Doug Casey on the World
Guest: Doug Casey
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Doug Casey is a bestselling financial author, international investor, entrepreneur, and the founder and chairman of Casey Research, a provider of subscription financial analysis about specific market verticals including natural resources/metals/mining, energy, commodities, and technology. His 1979 book* Crisis Investing *is the best-selling financial book of all time. His most recent book is* Right on the Money: Doug Casey on Economics, Investing, and the Ways of the Real World*.

WOODS: Even though I've just introduced your new book to the audience, I want to start off, if you don't mind, with an earlier title because of how important and influential it was, and how successful it was for you. I'm thinking of *Crisis Investing* from the late ’70s. That book was #1 on the *New York Times* bestseller list for multiple weeks. In my audience probably the main demographic is people in their 20s, but we have people probably up through their 50s. This would be the typical demographic. We've got some young people just starting out, and we've got some more accomplished people who have some wealth to throw around. What would you say today, in 2013, would be the key lesson that is still very valuable for people from that book from ’79?

CASEY: I wrote that book*, Crisis Investing*, in 1978, and it came out in 1979. Amazing. It sounds like a long time ago, and I guess it was. But the timing of that book was actually excellent because I was proposing in that book and explaining why—because the economy was about to go into a really, really serious recession that could have very well resulted in a depression. Now, it didn't, and I'm very happy about that because I prefer good times to bad times. But here we are years later, and this book is out now because I think the economy is, as we speak, on the cusp of what I call the Greater Depression. It's going to be much more serious than what happened in the early ’80s, and even much more serious than what happened in the 1930s. It might be the most serious thing that has happened in hundreds of years. I think this is a really big deal, and we're on the edge of it. So, that's why I'm talking about these things in this book now.

WOODS: Now, what was it that you were doing in the 1970s that made you so successful, and what prompted you to do those things? You're known for doing things that are contrarian and that always seem to more or less work out for you. How is that?

CASEY: Well, in the ’70s especially, I was spending a lot of time running around the world, especially to countries around the Equator, in Africa and South America and Asia, and that was not really anywhere near as common then as it is today. It was exotic in those days. So I was an early adaptor. Now everybody takes vacations to the most exotic places in the world. So that international orientation has always treated me well, and I have always tended to look at the world as a whole. Most people just look at the country that they're born in. In fact, most people just look at the area where they are born, and that's where their world begins and ends. Most people seem to have the attitude of medieval peasants, where they are afraid to go over the next hill because they were told that there might be dragons. So that's an important part of my world, I've got to say.

WOODS: I remember, probably the one time we met, we were on a PBS show together where I think the host expected us to be debating limited government versus anarchism, and we were both on the same side. But it was still an interesting show. I seem to remember you saying on the way to the studio that the real huge opportunities for money making were to be found, not only not so much in the U.S., but also not even necessarily in the most developed parts of the world. There are so many opportunities, there is so much low-hanging fruit in the developing world. Am I remembering that correctly? And, if so, how do you decide where to get started?

CASEY: Well, you're totally correct, Tom. I like to go places where nobody else goes, and the reason for that is because there's less competition for you. If you are a normal, middle-class American boy, there's millions and millions and millions like you here in the U.S., so you don't have any competitive advantage. But if you get on a plane and you go to Senegal, or Zimbabwe, or Tanzania, you're the only guy of your type. You're the only guy that's got that particular set of knowledge and skills and connection, and you probably have more capital than locals do. Here you're on a level playing field; there the playing field is tilted very much in your favor. If you are clever, you can probably get into sitting down with the presidents of most of these Third World countries within a week or two of hitting the ground. So, that's why I suggest people look in that area.

WOODS: You mentioned Senegal. I have a friend who's opened a couple of sushi restaurants in Senegal. There are no sushi restaurants in Senegal except for his. When he got there, he put in ads, he got sushi chefs to fly in and train his local staff, and he said that these are profit opportunities, just as you say, that are just sitting there. He said, "Now, on the other hand, I did spend two nights in a Senegalese prison because I violated some regulation." So it's not all sunshine and lollipops, but thinking outside the box, especially today, does seem to be pretty good advice.

