Minutes of the Advisory Board Meeting

Incrementum Inflation Diversifier

January 19, 2021

THE GREAT RESET, THE PANDEMIC AND THE NEW GREAT DEPRESSION?

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Highlights of the conversation:

Willem Middelkoop:

- We need to find a new anchor for the world's monetary system – we need to find the successor to the dollar.
- Central bankers envision a new world currency, made up of a basket of central bank digital currencies.
- My investment model is: 25% real estate, 25% equity, 25% physical gold and silver, 12.5% cash and 12.5% Bitcoin.
- I think Bitcoin has proven to be a great store of value.
- COVID-19 will be the catalyst for many of the changes that I predicted would come.

Jim Rickards:

- The globalist agenda is: global governance, global taxation and global policy – global control.
- COVID-19 is the perfect cover for heavy-handed regulation that people don’t want.
- Central planners want to eliminate cash in order to introduce negative interest rates.
- Bitcoin looks like the greatest Ponzi scheme in the history of the world.
- Lockdowns don't work – the data shows that there is no correlation between the type of lockdown selected, and case load and fatalities.
- The stock market has never been more detached from the real economy.

Ronald Stöferle:

- Incrementum had a banner year in 2020 – our digital and physical gold strategy was up more than 80%.
- We just published a special report on inflation, and we are busy launching a new fund.
- Central bank digital currencies are fascinating, but also frightening.
- They will destroy the traditional banking system.
- Bitcoin is the protection because it's the opposite of central bank digital currencies.

Mark Valek:

- In a debt-based system (like we have now) inflation is necessary for lenders to pay down debt.
- Keynesians and MMT proponents want to perpetuate the debt-based system.
- An asset-based system is deflationary, and it worked when we were on the gold standard.
- A Bitcoin standard – or gold standard – would turn the current monetary system upside down.
- On a Bitcoin standard the asset itself is appreciating, and you would not need to collect interest payments to compensate for the currency losing value.

Biography of our special guest – Willem Middelkoop

Willem Middelkoop (Geneva, 1962) is a successful entrepreneur, investor and publicist. At the end of 2008, he gave up his journalistic work as a market commentator for Dutch National TV and started the *Commodity Discovery Fund* (www.cdfund.com). He also started Amsterdamgold.com in that same year, a web shop for gold and silver bullion, which was sold to the listed Value8 in 2011, after yearly sales grew to over 100 million euro.

Willem is a member of the Advisory Board of the London based *Official Monetary and Financial Institutions Forum* (OMFIF). He is also a founding shareholder of *Startupbootcamp Amsterdam*, a business accelerator program.

Besides this, he is author of eight books covering financial markets and the economy. At the end of 2013 he published *The Big Reset* (Amsterdam University Press/University of Chicago Press). He sold a total of over 150.000 books in seven languages, including Arabic and Chinese.

Willem lives with his wife and two sons (17 and 19) in The Netherlands and has a bachelor's degree in Business Administration.

Transcript of the conversation:

Ronald Stöferle:

Gentlemen, happy new year. I hope that you are all well.

It's been a while since we spoke the last time. Quite a lot of things happened in the meantime. I suffered from Covid-19 over the Christmas break; it was quite challenging I have to say – definitely more than "just a little flu". But we are getting there. It fit quite well with a demanding 2020, and we all look forward to the new year.

It's a great pleasure having two great friends of us here on the advisory board call. First of all, our permanent member Jim Rickards. Jim, thanks for taking the time.

Jim Rickards:

Thanks Ronni, great to be with you and Mark.

Ronald Stöferle:

Jim, you are currently in New Hampshire?

Jim Rickards:

Correct.

Ronald Stöferle:

And then we have, as a special guest, Willem Middelkoop – sitting in Switzerland after a long drive from the Netherlands. Willem, thanks for taking the time.

Willem Middelkoop:

Thank you for the invitation. It's great to be here with some friends.

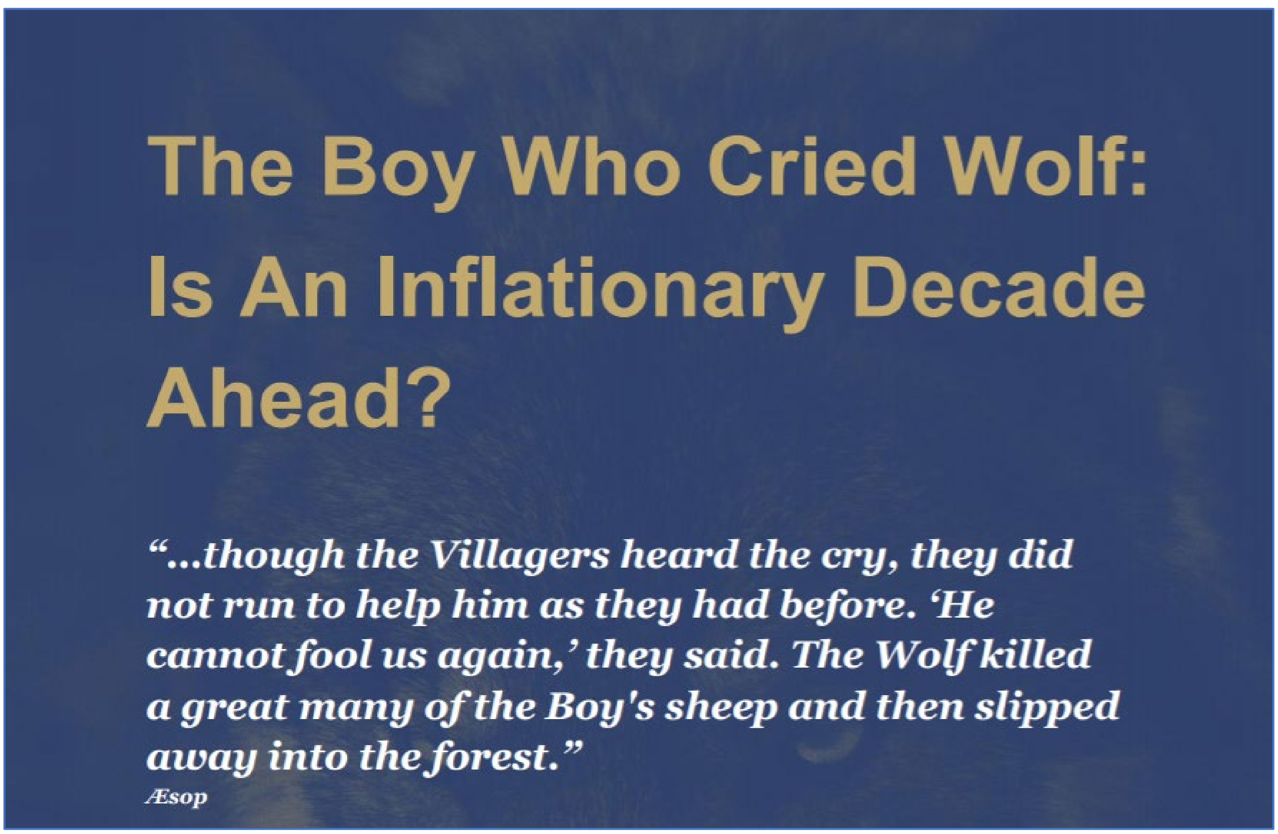
Ronald Stöferle:

I think there are many, many topics to talk about today. Obviously, Jim's new book, but then also a topic that got quite a lot of following recently. The term "the great reset" was used – or perhaps copied or stolen – by Klaus Schwab. But initially, you know it because of the great book by Willem

Middelkoop, which he published a couple of years ago and which included so many fantastic forecasts. We will also talk about the way Willem invests with his fund – his Discovery Investment style.

Willem, thank you very much again for taking the time.

Some housekeeping before we get started: Mark and I, and the whole team at Incrementum, had a terrific year in 2020. Our combination of digital and physical gold, which includes an options overlay, had a banner year last year – up more than 80%. Our inflation fund did extremely well and it seems that now – as Mark called it before – the "Saure-Gurken-Zeit", is over for us. So, we really look forward to 2021. We just published a special piece on inflation titled "The Boy Who Cried Wolf" where we present our medium to long term view on the topic of inflation and stagflation – which asset classes suffer and which asset classes profit from rising inflation or stagflation. And we're also very busy launching a new fund in the first quarter of this year.



Source: Incrementum.li

That's basically it from our side. So, we all look forward to a busy, demanding and successful year and I would like to start with a question to our special guest, Willem:

Willem, you've sent over this article that you wrote together with David Marsh, the Chairman of OMFIF. And it basically says in the summary that in all three scenarios, pressure on the international system will rise along with worries about higher inflation and currency debasement. Five years ago, OMFIF designated 2016 as the year of the multi-currency system, a term that can be traced back to an article in the *Financial Times* in November 1979. In 2021 OMFIF will be placing still greater weight on the political fallout of currency competition. We face a bumpy ride.

So, Willem, please explain what you think about this bumpy ride – how gold, how perhaps Bitcoin, and the dollar, but also the Renminbi, fit into this picture.

Willem Middelkoop:

Let me first start by explaining how this latest article – which was published by the OMFIF, of which David Marsh, the Chairman of the OMFIF was the co-author – was written.

US, China must act to avoid monetary breakdown

by Willem Middelkoop and David Marsh 18 January 2021

Source: omfif.org

I first contacted the OMFIF in 2012 – I think that was two years after they got started – because I was doing research for a book that I wanted to name “The Big Reset”. And it was really hard to find honest, reliable information and analysis on the growing tensions, especially between the West and the East, on the international monetary system. All insiders knew after the collapse of *Lehman* that this dollar-based system could not survive for another 40 years.

I was doing my research and I was highly influenced by the work of James Rickards. His books were a great source of information. But of course, I needed much more. And at a certain point I saw an article written by the OMFIF, which I didn’t know. The OMFIF was not well known at that time. That report was talking about the internationalization of the Renminbi, of the multi-currency system, which was needed as a new phase for the international monetary system to succeed the dollar. And it was also talking about the role of gold, and how China was accumulating gold. And I was shocked because this report came from London, from the City, and it was so honest. It’s so remarkable to find some real, honest research. So, I contacted them right away and I was afraid I couldn’t receive the full report, as often happens when there is an honest piece of research out there. It’s only for the elite, and can’t be shared.

But they were very co-operative and sent it to me right away. And when I read the full report, I was even more impressed. And then I saw a note that they were planning to do a seminar in London. And the seminar was attended by three or four Chinese professors who were monetary experts. So, I asked them if I could be present because it fit the research of my book, and then I was invited and I didn’t have to pay anything. It was a great experience.

And then I met David Marsh, the chairman of OMFIF. David Marsh was a *Financial Times* journalist – he has been a *Financial Times* journalist for decades. He was their main correspondent in Germany for 20 years and he has this journalistic approach – this honest journalistic approach. And we bonded right away because of this mutual background – I’ve been a journalist for 20 years. So, we joined the OMFIF; we became a sponsor as a fund, and David asked me to join the advisory board. And I started to write some opinion articles for the OMFIF. But when I wrote this last piece in December, I sent it to David to ask his advice, and then I learned he had his own insights about the monetary reset. So, when we talk about *The Big Reset*, we are talking about the changes which are needed to bring the international monetary system to its next phase. And that’s something else compared to the thesis of *The Great Reset* by the World Economic Forum, which is trying to solve all worldly problems, including climate change.

