



# Grant Williams: Civil unrest around the world. Failing Unicorns. All paths lead to gold

January 16<sup>th</sup> 2020

**Erik:** Joining me now is Grant Williams, the editor and publisher of [Things That Make You Go Hmmm](#), perhaps one of the best-regarded newsletters in the industry.

Grant, something that has gotten my attention and I know has yours, and it has the attention of I think the smartest people in the investment industry, is not really just about investments. It's about using our skills as investors to recognize there's things going on in the world that are a really big deal. And they have investment implications for sure.

But the social implications, I think, are more important. Give us a quick outline, for those people who don't read your newsletter, what's on your mind with respect to civil unrest and the social fabric degradation that's going on around the world?

**Grant:** Hi, Erik. First of all, thanks for having me on. And second of all, thanks for the pronunciation of my name, which is always a treat to hear you say it.

**Erik:** I work at it.

**Grant:** I know you do. I know you've put a lot of work into that.

Look, as you know, I pay attention to a lot of stuff going on. And a lot of that stuff is kind of off the beaten path and maybe not in the mainstream media reporting. I just finished writing a piece called "The Year of Living Dangerously."

Funnily enough, I literally was just about to put the finishing touches on it and I received an email from John Mauldin with his latest letter, which is called, I think, "The Decade of Living Dangerously," So this is clearly something that's on people's minds, which I found fascinating. John, if you're listening, I didn't steal your title. I promise.

And what I've been paying attention to – I was asked on a recent interview what I was most bearish about going into 2020 and my answer was the social fabric of the world. And we were going to talk about some of the problems that we've seen around, really around the world.

So I've just finished writing a piece talking about – I began the piece talking about the *mouvement des gilets jaunes* protest in France, which, really, you won't see in the media now unless you're looking for it. It was a big deal 18-19 months ago. Thousands of French people out in the streets

with these iconic yellow vests on, protesting quite violently, as these things tend to be in France sometimes when tempers get high. But it hasn't really been on the front pages much. You'll read little bits about it here and there.

Hong Kong kind of took over from that as the unrest de jour. But the *mouvement des gilets jaunes* protest is still going on. So we're 19 months into it. The trigger for this was an increase in duty on gasoline prices and diesel prices. Back in May of 2018 a 31-year-old French woman put a petition online – that's all it was – complaining about the high cost of petrol and diesel fuel and it met with complete – nobody cared about it.

Five months later, another guy saw this petition, took up the cause, and the rest is history. This guy was a lot more energized, a lot more activist, and we've had thousands of French people out in the streets every weekend for well over a year now.

Now, these taxes were (quote unquote) green taxes that Emmanuel Macron proposed to try and encourage French citizens to seek more ecofriendly alternatives. But we had a situation where diesel prices jumped above gasoline prices for just about the first time in history. It was only briefly, but there are 80% of the vehicles in France are powered by diesel. And this caused complete outrage.

And what was interesting was just how quickly this protest about fuel developed into a real working-class movement. As they call it, a unifying thread and a call to arms.

But of course this protest about petrol moved into problems with the pension system, problems with the wealth divide. It really caught fire very, very quickly. The rich versus poor. The city dwellers versus the country dwellers. And the whole of France kind of rose up in this protest.

The point I was trying to make was this *mouvement des gilets jaunes* thing, it's not French. This is a global problem. This is something that's happened around the world. You know, just over this last year we've seen countries like Haiti, Bolivia, Colombia, Venezuela, Chile – which is one of the most stable South American countries for decades now – Sudan, Algeria, Egypt.

All of these countries have had massive social disorder. Most of it triggered by either rises in food or fuel prices or the end of subsidies to fuel, generally speaking. But the speed with which they've gone up and the speed which with these fires have been lit tells you this is something deep-seated. And they're all just looking for a trigger.

You know, I haven't even talked about Hong Kong obviously or Catalonia, or anywhere in the Middle East. You know Iran, Iraq, we've seen hundreds killed in demonstrations in both of those places. And, obviously, with recent events things aren't quieting down any time soon.

So this is a real problem.

And it's something that is global in nature. And it's something that, as I said, really threatens the

very social fabric. And, again, we come back to the fact that all of these events – ultimately that the set of dots you have to join to get to them from policy makers is very, very short indeed, whether it's monetary or fiscal policy. That's how all of these things start.