I want to get into your new book, *Right On the Money*. Of course, it does talk to some extent about diversifying, in terms of your national boundaries with your investments. But I want to start with the beginning of your book, where you talk about Ben Bernanke—who is on his way out, of course. You are highly skeptical of Bernanke, as, of course, are my listeners and I. But what do you say to those people who say to you, "Look, Casey, you're just a professional naysayer, and Bernanke saved us from a great depression, and he did so without even giving us very substantial price inflation. So can't you just admit that you've been wrong?"

CASEY: No, actually, I can't. And I want to preface what I'm going to say by saying that if there were any justice in the world, Bernanke and Greenspan before him, and I'm sure after them, would be hung from lampposts on Fifth Avenue for all to view. But, unfortunately, we don't live in a very just world where people get what they deserve. Yes, Bernanke did prevent a collapse of the economy back in 2008. That's so true. But while that's true, you don't want to confuse the immediate and direct consequences of printing up trillions of currency units with the indirect, delayed consequences of doing so that you're going to compound interest on those things, and it's going to be completely catastrophic. It would have been much better, actually, for everybody in the long run—and I don't mean just in Keynes's ridiculous view of the long run when we're all dead; of course, that's true—but I'm talking about in the next few years—to have let the banks and brokerage firms and insurance companies collapse. That would have been much better. It wouldn't have been sufficient, but it would have been a step in the right direction. He propped them up with stolen money, in fact, because those dollars came out of somewhere, and eventually, all of those dollars which are now sitting in the coffers of these big banks and brokers are going to come out into the economy, and it's going to result in catastrophic inflation. And that's going to destroy the middle class. People have to understand, this isn't a matter of abstruse academics; this is a matter of practicality. The average guy's standard of living has been going down radically in the U.S. in the last twenty or thirty years, at least. Actually, since 1971. And it's going to go down much more rapidly in the years to come. And a large part of it, not all of it, is because of the actions of the Federal Reserve.

WOODS: I don't know if you read *The Wall Street Journal*. I don't generally read it, but I was in a hotel the other day, and it kept being put under my door, and so I saw the headline from just a day or two ago. It was saying that the low level of price inflation was proving to be a challenge for central banks and the threat of deflation continues to loom. What does one even say about an analysis like that?

CASEY: Well, the first thing I'd say is it's idiotic and shameful. One of the reasons why I'm happy to be living in South America now, as opposed to the U.S.: at least people down here are used to inflation. To start with, it's crazy that these people are looking to inflate the currency, which means to destroy the currency, because it's punishing the members of the middle class that try to produce more than they consume and save the difference. That's how you become wealthy. That's how a country becomes wealthy. But they're punishing those people by destroying what they save. In fact, by making it idiotic for them to save, because they're losing five percent every year. Actual inflation is not the government's two percent figure. It can't be trusted any more than the figures tossed out by the government of Argentina. They're becoming equally unreliable actually. Inflation is, in reality, probably something like five to ten percent per year now. Anyway, what's wrong with deflation? Deflation's a wonderful thing. It means prices go down every year. And, in the past, when the U.S. was on a pure gold standard, this was before 1913, prices dropped every year. That encouraged people to save. And that's how you become wealthy. That's how the U.S. became wealthy. So these people have everything completely backwards. And the fact that a major newspaper—in fact, *The Wall Street Journal*, it's sad to say is the best newspaper in the U.S. It's not very good. The fact they have some cub reporter writing trash like and his editor doesn't bring him up short shows how low it's sunk.

WOODS: Doug, what are the nuts-and-bolts ways that the middle-class person is especially hurt by what the central banks of the world are doing? I mean, it's obvious that prices go up, but his salary probably also goes up. Why in particular does the middle class suffer? Why don't you suffer? Your wealth is also being dissipated.