And when David Marsh was making suggestions for this article, he has such valuable input that I asked him if he wanted to be the co-author. And this clearly shows what happened to me in the last 5-6 years, and I think James has the same experience. Calling something *The Big Reset* 6-7 years ago – you were a fringe, alternative commentator or journalist or writer. And then in 2020 the whole reset thesis came on the main stage, and now everyone wants to be involved with it. So, David Marsh, as the chairman of the OMFIF and the co-author, decided to publish it with a lot of fanfare yesterday in London. They are thinking about making a translation in Mandarin because he has a huge following in China as well.

Sorry for this long introduction, but it helps explain how I see the reset, and how it compares to The Great Reset, and how more and more elite insiders are embracing the concept now. And I'm very interested to learn Jim's take on this.

Jim Rickards:
Well, Willem, first of all your book is a landmark and a classic. It was timely – it was actually ahead of its time when it came out, but the best books get better with age in the sense that you read them three, four or five years after they were published and you say: "not only is this fresh, but I wish I read it three or four years ago". It's a benchmark for understanding ways in which the international monetary system may evolve. And you and I met a few years ago in the Netherlands and had a very pleasant conversation. It's always nice to meet people in person when you can.

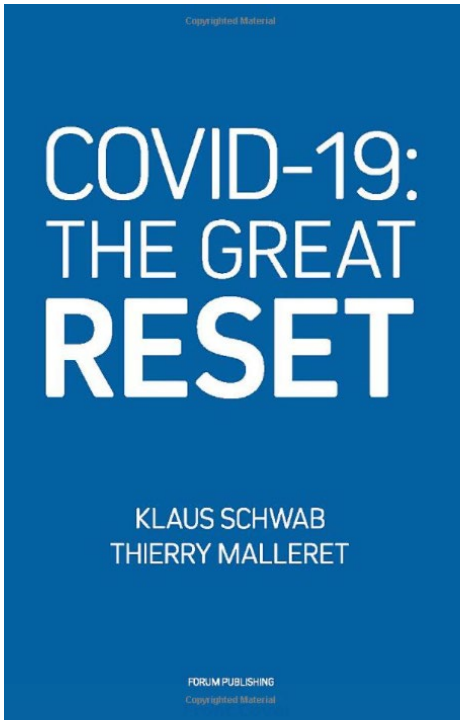
I had a similar experience with titles and starting controversy with my first book *Currency Wars*. The title actually came from Guido Mantega who at the time, in 2010, was the finance minister of Brazil. At the time the dollar was weakening very sharply. The dollar hit an all-time low in August 2011 and that was also the all-time high for gold at the time. Gold has passed that more recently in 2020, but at the time in August 2011, at about $1,900 per ounce, was the all-time high for gold. It was not surprising; I would say that gold doesn't change, the only thing that changes is the dollar price of gold. And so, when the dollar was going down, gold was going up. And Mantega said this is a currency war. He said that the United States is cheapening their dollar, helping their exports, hurting other people's exports, and Brazil is importing the US's deflation.

Everyone said “shut up”, but of course it was a currency war. He was exactly right, but as you were describing with the City – when do you get honest research and honest commentary, versus a bunch of elites maybe talking among themselves at a dinner party in Davos, but otherwise not being candid or honest with even other experts who are certainly the citizens of the world?

So, that was the title of the book and I thought: “well, of course it's currency wars”. I studied international economics in the 1970s – back in the Bretton Woods days. I knew what currency wars were and I wrote a lot of history about it, but the title was extremely controversial because it was something you weren't supposed to say. But one of the things I said in the book – I said we're not always in a currency war, but when we are, they can last for 10 or 15 years. That's how long currency wars take to work out because they basically don't work. It goes back and forth and back and forth.

Here we are in 2021, 10 years after the book came out, and I always smile a little bit when I see a headline in the Financial Times saying there's a new currency war. I say no, it's the old currency war. It's the same currency war – we're still in it because nothing has been resolved and it goes back and forth. So, your book was well ahead of its time and stirred up a lot of controversy with its title and rightly so. And I did have that same experience with the book *Currency Wars*.

As to where we are today – your book is *The Big Reset*, but there's a lot of talk today about *The Great Reset*. I do a lot of public speaking – of course these days it's more virtual than in person – but I do a lot of Q&A, and I didn't write *The Big Reset* and I'm not the head of Davos, but I get the question all the time. And people say: “Jim, when is the reset coming, when is the reset coming? What do you think about the reset?”. And today I take a deep breath and I say: “Which one?”



Source: Amazon.com

Because Willem Middelkoop's reset has to do with a collapse of confidence in the monetary system. You're the author so I don't want to tell you what you said, but it's about the collapse of confidence and a new monetary system emerging from that. **But Klaus Schwab just wrote a book, literally in the past few months. It's called *Covid-19: The Great Reset*. And I always say that the elites and the globalists and other bad guys always tell you what they're going to do.** These people have a plan, but they actually tell you what the plan is. The problem is that no one's listening, or they speak in such jargon that you have to be an expert to understand it. And if you figure it out, they deny it. So, there are a lot of hurdles there, but they actually tell you what they're going to do.

And Klaus Schwab's book *The Great Reset* is basically a playbook. I read it – it's as scary as any Stephen King novel you could ever encounter. But it goes step by step through what the plan is. When I say the plan, I'm talking about the Davos crowd – the global elites, the monetary authorities that you mentioned Willem.

We have a politician in the United States, his name is Rahm Emanuel, he was the mayor of Chicago. But before that he was chief of staff for president Obama in his first term. And of course, they took office in early 2009, in the middle of the 2008-2009 global financial crisis that happened at the end of the Bush administration. And here comes Obama to take over. And Emanuel very famously said "never let a good crisis go to waste". **And what he meant – and it was actually profound in its own way – was that the elites always have a plan.** Or multiple plans on multiple fronts in terms of public policy, and they write these plans and they put them on the shelf. And then they wait for a crisis, and the

minute the crisis hits, everyone's frightened, and they say: “what do I do, what do I do?”. And they take these plans off the shelf and they roll them out – “here's the answer”.

And they use the fear and the uncertainty in the general population as a platform for pushing an otherwise unpopular plan in the guise of a solution. And it's also subject to what I call the progressive ratchet, which is that the progressives don't always get their plans, but when they do, they never give them back. So, you might go years with no progress in the progressive movement, but once they get something in, it's like a ratchet. You twist it, but you cannot twist it back – it locks in place. We saw this with the USA Patriot Act after 9/11. Americans are frightened – “when is the next attack coming?” But the things in the Patriot Act they wanted to do those things for decades, but finally they had an excuse.

Now, same thing today with another twist, which is that the **globalist agenda – and let me just be clear what that is, and not make it a mystery: it's global governance, global taxation and global policy – global control, that's all it is**. It's globalism with a capital G. And I always say that if you want a global solution, which they do, you need a global problem – going back to Rahm Emanuel’s dictum. For example, tax policy is usually thought of as an internal problem. The U.S. can have one tax policy, Ireland can have lower taxes, somebody else can have higher taxes, but nobody thinks necessarily that you need a global tax regime.

But if that's your goal, then you need a global problem. And the first global problem you correctly identified was climate change, because climate change – if there is such a thing, that's a separate debate – but climate change does not respect borders. No one thinks that the climate in Canada stops in Canada, and doesn't come to the United States. Of course, it does. So, climate change was their preferred horse to ride to a global solution, but two things happened: one, it wasn't getting much traction; everyday people kind of don't believe the scientists – I think they're probably mostly right about that. And two, Trump came along and reversed everything. He took the U.S. out of the Paris Accord, he took the U.S. out of multilateral trade deals, he took the U.S. out of what we call the joint comprehensive plan of action with Iran – he withdrew from all these things and did an America first policy.

So, this was a setback for the globalists and now two things have happened – they've happened literally in the past few months: number one, the globalists have a new horse to ride – of course they still want the climate change – but they've got COVID-19. COVID-19 is a panic. COVID-19 causes fear. **COVID-19 is the perfect cover, if you will, for all kinds of heavy-handed regulation that Americans – and I think people also around the world – don't want.**

I'm rooting for the Italians, some…

Ronald Stöferle:
50,000 restaurants, I think.

Jim Rickards:
Yeah, they were shutting down the restaurant and all the people in the restaurant start singing freedom. They have the Braveheart mentality, which is great. The Italians are standing up.

Source: 21stcenturywire.com

But basically, they're using COVID-19 to pursue all kinds of policies that they would not otherwise be able to do. And they have not given up on the prior agenda, which is climate change. So, Klaus Schwab, who is the founder and CEO – if that's the right word – of *The World Economic Forum*, better known as Davos – they do a lot else all around the world, but Davos is their big show; it was coming next week by the way – he's come out with a book called *COVID 19: The Great Reset*.

I'll just wrap up; when people say to me "Jim, when's the reset coming?". My answer is: "Which one? Is it the Willem Middelkoop one, in effect radical change in the international monetary system, which leads in one direction? Or is it the globalist agenda playbook led by Klaus Schwab, which leads in another direction?" They're both out there under the same banner – a big reset, a great reset. Probably the confusion is intentional, not on your part Willem, but on the part of Schwab. But they've kind of wrapped themselves in this reset blanket and they're going full speed ahead.

So, I watch it carefully. I certainly recommend your book, but as a counterpoint – and not one I agree with – **read Klaus Schwab's book because it's the playbook for the globalist hijacking of the world economy.**

Mark Valek:
Wow, I think that was a great intro round. I think we perhaps can talk a little bit about Willem's *Great Reset* – where are we, and how are we doing on that front? This multi-lateral approach is probably where we are heading in terms of the monetary system. Let's focus on that. Willem, what do you see going on 7-8 years after you published your book?

Willem Middelkoop:
On the back cover of *The Big Reset*, so not *The Great Reset*, but *The Big Reset*, I mentioned – and that was 2013 when I wrote those words – that around 2020 we need to find a new set-up for the international monetary system. **And there are two problems which need to be solved. One of those is that we need to find a new anchor for the world's monetary system, we need to find the successor to the dollar. And two, we need debt restructurings. And these were the main two parts of the thesis.**

And again, I'm highly indebted to Jim's work and his books because they really influenced me. I only met Jim one time in person, in the Netherlands. We only exchanged a few emails, but Jim is not aware of how much he influenced my thinking, so I need to stress that again. But as I was writing in 2013, we need the successor for the dollar, and that problem would become very timely around 2020. I questioned myself; when you write a book, you write the text for the back cover, it's marketing promotion. So, when you say that around 2020, we need to find a new anchor for the world's monetary system, I sometimes doubted it by itself, because as we know – as experts of the monetary system – these changes take long, very long.

The United States overtook the UK as the world's largest economy in 1870. It took another 70 years before the U.S. dollar became the world's reserve currency. So, I was questioning the 2020 timeline myself. **Mark Carney, the governor of the Bank of England – he's now retired – made this speech in the summer of 2019 in Jackson Hole in which he said that the time had come to think about a new anchor for the world's monetary system.** I was on holiday in the U.S. and I was shocked to read it, as this was 2019 and we had one of the most senior central bankers of the world at Jackson Hole, which is the annual party of all important economists, telling the Americans that we needed to find a successor for the dollar.

BANK OF ENGLAND

Speech

The Growing Challenges for Monetary Policy in the current International Monetary and Financial System

Speech given by
Mark Carney
Governor of the Bank of England

Jackson Hole Symposium 2019
23 August 2019

Source: Bankofengland.com

That was it for me because how can you still want to discuss the thesis of *The Big Reset* after Mark Carney made this speech? The only question we have now, and I talk a lot about this during interviews and during webinars, is what will the successor of the dollar look like? What will be the successor for the dollar; what will be the new anchor for the international monetary system?