And with central banks running out of bullets and really being forced to rethink what they're doing in terms of trying to defray some of this angst, it feels as though the end of the road, in terms of people just being quietened down by being told how well the economy is doing –

You know, our friend Mr. Trump has been doing a great job of tweeting up a storm saying how great the economy is doing when, if you read the smaller sections in the newspapers, you'll find out how few people in America have \$400 in their bank account to pay for an emergency.

So I think this is a big deal. I think it's going to be a big deal going forward. And I just think it's something people should be paying attention to.

**Erik:** Well, I couldn't agree more, Grant.

When I moved to Hong Kong in 2009, I was really struck by what an incredibly civilized nonviolent place it is, one of the safest cities in the world. When the Occupy Central protests started – and I think it was 2010 or 2011 – the actual protesters were holding up signs apologizing for disrupting the flow of business in the central business district of Hong Kong because they knew it was a nuisance and they're that respectful of a people.

They're, like, look, we're really sorry. We're the young generation. We're about to have democracy taken away from us by People's Republic of China. It's really important to us, but please excuse us for screwing up the traffic on your sidewalk. We don't mean to be a pest.

That's how respectful the people are.

So when all of the protests turned violent in Hong Kong and they – I saw that go down. And then I saw a piece about the violence in Chile. And the situation in Chile, they were upset about, among other things, less than a nickel increase in subway fares – 4 cents. But what started happening was they burned down all of the subway stations, the metro stations in Santiago.

And there were people, older Chileans that were involved during the Pinochet dictatorship years saying, this doesn't make sense. You know, the metro is for us. Burning down the rich people's house, that's probably not a good thing to do, but it's understandable. But burning down the subway station, it doesn't make sense.

So I started to research this and I learned there are people who travel around the world. One group is a group of white supremacists from Ukraine who actually travel to places like Hong Kong teaches classes saying, look, don't throw rocks through windows. Burn buildings down instead. It does much more damage. They're actually teaching protesters the tactics, like combat training, of how to do the most damage.

And all of a sudden it makes me wonder what the heck is going on that's driving the violent aspect of this. I certainly understand why wealth inequality has caused so many people to be very – as far as I'm concerned, very justifiably – upset. But it almost feels like this direction toward a violent response rather than what might be a more effective response is being orchestrated, like somebody is pulling the strings or running the puppets behind the scenes.

Am I crazy to think that?

**Grant:** Well, I haven't done that kind of research into this. It's interesting to hear it and I'll certainly try and find some more about it.

But I think Chile is a perfect example. It's a very politically stable country for many, many years. As you said, they raised public transportation costs – in rush hour, I might add – by 4 cents. And the outrage began with the student community, who were angry about this.

But the response from the Minister of the Economy, a guy called Juan Andrés Fontaine, basically said, you know what? Anyone who is upset with this could wake up earlier and pay a lower rate. You know, talk about being tone deaf. And it was actually that response that kind of triggered an escalation in the anger and the ramifications of it.

But I think the fact that these protests seem to get violent so quickly, you just mentioned a possibly reason for it. I don't know whether that's true or not. But what I do know is the fact that I think none of these protests are really about the thing that causes the fire to be lit. This is the problem.

The fact that they escalate so quickly tells you that there is a deep-seated dissatisfaction beneath the surface. Some of it I suspect is wealth inequality, whether it is jealousy or a sense of unfairness. A big part of it is the cost of living going up, despite people being told how great everything is doing. They have to balance a checkbook every week and they know that that isn't the case.

But there is something about being told by the leaders of your country that everything is fine. People tend, historically, to believe that. I think that belief is starting to fray because I think we've seen so many examples of leaders saying everything is fine when it really isn't.

So people are starting to believe that for a less amount of time now. And they're starting to question the media. They're starting to question what their leaders are telling them. Because instinctively they feel that they're being lied to.

And when you're being lied to about many things, you can shrug it off. But when you're being lied to and, at the same time, you can't put food on your family's table, then things tend to escalate very quickly.

Throw in the fact that part of this rich-poor divide, people see politicians who are incredibly wealthy when they leave office, the amount of corruption around the world – you know that list of countries I gave you is again a ubiquitous trait of all of these uprisings.

We have this kind of perfect storm of rising cost of necessities, rising cost of assets which only really benefits the rich, poor leadership, lies, the media being discredited. We have this perfect storm that really taps into, as you said, this anger that people have in terms of wanting to burn the thing down, whether that's literal or metaphorical. I would say the metaphorical aspect of it is probably far more dangerous.

**Erik:** Grant, I think perfect storm is a perfect metaphor for what's going on here and something I've been saying for more than a decade. And this originally came from an economic and investment perspective.

