes to subsidizing everything and getting into the domain of business owners and investors. If that trend is going to continue, and it seems so, won't it leave us with lots of stranded investments and other things that you can probably mention in your Library of Mistakes, and lots of government-owned companies that are just an enormous waste of capital?

There are some things changing in heavy-industry stocks that we need to pay attention to.

Russell Napier

For those who are listening or reading, in case they don't know, we've had strong run in tech stocks this year. But I just looked, and Nippon Steel is outperforming Amazon – not by a lot; it's not quite as good as Microsoft, but it's nearly as good as Microsoft. Something is happening in the world that we need to pay attention to. **Too often I speak to investors who have their own views but are not prepared to look at what the market is telling them. There are some things changing in these heavy-industry stocks that we need to pay attention to.**

Next time you hear a politician cite an emergency, think to yourself, what's the answer to that emergency? Because I think you'll find it's CAPEX.

What is changing is, I mentioned earlier this age of emergencies, and **next time you hear a politician cite an emergency, think to yourself, what's the answer to that emergency? Because I think you'll find it's CAPEX.** Some of it is pretty dire CAPEX. Completely nonproductive CAPEX is easy to spot; it's called defense. It's CAPEX aimed to destroy rather than CAPEX aimed to facilitate. We know that's going to happen, and we know that *is* happening. And we know that's going to happen on a big scale, because it's happening in Asia. It's not just about Russia; it's about Asia.

If we genuinely get to a cold war with China, we are going to need to produce all the stuff we currently buy from China. That's a huge capital expenditure boom.

One of the things that we're witnessing now is NATO, the North Atlantic Treaty Organization, being somewhat interested in the Pacific as well. So this is important in terms of defense spending, etc. The biggest thing is that **if we genuinely get to a cold war with China, we are going to need to produce all the stuff we currently buy from China. That's a huge capital expenditure boom**. Labor markets are tight, depending on where you are in the market and the world, very tight. That's also a huge CAPEX boom as we go forward. We're going to need more robotics and automation to cope with this. The reason that I come to a capital expenditure boom is that it is, as far as I can see, the only answer to the political problems. **My view is that countries don't just use their own money to finance this; they use the banking system to finance this.**

There's no better example of that than the United Kingdom, again, where the **Chancellor of the Exchequer is getting involved with our savings**

system and is compelling them or trying to compel them to invest in certain types of things that the government wants financing for. So that is coming. Now, to your second point, will it be malinvestment? Yes, it takes a while, though. And it particularly takes a while if we're in a cold war with China.

If I said to you, Europe, steel industry, how many years of building capacity would we need before we overinvest? You might know the steel industry better than I do, but I think it's a lot. What we've had in the past is, sometimes governments have intervened in market systems at full capacity, and then their intervention is visible quite quickly. But on this particular occasion, if the reason for doing it is that we're in a full-blown cold war with China, it might take a bit longer to get there.

No truly productive savings and investments can be made by government, its employees, or the recipients of its subsidies.
Murray Rothbard

But let's remember where the United Kingdom got to in the 1970s. We were spending all our money investing in coal, British Leyland, and Concorde. None of these proved to be viable long-term investments; they all proved to be misallocations of capital. You do get there in the end, but in the industry that we've specifically been referring to, which are maybe more old-economy stocks, it will take a very long time to build capacity. This relates to a form of investing called the capital cycle, which we teach on the course side. Edward Chancellor lectures for us on the capital cycle. I just think we've underinvested for so long that it would take a long time to distort this.

That is the opportunity for investors, to align their interests with these particular corporations that deliver on this.

One final point: the Andrew Smithers book, which is called Productivity and the Bonus Culture. He's got some wonderful long-term charts of US corporate investment in intangible assets as a percentage of GDP. Really, we've just never seen it so low. And, without going into all the arguments for that, it isn't going to stay low; it's going to go up. **That is the opportunity for investors, to align their interests with these particular corporations that deliver on this, while recognizing that in the very long run, a government-subsidized price of capital will distort the capital cycle at some stage.** But this is a gift horse not to be looked in the mouth.