We all know it won't be the Euro, we all know it won't be the Renminbi. Jim has written books about this topic as well. And now we begin to understand that the central bankers – the central planners – are working on digital currencies. There will be a digital Euro within the next few years. We had the digital dollar act in the U.S., so the U.S. is moving fast with the new digital dollar. Of course, we know China is a first mover with its digital Renminbi. If you re-read the speech by Mark Carney, his Jackson Hole lunch speech, which was of course no surprise for the Federal Reserve – there must have been some kind of dialogue about the content of the speech. It's a very important speech because as Jim said: when central bankers talk about this, they always put up these smoke and mirrors, and if you read his speech, with the current understanding of the different developments in central bank digital currencies, it's quite clear what Mark Carney's vision was already in 2019.

He envisions a new world currency, which is actually a basket of all the new central bank digital currencies brought together, probably within the IMF as a new form of an SDR. Of course, the SDR was the solution first mentioned by Jim in his books. But the U.S. was very opposed to the idea of using the SDR, so they had to invent a new idea, and that's why they came up with a basket of central bank digital currencies. **And I'm of the opinion that they want to make a new world digital currency, and that will gradually be the successor for the dollar. That's my understanding so far.**

Mark Valek:
Fascinating, thanks. I think it's probably appropriate to hand over to Jim once more because he did also write a lot about that in *Currency Wars*. *Currency Wars* is still my personal favorite book of yours, Jim. So, how do you think this is going to play out – this kind of digital Bancor version, 85 years later?

Jim Rickards:
In 1944 John Maynard Keynes proposed the Bancor at the Bretton Woods summit, which led to the creation of the IMF, the World Bank and the predecessor to the World Trade Organization. It really set the post-war architecture, which has held up in one form or another to today. The Bretton Woods gold backed system collapsed in the in the mid-1970s, but the IMF was still around last time I looked. **But Keynes said that the Bancor should be backed by gold. Keynes is quoted over and over and over as saying that gold is a barbarous relic, but he didn't actually say that.** I went to great lengths to find the 1927 first edition of the book and looked up the quote, and he

wasn't talking about gold, **he was talking about the gold exchange standard of the 1920s.** So, he wasn't saying gold has no role, he was saying that they had a flawed architecture, which they did. He was right about that, but he never said gold itself was a barbarous relic.

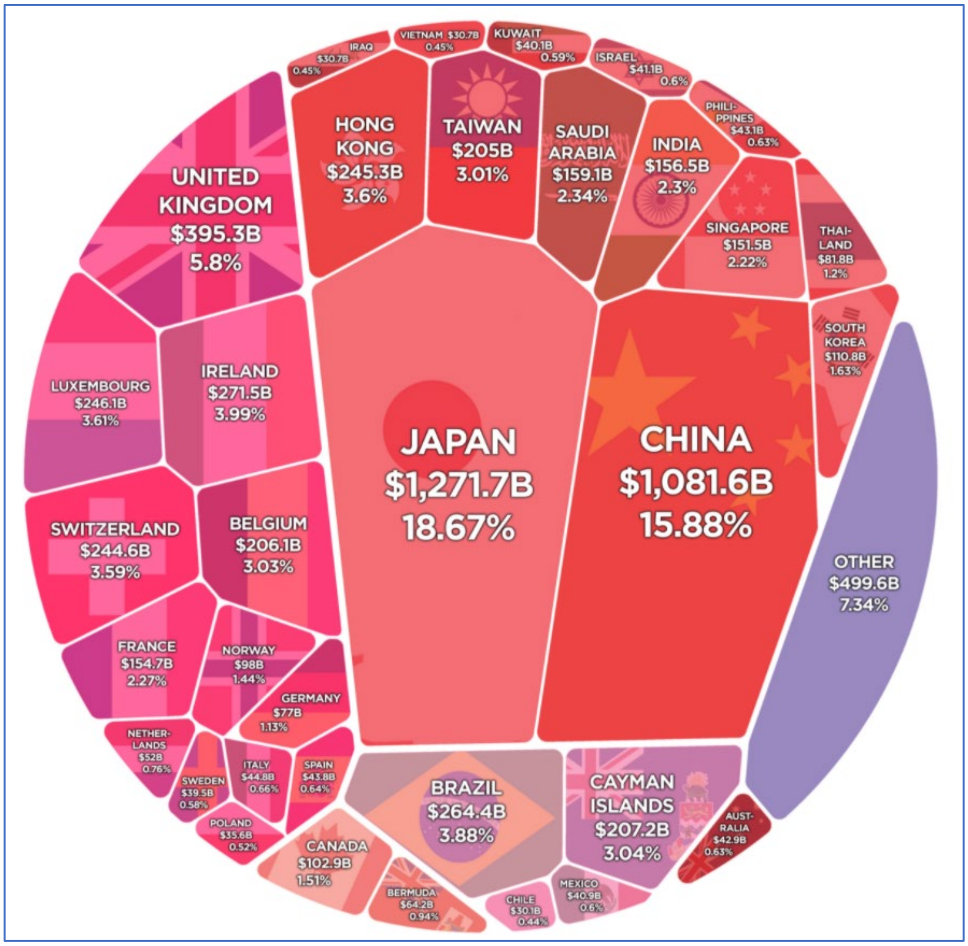
And in 1914 at the outbreak of World War 1, when his majesty's exchequer wanted to get rid of the gold standard because they needed to print money to fight the war, Keynes was the one who said: “No, stay on gold because if you do, your credit will be good and you'll be able to borrow as much as you want. But if you go off gold, you won't be able to borrow.” That turned out to be true. Jack Morgan, J.P. Morgan’s son, organized massive loans for the UK and France and nothing for Germany. And Germany lost, in part because they didn't have access to finance. But in 1944 the Bancor was supposed to be backed by gold and that gets glossed over and forgotten, but it is in his own papers.

Now, my wife hates for me to admit this, but I used to be a registered lobbyist in Washington; I ran a Washington office for an investment bank. I spent a lot of time on Capitol Hill. I was up meeting members of congress two or three days a week and the first thing I learned in Washington is that you can't beat something with nothing. In other words, if there's a system, or a standard, or a benchmark – whatever it might be – and you don't like it, you can't beat it unless you have something to replace it. You can write op-eds, you can give speeches, you can yell and scream, you can call names, but unless you bring something to the table, that thing that you don't like is going to persist.

And if you ask: is the dollar system unstable? Yes. Is it on a non-sustainable path? Yes. Would a lot of people like to get rid of it? Yes. That's all true and that's what Willem brought out in his book, but the fact remains – it's a stubborn fact – that you can't beat something with nothing. **So, to predict the demise of the dollar – and every major reserve currency collapses sooner or later, going back five centuries – you have to articulate the thing that will replace it.** If you can't do that then the dollar is just going to keep rolling down the track. A lot of people don't understand what reserve currencies are. **They say that the dollar is a reserve currency, or the euro is a reserve currency, or the sterling is a reserve currency, but they keep talking about the currency. But it's not the currency, it's the bond market. You need something to invest in.**

The People's Bank of China has $1.4 trillion in effect in their reserve position, but they don't have pallets of $100 bills stacked up in the basement of the People's Bank of China. They own treasury bills, treasury notes and bonds. In other words, they earn the dollars, but they take those dollars and they buy government securities, and hold them in the portfolio. **By the way, those securities are digital in a system controlled by the United States Treasury. So, if you wanted to, in effect, freeze or confiscate China's $1.4 trillion, you could do it with a couple keystrokes and a phone call from the president.** That takes one back to the old joke: if I owe you a million dollars, I have a problem, but if I owe you a billion dollars, you have a problem, because I might not pay you. And the United States owes China $1.4 trillion, so China has a problem, not the United States.

Foreign Holders of U.S. Debt



Source: howmuch.net

Hold that thought and let me just pivot to Willem's notion about digital currencies. We're not talking about Bitcoin or Ethereum, or all that stuff, that's a separate subject. We're talking about fiat currencies, reserve currencies, central bank digital currencies. **I would say the United States dollar has been the most successful cryptocurrency since 1980, because that was the last time the United States issued a paper treasury.** You used to be able to have a treasury bond in your attic, it actually had little printed coupons on the bottom. You would tear a coupon off and go down to the bank and they'd give you your money. They went digital right around 1979-1980. I could have a couple of dollars in my wallet, so could anyone else. But the overwhelming majority of all the dollars, all the payments, all the message traffic etc. is digital today. And all the message traffic is encrypted, it's not like I do wire transfers and the whole world can see it. The point being that essential bank currencies are already digital currencies with encrypted message traffic, and therefore they are digital currencies, or cryptocurrencies if you want to call it that.

So, what's new about central bank digital currencies? Well, it's moving side by side with another movement, which is the elimination of cash. I always say: if you want to slaughter pigs the first thing you have to do is to herd them into a pen, get them all in one place, and then lead them to the slaughterhouse. **If you want to slaughter savers and citizens and freedom, you have to herd everybody into a digital pen so you can slaughter them economically. But you have to eliminate cash because as long as cash is an option, you can't have negative interest rates.** If I have $100,000 in the bank, and the interest rate is negative one percent, and I come back a year later, I will only have $99,000. You took $1,000 out; you took one percent of my savings. I have a simple solution for that which is to go down to the bank, take out the hundred thousand dollars, put it in a safe place, and when I come back a year later, I still have a hundred thousand dollars. **So, as long as cash is an option you can't really impose negative interest rates, and the people favoring this – Ken Rogoff, Larry Summers, and basically all the elites, people Willem is talking about – know this.**

So, you have to have a 100 percent digital monetary system if you want negative interest rates, confiscation, account freezes, global taxations and all the things that are described in Klaus Schwab's book. And who's the leader in that? China right now. Willem's right about that, but China is doing it not just to be on the cutting edge of technology, but it's also a form of surveillance. So, who has the most close-circuit TV cameras? Well, it's actually London - believe it or not. That's a little bit of a legacy of the of the terror from the Irish republican army, but they kept building on that. But China is a close second and China is a much bigger country, so they have cameras everywhere.

They have software for digital facial recognition, so they scan your face, and they know who you are – they know your whereabouts. And then with COVID-19 people start wearing a mask and sunglasses and a nice hat, so they can't scan your face, **but they have software that interprets your walk – everyone walks a little bit differently, so they can tell you apart that**

way. If you have a credit card, you're leaving a trail every time you use the credit card – they know who you are and where you are. You have your iPhone or Samsung or whatever other system it, which has GPS, so it's just like having a tracking device.

Source: Bloomberg.com

So, they know your whereabouts and transactions; they know your habits, they know who you are, and they know what you're doing. Take that one step further, which is to eliminate cash and make all transactions digital. **So, now you're captive of the digital system they control, and the surveillance is complete. They know everything about you. With the elimination of cash, and China is moving very quickly in this direction, they'll be able to impose negative interest rates easily.** You'll have nowhere to go; they'll be able to take money after taxes, so they won't rely on you to pay your taxes - they'll just take the money. They'll freeze the accounts when they feel like it's just another form of monetary policy, or if you're a political dissident – you're not with the program.

Or in the United States these days, if you just happen to be a Republican, they'll freeze your account all of a sudden; you can't travel; you can't send your kids to school etc. This is total social control. And if I'd said this 20 years ago, and maybe I did, it would have seemed like George Orwell or Aldous Huxley – brave new world. But saying it today, it's not even a forecast because it's happening. It's well documented.

Just to tie it into what Willem was saying, let's just take that a step further. Now we've got central bank digital currency – CBDC – in all the major economies, including the United States, Europe, China, the UK, Switzerland etc. And they all kind of look the same; they're technically different, there are exchange rates, and the notes look different, but people still have this intuitive sense that currencies are different, even though the overwhelming majority of transactions are digital. We have just enough of what we call "walking around money" to suggest that currencies are different. What if all that went away? No more greenbacks, no more paper euros, no more yuan with pictures of Mao Zedong – it's all digital. It would all start to look alike.