What I think about markets, I've said, look, I don't know how long this charade goes on with central bank easy money policy. But I know the end game is – you can keep getting away with this until you have runaway inflation.

And that's what eventually forces the Fed's hand, forces the central bankers' hands, when they're unable to solve problems just by conjuring more money out of thin air, because the act of doing so would exacerbate the problem. That becomes true when your problem is runaway inflation.

So I've always said the end game financially for the economy happens when we get someday to a situation of 1970s style runaway inflation. And what I've realized in the last year or so is, wait a minute, the economic and market implications of runaway inflation are going to be the least of our worries.

If you think about it, they can solve a problem like the perception – in Chile, for example, they have rolled back the subway fare increases. They are working to change the constitution to basically subsidize health care and to provide more services and more, essentially, helicopter money into the economy in order to calm the masses and get this mindset of rebellion to slow down.

Well, they can only do that as long as they don't have an inflation problem. And the central bank won't be able to solve the problem when they do have an inflation problem.

So it seems to me that it's not only the financial market but the global geopolitical and civil unrest situation. I mean, to me, inflation is the big key. And I don't hear anybody else talking about this.

Does that mean that I'm misinterpreting this and my idea that inflation is the key is wrong? Or is it just that nobody's thinking about it yet?

**Grant:** I don't think you're wrong at all. But I think what's happened is inflation as a potential problem has been dead for so long now that people have – as we always do – people have made

the assumption that it will never be a problem again. Certainly not in the West.

You know, we've looked at growth and certainly they have poor demographics helping them in terms of costs falling in the West and, yes, in many places in the East. So I think the central banks have been blessed in that they've been able to do this longer than they would have done before, simply because of the demographic picture, which I know you've spoken about a lot on this show.

But, yes, inflation is always the trigger for a lot of this stuff. It was in the '70s. It periodically has been in Asia over the last 20-30 years. When prices of basic staple foods have gone up too fast and too far, it's always caused problems.

But, really, what we have here, Erik, is a bunch of problems created by central banks who have, in trying to stem the blood from the last trauma, have set themselves up for failure. Because I think you're right, the one thing they can't solve is what you just described.

And yet all their policies are ultimately taking us down that road. It's basically a *fait accompli* at this stage. It's just a question of when.

I think they were hoping that the first inflation they would see would be the good kind, the benign 2% kind that would help them with this debt burden. That hasn't happened.

And in trying to pour more gasoline on that fire and get that boiler just stoked a little bit, they have put all the aspects in place for a real inflationary problem. And, as much as people will tell you that inflation is not a problem – the bond market is going to go high, deflation is still going to be a problem – they may be right. They may be right. And I can see how that might be the short-term problem.

But if you look around the world, you can see that every one of these central banks is desperately trying to create inflation. And ultimately they will be successful at some point. And my worry is they won't be successful in the right way. They'll throw so much at this that they quickly create the kind of inflation that is really dangerous.

And I think what we're seeing happening in the world is an early signal that that's where we're headed. The headline numbers don't show it, but the reaction from people certainly does.

If you look at Venezuela, here is a country which has been in chaos for a long time. And next month we are approaching the 30th anniversary of something called the *Caracazo*, which was, again, social unrest triggered by an IMF deal that was – that announced they'd have to hike the cost of public transportation, fuel, and utilities – 30 years ago next week.

This led to massive social unrest, which ultimately led to both Hugo Chavez and later Victor Maduro. We're coming up on the 30th anniversary with that. And again we're seeing problems in Venezuela where they're talking about potential removal of subsidies.

Now, in Venezuela, if you are (I think it is) 15 years or over, you can apply for what's called, wonderfully, a fatherland ID card. And this basically – it's means tested. You answer some questions about what you can and can't afford and it gives you state subsidies.

If you have one of those cards, you pay one bolivar for a liter of gasoline. Now, on the black market, that same liter of gasoline will cost 4 million bolivars. So, I mean, to put it in perspective, that one US dollar will fill the average car's gas tank twice a day every day for a year.

And, of course, across the border in Colombia, people are paying 75 cents a liter for gasoline. So people are making ends meet by looting the government oil reserves, taking it across the border, selling it at a massively inflated price, to put food on the table. So that's how precarious these places are.

So when you look at this happening in Venezuela, you look at the dire state of the economy, and you see them potentially talking about taking away the only way many people can afford to put food on the table, a month ahead of the 30th anniversary of the biggest social unrest in the country's history – I mean 300 people officially died, but unofficial estimates said it was way more than 2,000 – you have all the pieces in place here for yet more unrest.

