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This Is Stagflation…And Here Is An Easy, Practical Idea To Prep For It

By David Haggith

The economic gurus and magic-chart advisors who told you inflation was going to be transitory or that it wouldn't amount to much or even the dimmest of all who proclaimed it wasn't happening at all could not have been proven more foolish and blind to the obvious all around them. Now they are revising themselves faster than I can write about it.

Before talking about what you can do the easy way to protect yourself a little, let's review the track-record of some of the so-called experts who couldn't see what they don't want to see by looking at just one major bank's predictions for inflation this year and how they have had to revise their prediction skyward month after month.

The great and squidly Goldman Sachs has struggled all year to catch up to where I have been saying for the past year inflation was clearly headed this year, and its latest forecast is still lower than where I believe inflation is headed, but the experts at GS will get there as their trail of errors demonstrates.

Just look at how they have revised their forecasts for 2021 from month to month as inflation has become more clearly NOT transitory and more clearly NOT a mere "symmetrical" move above the Fed's target of 2%: (In fact, GS's *starting* position early last spring was well above the Fed's target.)

Continued on page 2

Corruption Of The Currency And Decivilization

By Claudio Grass

Lessons from the Fall of the Roman Empire – Part I of II

The rise and fall of the Roman Empire is arguably one the most studied, written about and theorized over subjects in academia, with fiery debates raging for hundreds of years among historians, sociologists and political scientists. The explanations that have been put forward to identify the causes and the circumstances that led the end of this era of human history mostly tend to focus on geopolitical factors, on social shifts within the Empire and on consequential political changes that altered the very nature of its governing system. While all those developments were certainly important and contributed to the decline of Rome, there was another momentous shift that

Continued on page 2

Also Inside This Issue:

Corruption Of The Currency And Decivilization

Continued from page 1

arguably triggered, facilitated and encouraged them all, one that often goes under-discussed and its influence is widely underestimated by modern academics.

If one really looks at the bigger picture and studies the history of the Empire objectively, it becomes clear that the first domino to fall was money itself. The manipulation and debasement of the currency was the root of all evil, of the fiscal suicide it enabled, the economic devastation expedited and the sociopolitical oppression it cleared the way for. And when we look at the sequence of events from this perspective, the fall of the Roman Empire has a lot more lessons and dire warnings to offer us today that many might have thought.

Unsound money and unsound society

The origins of this historic shift can be traced back to the end of the 2nd century AD and well into the 3rd century AD, a period referred to by Roman historians as the “Crisis of the 3rd Century.” During that time, social and political upheaval shook the Empire to its core, resulting in the need for higher military and public spending, that changed its fundamental structures, values and institutions forever.

As Professor Joseph Peden highlighted in his lecture “Inflation and the Fall of the Roman Empire”: “The basic coinage of the Roman Empire to this time — we’re speaking now about 211 AD — was the silver denarius introduced by Augustus at about 95 percent silver at the end of the 1st century BC. The denarius continued for the better part of two centuries as the basic medium of exchange in the empire.By the time of Trajan in 117 AD, the denarius was only about 85 percent silver, down from Augustus’s 95 percent. By the age of Marcus Aurelius, in 180, it was down to about 75 percent silver. In

Continued on page 3

This Is Stagflation…And Here Is An Easy, Practical Idea To Prep For It

Continued from page 1

April forecast:

Exhibit 18: GS Inflation Forecasts, 2021-2024

	PCE		CPI	
	Core	Headline	Core	Headline
Dec. 2021	2.05	2.37	2.20	2.77
Dec. 2022	2.00	1.85	2.32	1.97
Dec. 2023	2.10	2.04	2.41	2.24
Dec. 2024	2.20	2.15	2.51	2.36

Source: Goldman Sachs Global Investment Research

May forecast:

Exhibit 19: GS Inflation Forecasts, 2021-2024

	PCE		CPI	
	Core	Headline	Core	Headline
Dec. 2021	2.50	2.82	3.47	3.88
Dec. 2022	2.10	1.98	2.45	2.15
Dec. 2023	2.15	2.11	2.50	2.34
Dec. 2024	2.20	2.16	2.50	2.37

Source: Goldman Sachs Global Investment Research

June forecast:

Exhibit 19: GS Inflation Forecasts, 2021-2024

	PCE		CPI	
	Core	Headline	Core	Headline
Dec. 2021	3.00	3.38	3.83	4.39
Dec. 2022	2.00	1.86	2.39	2.05
Dec. 2023	2.15	2.10	2.50	2.34
Dec. 2024	2.20	2.16	2.50	2.37

Source: Goldman Sachs Global Investment Research

Continued on page 3

This Is Stagflation…And Here Is An Easy, Practical Idea To Prep For It

Continued from page 2

July forecast:

Exhibit 24: GS Inflation Forecasts, 2021-2024

	PCE		CPI	
	Core	Headline	Core	Headline
Dec. 2021	3.40	3.78	4.38	4.92
Dec. 2022	2.00	1.90	2.48	2.19
Dec. 2023	2.15	2.11	2.50	2.36
Dec. 2024	2.20	2.17	2.50	2.38

Source: Goldman Sachs Global Investment Research

August forecast:

Exhibit 25: GS Inflation Forecasts, 2021-2024

	PCE		CPI	
	Core	Headline	Core	Headline
Dec. 2021	3.80	4.12	4.36	4.89
Dec. 2022	2.00	1.93	2.45	2.23
Dec. 2023	2.15	2.12	2.50	2.38
Dec. 2024	2.20	2.17	2.50	2.38

Source: Goldman Sachs Global Investment Research

September forecast:

Exhibit 25: GS Inflation Forecasts, 2021-2024

	PCE		CPI	
	Core	Headline	Core	Headline
Dec. 2021	4.25	4.64	4.61	5.31
Dec. 2022	2.00	1.95	2.37	2.19
Dec. 2023	2.15	2.12	2.50	2.38
Dec. 2024	2.20	2.17	2.50	2.38

Source: Goldman Sachs Global Investment Research

Zero Hedge

Actual inflation ran ahead of their forecasts about as quickly as they could revise them, and it will do so again.

Continued on page 4

Corruption Of The Currency And Decivilization

Continued from page 2

Septimius's time it had dropped to 60 percent, and Caracalla evened it off at 50/50....Caracalla had also debased the gold coinage. Under Augustus this circulated at 45 coins to a pound of gold. Caracalla made it 50 to a pound of gold. Within 20 years after him it was circulating at 72 to a pound of gold, reduced to 60 at the end of the century by Diocletian, only to be raised again to 72 by Constantine. So even the gold coinage was in fact inflated — debased. But the real crisis came after Caracalla, between 258 and 275, in a period of intense civil war and foreign invasions. The emperors simply abandoned, for all practical purposes, a silver coinage. By 268, there was only 0.5 percent silver in the denarius."

It doesn't take an economist to predict what happened next: An inflationary wave took over the empire's economy, with prices surging nearly 1000%. Commerce and agricultural production were heavily hit by the run away prices and this crisis soon translated into a real threat of widespread public tensions. The central planners of that time, much like their peers today, believed they could control and twist basic economic laws by edict and brute force. They introduced price controls, which, also quite predictably, only resulted in a vast black market or, even worse, in drastic and disastrous ripple effects in fundamental market dynamics. Just like we see today, instead of rescuing the sectors they already ravaged through their policies, the central planners further exacerbated the crisis though "more of the same".

Price fixing led to perverse incentives and practices like hoarding and stock piling, and the longer the State insisted on using coercion and force to "tame" natural market dynamics, the larger the gap became between supply and demand, resulting in more shortages, even higher prices and eventually an even sharper threat of social unrest.

Continued on page 4

Corruption Of The Currency And Decivilization

Continued from page 3

The desperation of the State also manifested in tax hikes, which eventually became so onerous that they amounted to expropriation. Property owners were effectively forced off their land, and the management of their estates was handed over to political cronies. Reckless spending, especially on the military, and even more aggressive market interventions were quick to follow, a sharp historical turn in an empire that was until then relatively laissez-faire when it came to voluntary transactions.

The nature of the State soon began to resemble more and more our modern political institutions, as power and direct control over the citizen's life became ever more concentrated at the top of the pyramid and as the number of taxpayer-funded jobs started to skyrocket. Bureaucracy, waste, corruption, all emerged as the new normal we still recognize today at the core of Western politics. And yet, it is safe to assume that most citizens at the time, much like today, failed to identify the link between all that ailed their society and their economy and the corruption of their currency. Just like most of us in any advanced economy today, they focused on the wrong thing: On political enemies, foreign and domestic, real or imagined, and on short-term policy shifts or myopic disagreements, instead of trying to identify the real cause-and-effect relationship that lay at the heart of their socioeconomic decline.