Now back to Mark Carney – Willem said he's retired. I always get wary when I hear that word because when the leaders of the global monetary system retire, what it really means is that they've gone and now they're really in charge. So, Mark Carney was the head of the Bank of England, but before that he was the head of the Bank of Canada, and along the way he was chairman of the Bank for International Settlements. You can't get a more elite central banker than Mark Carney, even Ben Bernanke, or Christine Lagarde, has to take second place. What he said at Jackson Hole proves my point, which is that they always tell you what they're going to do. They kind of have to, to the extent there is any democracy left. But they use jargon; a lot of times I feel that what I do is to be a translator, if you will. I have all the degrees and the expertise and the training and the experience to understand exactly what Mark Carney is saying, and I can put into plain English, which I do for a larger readership. But I feel like an anthropologist who goes into the elite jungle and comes out and reports on what's going on in the jungle.

If at the end all the paper money goes away, and they're all digital and the systems are all trying to interact – they're basically compatible with each other – it would be a very short step to world money. Because you could probably get rid of exchange rates at that point, and just agree on a fixed exchange. Or I think more likely you would converge on the SDR; you would say everything's in SDR. Now, the number of dollars per SDR may vary, or the number of yen per SDR may vary, but for purposes of generally accepted accounting principles, the financial statements of the 100 or so largest corporations in the world, government budgets, the European budget etc. will be done in SDRs. And if people want to cling to their old currencies, that's fine, but it won't matter much.

So, the central bank digital currency is a station on the way from distinct national currencies to world money. And by the way, this is an approach laid out by Karl Popper, who's the philosophical guide for George Soros, who is also still alive and well. He's retired, so that makes him even more scary. But it’s incremental social change, in other words, they know the agenda's too radical – they know they can't do it all at once. So, it's like a salami – take a slice, another slice, another slice, another slice. And going back to the ratchet idea, none of it is ever given back. This is a large step in the direction of exactly what Klaus Schwab is talking about, which is world money. I do think it's a big deal, but it's not really a new euro, or a new dollar, because those are already digital, and already encrypted. It is a stepping stone to the merger of the euro, the dollar, the yen and other currencies into world money. **And once that happens, once you eliminate cash and conversion of world money, you have no autonomy. You're completely subject to the dictates of the global financial elite.**

Ronald Stöferle:
And following up on CBDCs, I think everybody should read the paper by the Bank for International Settlements that was basically put together by the Federal Reserve, the ECB, the Bank of Japan, the Swiss National Bank, and the Bank of England. **It's fascinating, but also frightening. It would also basically destroy the traditional banking system, and it would kind of allow monetary authorities to set multiple interest rates. And that's what they are openly saying in this paper.**

Central bank digital currencies: foundational principles and core features

Joint report by The Bank of Canada, European Central Bank, Bank of Japan, Sveriges Riksbank, Swiss National Bank, Bank of England, Board of Governors of the Federal Reserve and Bank for International Settlements.

BIS Other | 09 October 2020
PDF full text (3,095kb) | 26 pages

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Executive paper

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Source: BIS.org

I think it's interesting to see that governments and central banks are kind of riding this wave and this momentum that cryptocurrencies, especially Bitcoin, have at the moment. **And on the back of it they're trying to create more momentum for their central bank digital currencies, which are obviously quite the opposite of what the inventors of Bitcoin probably had in mind.**

I would like to talk about the topic of Bitcoin now. Jim, we have slightly different views, which is totally fine, but I would love to hear your views, Willem. What do you think about Bitcoin? Do you regard it as an enemy to gold, like many people in the gold industry? They say that Bitcoin is kind of stealing market cap and demand from gold. Or do you see it as a cousin, or a brother? Or just as a competitor to gold? Where can we place you?

Willem Middelkoop:
I think my own journey has been quite long and maybe also interesting in this respect, because I come from the goldbug community, which mistrusts fiat money. I'm a student of monetary history and if you study monetary history you know that all fiat money systems have failed in the end. So, this one will fail in the end as well. And central bankers and authorities are really speeding up that process, and that's why more and more people are turning towards gold, and all the hard assets now, and also towards crypto assets. And I first also had this idea that Bitcoin was competing with gold, and I was for that reason also a little negative on a crypto. And there is no intrinsic value.

But after more thinking I learned to understand that this is not a question of if you should buy gold or Bitcoin – the main question is: should you hold fiat or Bitcoin? Because both have no intrinsic value, but you could argue that Bitcoin has some form of intrinsic value because of all the energy was needed to create it. But let's for the sake of this discussion agree that both don't have any intrinsic value; if you look at the supply side, there's unlimited supply of fiat, and there will be in the future, but there's a very limited supply of Bitcoin. 21 million coins. So, as the average Joe, if you need to choose between holding fiat and holding Bitcoin, more and more people will begin to understand that it's much smarter to hold Bitcoin.

I stepped away from the discussion – is it gold or Bitcoin? No. You should always have gold; that's the core of your generational wealth, but you also hold cash. I have my own investment model, which is 25% in real estate, 25% in equity, 25% physical gold and silver, and 25% in cash. And I've decided to put half of this cash and store it in Bitcoin. And that has worked for me very well. And that solved my problem about how to value, and how to see, Bitcoin. And of course, I have this Dutch friend, you know him – Plan B. He's online, he's anonymous of course – I know his real name because I met him. He's a wonderful quant still working in Plan A. He's still working for this institution. And he made this valuation model for Bitcoin, which turned out to be the best we have so far. So, I think I came to the end of the journey of how to see and how to value Bitcoin, and as I said that worked very well for me.

Mark Valek:
Wow, that's interesting. I've never heard that comparison of Bitcoin to fiat, but I can understand your thought process. Just to throw this over to Jim because I know he put out a lot of content about his opinion regarding this.

Jim, do you think there could be any argument that potentially a big, diversified portfolio could have at least a few percentage points in Bitcoin, or would you categorically say no to that question?

Jim Rickards:
People ask me all the time if I like Bitcoin, and I say "no, I prefer roulette because you can get a free drink and enjoy the evening". Here's the thing with Bitcoin: first of all, it's a 1980s technology; blockchain has been around for 40 years; there's nothing new about blockchain; it's very clunky. Willem is right that Bitcoin has, arguably, an intrinsic value because of the amount of electricity needed to do the computation. Gold has some intrinsic value because of the capital costs and other operating expenses of mining.

But intrinsic value is irrelevant; it means nothing. If a gold miner spends $2,000 an ounce to mine gold and the market price of gold is $1,800 an ounce, it will go broke. In other words, you can have an intrinsic value, but it doesn't mean anything. It's not what determines market value. Market value is completely separate; that was articulated by Carl Menger in 1879, the founder of the Austrian school of Economics and professor at the university of Vienna. So, I don't know why people still talk about intrinsic value unless you're a miner, and then it matters. **But intrinsic value has no bearing on market value. Market value is some combination of supply and demand, sentiment, other vectors, behavioral factors, geopolitical stress etc.** So, I would start there.

Number two, Bitcoin has a fatal flaw in terms of ever being a reserve currency – it won't be. First of all, I'd like someone to tell me where I can spend it. There used to be a coffee shop in Brooklyn where they took Bitcoin for a cup of coffee, but today everything in Brooklyn is boarded up because of the riots. So, I'm not sure that's still around, but if someone can tell me where I can spend them – I know I can trade them all day long, I get that, but somebody tell me where I can spend them – then I might be a little more interested. But more to the point, Bitcoin has a fatal flaw, which proves that really good mathematicians do not understand monetary economics, which is the following: they limited the amount that can ever exist, and we're actually getting close to the limit. We're not quite there yet, I believe the numbers are about 17.5 or 18 million Bitcoins out there, including the ones that are gone forever because somebody lost the password to their thumb drive. But 18 million, give or take, and the cap is about 21million. But the way the math is designed it takes more and more computing power, more and more electricity, to mine each incremental Bitcoin.

So, there comes a time when there's not enough electricity in the world, nor will you have access to it, to mine one more Bitcoin. We're getting close to that level. And it's attracted a lot of really smart people lately, the likes of Ray Dalio, Paul Jones, and others; very successful investors, no argument there. But hold on. If you cap the number of Bitcoin, that was the idea, and Nakamoto – whoever he or she was, if it wasn't Raytheon or Lockheed or somebody – said "we're going to cap it because we hate central banks. They keep printing money, they inflate the currency, so we're going to solve that problem by capping it". But the economy is not capped, at least not yet. We're not in the new dark ages; the economy keeps growing. **So, if you have a fixed currency that cannot expand, but the economy keeps growing, that is intrinsically deflationary.** In other words, each Bitcoin buys you more and more stuff – it has to because there's more stuff and no more Bitcoin. Each Bitcoin becomes more valuable, in theory. And this is the logic behind smart people like Dalio and Paul Jones and others buying Bitcoin – "it has to go up because that's how deflation works, the value of the money goes up".

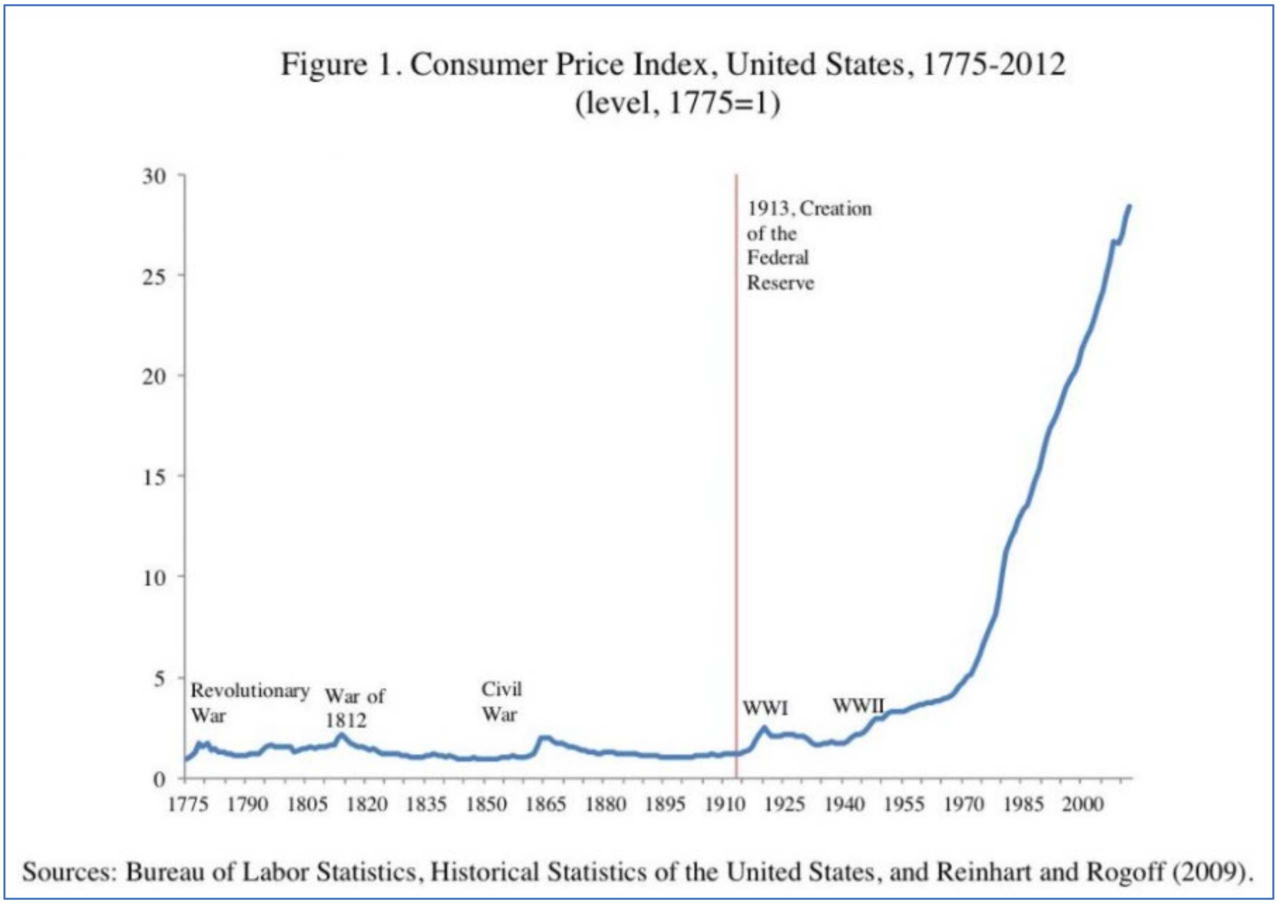
And you see projections of $300,000 per Bitcoin, but why stop there? But here's the problem, and it goes back to what I said earlier, the People's Bank of China does not have stacks of $100 bills in the basement. They invest in securities; they don't stack up the currency. **So, show me the Bitcoin bond market. It doesn't exist, and it will never exist. And here's why: because who on earth would want to borrow in an inherently deflationary currency? It means you always lose as a borrower.** You always lose because you have to pay back in more valuable dollars. Lenders love deflation because it makes the value of the claim higher, but borrowers love inflation because it makes the value of the debt lower. Ideally there would be a balance there and you'd have price stability, but good luck with that.