And I think our problem in the West is we listen to unrest in these far-off places and assume it's not a problem that we'll ever have to deal with and assume we can just ignore it.

And, in many cases, the actual unrest won't affect you. If there is a food protest in Sudan – the best one was in Lebanon where the Prime Minister put a tax on WhatsApp and that was the spark that ignited the fuel over there.

You can ignore some of these things, and some of them are kind of interesting little stories. But once you put all this together anecdotally, there is a real problem developing here in, as I said, in the social fabric.

And talking about these things is inflammatory in itself. People struggle to think about these concepts without it sounding alarmist. But the evidence is there. It's on every newspaper that we've read for the last several years. It's all there if you dig deep enough.

The fact that the *mouvement des gilets jaunes* protests have fallen away from the front pages is very interesting to me. It very much looks like they're very deliberately trying not to talk about this in the hope that if people don't know it's happening they won't pay attention. But that protest has now morphed into a massive protest in France about pension reform.

Again, people are being told that the promises that were made to them are unaffordable now and they may have to think about either working longer or paying in more or receiving less. And it's – this is a rolling crisis that is really not just rolling through society in various countries but it's rolling around the world.

**Erik:** And, to be clear, I don't predict inflation starts right away either. But I think the question that we agree is so important is, okay, if we know that inflation is the problem that they can't solve, then what would bring it about? And, as our regular listeners know, I've got one version of that. But I really want to hear yours.

My version is I think what happens next is politicians realize, hey, they've been conjuring trillions of dollars out of thin air and using it to buy bonds on the open market. We can do the same thing and we can use it to fund all of our social spending problems, whether it's universal basic income, Medicare for everybody, free tuition, forgiveness of student loans. We can do all of it and we don't have to tax anybody.

And that will – what I fear the most is I think it will be fabulously successful, Grant, in the beginning. And it will feel great. And they will declare victory.

And, because the inflationary effect of that won't be felt until a couple of years later, at which point it will be too late, and that's where we really get to the end game. That's me and my story.

Tell me your vision. Or perhaps several different visions of how things might evolve to where we eventually see this perfect storm that you've described come to a head.

**Grant:** Well, what you've just described is exactly my fear too, Erik. I can see them hanging the mission accomplished banners up in front of the Fed already. I think that's exactly what will happen. You can see it if you're paying attention. It's happening in slow motion right in front of our eyes.

You just have to look at the policies of the Sanders and the Warrens of the world, the casting billionaires in a bad light. You know, we're going after this stuff, we can pay for all this. It's all being set up right now.

And I suspect the thin end of the wedge is going to be student debt. They'll do something about that because it taps into every demographic, particularly the most energized demographic, which is the youth.

I think you're absolutely right. If they go down the MMT, UBI route, it will be successful initially. And that terrifies me. I suspect it won't be a couple of years because of the kind of groundwork that's been laid previously in stoking this inflationary fire.

I think if had they just come out of the blue and done that, maybe they would have bought themselves a little bit longer. But I think their solutions are getting more and more drastic because the problem is getting bigger and bigger. And that tells me that the eventual response to it, when it feeds its way through the system, will necessarily be bigger too.

I really do share your fears. And I really think that is where we're headed.



**Erik:** Grant, I want to move on now to another topic that you – I should credit you first, you really nailed it. I can't remember, it was about a month ago, two months ago. Before WeWork fell all apart, you – either on this program or somewhere else, I don't even remember where I heard you saying it – you were saying, look, it's really time for some of these Silicon Valley unicorns to fall apart. And you mentioned WeWork.

It was just a week or two before WeWork all just completely collapsed as people realized that really there is nothing new there. It's the age-old model of office suites and there is nothing special about it and it's not worth billions and billions of dollars.

At the same time, though, you mentioned Tesla. And I couldn't agree with you more that, at least as far as reality is concerned, Tesla was overvalued. But it's gotten considerably more overvalued since.

So congratulations on WeWork. When do you get proven right on Tesla?

**Grant:** It's fascinating. It really is. Let's get to Tesla now. I think the WeWork thing is important, but the point that I've been making about that, again, is it really goes beyond the company itself.

What amazed me about Tesla – and I've been writing about WeWork on and off for a couple of years now – talking about this. And what really caught my eye was the fact that what took WeWork finally down – and don't forget, this thing was days away from a \$90 billion IPO. Three weeks later it was basically being bailed out, it essentially bankrupt.