In the upcoming second part, we look at the stages and causes of the devolution of a healthy and vibrant society into welfarism and stagnation and we examine the parallels and the lessons that the Fall of Rome can teach us today.

Article by:
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nberg See, Switzerland
October 29, 2021

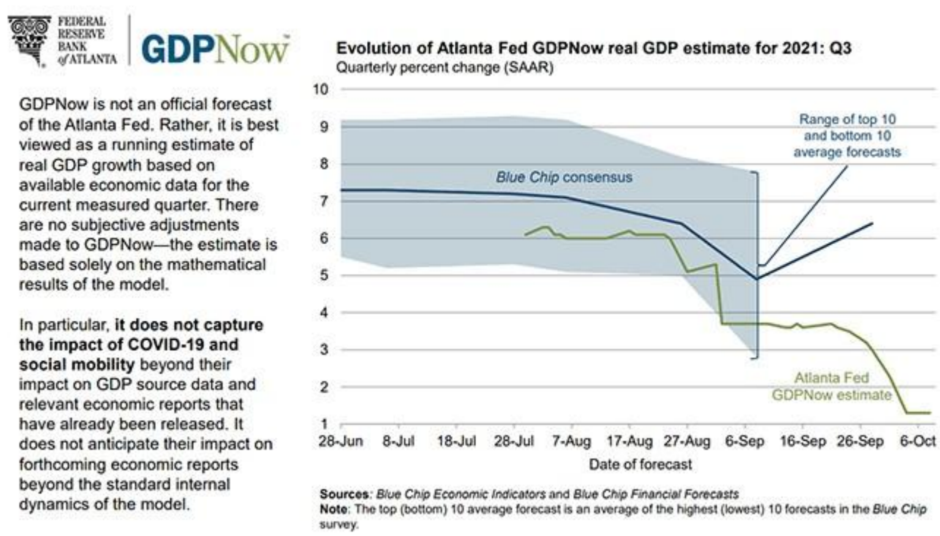
This Is Stagflation…And Here Is An Easy, Practical Idea To Prep For It

Continued from page 3

To see proof that we are entering the stagflation I said this would turn into, let's look at how Goldman Sachs has also revised its predictions for economic growth (annualized as what it would be if it held at that quarterly rate for a year):

- Prior to July, GS's forecast for the second half of 2021 was **+9.5%** for Q3 and **+6.0%** for Q4.
- In late July, GS revised its forecast down to **+8.5%** for Q3 and **+5.0%** for Q4.
- On August 18, GS revised its forecast down to **+5.5%** for Q3 but raised its Q4 prediction to **+6.5%.**
- Last weekend, they revised Q3 down again to **+4.5%**, and decided their previous upward revision for Q4 was bassackwards and dropped Q4 to **+5.0%**.
- Finally, this weekend GS cut its GDP growth forecast to **+3.25%** Q3 and **+4.5%** Q4.

Plunging week to week by that much, it seems Goldman's number runners just can't keep up with the nation's speedy decline. The Atlanta Fed predicts much worse. Now at a pre-recessionary 1.3%, the Fed's predictions have plummeted continually as you can see:



Put all of those rapidly deteriorating predictions together (inflation and GDP), and you have stagflation — rising or high inflation in a decelerating economy.

In fact, you have rapidly rising inflation in a rapidly decelerating economy. It is, of course, when you get into an actual recession (negative GDP "growth") that you have true stagflation.

Prediction: ***What few of the gurus are telling you, which I will, is that we'll be in a recession by sometime this winter.***

In fact, I think Q4 growth will prove to have been negative when we see the numbers in print next year. If not, then very close.

The descent in GDP toward actual recession is happening quickly. The shortages talked about in my recent posts are spreading like a flood tide across a wide, shallow beach. People are not returning back to work in near the numbers some predicted they would (not I) when enhanced unemployment ended for the reasons I laid out months ago.

Continued on page 5

This Is Stagflation…And Here Is An Easy, Practical Idea To Prep For It

Continued from page 4

Soaring inflation will now curtail spending and result in more businesses closing and rising unemployment.