But that's the basic dynamic; as long as you have an inherently deflationary currency, which you do if you cap the amount and the economy keeps growing, you'll never have a single borrower. Because nobody wants to borrow in a currency where what you have to pay back is more valuable than what you borrowed, not counting interest. I'm just talking about the value of the money itself. And if you don't have a bond market you can't have a reserve currency because they put reserves in bonds. So, the whole thing falls down around the inability of whoever capped this out – Nakamoto, who capped out the quantity – to understand: a) the inherently deflationary nature of it and b) the fact that nobody will borrow in a deflationary currency, and c) if you don't have borrowers, you don't have a bond market, and therefore you don't have a reserve currency. Not to mention that if the power goes out – good luck finding your Bitcoin. There's more to it, but that's the basic flaw in Bitcoin.

Willem Middelkoop:
Could I give a short reaction on this, Mark?

Mark Valek:
Sure, but let me just interject a few thoughts of mine here because I think that's an interesting point. I'm happy to disagree here with you, Jim, but **I think what you perhaps are arguing is basically the world in terms of a debt-based currency, like we have had for over 100 years. And I think it works differently in an asset-based currency system. And in the late 19th century we had a slightly deflationary monetary system, which was again asset based – it was gold backed then.** Gold had slight monetary inflation, but at the end of the day it was slightly deflationary in the

sense that the economy grew faster than the money supply. And that's why prices actually went lower.



Source: markskousen.com

And I think probably Keynesians or even MMT people, for that matter, are right in that if they want to perpetuate this debt-based system, we actually need this inflation – we need monetary inflation, we need price inflation. **But I think this Bitcoin standard, or a gold standard for that matter – an asset-based currency system would turn this upside down.** And I think as a reserve holder you would not need to hold bonds because you wouldn't need to necessarily collect interest payments, because the asset itself is appreciating. And you don't need to compete in this rat race and try to keep your real value with some interest rate.

So, I think the whole monetary system would flip. And I think a deflationary monetary system would actually be very possible, and we've had some examples already historically.

Willem, sorry.

Willem Middelkoop:
First, I agree with Jim that Bitcoin has more or less failed as a medium of exchange. I think we all can agree on that. I also agree with Jim that I don't see Bitcoin to become the new world reserve currency - I can't envision that. Central bankers will never allow Bitcoin to be the new world reserve currency because they can't control it. So, that's a no go.

But as you know, there's a third dimension of money, and also digital money, and that's as a store of value. And I think Bitcoin has proven to be a great success as a store of value. And that's where I think Bitcoin is very interesting. And that's what's attracting more and more people with very deep pockets. If you look at the Microstrategy case – these are not stupid people; these are not gamblers. If you listen to the interviews with the CEO of Microstrategy – he's been comparing Bitcoin with gold – with everything. He's gone through the same thought process and he came to the same conclusion – that if you need to store huge amounts of money, and you don't want to buy only physical gold, for whatever reason, Bitcoin is very interesting. And if you see the average growth of value since its inception, I think it is nine percent per month. So, you only need to store a very small percent of your net worth in Bitcoin to make a difference.

And I had another interesting idea two weeks ago, I sent a tweet about this: Could it be true that the incredible rise of Bitcoin, with targets now of even one million or more, is the first proof of hyperinflation within the western dollar-centered monetary system? Like gold in the Weimar days? The gold price could rise to billions and billions; there was no top for the price of gold. In a hyperinflation there's no top for the price of gold. In a hyperinflation there's no top for the price of gold. And I'm afraid that we see the same thing happening now with Bitcoin because even today as we speak, the demand from institutional investors is way larger than the daily production by Bitcoin miners. I think it's a little scary even this idea that the rise of Bitcoin could be unlimited.

Jim Rickards:
I can destroy the value of Bitcoin with one word – Tether.

Willem Middelkoop:
Oh yeah, that's the only risk I see.

Jim Rickards:

Twelve years ago, I could have sat on the veranda at the Breakers Hotel in Palm Beach and been thrilled to learn that I had finally been invited to join Bernie Madoff's fund, which has a fabulous track record – just keeps going up and up and up. And I can look at my statements every month and see how much more money I made. Bitcoin looks like the greatest Ponzi scheme in the history of the world. First of all, just a little mark to market accounting. I have a pool of Bitcoin and there's a price per Bitcoin. You can look it up. So, multiply the units by the price and there's your market. But all it takes is one person buying one Bitcoin, at any point in time, at a higher price and the entire Bitcoin goes up. Well, try selling it. If everyone tries to get that price, it'll go to zero very quickly.

It's very easy to manipulate; there's no securities regulator for Bitcoin. I'm not even talking about all the frauds and all the exchanges that have failed – it's out there, but that's not the core argument. **I can paint the tape, I can mark up the whole market by $500 billion just by doing a very small quantity, at an incrementally larger price.** It's very easy to manipulate, number one. Number two, it is being manipulated and I would encourage any Bitcoin fans to study Tether – what Tether claims, the fact that it is under investigation by the U.S. Justice Department, and the dynamics between Tether and Bitcoin. Because it looks like they're taking in hard dollars. I can walk out my door right now, I live in a small town, there's a little store about a block away and they sell Bitcoin. I could walk into that store – I know I can do it online – but I could walk into the store and chat with the person, hand them hard dollars and get some Bitcoin. There go my hard dollars. The point being, it's easy to manipulate, it's easy to paint the tape. It looks like that is happening because of Tether. **It looks like the greatest Ponzi scheme in the history of the world. It looks like it will come to a very bad end. And you can't spend it, there's no bond market. Other than that, how was the play Mrs Lincoln?**

Ronald Stöferle:
I would say, let's move over to our investment views. Jim, you obviously published a book quite recently. I think it's published in German today as well – the same publishing house where we also published our books. And I just read a quick summary; it says that the title of the book is *The New Great Depression: Winners and Losers in a Post-Pandemic World*. And it says that the happy talk from Wall Street and the White House is an illusion – the worst is yet to come. But for knowledgeable investors all hope is not lost. So, can you, pun intended, talk your book and let us know what conclusions you are coming to in the book?

Jim Rickards:
Of course, please bear with me 30 seconds, I'll be right back.

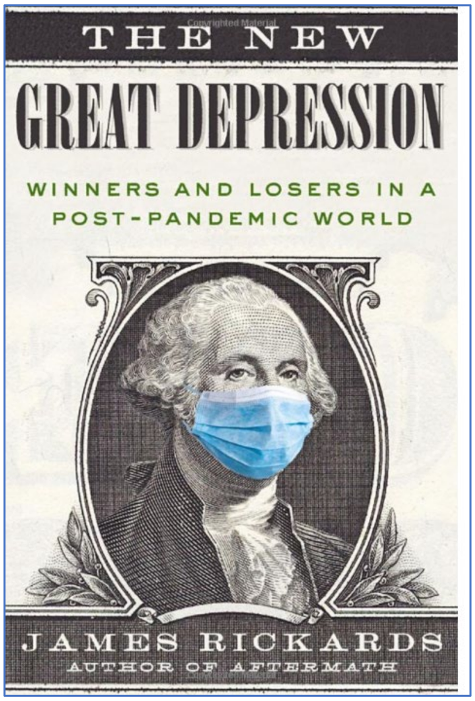
Ronald Stöferle:
In the meantime, we can promote Willem's book – *The Big Reset*. I looked it up in my bookshelf, it's a fantastic book. We're always a bit schizophrenic, talking about the future and trying to predict the big developments – are you positively or negatively surprised by what's actually happening compared to when you first published the book?

Willem Middelkoop:
Yeah, of course. When I wrote *The Big Reset*, I didn't know – we all didn't know – that COVID-19 would hit us in 2019-2020. But now that we know COVID-19 is here, **it's quite clear that COVID-19 will be used as the catalyst for many of the changes that I felt were coming, and which I predicted for the next decade.** And it's so obvious that there's so much negative fallout of this COVID-19 crisis – from an economic point of view; from a social point of view. If you want to put on your negative glasses, almost everything is at stake. People stopped paying rent in the Netherlands where I live. Huge chains of retail stores stopped paying rent – think about that.

Owning real estate is a great investment – 98 percent of the time. The beautiful buildings in Amsterdam, in the city center along the canals, they're 400 years old, but the value of those buildings went down 70-80 percent during the French Revolution. So, there are certain times you don't want to own real estate. And I'm rather scared by everything going on now, in the negative fallout, and we all hope that after this vaccine we all can live happy again, and everything will be normal again. **But I think the damage done to the economy is too large already, and the elitists, the global planners, the government, the central banks, they understand this.** That's why Klaus Schwab said we have a small, but closing window of opportunity, to bring change. Because you need change now, you can't go back to the old days. But I'm very interested to learn about Jim's ideas.

Jim Rickards:
Ronni, thank you for the introduction. I decided to get a copy of the book. You can see the cover; we have a nice dollar bill, and George Washington is wearing his surgical mask. It's called *The New Great Depression: Winners and Losers in a Post-Pandemic World*.

And you're right, we've sold rights in 14 languages; it is out in German – the Germans are so efficient, they actually got the German language edition out before the English edition, which is unusual for a foreign publisher. They got an early copy and got the translation done.



I wrote a new foreword just for the German edition, for the German audience. I hope people enjoy it. But of course, it is out in English as well. And I'm glad to say that in the Amazon rankings – they have a lot of subcategories, where if you take the audio book, the kindle, or the hardcover – we're number one in the monetary policy category, we're number one in wealth management, and we're number one in economic conditions. So, in all of our categories we're kind of leading the pack. We were ranked the number one news release by Newsmax, and we just got a book review in the New York Times last Sunday. It's one thing to make the New York Times bestseller list – that's a big deal – but it's even more exclusive to get a book review, believe it or not, from the New York Times. So, the book is doing very well, thank you.