What took it down was nothing more than a shift in narrative, perception, whatever you want to call it. They filed their S-1, which was filled with all the stuff that we've been reading and writing about WeWork for years, but which was held up as how it was innovative and it was going to change the world. And Adam Neumann was a genius and Masayoshi Son was this crazy visionary, and everything was great.

They filed the S-1 and, for whatever reason, people just couldn't stomach the nonsense anymore. They just couldn't ignore it. They couldn't continue to pretend it wasn't ridiculous. And so all we had was a shift in narrative. And WeWorks' collapse was spectacular.

But what's been more interesting to me in the follow-up is the collapse in the perception of Masayoshi Son, who was a hero to millions. He was the unicorn maker, the kingmaker, whatever you want to call it.

And if you can find me in the last six weeks a piece about him or the SoftBank Vision fund that doesn't cast him as a fool with too much money to spread around investing in ridiculous ideas, then please send it to me. Because I've been paying really close attention to this and everybody is now piling on to Masayoshi Son – then visionary, now buffoon.

And that just tells me how, again, how fragile this whole unicorn celebrity CEO investor space is.

Which brings us perfectly to Tesla, because I think this is exactly the same thing going on. What's happened is people have gone into a war over Tesla. And it's a war being conducted between bulls and bears. And it really has galvanized around the share price.

You know, the share price has been the arbiter of who's right and who's wrong at most points through this particular discussion. And, to me, that's complete nonsense. I just don't think that's the way to think about this. Because, at any point in the last three years, the bulls have been right plenty of times. The bears have been right plenty of times.

The stock price shouldn't be the arbiter of who's right and who's wrong. Ultimately, it's the success or failure of the company.

What I've been struck by is the mindset of both sides of the camp. And I really do try and be circumspect about this thing.

I'm not a fan of Elon Musk. I'm on the record as saying I think this thing is a fraud. I think the equity value is zero. And I still have seen nothing that makes me believe anything different. In fact, I've had those fears reinforced multiple times with some of the things that have been said and some of the lawsuits you read about.

But, look, the bears like me have been wrong in terms of stock price for the last three months. What the stock has done has been extraordinary in that time.

I don't think that's changed any of the fundamental reasons why many of the bears are critical of the company, of the CEO. I think all of those reasons are well founded. I think they're all still in effect. And I think, ultimately, they will be too much for the stock price to plaster over.

But, for the time being, the stock price is at all-time highs. Elon is looking like a genius. Substantively, this thing is not doing a great job. They deliver more cars, but margins are under pressure. The China factory has an awful lot of opacity surrounding it. I mean, this thing is a really difficult thing to get a look at properly.

But I think, for now, the bulls fully deserve to be jumping up and down and whooping away with the stock price where it is. You know, congratulations to them. But this is not over until the company either can turn a profit and be sustainable or disprove any of the allegations that are being made against it by the bear community. And I think we're a long way from that yet.

So score this round, if you're judging it, to the bulls. But they certainly haven't knocked the bears out yet.

**Erik:** Grant, I'm going to put you on the spot. Because the first time that I interviewed you about Tesla, it was a fairly new story. I think most investors didn't really know a lot about it.

But I remember something that you said very clearly. You said, okay, look, clearly this guy Elon Musk is a genius. The guy is brilliant. But I have some concerns about Tesla, so on and so forth. I kind of bit my tongue at the time because I had a different view.

But, at this point, what you've learned from the last few years of following this story, do you still think Elon Musk is brilliant and a genius? Or do you think he is just maybe the best con man who has ever lived?

**Grant:** Well, that's a fascinating question. Thanks for reminding me of that. First of all, it's very unlike you to bite your tongue. So that's a well-done for once in your life.

[LAUGHTER]

But, yes. Look, I think it's a perfect example of the fact that I, like many others, bought into the narrative. I wasn't paying attention to Tesla. I keep reading about this guy who is landing rockets and doing all of this crazy stuff and what a genius he is. And you can't help but get caught up in that.

And I think that's how this thing ultimately fails. Because what happened to me has been happening to a lot of other people. The closer you look, the closer you realize he is a charlatan and he is a fraud.

And when I put this on – I did this documentary about Tesla. And, you know, it was an attempt at making a balanced piece. I said right off the bat, I said, look, I'm a bear. I think this thing is worth zero. But I'm going to talk to some of the bulls and see if we can get at –

Obviously, even though I am as circumspect as I can be about this stuff, I still get plenty of hate about being a bear and a hater and what an evil person I am and all that stuff, which kind of comes with the territory when you do these things.