CASEY: Yeah. It’s inconvenience. One of the reasons is that you have to spend more and more time trying to figure out how to outrun inflation, so people concentrate more on shifting assets around, trying to beat inflation, than they do in creating real wealth. That's one thing, obviously. Another thing is, sure, his salary may be adjusted. I haven’t worked on a salary my whole life. I don't really know what that's like. The average person's salary may be adjusted, but as you adjust it higher, he goes into a higher tax bracket as well. And, in addition to that, as the state grows—and the state's been growing like Topsy—for many years, you constantly have new taxes and new regulations telling you what you can and can't do. And this affects your standard of living. So, the whole problem actually is this whole idea that the state is a cornucopia and can and should do things for us. So eventually the U.S. is going to be punished for the mistakes that it's made, and it will probably climax in a war sometime in the next decade, because as things gets bad, politicians like to blame somebody else, some bad guys "over there," for our problems instead of blaming themselves. But, it's all going to end very badly.

WOODS: Well, of course, we all know our government officials are always just innocent bystanders whenever something goes wrong. They were just standing there and, for some reason, the economy crashed, or Muslims attacked, and it had nothing whatsoever to do with them. It's the old story. Now, you've got a lengthy section in this book on investment and some of your ideas about what people ought to do and what you've done. You talk about gold. Not that it's all or nothing, but how do you decide between physical gold bullion and gold stocks?

CASEY: They are two totally different investments. They literally are. They are related, but they're totally different. You buy for safety, for prudence, for insurance. You buy gold because it's the only financial asset that's not simultaneously somebody else's liability and, in today's world, which is just full of counterparty lists—with all these banks, and brokers, and insurers are in worse shape now than they were in 2007 incidentally—and the quadrillion dollars—it's close to that—of derivatives out there, it's a daisy chain. One default leads to another. That's why you want the physical metal in your possession. And better yet, in your possession outside of your native country, so they're insulated from your government, because political risk is actually the biggest risk today. Gold stocks are speculation, a high-potential speculation, and as we speak at this moment, a very high potential speculation, because in real terms, the mining stocks are actually about as cheap as they have ever been in history. It's always different, but I'd say that as the Fed creates more bubbles, one of them is going to be in gold, and is likely to be a super bubble in the mining stocks. It's possible to get ten or twenty or even fifty-to-one on your money in the right securities. So they're very risky and very volatile, but as we speak, this is a fantastic time to buy some, so mark my words.

WOODS: That is excellent advice, and I'm glad that people can get the chance to hear this. When you look at other people's investment advice, like the sort of books that are offered to the general public, here's what you should do, you should buy and hold, and you should have diverse holdings, and whatever. I mean the old advice that Doug Ramsey used to give is, just go out and put your money in a mutual fund and that will yield you twelve percent a year. Well, it's not the year 1999 anymore. What do you think are the most dangerous or foolish pieces of advice that constitute the conventional wisdom about investing?

CASEY: Well, the first thing, I think, is now, as we speak, we are in the middle of perhaps the biggest bubble in history, and that's the bond bubble. Anything that has a fixed interest rate yield is triple threat to your capital. You're in the dollar; that's bad news. Interest rates are going to go up; that's very bad news. And the last is the risk of default. It's more of a danger than ever, so if you own bonds or anything of that nature, look out. You're in a very bad position, and the consequences of that on the stock market and the real estate market are probably not good. The stock market could go a lot higher as money flows into it just looking for real assets to hide in. The same is true of real estate, but not likely, because real estate floats on a sea of debt. So this is a very, very problematical time for people that have assets, because the thing to remember about a depression, and we've been in a depression since 2007, defined as a time when most people's standard of living goes down significantly, most people lose, and lose significantly during a depression. So, the key is that most people's standard of living is going to drop. I've very sorry. It's going to be unpleasant, but not as unpleasant as some of the other things that are likely starting us in the face over the next couple of years.