Niko Jilch
Where does this lead to? You did an extremely fascinating interview with NZZ The Market. You talked about 20 years of the government basically steering industry, the banking system, inflation, financial repression. Then you have this very interesting theory that at some point things get so bad from government malinvestment that things just come to a halt. And we go back to people wanting more "free markets". You compare this to Thatcher and Reagan. Is this what you think? We have 20 years in the West of government-intervention theory, to use a French term, "dirigisme", meaning policy of directing or guiding economic activity through state intervention. Then we go into actual stagflation and go back to some sort of free-market thinking.

Russell Napier
Yeah, absolutely. The reason for saying 20 years – I don't know whether it's 20 years, but I'll explain why it's more than 10. If the ultimate aim is to get the debt/GDP ratio to a sustainable level, then we have to look at what that sustainable level is and where we are today. Now, without going into too many details, it does seem to be sustainable if total, nonfinancial debt/GDP is around 200%. That

seems to be sustainable. A country like Germany copes quite well at that level. Sometimes German debt/GDP comes down in an expansion; sometimes it goes up in a contraction; but it's not out of control. I would say we're aiming for something closer to 200%. Last time we aimed for a number well below 200% – last time being 1945 to 1980, roughly. Where do we start? Well, it's coming down rapidly already. It's a point that people don't like to talk about, because we dwell more on the problems of inflation.

Debt/GDP is coming down quickly, because the price of debt instruments is falling; but even more importantly, the price of nominal GDP is going up.

Debt/GDP is coming down quickly, because the price of debt instruments is falling; but even more importantly, the price of nominal GDP is going up. Even so, we're looking in the developed world at roughly 270% of GDP. And there's some outliers out there, the obvious one being Japan at 415% of GDP. But the outlier that dare not speak its name is France at 371% of GDP. So, Niko, the reason for taking a rather long-term view on this is because, if we're going to get from up there down closer to 200%, that takes quite a long time of nominal GDP growth outstripping the growth in debt.

Maybe it's only 10 years, maybe it's 20 years, but it's a long-term project we have embarked upon here. Now, the pace is difficult. If we go back to the end of World War Two, the United Kingdom and France had similar levels of debt/GDP, and France was able to basically not honor some of that debt, for the very good reason that it had been imposed upon it and it was what you would call, in legal terms, odious debt. But the real reason that France managed to get rid of its debt after World War Two is that it went through a four- to five-year period where interest rates were close to 6% and nominal GDP was growing at 50%. I stress *nominal*. That's a good way to do it; that gets you there pretty quickly. It didn't take France 15 to 20 years to reduce its government debt/GDP ratio.

Now, the United Kingdom achieved roughly the same thing in reducing its debt burden, but it took them from 1945 to 1979, because it was less aggressive at destroying the wealth of its savers than was France. There were good reasons for that. If you had a lot of money in France at the end of 1945, people were suspicious as to why you had that money. That wasn't the case in the United Kingdom. There were more reasons why. In France it was perfectly acceptable to destroy the wealth of bondholders, but it was less acceptable in the United Kingdom. One country did it rather aggressively, and the other country did it slightly more gentlemanly, but ultimately to the same end and the same effect. And that's the question we have to ask. I mean, it could all happen very quickly if we find that developed-world governments are prepared to take that route. I don't think we will.

My simple definition of financial repression has long been "stealing money from old people slowly".

I think the potential political instability associated with going route one, and getting this all done within three to five years is too high. And certainly, in the developed world, we wouldn't contemplate it. We don't have the great hatred of bondholders that had perhaps developed by the end of World War Two. So that's why I come up with this longer-term period. But as you can tell from that analogy, it really is a political choice. Each politician is going to have to decide how quickly they want to do this. It's not hyperinflation that does it, as France did after World War Two, it's financial repression. **My simple definition of financial repression has long been "*stealing money from old people slowly*"**. That's why I think it takes, certainly more than 10 years; but I don't rule out that somewhere, some country might go route one. I don't think there's a developed-world country that would do that, but I guess political pressure will tell. We will see who will go route one, but I don't think we'll look at that in the developed world.