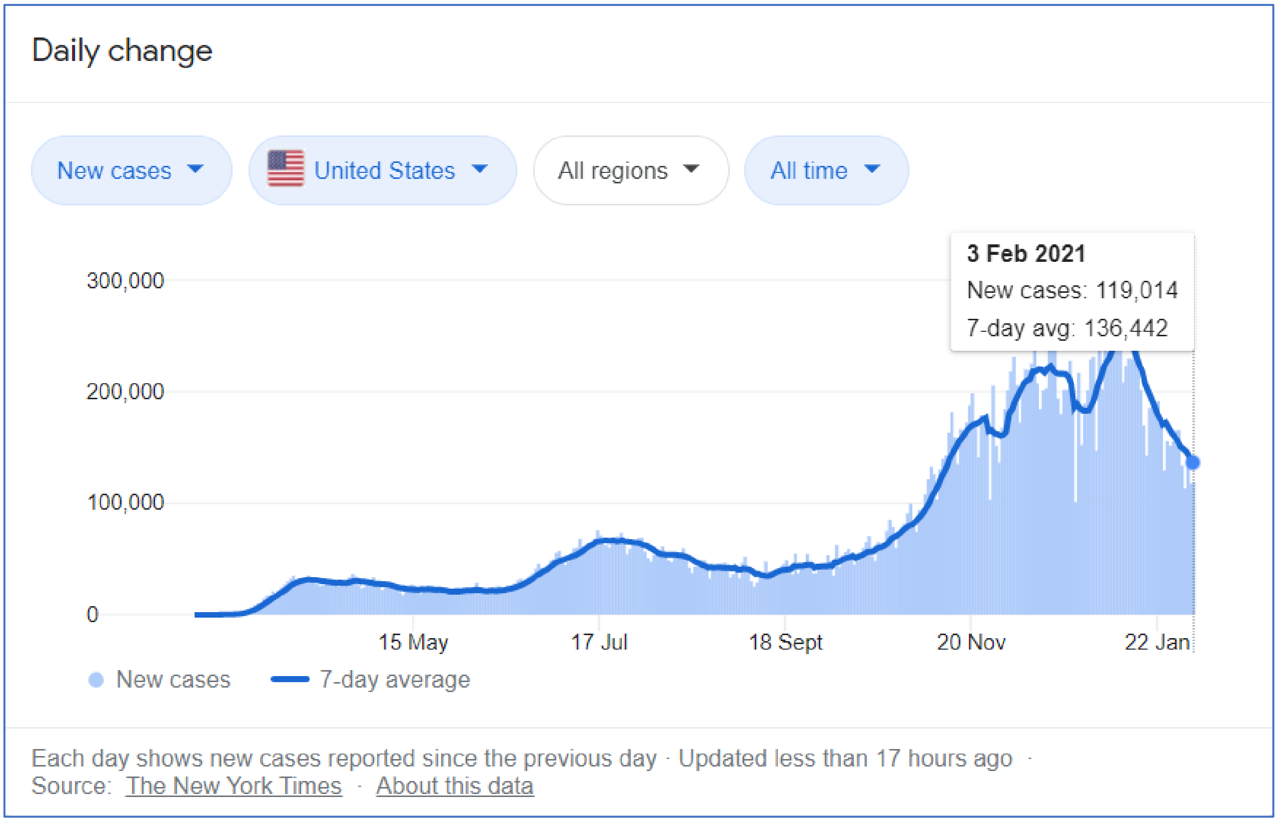
But it makes a couple of points. Number one: Willem said that we hope for a world where the pandemic is behind us and things can get back to normal; we certainly hope for that world, but it will not come as soon as we expect. **This pandemic will go on at least through 2021, and perhaps well into 2022.** So, I think it's more analogous – not as fatal, but dynamically in terms of mutations, varying strains etc. – probably more akin to the Spanish flu, which broke out in a big way in 1918, but it was still claiming victims in 1919, and even as late as the 1920s. **So, I think this may be with us for a couple more years.**

Vaccines were all hopeful, the rate at which the vaccine was produced was miraculous, and the pharmaceutical companies have done a pretty good job of creating the dosages. And governments have done a pretty good job of getting them to the injection places – the clinics where you would get the inoculation. But it falls down after that. **Some – Israel, UAE and a few others – have done a good job. The United States varies by state, but in some places it's awful; the public health system is a mess. New York is actually flushing dosages down the toilet.** The reason is that these vaccines have to be kept super frozen, like 100 degrees below zero centigrade, and they can do that, and deliver them to the point. But then you have to thaw them out or defrost them before they're injected. But at that point it's like a quarter milk – the shelf life is less than two days, else it goes bad. New York defrosted them, and then couldn't administer them, couldn't inject them, and then at that point they had to be disposed of.

So, when people said we don't have enough, it's because the system is so inefficient. The U.S. gets tangled up and the people who should get it are obvious – over 65 with co-morbidities: asthma, diabetes, obesity, other illnesses. And frontline healthcare workers: doctors, nurses, paramedics - that's obvious. **But nothing's obvious in The United States anymore; somebody decided that social justice should be the criteria, so they said we need to give it to poor neighborhoods. So, really healthy people in poor neighborhoods are getting it before really ill people in nursing homes, which makes no medical sense, but it is the kind of political logic that we are subject to.** So, number one – that's the first problem.

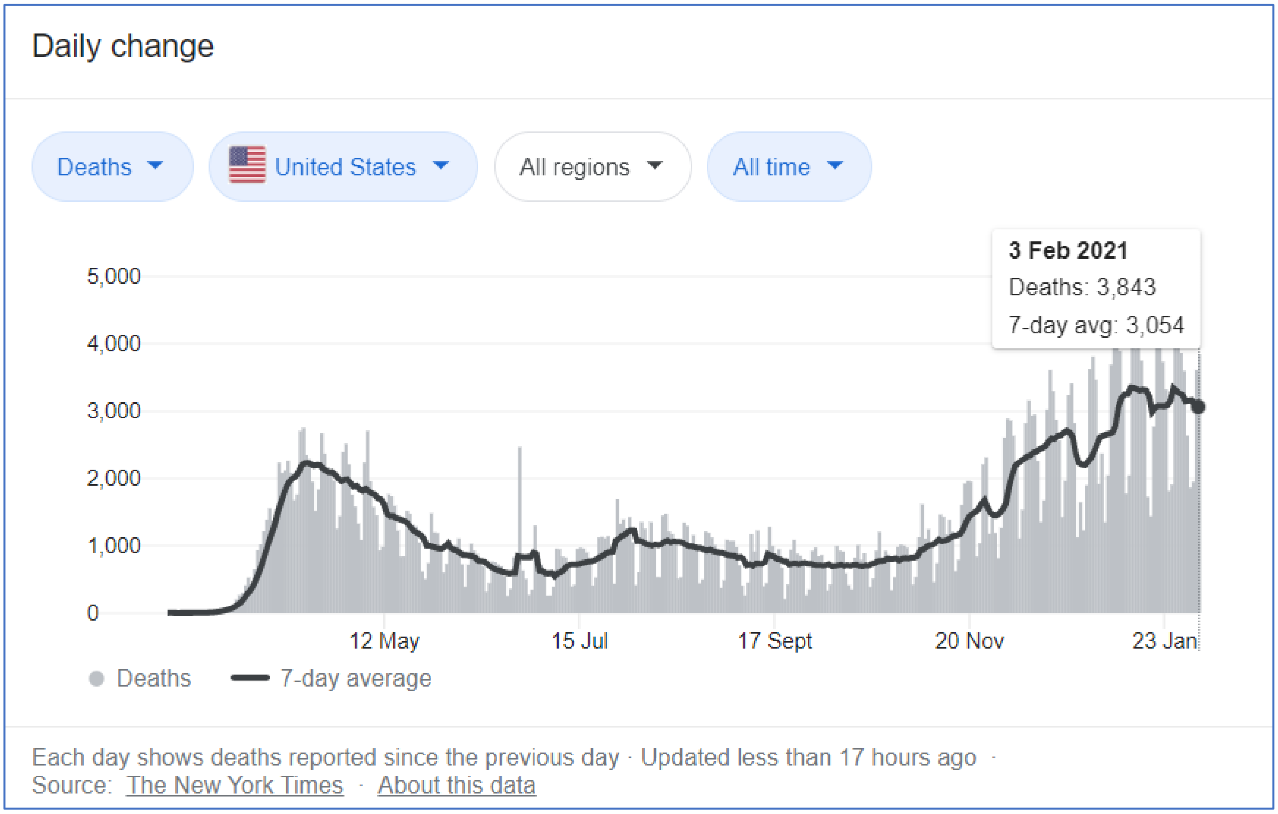
The second problem is that the virus has shown a very nimble ability to mutate; that's not unusual, viruses mutate all the time. **But there's some evidence that this actually was bioengineered in some ways in the Wuhan institute of virology to be more potent or more infectious.** Some of these new strains or variants, particularly the so-called UK strain and the South African strain, are showing that they're more contagious. People say it's more contagious, but the fatality rate isn't higher. That's very misleading because the fatality rate may not be higher, but the number of fatalities is higher, because if you get more cases, you're going to get more fatalities. So, I don't really care about the rate, I care about the number of people dying. And the number of people dying is going up. Right now, in the United States, and we see similar data worldwide, the number of new cases, or the caseload, is today ten times greater than it was last March and April. Everyone remembers March – the height of the lockdown etc. – **the number of cases is ten times greater and the number of fatalities is more than double. So, what we're seeing right now is much worse than what we saw last spring; that means that the governors are going back to lockdown.**

New Cases



Source: The New York Times

Deaths



Source: The New York Times

As I explained in my book, lockdowns don't work. The evidence is clear. I sort of went out on a limb a little bit – with the best data I had last spring, when I was writing the book in May and June – and reached the conclusion that lockdowns don't work. They don't work to stop the spread of the virus; they do destroy economies – they're very good at that. And I made that point in my book, and I got a little pushback from some friends of my publisher that said: "Jim, come on, lockdowns are very popular" et cetera. But since then, particularly in the last month, there's been a wave of hard empirical data showing conclusively that lockdowns do not work to stop the spread of the virus. Let me give you a concrete example: we always say the United States is like a big laboratory because we have 50 states; we never had a national lockdown; it was up to each governor and each mayor to decide what the lockdown rules were. So, you had kind of 50 flavors, and some places had an extreme lockdown – New York and California for example. Other places had moderate lockdowns, and some places, South Dakota in particular, had no lockdown. The governor said: "Wash your hands, wear a mask, social distance, but other than that we're going to leave it to the citizens to decide what your comfort level is, and how you want to act during this virus."

The same thing globally; Korea had an extreme lockdown, Brazil had initially almost no lockdown, and Sweden was a middle case – a moderate lockdown, but not nearly as extreme. **Anyway, we have the data from all the states and 30 major countries around the world, and what the data shows is that there is no correlation at all between the type of lockdown you selected and your case load and fatalities.** In other words, you could have a moderate lockdown, no lockdown, or an extreme lockdown, and you got the same results in terms of case load and fatalities, which any statistician or scientist would say means that lockdowns don't have any effect on the spread of the virus, which is true.

And by the way, this isn't some fringe study; this was a team led by a professor of medicine at Stanford University, and equally expert collaborators, and backed up now in something called The Great Barrington Declaration, which thousands of scientists around the world have subscribed to. It's an open letter – you can sign up online – saying that lockdowns don't work. Now, why do we have lockdowns? Well, because governors are….I hate to use the word morons, but they kind of are. They don't know anything about medicine, they don't understand what I just explained, they don't understand the science – they claim to – but they don't. But they understand politics, and when you have a crisis – going back to what we said earlier about Klaus Schwab, never let a good crisis go to waste – you have to do something. You can't be seen to be doing nothing. Sometimes doing nothing actually is the best approach, but you can't be seen to be doing that.