But the one thing I found, the common thread that everybody on the bear side has with Tesla, is incredibly illustrative of the point you were just making: At some point they weren't really paying attention to Tesla. They didn't really care. They heard about this guy doing amazing things. Assumed he was a genius.

And then, one glorious day he steps into a world they know really, really well and he makes some amazing pronouncement about what he's going to do and how he's going to change the world and how incredible it's going to be.

And they all stop and say, well hang on a second, that's either (a) impossible or (b) a flat-out lie. And it's only when you get confronted with that that you start digging in and realize, well, hang on a second.

Some of the websites that have sprung up – there's a great website called [Elon Musk Today](#) which

lists all the promises he's made and how many days since he made them. And you just scroll through that and it's just amazing to read some of these things that he promised would happen in three to six weeks and here we are three to six years later and they haven't happened. But people kind of give him a pass.

But, slowly but surely, people are, as I say, finding out that some of this stuff that he's talking about – even though the press kind of drool over it – as soon as you start digging just a little into the realities of it, you find a rabbit hole which takes you only in one direction. And that is, again, towards an emperor who wears no clothes whatsoever. So I find the whole story fascinating.

But, more importantly, as we've talked about earlier in this podcast in terms of what fuel protests represent, I think Tesla is important in a similar way to WeWork in that it wraps up – and I've spoken about this previously many times – it pulls together so many threads of the society that we've built around ourselves.

It's all about free money and low cost of capital and mal-investment. It's about the green movement. It's about celebrity culture. It's about central bank policy. It's about captured regulators.

It pulls everything that has been either a problem or a component part of this financial ecosystem that we've built over the last decade, it pulls it all into one stock.

So I'm very keen to watch how Tesla unravels, because I do believe it will. Because I think that will send some very important signals as to how the broader market might unravel.

**Erik:** Grant, I have to wonder if this is all a great big matter of wishful thinking. Because, when you think about it, nobody's got a better story than Elon Musk in the sense of wouldn't it be great if everything he said was true.

I mean, we're not only going to solve all of these problems, we're going to have underground super-fast trains Las Angeles to San Francisco in 45 minutes. We're going to do it in a way which doesn't produce any emissions whatsoever. We're going to solve global warming. And we're going to have nightclubs on Mars. And it's just going to be great.

Nobody's got a better vision that I think maybe helps people to escape from reality. And that really, if you think about it, it's what he does is to help people escape from reality.

When he's confronted with, okay, dude, your business is failing, clearly failing, the evidence is obvious everywhere. What do you have to say to investors?

The answer: We're going to introduce – not a flame thrower – basically, a \$600 glorified butane lighter that will take your attention away from the fact that my car company never had a viable business plan. And focus on something that's really cool and fun and you can pretend that you're kind of like a superhero with this flame thrower thing. And, you know, it's \$600 to buy one. They

were sold out instantly.

He's got this talent for somehow just taking the seemingly impossible challenges in terms of being confronted by evidence that the business plan that he's had for Tesla just never made any sense. And, hey, who else could possibly, in the environment of being confronted with something as difficult as that, just smile and say flamethrowers, babe, they're coming. And it worked.

**Grant:** It did. It did. But I think there's two really important points you just brought up there. The first thing, you spoke about all these crazy dreams. It's absolutely right.

Look, people want to dream. We want to believe in a better future. We want to believe anything is possible.

The thing is, along comes Musk, who plays into that and does talk about colonizing Mars and doing all of these amazing things. At no point in the last hundred years did you have, again, the confluence of events which allowed the technology to supposedly be available to do that but, more importantly, the cost of capital that allows him to incinerate billions of dollars to chase those dreams.

At no point in the future, when people could have got 5% returns just by sitting on 2-year Treasuries, are they going to let Musk piss away billions and billions of dollars. It just wouldn't happen. It's very important that this is happening now.

And that's why this central bank thing is important. It's why it's another big thread that Tesla pulls together.

But the other thing you said that really struck me, you said it's obvious his business is failing. And the big question there is, it's obvious to whom? Because anyone with a financial background who understands either how to read a balance sheet or how financial fraud is conducted, yes, it's obvious to them.

But to people that have no understanding of finance, who have no idea what a balance sheet looks like, have no idea what accounts receivable looks like, the shade that's being thrown at Musk by people who really understand how his company is being built means nothing.