Ronnie Stöferle

There's lots of older people to steal money from due to our demographics. Russell, I want to segue this conversation in the direction of the current setup that we're seeing in financial markets. Now, the leitmotif of this year's *In Gold We Trust* report is "Showdown", because **we're seeing some sort of a showdown when it comes to the geopolitical arena and the BRICS nations and SCO nations becoming much more vocal in questioning the status of the US dollar**. This de-dollarization topic is something that we have been writing about for quite a while, but now it seems that it's becoming more of a mainstream topic.

We've seen it on Fox; I think the *Financial Times* was writing about de-dollarization, stuff like that. I think that it's a process and will continue to take a couple of years. Michael Cembalest at JPMorgan put out a great paper; he said it's going to take, like, 20 years, because we shouldn't forget that the Chinese also have major problems. It would be naive to think that will happen quickly. He was mostly referring not to the renminbi's status as a *trade currency* but rather as *a reserve currency*. I think that's very important to differentiate.

Or do you think that the forces of fiscal stimulus are so strong as to completely take those recessionary forces out?

The second major showdown that we're seeing in markets is between the Federal Reserve and the economy and financial markets. A year ago, no market strategist or analyst or astrologist would have said that the Fed would raise interest rates by 500 basis points and the S&P would still be trading pretty well and the economy would not be in a major recession or depression. But still, we know that the Federal Reserve and central banks in general are always way behind the curve; so would you say that this recession – that the yield curve, also the ISM as a leading economic indicator, and so many other indicators that are forward-looking – that this recession will happen over the next couple of months? **Or do you think that the forces of fiscal stimulus are so strong as to completely take those recessionary forces out?**

Russell Napier

There's no evidence that the renminbi is being held in reserve currency; it's held by only one central bank in large size, and that is Russia.

So, there's two subjects. The first one is a huge subject: the dollar as a reserve currency, absolutely huge. But you made the distinction which people need to think about more, and they don't, and it confuses the issue, **which is: Saudi Arabia may transact with China in renminbi, but will it hold them?** There is an upside for the Chinese in just merely transacting in it, because it's beyond the long arm of America. The Chinese like it if the transaction takes place, but will Saudi hold it? Well, the evidence we have to date; there are two pieces of evidence that I look at. One is the composition of foreign exchange reserves, which we get every quarter. **There's no evidence that the renminbi is being held in reserve currency; it's held by only one central bank in large size, and that is Russia.** Otherwise, it's tiny, it's absolutely tiny. And, from memory, I think it was in 2014 that the Chinese first opened up their bond market to reserve managers, and the renminbi couldn't really form part of reserves until there was a big, liquid market for you to put it into; and that was the Chinese bond market. And since then, virtually nothing has happened.

The thing that makes the US dollar strong is not that we transact in it, it's that we own it as reserve managers, and in the private sector.

So, we have to say, look, the ability of reserve managers to own this thing has been around for a long time, the amount of trade they do with China has been going up and they still don't hold it. Has something fundamentally changed in the world that would make them hold it? Well, if you're an enemy of the American bloc and perhaps with the interference with Russia's reserve assets, maybe. But the evidence shows renminbi holdings going down. That is because Mr. Putin is having to sell some of his reserves. So transactions, yes, but ownership, no; and it's ownership that counts; it is ownership that absolutely counts for the US dollar. **The thing that makes the US dollar strong is not that we transact in it, it's that we own it as reserve managers, and in the private sector.**

So at least for the last couple of years – and things can change – the evidence is not that people want to hold more renminbi but that they want to hold less.