This is stagflation — going down the drain hole where you have that dichotomy wherein prices rise even though people buy less (demand is falling) because they cannot afford as much. Prices rise because supply is already falling faster than demand. (Remember the formula for price inflation is too much money chasing too few goods.) What happens in such dire return to rising unemployment during high inflation is often the opposite of what helps. Government leaps in with rescue money so the unemployed can keep buying, in spite of the high prices, which results in everyone bidding up the prices of scarce goods even further. It rapidly becomes a vicious vortex if you try to solve shortage-induced inflation with more money because that doesn't get to the heart of the problem and create more goods.

The scariest thing this Halloween

As hard as higher prices will make things, the real scare this fall and winter will be the shortages that push prices upward. You can make moves to save money and can prioritize your spending to create room for the expensive essentials, but what if you can't even get the essentials?

I foresee a winter at some times and places where you'll feel for the first time in American life like you have slid down the rabbit hole and ended in a version of the USA that looks and feels more upside-down than the old USSR where stores have a lot of empty shelves, and complaining can do nothing to fill them.

I think we can all share some of the foreshadowing that we've already seen in our own locales (and it might be interesting if you do in the comments). My latest experience was to walk into a Rite-Aid drugstore to look for some Halloween decorations for the school kids and find the selection unusually thin because the store is having a hard time getting seasonal items shipped to it in time.

But it wasn't just the seasonal stuff. I also wanted a basic computer cable, and found Rite-Aid's computer supply section had half an aisle with the shelves removed from their supports and posters all along the support saying the space was empty due to the chain making stock adjustments to serve you better in the future. In other words, stock was out for the present, and they'd try to find some way in the future to secure similar supplies from other sources.

I expect Christmas decorating supplies will be equally lacking this year, as well as availability of gifts. So, shop now for Christmas gifts and consider buying your frozen turkey for Thanksgiving now. There might be enough turkeys, especially at Goldman Sachs, but not enough rides to get them to market so we can eat them.

We can all handle a lack of large seasonal stock. In fact, we can pretty easily handle no decorating supplies at all; but do you really think it is going turn out any different for food and fuel and other essentials?

Easy evasive moves that might afford some protection

You cannot prepare for it all to make yourself bulletproof to stagflation. If fuel runs low, for example, having an extra barrel of gasoline laid away in your garage is risky and won't get you very far down the road for long anyway, and gasoline doesn't store well through the winter because it deteriorates. So, you can't easily prepare for everything, but I'm going to lay out a really simple plan that will help with exactly what you really need and will use that costs you nothing extra over the course of the winter.

Since you cannot do much about the energy shortage, other than make sure to lay away plenty of firewood if you have a wood-burning option, food is your biggest concern. Everyone has heard the preppers' advice to "store lots of canned and dehydrated goods" that you never really *want* to eat that will stay good for a decade or longer, but I'm talking about something more practical and with no net cost as a form of insurance.

When you are encouraged to store all kinds of emergency-shelter goods that you can dine on for the next ten years because they last almost forever, you may be like me and think, "What if the shortages don't materialize, and then I have to eat all this dehydrated crap?" There is a better way that provides a buffer, and here it is:

Each time you go to the store in the weeks ahead, buy 2-4 times more of the things that are on your normal grocery and household-supply list than you need to restock the kitchen and other parts of the house. However, buy extras only of those things that will last through the spring. Put the normal amount of restocked items in your kitchen, bathrooms, etc. as you normally would, and then store the rest away in your garage, basement, or whatever works for you, and leave it alone.

Continued on page 6

Corruption Of The Currency And Decivilization (Part II)

By Claudio Grass

Lessons from the Fall of the Roman Empire - Part II of II

Gold-backed civilization vs. the Welfare State

Many rational economists and students of history have written countless analyses on the gold standard and the terrible impact that its end has had on the world economy. However, as the Fall of Rome clearly demonstrates, the implications of the introduction of the fiat money system and of the limitless manipulation of the currency by the State reach much further. In fact, they can have civilization-ending effects.

Or, as Ludwig von Mises put it in his magnum opus, "Human Action": "The marvelous civilization of antiquity perished because it did not adjust its moral code and its legal system to the requirements of the market economy.

A social order is doomed if the actions which its normal functioning requires are rejected by the standards of morality, are declared illegal by the laws of the country, and are prosecuted as criminal by the courts and the police. The Roman Empire crumbled to dust because it lacked the spirit of liberalism and free enterprise.