So you can throw as much of this shade as you want. But if you're talking to an audience who, with the best will in the world, even if they wanted to understand they couldn't, they would simply fall back on their dreams. And that way, the people throwing the shade become bad guys because this guy is trying to change the world for the better.

Ultimately, I think you're right. It's an obvious basket case. We know where it's going.

And when it goes, it's going to be very painful for a lot of people. Because this guy who's given them something to dream about is going to be proved to be something other than that. And

that's going to be a very bitter pill for people to swallow. And it will disillusion a lot of people.

And the next big dreamer/charlatan/fraud is going to have a really hard time getting people's confidence. But that's the way these things work.

**Erik:** What I fear, Grant, is that Tesla and Musk are just a proxy for the same phenomenon on a much, much larger scale playing out before our eyes. And it goes back to the civil unrest and the universal basic income and everything that we've been discussing in this interview.

We're going to get to the point where there is an introduction – whether it's Bernie Sanders doing it or Elizabeth Warren or AOC or I don't know – but there's going to eventually be universal basic income, forgiveness of college loans.

It's going to be perceived initially as the greatest thing ever. There's going to be a giant celebration. It's going to be just so wonderful that we have leadership now which is changing the world for the better.

And guys like you and me will be, at least temporarily, Public Enemy #1. We were the naysayers who didn't believe in what was possible that these people brought to us. And at first it seems completely successful.

You and I know, because we've been studying economics for all of our lives, that eventually that results in this perfect storm that leads to a runaway inflation and an inflationary-created depression.

But that, as you say, that might be obvious to you and me. It's not obvious to most people and we probably sound like the bad guys in this story. Most people who have no background in investing, economics, listening to this interview would think, listen to these two jerks bashing a visionary leader of tomorrow like Elon Musk. What is wrong with these guys?

I'm just afraid of what the bigger picture setup is going to be for the economy. And what's going to happen when these folks are let down by economic reality sinking in.

**Grant:** Well, look, that's the problem, right? Right there. It's reality. So you can choose to ignore it, you can choose to be upset by it, you can choose to be angry at it and lash out against it. But reality is reality.

What we have right now isn't economic or fundamental reality. It's the reality we have to deal with every day. But we all know – at least one would hope we all know – that you cannot just print money and it all works out. We know. But, as you said, because we've read financial history and we've studied and we understand these forces –

But I'm still struck by some of the conversations I've had over the holiday period with people who aren't involved in this at all. They're very smart, well-educated people who just happen to have

their interest in either medicine or science or wherever it may be, just not finance.

And when you explain to people what's actually happened over the last decade or so, post-crisis, what led to it, and what has been done to prevent it and why, people – their first reaction is, I had absolutely no idea.

And the second response is they get very angry very quickly about what's happened. And, sure, they might be getting angry very quickly, because they're getting the kind of slant on it that you and I are talking about here because it's coming from me.

But people aren't paying attention. And that's probably the best thing that the government and the central banks have going for them right now. And long may it continue, for their sake. But, at some point, when you need to pay for groceries and you can't, you do start paying attention. And it's amazing how quickly the scales fall from people's eyes at times like that.

**Erik:** Grant, I will face a mutiny from our listeners if we don't get to gold pretty quickly here. Because that's something not only that you're very well known as an expert on, but you were singing the praises of gold. You've been bullish gold for the last several years.

And I definitely have to credit you. When we last spoke, I think a year ago on this program, I was saying, look, Grant, there's just a lot of reasons to think that the dollar short squeeze that is gripping the global economy is going to take gold down before it goes up.

And you were just very steadfast in saying, look, that's entirely possible. But it doesn't matter because, even if gold is trending down, for the purposes that you so eloquently described that you own gold, it doesn't matter. You're basically providing yourself with a degree of separation from the paper financial system. So no matter what happens, you're preserving some of your wealth.

The big question I want to hit you with this week is, we know that story from your previous interviews about, even when gold was trending down, you still wanted to own it and we understand why.

And, for our listeners, if you're new to this and haven't heard this, I recommend that you go back and listen to Grant's prior interviews here on MacroVoices to get that story.

But the thing is, Grant, now it looks like gold definitely is trending higher. Is it time to change strategies and to not just be thinking about it as an insurance policy? And, if so, how do you go about doing that?

**Grant:** Let's separate the two. The core position in precious metals is an allocation, it's a hedge, it's an insurance policy, whatever you want to call it. And I think that that is something that every portfolio should have and adjust up and down depending on the reasons.