Then we have some data on the private sector. China, like other countries, publishes a net international investment position. And they reveal in there, as every country does, the value of domestic portfolio assets held by foreigners and also nonliquid assets. That is, the willingness of the foreign private sector to own RMB-denominated assets. That's coming down; it's not going up. It rushed up over six years as we included Chinese bonds in the various global bond indices. But now it's coming down. **So at least for the last couple of years – and things can change – the evidence is not that people want to hold more renminbi but that they want to hold less.** Now, which currency have we worked out that they want to hold more of over the last few years? Probably the one they want to pay a higher price for. And what's the one they want to pay a higher price for? It's actually the dollar.

Switzerland has just intervened and completely overruled private-sector contract law, and the government has a contingent liability, not yet triggered, that is hundreds of times bigger than GDP, given Switzerland's role in the banking system.

This could be a long answer, because it's a huge subject; but let's go back to Switzerland. In the period after World War Two, if you wanted to seek to avoid the process of stealing money from old people slowly, you put your money in Switzerland. Some of that was to do with secrecy, but actually a lot of it was to do with the fact that Switzerland could be trusted to uphold the rule of law. The country didn't have a lot of debt, so it didn't need to inflate away debt. So there were two things here: the sanctity of contract and a government balance sheet which did not require the alleviation of inflation. Is that true in Switzerland today? Switzerland has just intervened and completely overruled private-sector contract law, and the government has a contingent liability, not yet triggered, that is a couple of times bigger than GDP, given Switzerland's role in the banking system. We can debate the extent of the guarantees in Switzerland, but I think they are pretty extreme.

She speaks with such imprecision these days that she must have sat at the feet of Alan Greenspan

So, where do you go with your money? I think more of it goes to America. Then we have this incredible speech by Christine Lagarde two weeks ago [i.e. April 17, 2023], which everybody needs to read; it is just incredible. **As with most of her speeches, it's hard to believe that she used to be a lawyer, actually, because she speaks with such imprecision these days that she must have sat at the feet of Alan Greenspan.** But the speech, vague though it is, raises these huge questions but obviously focuses on the role of central bankers in a world dividing into two systems. I think what is in there is really a concern about the euro as a reserve currency – it is the second reserve currency.

I'm not in the de-dollarization camp, but I can see there'll be some bad headlines coming up, particularly in relation to Saudi Arabia.

And if we become one block, and I think it will be by far the biggest and most dominant block, and coagulate more around the dollar, **maybe we get more hoarding of dollars and fewer holders of euros; that's one of the things her speech provoked in my mind.** As you say, the decline of these things happens over a long time. There is a wonderful book by Katherine Schenk, called *The Decline of Sterling,* which I'm just looking at on my shelf. The decline from starting as reserve currency took a long time. Even after the country was bankrupt in 1945, it still took a long time for this to happen. **So, I'm not in the de-dollarization camp, but I can see there'll be some bad headlines coming up, particularly in relation to Saudi Arabia.**

There could be days, weeks and months where de-dollarization has an effect on the dollar exchange rate, but I don't think that's the world we're living in, and I'm in the other camp. That's only a partial answer to the first question, but that would be my pushback on de-dollarization.

It's really not whether there's going to be a recession, it's what sort of recession it's going to be

In terms of the second question, it's really not whether there's going to be a recession, it's what sort of recession it's going to be. For my clients, I've looked at all the recessions since World War Two, and they kind of divide into two camps: every recession up until 1990 and then every recession since. The recessions from '45 to '90 all came replete with inflation. Inflation came down in all these recessions, but there was no prospect of deflation.

But I think what we're looking at now is a return to those 1945-to-1990 recessions, because as we saw in 2020, credit continues to flow through the recession.