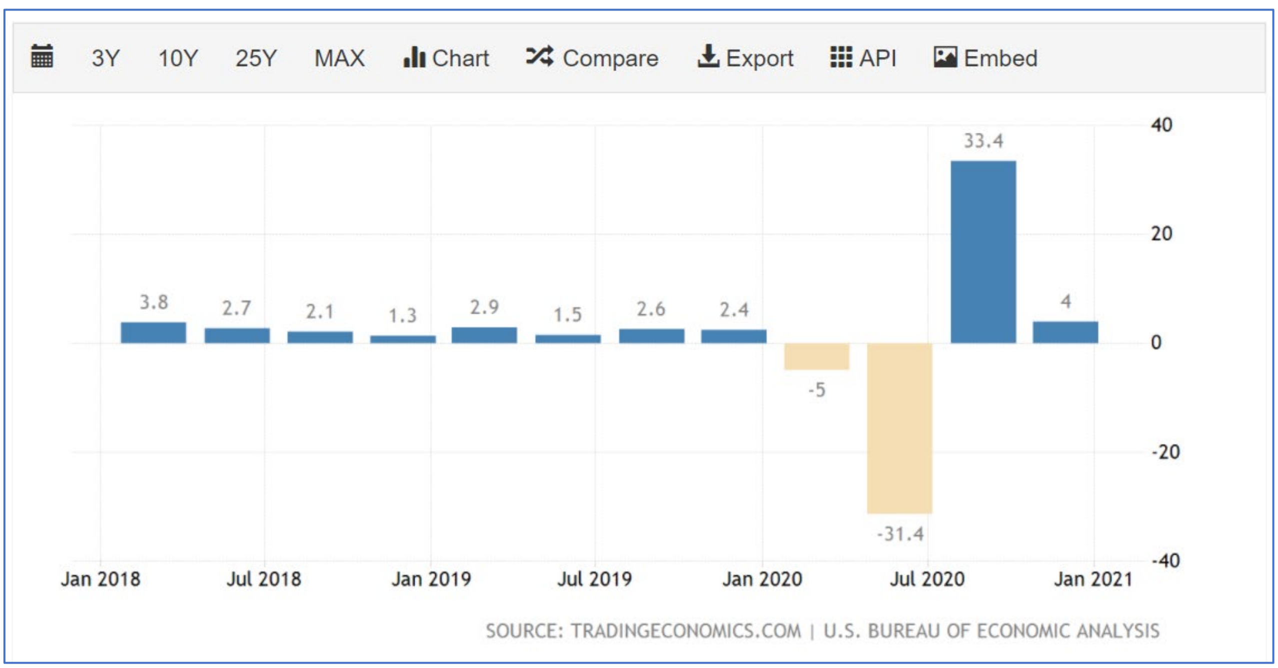
So, they impose lockdowns in order to appear to their citizens as decisive, but they're not stopping the spread of the virus. If lockdowns work, why is the caseload 10 times greater than it was last spring? Just ask yourself that question. The answer is that lockdowns don't work. But they do destroy economies. **And people say the stock market is at an all-time high, but the S&P 500, which is most people's benchmark, is actually the S&P 7.** There are seven stocks, and we know what they are: it's Facebook, Google, Apple, Amazon, Netflix, Microsoft and Tesla – **those seven stocks are 40% of the market capitalization of the entire S&P 500** – it's a cap weighted index. The ones I just named are the least affected by the pandemic. They're all digital, online, technological, streaming, entertainment etc. They're not bricks and mortar, and **they're not as affected by the pandemic.**

So, you've got seven stocks leading the index higher. Most people are passive investors, so you get this recursive function where the price goes up and I buy more, the price goes up and I buy more, and the price goes up. By buying more it keeps going up because of passive investing - index funds and ETFs. **The stock market has never been more detached from the real**

economy, and what's going on in the real economy? Well, people look down their noses at small and medium-sized enterprises. They go: “well, the restaurant closed; they had 20 wait staff and bartenders; it's only 20 people; what's the big deal? We open in a few months.” No, in the aggregate, **small and medium-sized businesses are 50% of all jobs in the U.S. economy, and 45% of GDP – it's half the economy, and that's the part that's getting crushed.** You cannot crush half the economy, which they're doing, and not expect a recession.

My forecast is that we're in a recession right now – first quarter of 2021. We had a technical recession in the first half of 2020; first quarter was down five percent, the second quarter was down 31 percent, the third quarter it came back, and in the fourth quarter it's going to end kind of up - maybe seven percent, give or take. **But the total full year of 2020 in the United States – the world's largest economy – is going to be down about seven percent. That's never happened before in U.S. history. You're talking about $1.5 trillion of lost output, relative to a 2019 baseline.** We're not going to get back to 2019 levels until 2023 – at the earliest. We're still digging our way out of the hole. However, my forecast is that we're in a second recession right now. The first back-to-back recessions since 1981. And that's an easy forecast because you just locked down half the economy, so you should not expect any other result.

U.S. GDP Growth Rate Annualized

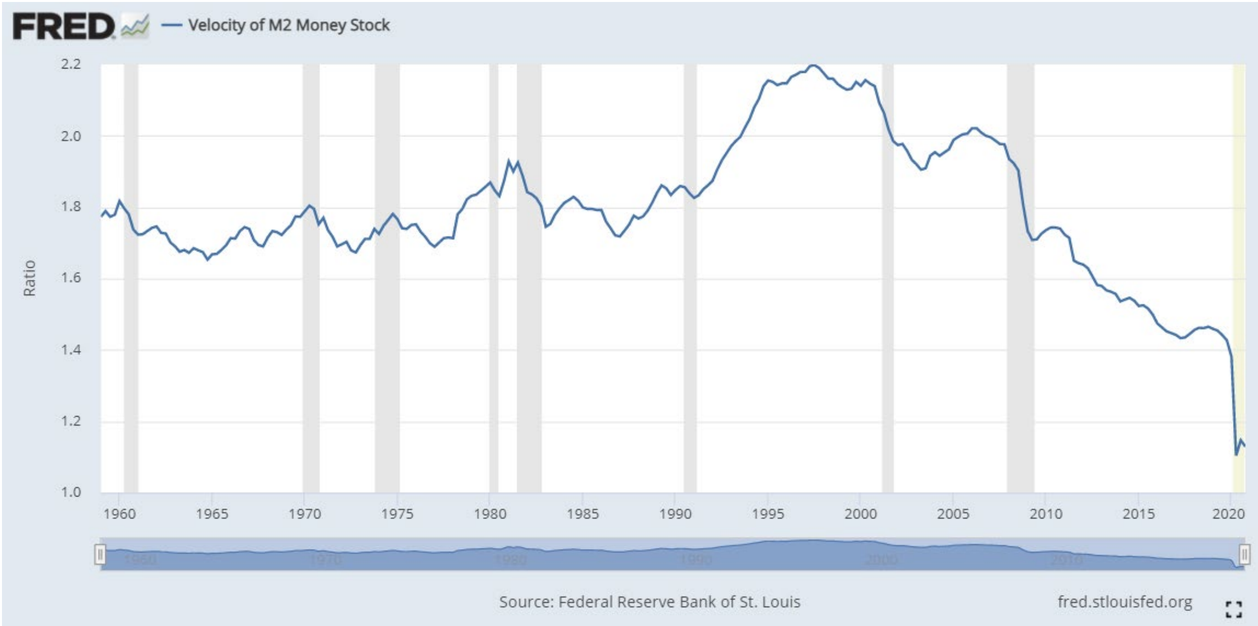


Source: Tradingeconomics.com

That tends to be deflationary. I know that my Austrian friends, and my European friends, and my collaborators here in the United States all look at the money supply and say that this has to be inflationary – it's right around the corner; here it comes. And I say “no” because **money supply has nothing to do with inflation. What the key explanatory variable for inflation is – is the velocity, is the turnover of money.** U.S. money supply today is about seven and a half trillion; that's up almost four trillion dollars since this time last year, so four trillion of new money printing. But as I remind people: seven trillion dollars times zero, is zero – meaning that if you don't have velocity, you don't have an economy. You can print all the money you want, but people don't lend it and spend it. If they don't consume, then your velocity drops, and your economy drops. And right now, the banks are not lending, and the people are not spending.

Right now, the stock market has gone up a little bit. Why? Because the Biden administration is coming in and they're going to do another bailout law. And they're going to send everybody a $1,400 check on top of the $600 check. In effect most people are getting $2,000 checks, so Wall Street in their usual, flawed way are saying: “well, everybody gets $2,000 checks so they're going to run right out, buy a new refrigerator, a new car, re-carpet the house, paint the roof, whatever”. **No, people are going to save it, and that's what they're doing. That shows up in the data. Savings rates are skyrocketing. And you either pay down debt, which is the same as savings, economically, or you actually save.** If you lost your job, you're certainly going to save. You're not treating your friends to dinner. But even if you didn't lose your job, odds are good that your spouse lost his job, or your neighbor lost his job, or you're worried that you might lose your job next week. Your business might fail next month. This is what economists call “precautionary savings” – in plain English you save for a rainy day.

But even if you have your job and the kind of life that goes on, you're going to put more money in the bank, just in case. That means velocity is dropping. And monetary policy and economic growth is a desperate struggle between increasing money supply and falling velocity. Velocity is falling like a rock. Actually, last night I looked at the most recent M1 velocity chart from the Federal Reserve Bank of St. Louis – they have the Fred system, which is a great source of data – and the impact of the 2020 pandemic is vertical – it's like a cliff dive. That's on top of a long-term trend of decline in velocity. **So, I think deflation is a greater danger than inflation.** The U.S. economy is in this recession right now, and we're not getting past the pandemic quickly, at least not this year. Maybe early next year, at the earliest.



Source: St. Louis Fed

But all this is described in my book, including a whole chapter just on the mental health aspects of this. It's greatly under reported, not well understood. **Suicide rates have tripled, murder rates have doubled, drug abuse is up, alcohol abuse is up, domestic abuse is up. It causes depression, anxiety, anger, and I would say there's some relationship between the mental health impacts of the virus and some of the behavior we've been seeing – particularly in the United States with the riots all summer, and the recent assault on Capitol Hill.** Do these have political causes behind them? They say so, whether it's left-wing or right-wing, but I query whether some of it – maybe a lot of it – isn't pent up anger and frustration, partly because of quarantines, lockdowns and social isolation?