And, as I've said in other podcasts, I think of it, I call it the insurance policy in that, depending on how unsure you are about the outcome in the markets, that's the percentage of gold you should have.

If you think there's a zero percent chance of a bad outcome, don't own any gold. If you think it's a coin toss, then perhaps 50% gold is a more sensible allocation.

But, putting that aside and talking about trading gold, which I really try and stay clear of – I mess around every now and again, but it's not – I think there are plenty of things that are easier to trade than gold and silver mining shares.

But if you look over the last year, 2019, I was reading an article yesterday. If you look at the S&P, it was up 29%. Gold was up 19%. So, yes, it underperformed. But if that's your hedge against the S&P falling, and your hedge has actually gone up 20%, that's a pretty good performance.

But when you look at the ETFs of the mining shares themselves, it's extraordinary what happened. And most of it has happened in the back half of the year. The junior silver miners were up 60-odd%. The HUI Gold BUGS Index, which is a benchmark, was up 50%. It almost doubled the S&P. And then all the other gold mining ETFs outpaced the S&P by a considerable amount.

I gave a presentation back in July at our friend Rick Rules' conference, talking about what was happening in the gold and silver markets. And I said at that point I don't talk about the price when I talk about these things.

The last time I really did that was December 2015 when I gave a presentation called "Nobody Cares" which, if anybody wants to watch it, it's on YouTube. You'll find it up there somewhere. And that was the last time I really came out and said, look, I think the price is going to start to run now and I think the gold mining shares are going to have a decent run.

My timing was pure fluke. I'll be the first to admit that. But we had, for the next six months we had an extraordinary run in gold and silver. The metals and also the mining stocks.

And since I did that presentation – it was called "Crikey!" and I think you can find "Crikey!" on the internet as well. If you search for that, you'll find that presentation.

And, again, it was the first time in four years that I talked about the fact that I think the stars were really aligning for a really strong run in gold and silver miners and the underlying metals and that people should start to position themselves accordingly. And that's played out.

And, you know, we've touched on \$1,600, which, for many people it is an important level. I mean, it really isn't in the scheme of things, but people love these round numbers.

But, you know, I think there are so many incredibly constructive charts for precious metals. I think the path of least resistance is up. We will get consolidations, as we always do, with this thing.



And sometimes the consolidations are a lot more painful than the rallies are joyful.

And that's something that, if you're going to get into the gold and silver mining complex, you really have to understand just how volatile, just how painful these things are. And be very adept at positioning yourself correctly.

But, again, the DXY was basically unchanged last year. So all this talk about the strong dollar and the squeeze, it hasn't materialized. That's not to say it won't. But I think, even if it does, there is still a very strong case for being long gold silver and, particularly if you're chasing leverage, then the mining shares.

Right now there is probably not a sensible time to buy them. I would look for some consolidation, but I think they go higher.

**Erik:** Grant, finally before we go, I want to touch on *Things That Make You Go Hmmm*, your newsletter, which has gotten a huge amount of attention. I think it's coming up on 10 years old now and gets probably better reviews.

I don't know how the heck you find time to write it. It's not a two- or three-pager every month. It's more like 50 or 60 on a good month. How do you pull this off? Give our listeners who are not familiar with it a sense of what they can expect. And is it possible if we push a little on you to get a free offer of some kind or maybe a sample issue?

**Grant:** You're shameless, Erik. You know that right?

By all means. I would be delighted if people want to take a look at it. I'd be delighted to. It's a labor of love. It's something that I love doing. I try and look around the fringes of what's going on. I try and find either an interesting angle on a story that's in the mainstream or a story that nobody is really thinking about.

There is a lot of big-picture thinking and ideas in there. And just trying to join the dots and really just help people to think about things either in a different way. Or think about things that perhaps they might not have noticed were happening and try and explain to them how that can affect what is a very, very complicated picture.

You know, it's been a lot of fun. I've met some incredible people writing it. And, you know, I've shared a lot of great information with people who have been very kind to help me put these things together. So I love doing it. It is a labor of love.

If anybody wants to check it out, feel free to let me know.

**Erik:** And how do they reach you in order to do that?

**Grant:** The best way is to just send me an email at [info@ttmygh.com](mailto:info@ttmygh.com) and you can check the

website out at [ttmygh.com](http://ttmygh.com).

**Erik:** And of course your twitter handle is also [@ttmygh](https://twitter.com/ttmygh).

Grant, I can't thank you enough for another terrific interview. Patrick Ceresna and I will be back as MacroVoices continues right here on [macrovoices.com](http://macrovoices.com).