Genuinely, as a young investor in 1989 and all the way up until the early 2000s, I didn't conceive and nobody conceived that the threat of deflation could come in a recession. It was thought to be – I heard the word *impossible* used, in a fiat currency system. Then we had a series of recessions where we had deflation, or the risk of it; and it came with massive defaults, massive write-downs in bank assets, significant write-downs in corporate assets; and suddenly we had an entirely different type of business cycle. It was a business cycle where corporate earnings regularly halved. That was with the addition of fair amount of accountancy in terms of swinging impaired assets or cheaper assets through the P&L. **But I think what we're looking at now is a return to those 1945-to-1990 recessions, because as we saw in 2020, credit continues to flow through the recession.**

It's a different form of recession. It's one that comes with not a collapse in corporate earnings; it's one that comes with higher inflation.

That's fundamentally the difference between a recession that can become a depression and, if you like, an ordinary recession. These interventions in the banking system are absolutely key. Look at First Republic. As far as we're aware, people are still paying interest and principal on their loans from First Republic, but First Republic badly priced their assets and that's been the issue. But they're not impaired assets; unemployment isn't going up. Outside of California, we're not looking at a collapse in residential property prices, and yet the government is in instantly to back these banks and instantly to keep credit flowing; and, for what it's worth, the data over the last few weeks shows that bank credit growth is still expanding. In that world, it's a different form of recession. It's one that comes with not a collapse in corporate earnings; it's one that comes with higher inflation. In my opinion, it's that form of recession, given what's already happened to the decline in the price of equity since the third or fourth quarter of 2021.

Availability bias makes it so that if you think of the word recession, you think of bank collapse, property price collapse, credit being pulled back, deflation – and of course that's a possibility.

That's why the market is going up; it's beginning to realize that this is a recession where we are socializing risk, where we are taking more risk onto the public balance sheet, and that's good for private-sector assets. So yes, it's a recession; but we have to remember why we constantly talk about recessions. It's not the recession that counts, it's what happens to corporate earnings that counts; and let's recognize that not all recessions are the same. **We all suffer from availability bias, and availability bias in most people is the last recession, and maybe the recession before that.** That availability bias makes it so that if you think of the word *recession,* you think of bank collapse, property price collapse, credit being pulled back, deflation – and of course that's a possibility.

Given the scale of intervention in the system – fiscal but also monetary – that with governments backing the system, we return to recessions that are more like the 1945-to-1990 ones.

And of course, I could be wrong; but it seems likely to me, **given the scale of intervention in the system – fiscal but also monetary – that with governments backing the system, we return to recessions that are more like the 1945-to-1990 ones**. By the way, the average decline in EPS in those recessions was 11% – that's right, 11%. Quite a big range, obviously, but an average of 11%. I would say that this market, by last September, had discounted that form of decline in corporate earnings. There are lots of interesting things going to happen in this recession; and this will sound peculiar, but I'm really interested to see what accountants will do. Can accountants really mark down the value of assets in this recession and accompanying inflation, when the value of these assets is so clearly going up? And if they don't, what does it mean for corporate earnings? In the past that accounting has played a huge role, because we can see that if you line up the decline in S&P 500 earnings against the decline in national income product account corporate earnings, it's a different set; it's completely different.

Earnings decline in this recession will be more muted than in the past. There's a recession coming, but I don't think there's a huge earnings collapse coming.

The reason that it's completely different is because of accountants' ability and willingness to swing write-offs through the P&L. I think that will happen; and if only for that, **the earnings decline in this recession will be more muted than in the past. So yeah, there's a recession coming, but I don't think there's a huge earnings collapse coming.** Therefore, as we discussed earlier, some equities are doing really well in this politicized system. But equities, generally, are better than bonds in this environment. We might come back to bonds, because they face more than just the challenge of sticky inflation.

We just talked about financial repression, and the comparison you make is to decades ago, right, when governments did have better control over their population; but now we have a digital world. So, my question is, do you see this working in the digital world? I mean, when you look at AI, what's happening there – we don't even know what's going to happen in three weeks, right? Aren't people able to escape financial repression better than before? And yes, this is also the Bitcoin question. **In many ways it's easier to impose a financial repression than it was before.**

Let's go back to the period after World War Two. What was one of the dominant trends of that entire period? It was that savings migrated from private ownership, in the name of the individual, into institutions. If we go back – and I'm doing this from memory – but roughly at the end of World War Two, I think 65% of the UK stock market, the shares, were registered in the names of individuals. Today, I think that number is 10%. 90% are registered in the names of institutions; and of those institutions, the vast majority will be regulated, but not all of them. Private family offices aren't, sovereign wealth funds aren't, hedge funds aren't. But the vast majority of those institutions are regulated.