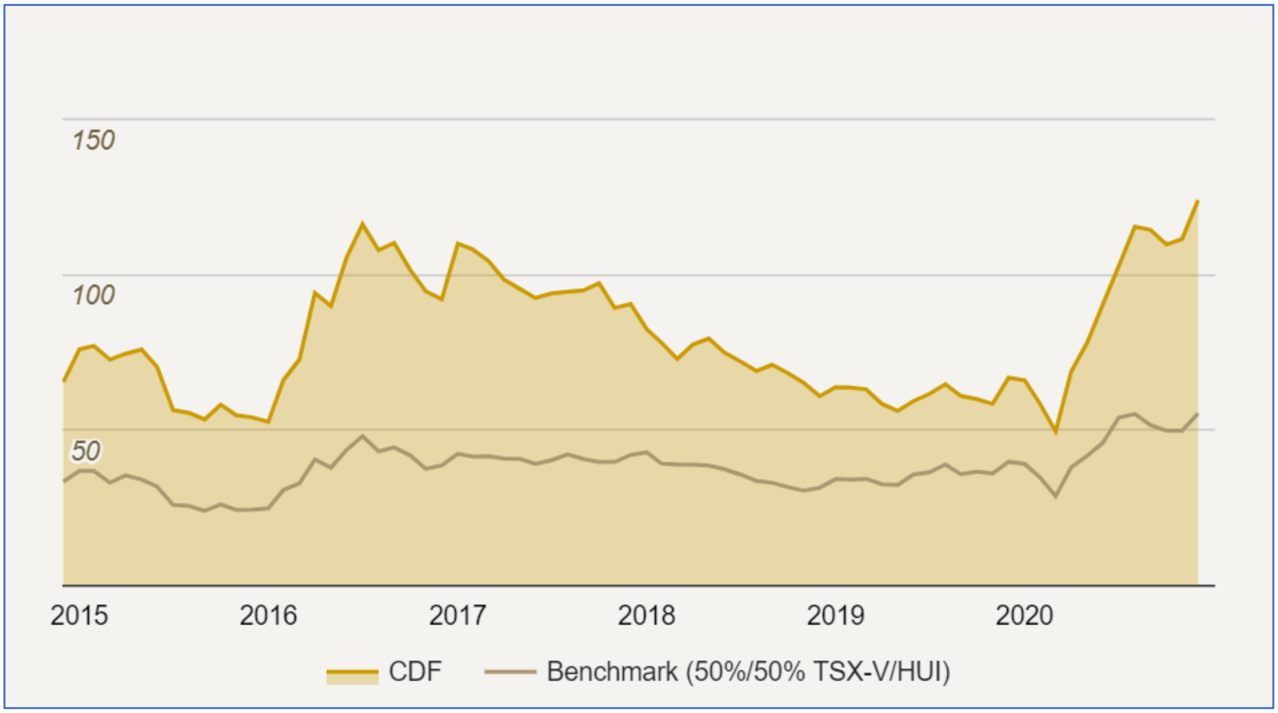
So, this is the first book that tackles both the medical and the economic aspect of this. Doctors and clinicians are writing books on the pandemic; economists will get around to writing books. Although economists actually prefer articles to books, not that many economists write books because you have to go out on a limb a little bit. But this is the first book that combines both – it takes the pandemic and the economy and shows the connections, and gives a forecast for what's coming.

Ronald Stöferle:

Thanks Jim. Willem, I would love for you to talk a bit about your investment style. You've got the Discovery Fund that performed tremendously well last year. For you, a 10 bagger is something normal. You really try to find those companies that are making world-class discoveries. Could you please elaborate on your way of investing, how you see volatility, where you are currently positioned when it comes to gold/silver, and perhaps also the commodity space – topics like EVs and perhaps battery metals? And if you want, of course you can also put out some names that you like or the biggest holdings in your fund. I would love to hear your way of investing money in that fund.

Willem Middelkoop:
I was a private investor in Dutch real estate in the 1990s; I started to take profit on real estate in the early 2000s because I was a little worried about a coming crisis. And I started to invest in gold and silver companies as a hedge on my net worth. And in 2004-2005 there was a first correction, and all my holdings – I had 30 different holdings – they all went down 40-50 percent. But three did much better. And then I started to do some serious due diligence and **I learned that the three who were outperforming were outperforming because they all made a major discovery that year. And that made me change my mind as an investor, and I thought that if making a mineral discovery is such a value creator, then I should focus on that part of the mining space.** And that's what I've done since 2005. I had a *Discovery Investment Letter*, tipping off investors about new discoveries, but I stopped doing that because there was a banker, who was a friend of mine, and he said: "you're stupid; you send out your best tips for $99; you should keep your tips close to yourself and build a fund around it". And that's how the *Commodity Discovery Fund* started in 2008.

But I made a big mistake, I started at the top of the last commodity cycle. For the last 12 years we experienced a downturn; it was a brutal downturn and many of our peers didn't survive. But we kept net inflows every year because I have quite a large following in the Netherlands and they stuck with us. And during this long downturn we had four years in which our gross return was over 70 percent a year, so this clearly shows that the model works. **And outperformance compared to the GDX is incredible; gold was last year up 25 percent, GDX was up a good 25-27 percent – we were up 85 percent. And the difference can be explained because we only invest in small companies responsible for large discoveries.**



Source: cdfund.com

I know you're on the board of [Tudor Gold](). So, if you concentrate as an investor….and we are lucky that we are still a small fund; we crossed the $100 million mark in December, but we're still a small fund. And small is beautiful in this space because the best returns are realized when you can invest in a junior mining company, which is still not followed by many investors, which still has a market valuation of only $10, $20, maybe $30 million. And when they publish their results of a discovery hole – showing that they are on the verge of finding a new world-class discovery – the value of these companies rises, within 12 to 18 months, from $20, $30 million towards $1 billion. And this happened to *De Gray Mining* last year; this happened to *Greatland Gold* last year.

These are two great examples of 10 baggers in our portfolio – they're number one and number two in our portfolio, because we are like an opportunistic commodity hedge fund. We can scale up our positions very rapidly; we don't have a large management structure. I'm the fund manager; I'm doing the hunting; I'm looking for the new discoveries. Yesterday we had a new situation – I can't mention the name – but we bought over $300,000 dollars of shares within 24 hours because the first indications – the first press release – is so intriguing. Mineralization over 900 meters, copper mineralization over 900 meters. And then we go in very quickly, and we're allowed – we're a UCITS fund – we're allowed to build one position up towards seven and a half, or maximum ten, percent of our fund. We need to stop buying when a position is over five percent of our fund, but you have these rapid gains and we learned not to sell when you have a world-class discovery. You don't sell. You buy the dips. It's like the best bull market ever, you buy the dips, you buy every dip. And of course, as institutional investors we can use the private placements, in which you can buy the shares on a discount, in which you get the free warrants.

So, this is an amazing opportunity from an investor point of view, and I've been studying finance for at least half of my life; I've been looking for the best business ideas, and being a discovery investor in a fund, where you can also have the performance fee model, is the best. It's the best discovery I ever made. And I'm always very honest about it. I always tell my investors: "I want to make money, and I want to have part of your profits, but I only will take part of your profits if we make more than six percent a year." If you make 80 percent a year, nobody blames you for taking part of the profits. And I love this; I live for it; I've never worked so hard in my life. I work 12-14 hours a day hunting for the next discovery; you need to work hard; you need to study a lot, but I love it. It's like fishing for older guys – for boomers.

Ronald Stöferle:
And you also have your personal money invested in the fund? So, you've got skin in the game.

Willem Middelkoop:
Sure, I think 70-80 percent of my net worth is connected to the fund through all the investments. And I can never understand why somebody would run a fund, and not be invested himself, or not be interested himself. You guys have done it yourself with your digital assets – that's a great idea. You want to build a fund because that's the best idea you have. And we have had all kinds of people coming over to us, because we have all the permits now, and they want to start a crypto fund. And I looked at all the ideas, and I like the upside from a fund perspective, but it's not better than our Discovery investing model. I want to keep doing this; it's like Warren Buffett or Soros – I want to still be doing this when I'm 80 years old. I love it.

Ronald Stöferle:
Excellent, that's a great way to end our conversation. Thank you very much, Willem. Thank you very much, Jim. I hope you all enjoyed this. Have a look at the new book of Jim, and of course "The Big Reset". We look forward to the next advisory board discussion, for the second quarter. I think it's going to be an interesting ride over the next couple of years. We've got the inauguration today, and lots of things happening.

But most importantly – be good, stay healthy and we all look forward to seeing you again soon.

Appendix: Permanent Members of our Advisory Board

Zac Bharucha

Zac began his career in finance at the investment bank *Kleinwort Benson* and later became an equity portfolio manager at *Philipps and Drew Fund Management*. He then moved to *AMP Asset Management* where he was responsible for managing more than GBP 1 billion of institutional assets. Afterwards, he moved to *M&G* in London. Since 1998, he has developed absolute return strategies and specialized in equities and commodities. After 25 years in asset management, he retired from professional life in 2011 and wrote his first book about market timing.

Heinz Blasnik

Heinz is an independent trader and market analyst for the consulting firm *Hedgefund Consultants Ltd*, as well as an author on Austrian economic theory for the independent research house *Asianomics* in Hong Kong. Heinz also publishes the blog www.acting-man.com, on which he analyses developments in the financial markets and the economy from an Austrian School perspective.

James G. Rickards

Jim is the author of the international bestsellers *Currency Wars* and *The Death of Money: The coming collapse of the international monetary system*. He is portfolio manager at the *West Shore Fund*. During his career, Jim has held senior positions at *Citibank*, *Long Term Capital Management*, and *Caxton Associates*.

Dr. Frank Shostak

Frank is chief economist at *AAS Economics*. He has over 35 years of experience as a market economist and central bank analyst. He holds a PhD, MA and BA honours from South African universities. He was professor of economics at the *Witwatersrand University* in Johannesburg. He is one of the world leaders in applied Austrian School of Economics and an adjunct scholar at the *Mises Institute* in the US.

Rahim Taghizadegan

Rahim is the founder and director of the *scholarium*, an independent research institute in economical and philosophical issues in Vienna. He is bestselling author and a popular speaker internationally. Rahim studied Physics, Economics and Sociology in Vienna and Lausanne. He has worked in the fields of economics, space research and journalism. He has also taught at the *University of Liechtenstein*, the *Vienna University of Economics and Business Administration* and the *Universität Halle an der Saale*.

Ronald-Peter Stöferle, CMT

Ronni is partner of Incrementum AG and responsible for Research and Portfolio Management.

He studied Business Administration and Finance in the USA and at the *Vienna University of Economics and Business Administration*, and also gained work experience at the trading desk of a bank during his studies. Upon graduation, he joined the Research department of *Erste Group*, where he published his first *In Gold We Trust* report in 2007. Over the years, the *In Gold We Trust* report became one of the benchmark publications on gold, money, and inflation.

Since 2013 he has held the position as reader at *scholarium* in Vienna, and he also speaks at *Wiener Börse Akademie* (i.e. the Vienna Stock Exchange Academy). In 2014, he co-authored the book *Austrian School for Investors* and in 2019 *The Zero Interest Trap*. Moreover, he is a member of the board at *Tudor Gold Corp*. (TUD), a significant explorer in British Columbia's Golden Triangle and a member of the advisory board at *Affinity Metals* (AFF). Moreover, he joined as an advisor to *Matterhorn Asset Management*, a global leader in wealth preservation in the form of physical gold stored outside the banking system.

Mark J. Valek, CAIA

Mark is partner of Incrementum AG and responsible for Portfolio Management and Research.

While working full time, Mark studied Business Administration at the *Vienna University of Business Administration* and has continuously worked in financial markets and asset management since 1999. Prior to the establishment of *Incrementum AG*, he was with *Raiffeisen Capital Management* for ten years, most recently as fund manager in the area of inflation protection and alternative investments. He gained entrepreneurial experience as co-founder of *Philoro Edelmetalle GmbH*.

Since 2013 he has held the position as reader at *scholarium* in Vienna, and he also speaks at *Wiener Börse Akademie* (i.e. the Vienna Stock Exchange Academy). In 2014, he co-authored the book “Austrian School for Investors”.

About Incrementum AG

Incrementum AG is an independent investment and asset management company based in Liechtenstein. Independence and self-reliance are the cornerstones of our philosophy, which is why the four managing partners own 100% of the company. Prior to setting up Incrementum, we all worked in the investment and finance industry for years in places like Frankfurt, Madrid, Toronto, Geneva, Zurich, and Vienna.

We are very concerned about the economic developments in recent years, especially with respect to the global rise in debt and extreme monetary measures taken by central banks. We are reluctant to believe that the basis of today's economy, i.e. the uncovered credit money system, is sustainable. This means that particularly when it comes to investments, acting parties should look beyond the horizon of the current monetary system.

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