The policy of intervention-ism and its political corollary, the Führer principle, decomposed the mighty empire as they will by necessity always disintegrate and destroy any social entity."

It can all really be traced back to the practical advantages that the license to print money at will gives to any ruler. When one has the exclusive and unrestricted power to issue and control the currency, all the other powers follow.

Continued on page 7

This Is Stagflation…And Here Is An Easy, Practical Idea To Prep For It

Continued from page 5

When you run low again in the next week or two and would normally go shopping, don't go to the basement and use your stash, make another grocery run like you did when you didn't have the oversupply.

Treat the extra supply like a rainy-day fund in the bank that you don't touch until you actually find that the things you need or want are not available. Each time you restock rooms in your home this fall, buy 2-4 times more than of those things that will preserve through the winter (depending on what your cash flow can manage) so long as they have shelf lives that will take them through the spring.

You're not planning for the apocalypse or a take-over of the USA by the Chinese. Thinking that catastrophically defeats many people from preparing at all. You're planning for a hard winter that may likely have shortages, and you simply don't know what items will run short in the nation. So, you stock up on all of them that will keep Here is the beauty of this simple plan. You are buying *only* the things you like and that you will be using and normally purchasing anyway. So, if I'm wrong, and there are no shortages at all, you can stop shopping for a couple of months in the spring and slowly use up the stock of items you squirreled away in the fall. No harm done.

You don't wind up doing any extra work or spending any extra money, and all you have stored away is the things you like and eat or use regularly. In fact, because inflation is a certainty, you will have saved yourself money by purchasing items now. You do it a little at a time so it's not some huge effort or cash-flow burden and doesn't strip the shelves bare for others. It's just a little extra effort each time you go to the store while supplies last. Never dig into your cache, even when prices rise to horrible levels, until you can see the problem with shortages is fading in the rear view mirror or until things are getting a little too close to their shelf life.

It's a buffer, not a Mad-Max end-of-the-world-living-in-a-bomb-shelter plan.

To prepare financially, I'm avoiding stocks and bonds and moving out of cash somewhat and into commodities and real-estate-investment trusts that are not too heavily into commercial real estate (and I'm going light on the real-estate trusts because the whole real-estate market could tip sideways when all the forbearance programs are finally ended; but for now prices are still rising). I would consider investing our 401Ks in energy and mining stocks, but ours don't have options that are tilted heavily toward those sectors.

I'm not a financial advisor, and I don't write an investment blog. This is an economics blog. I can tell you what I've done, but those are just ideas for you to weigh on your own. I believe most stocks and bonds are ultra-high-risk right now, and even cash is nothing but a planned loss due to inflation. Bond funds that invest in inflation-protected bonds may provide a safe parking lot, but that is all. Cryptocurrencies could rise by more than enough to help you through this winter, but they can (and often have) just as easily crashed by 50% like the stock market, so don't use crypto as the resource you can depend on for the winter. It may rise after it crashes, but that won't help you if supplies are short when crypto comes up short, too. From a retirement standpoint, the crypto currency you've invested in may not even exist when you're ready to retire — so I'd keep crypto a side bet.

There are lots of stocks you might individually pick if you have that acumen, but I am speaking mostly to those who have 401Ks they seek to protect and who have limited options in those plans that only allow them to choose between major *types* of funds because that is the only plan their employer provides.

This is all for you to *weigh*, but those are moves I've made in our 401Ks where options are limited. (Of course a service like Perpetual Assets, which advertises in my sidebar, can help you convert everything to a self-managed IRA where you have a huge range of options, but I am neither recommending them with this article nor not recommending them, as I have *no* personal experience with their service. I am just saying there is a path there that one can work out on his or her own or get some help with setting it up right legally to keep the tax man quiet.)

Continued on page 8

Corruption Of The Currency And Decivilization (Part II)

Continued from page 6

Then, as in now, this monopoly can be used, and more frequently abused, to expand and consolidate influence over other areas of the citizens' lives, other than merely monetary affairs. Fiat money is easily weaponized to fund a crowd-pleasing, vote-grabbing and unrest-soothing Welfare State. Roman majoritarianism and interventionism systematically hindered voluntary exchanges, crippled the productive class, and led to a bloated bureaucracy and an empire of dependents.

As ancient historian Lactantius described it, "The number of recipients began to exceed the number of contributors by so much that, with farmers' resources exhausted by the enormous size of the requisitions, fields became deserted and cultivated land was turned into forest."