What has happened over this long period is that more and more of the savings of the people are inside regulated financial institutions. It is obviously much easier to run a financial repression if you're already regulating those savings. I'm not saying that it's all gone one way – you've pointed out that some things have gone the other way. But let's not forget that some things have gone in different directions. If you can regulate that vast bulk, maybe you wouldn't even have to regulate the other bit. Maybe if you could repress that part, it's so big that you wouldn't really have to bother repressing the other bit. Perhaps; let's see.

Then there's the evidence regarding carbon controls, which is part of financial repression.

Then there's the evidence regarding capital controls, which is part of financial repression. That's the bit about which most people might say, "*Well, in a digital world, it's so easy to avoid government controls*". Well, ask the people of Iceland. Now, I think it's pretty obvious that some very wealthy people in Iceland were successfully dodging capital controls. But ultimately, most people didn't get to do that. Ask the people of Greece and Cyprus; and I mention these three countries because these are developed-world countries, or they *were* developed countries – Greece has slipped out of that characterization, though.

At a level of interest rates that properly reflects inflation expectations, the state is bust.

Then, of course, there's China. We know that the Chinese capital controls don't work perfectly, but they work somewhat. So the first thing I'd say is that we have a system; we have much wealth regulated; and this is evidence that these things work, if imperfectly. And then of course, the final thing is that we are talking about the very survival of the state and democracy here, in my opinion. **At a level of interest rates that properly reflects inflation expectations, the state is bust**. That is where we were in the summer of 2012. The ability of Italy, which I think is the fifth biggest bond market in the world, and Spain, which I think is a ninth biggest, to issue debt at a price they could afford, had come to an end. What happened, then, is Mario Draghi said "whatever it takes".

In 1932, the United States was on the verge of collapse. What happened is that we abandoned the gold standard. The point is that the inconceivable is absolutely conceivable when the survivability of the state is threatened; and therefore closing down all loopholes that would allow anybody to avoid a financial repression is the easiest thing in the world. So, in terms of cryptos, there are three cryptos. We've discussed one, which is the CBDC; that just leaves the other two, which are stable coins and private-sector currencies.

So if private-sector crypto becomes a portal through which people can avoid financial repression, then they'll have to stop it. It's as simple as that; it will have to be stopped.

Now, a properly regulated stable coin is no route to avoiding financial repression, because what does it back? What it is backed by is short-term government debt. So that just leaves the private-sector crypto. **So if private-sector crypto becomes a portal through which people can avoid financial repression, then they'll have to stop it. It's as simple as that; it will have to be stopped.** That is the history of financial repression. If you look at any country that brings it in, they then spend the next 30 years bringing in regulations to stop the arbitrage by which you and I as savers try to escape the repression. **They implement regulations and it becomes a giant game of Whac-A-Mole.**

Ronnie Stöferle

We cannot have a conversation with you and not talk about gold, at least for a couple of minutes.

Russell, we cannot have a conversation with you and not talk about gold, at least for a couple of minutes. You mentioned a speech by Christine Lagarde. I thought it was pretty interesting that she was referring to the fact that countries like China and Russia are now buying gold to diversify and circumvent all those repressions and sanctions that have been established since the beginning of the war. First of all, what's your take on the price of gold at the moment? I can mention that we are quite confident, because gold has made new all-time highs in basically every currency; or let's say, every currency has made new all-time lows in purchasing power when measured in gold over the last couple of months.