WOODS: I want to just bounce back a minute to the question on gold because I guess what you're saying is that gold shouldn't really be thought of as an investment. It's not something you're looking to make some money on; it's something that you have for a bad scenario that could occur, and it's not altogether out of the picture, that it could occur. Am I right about that?

CASEY: Yes, you are. I use the word "investment" in a qualified manner. Technically speaking, an investment is the allocation of capital in a place that will create new capital. In other words, in the production of business. Gold isn't an investment from that point of view. It's an asset that you save. A hoard, if you will. I hate to call it an investment. Sometimes it can be an excellent speculation. And as we speak, it is also an excellent speculation—which incidentally, I define that word as allocating capital to take advantage of politically caused distortions in the marketplace. But anyway—go ahead. I'm sorry.

WOODS: I guess my question is: like anything else, gold is not going to just continually move upward. It'll have zigs and zags, and yet every time it zags, it's unlike any other asset, it seems. It attracts a horde of people in the media who want to come out and laugh at everybody who has ever been involved in gold. Every single time. You don't see that when oil falls, or anything else. But, for some reason, when gold falls, you get all these hectoring nabobs out there who want to lecture everybody on how dumb it was for you to be in gold. Why do you think that is?

CASEY: Tom, that's a very interesting observation actually, and I think it's true because there is so much ideology that's wrapped up in gold, and all these people that constitute the establishment have a vested interest in the status quo, and a vested interest in the conventional so-called economics they've been taught in school, and so forth. So, I think it actually makes sense that they react that way. Well, it's all a matter of psychology. I mean, these people are going to be punished in the years to come by the markets, so I just observe it as a part of the passing parade. But you're quite correct.

WOODS: Yeah, let them laugh now. I think you're right. My thinking is more or less the same: when you buy gold, you are not just buying gold. I think you are also casting a vote against the regime. And these people, in one way or another, are hangers-on of the regime. They take it almost as a personal affront that you're buying gold and they can't abide this.

Now, somebody reading your new book, *Right On the Money*, is going to get just a hundred-octane Doug Casey here. All kinds of stuff about investments, things that have worked for you, things that you've actually done. It's not just theory; it's practice in here. But the thing is, I also liked just your general take on current events, and so I want to put that into one giant question. I get the sense you're not too keen on the prospects for politics, so suppose you have an average American who is concerned about the direction of the country. If not politics, what should he do? Should he just look after his own family and try to provide for himself? Or is there something else that he ought to be doing?

CASEY: Yes, the answer is you should not become politically involved because that just cedes them power. It makes them feel more important when you direct your attention toward them that way. That's not to say that when you're at a cocktail party or when the question comes up that you should not say what you know is right, but I think it's a bad idea to become politically involved with certain candidates and so forth. Not to say I didn't support Ron Paul and the educational enterprise, which is the main way I view what Ron did, spreading the word widely from that particular podium. But, yeah, I think this is the time when you should, as the French say, *Seul qui peu*. Make sure that charity begins at home. So that's critical. Put your house in order now.

WOODS: Well, I want to recommend that people read your book *Right On the Money*, but I also would like you take a minute to explain to people what Casey Research does, and why they should look into that also.

CASEY: Casey Research has about three or four publications. So, if they go onto the website, CaseyResearch.com, they can certainly sign up for those. And we have probably a dozen paid publications that cover technology and the economy and mining, commodities, basically everything under the financial and economic sun. So, I invite people to stop by there and take advantage of it and start out with the free things.

WOODS: Well, definitely check out CaseyResearch.com. Doug Casey, I appreciate your time. You're a ridiculously busy guy, but you were generous with us today. Best of luck with the book, *Right On the Money*, and with everything else you're doing, and I hope we can talk with you again sometime soon.

CASEY: And we actually have a very clear connection in between where I am in Argentina right now, and where you are. The wonders of technology, huh?

WOODS: How about that? Another product of the market. All right, thanks a lot, Doug.

CASEY: Thank you, Tom.