Once this shift takes place, once the percentage of the population that is a "net-receiver" exceeds the "net-contributors", it is very hard, if not impossible, to go back to a healthy society and a sustainable economic system. The collapse might take years or decades, but it is virtually inevitable, at least not without bloodshed and widespread violence. Efforts to rectify it, usually based on the same principles of interventionism and further centralization, not only fail to achieve their goal, but almost always accelerate the economic and social disintegration. The Roman Empire suffered this slow and painful decline, many parallels of which can be found today in Europe and the US.

Root causes and catalysts

While the "first domino to fall" was the currency, as we discussed earlier, there were certainly other important events and shocks that sped up the process and helped the Empire's demise along. Barbarian attacks, internal political crises, all significantly contributed to and expedited the Fall of Rome. However, they didn't actually cause it. Either opportunistically or coincidentally, they just came at a time where the empire was already weakened and extremely vulnerable, but the many preexisting wounds that had brought it to its knees were all self-inflicted.

For the modern citizen, this is arguably the most important lesson that the history of the Roman era has to offer: the ability to differentiate between the actual cause of a crisis and the various forces or events that happen to exacerbate it. This lesson is especially relevant today, in the aftermath of the covid crisis.

Since the start of the pandemic, every politician and institutional figure has pointed to the virus itself as the cause of the global economic destruction that we witnessed over the last year and a half and that is likely to persist for many more to come. They branded the novel coronavirus as "public enemy no.1" and they used the microbe as a scapegoat for everything, from shop closures and mass layoffs, to food shortages and skyrocketing inflation. And yet, the virus didn't close the borders, it didn't make productive work illegal for over a year and it didn't impose restrictions that would decimate the production of basic materials and supplies that the world economy relies on. For all those short sighted and panic driven policies, we only have the political leadership and the central planners to thank.

Nevertheless, even if we were to accept that all the pandemic containment measures were absolutely necessary and that all the lockdowns and the shutdowns were the right decisions - a concession that is already absurdly generous - the global economic crisis that followed was still not their direct result. They might have catalysed it, but they didn't create it. This crisis was in the works for over a decade, and it was always inevitable.

Much like in the case of Rome, the vulnerabilities that the pandemic "exploited" were all self-inflicted. In fact, the seeds for this crisis were planted during the "rescue" operations from the last one, in 2008. Unprecedented, irresponsible and (at the time) preposterous monetary experiments like QE and negative interest rates paved the way for an entirely unsustainable and fundamentally flawed economic and financial system. A decade later, it was already so obviously fragile and ripe for a cataclysmic collapse that any unexpected event could have triggered an avalanche.

A few high-profile defaults or a regular political crisis could have been enough, let alone a global public health emergency. When a system is rotten from the inside, anything can serve as an excuse for its demise, and at that moment ours certainly was: Over-indebted governments relying on bought-out public support through subsidies and handouts, over-leveraged "zombie" companies staying alive thanks to cheap borrowing only and the majority of the population being left behind by runaway asset prices that benefited the ultra-rich and penalized everyone else.

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November 3, 2021

This Is Stagflation…And Here Is An Easy, Practical Idea To Prep For It

Continued from page 6

Outside of 401Ks, I'm not someone who invests in stocks at all. Our investment, other than retirement funds, has been real estate. For example, investing in the home you're going to live in for years by owning it as close to free-and-clear as you can is a good safe-haven investment because it is something you will always need and have to pay for anyway. Though rents could drop in bad times, saving you money, while a payment on a home your buying remains the same, rents have usually been a drain hole and have usually risen, making them generally the riskiest option in the shortterm and always the worst over the longterm. Usually rents rise and mortgage payments, at least, remain stable for decades to come. Secure the home front.

Those are simple low-risk, low-energy things you can do to help yourself weather through this long, cold, energy-short, possibly food-starved (for some) winter that cost you nothing over a period of months but can save you money and hardship.

Article by:

David Haggith
October 15, 2021

The Outstanding Public Debt
National Debt:
28,941,838,336,056
The estimated population of the United States is **332,912,907**
US citizen's share of this debt is
$87,466.00
The National Debt has continued to increase an average of
$3.8 billion per day
Business, Government, Financial and Unfunded Liabilities Debt exceeds
$100 Trillion

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