But, in US dollar terms – and the whole world is mostly staring at the dollar price of gold – I think we will make new all-time highs in dollar terms this year; and this could lead to Western financial market investors really starting to buy more gold again, because if you look at ETF demand, for example, you can see that for the last couple of quarters we haven't seen any major inflows. **I think that Western financial investors are the marginal buyer when it comes to gold.**

Do you think that gold could be framed as something that dictators and countries like Russia and China, "the enemies", use?

But the second question is, do you think that gold could be framed as something that dictators and countries like Russia and China, "the enemies", use? And that this could be some sort of new narrative, as was used, for example, for Bitcoin, which started out as some sort of libertarian money; and then the narrative was that it was only being used for strange transactions on Silk Road and stuff like that, and to finance terrorism. Do you think something like that could happen to gold as well?

Russell Napier

The upside for gold is if we ever unanchored (from inflation expectations) – and the basis of our conversation over the last hour is really how they are going to become unanchored

Yeah, so **on the price of gold, I am very optimistic**. Of all the things forecasted that came true, the thing that still shocks me is inflation expectations. It's quite shocking; one almost doesn't believe it, when one looks at it, that they're still anchored. Let's use the word *anchored,* central bankers' favorite term. I'm not really sure why they're anchored; I really can't understand it. But they are anchored. **The upside for gold is if we ever unanchored – and the basis of our conversation over the last hour is really how they are going to become unanchored.** So, there's plenty of room for upside in gold, just because of that.

Gold is a beneficiary of the financial repression – not just the inflation but the financial repression – to come.

Then, secondly, if we really are getting into this repression, where the government is able to steer your savings to where they want them to be, then gold is a little portal where in extreme situations you can do things about that, as Roosevelt did in 1933. But frankly, it's so small, and there's so much low-hanging fruit to be taken out of the regulatory system. I don't think the government comes after gold anytime soon. **Gold is a beneficiary of the financial repression – not just the inflation but the financial repression – to come.**

If I wanted to attack gold running, I wouldn't go the route that it's only used by crooks and dictators, though now that you raise the point, it's probably something that will be brought up. But there's another thing you can say: It's killing the planet.

The last point is a fascinating question. I mean really, really interesting. If I wanted to attack gold running, I wouldn't go the route that it's only used by crooks and dictators, though now that you raise the point, it's probably something that will be brought up. But there's another thing you can say: It's killing the planet.

I was in London most of last week, and every single day, protesters walked incredibly slowly through London, bringing the whole city to a halt. We all know that we need oil. It'd be nice to get to the stage where we don't, and there's a hell of a lot of money being spent on doing that. But we need it.

It's going to be argued that we don't need gold. Why create all these emissions in extraction and smelting to create a bar of shiny stuff that goes back into a hole in the ground? Now, you can see that this is not necessarily my own argument, but this is, I think, an argument that will come. Now, admittedly, it's a very small percentage of the world's emissions. But in a politicized system, in a system where the government gets involved in funding the things it wants to fund – look, central bankers are doing that.

The Lagarde portfolio is **trying to skew away from all corporate bonds except corporate bonds that meet certain green agendas. This is the new normal.** Why wouldn't gold be demonized for being a thing that is nonproductive, which is an allegation that's been raised against gold since they first picked up gold off the ground. It's unproductive but still produces CO_2.

The ideal central banker portfolio is trying to skew away from all corporate bonds except corporate bonds that meet certain green agendas. This is the new normal.

Now, think about what the consequences of that are, actually. They'd be very bullish on the price of gold above the ground – or, sorry, that had already been smelted – because most of it after it is smelted goes straight back under the ground. This obviously would cause lots of problems for miners. In other words, we'd be restricting the supply of gold, if we get to a stage like oil's, where we say your cost of capital has to be much higher. **That's what we're saying to oil; we're forcing a higher cost of capital upon it, which is reducing the ability to create more capacity. And I think that could come to gold.**

I think gold is just not so important in the financial system that the government has to go after it for financial reasons, but we might find ourselves going after it for ecological reasons.

I wonder how many ESG portfolios are going to have gold shares in 3, 4, 5 years from now. How many bankers are going to lend to gold miners? So, perversely, that's a form of attack on gold, which is actually very good for the gold price, but it's going to cause some trouble for miners. That makes me positive on gold rather than negative on gold. **I think gold is just not so important in the financial system that the government has to go after it for financial reasons, but we might find ourselves going after it for ecological reasons.**

Ronnie Stöferle

… many gold mining companies are being pushed in the direction of "green metals", especially copper…

Russell, what you just described fits perfectly with something that a very, very well-known institutional asset manager from London actually told me. **He said that many gold mining companies are being pushed in the direction of "green metals", especially copper,** because this is where institutional investors, due to all the ESG rules that are coming up, have to invest.

Now, I don't think that many of those ESG people have ever visited a mine, not a gold mine, and especially not a copper mine. I would question if copper mines are much *greener* than gold mines, but I really could see that coming. That large gold mining companies will continue to make acquisitions in the copper space and in other, let's say, green metals.

We have to come to an end, unfortunately, and I think there's many, many topics we could still discuss. I certainly wanted to discuss the deflationary impact of artificial intelligence. I think at some point we'll just tell ChatGPT to "write the next *Solid Ground* newsletter", or "write the next *In Gold We Trust* report".

Russell, I truly loved our brief conversation yesterday when I sent you a quick email relaying what topics we would discuss, and I kiddingly said I would love to discuss why my team Rapid Wien just lost the Cup finals versus Sturm Graz;

Firstly, you said that you have worked out my football team's doing so badly: "*You're* wasting too much money on fireworks. *I saw a clip last night of the fireworks before the game. That's definitely the problem"*. But then you again you got back to me and said, "*Rapid Wien has the problem that always makes the difference. Not enough money"*. Then you linked to an FT article that basically said, "Italy at odds with Brussels over using EU money for football stadium".

So, you wrote, fiscal stimulus is also impacting the football market; and when credit is politicized, everything is possible. So the solution for my problem as a Rapid Wien supporter would probably be that the Austrian government would have to step in, right?

Russell Napier
Well, the Austrian government needs to go to see Christine Lagarde and explain why they need a large loan and why it's essential for the health of the whole of Vienna that this stadium is rejuvenated; it's working for the people of Florence. So why not? She can only say no, and she might say yes.

Ronnie Stöferle
The problem is, we just got a new stadium.

Russell Napier
Find something else – car parks are very useful as well!

Ronnie Stöferle
Russell, thank you very, very much for taking the time again; thank you for being such a great supporter, for being also some sort of a mentor. I've read your books; I attended your course, and I loved it, not only the teaching but also exchanging with the other people in the course. We're very happy subscribers of your *Solid Ground* newsletter. Now, if there's something you want to say at the end…

Russell Napier
I should just put a quick plug in for that course, to say that as I was locked down here, for nearly two years, I created an online version of that course – not just me,

but all of the teachers. So if anybody can't make it to London for our two sessions per annum, then go to the Library of Mistakes website, and you'll find a link that will take you to the online version of the course. Then you can help us, since it's all run through charitable donations; and I think, very arrogantly, that our motto is "Changing the world one mistake at a time". So, Ronnie, I hope we've done a little bit of that today, and the problem is, it'll take us years to find out if we did.

Ronnie Stöferle
I'm sure there's a bull market of mistakes out there. I think, to sum up our conversation and what your view basically is, I would say it's "*Save like a pessimist but invest like an optimist*". I think that really sums it up pretty well. Russell, thank you very, very much for taking the time. Niko, thank you for taking the time. Thank you for being so supportive when it comes to *In Gold We Trust* and everything around it, and I wish you two gentlemen all the best. Russell, I will hopefully see you in Vienna very soon.

Russell Napier
I hope so. Niko, Ronnie, thanks very much.

Niko Jilch
Thank you. Thank you.

Ronnie Stöferle
Thank you. Bye-bye.