

Part I: All Taboos Broken—von Greyerz & Ronni Stoeferle Discuss Gold's Role in a Changing Financial System

written by Egon von Greyerz | November 29, 2021

In part I of this unique two-part discussion, Matterhorn Asset Management founder, Egon von Greyerz, joins Ronni Stoeferle, author of the internationally acclaimed, *In Gold We Trust Report*, to exchange informal yet deeply insightful perspectives on the current and future direction of gold and the global financial system.

As two of the world's leading authorities on precious metals, von Greyerz and Stoeferle offer invaluable insights on the key issues related to precious metal investing in the backdrop of central-bank-driven market forces.

Egon and Ronni discuss their individual journeys toward recognizing the timeless, paramount, yet oft ignored, role that gold plays in intelligent wealth preservation and risk hedging in a market landscape that is becoming increasingly centralized. As Ronni observes, real capitalism requires failure, or what the Austrian School of Economics would describe as "constructive destruction." Today, however, central banks have "broken all taboos" to provide instant liquidity whenever the market begins to crack.

Such "support," which will likely include direct equity purchases and yield-caps by central banks, can buy markets more time, but such measures only make the end result far more perilous. As Egon reminds, the recent "Fed taper" was essentially a "fake taper." Whether that is understood by the markets, however, is another matter, and Ronni discusses the risks and optics of "tapering" into a weak economy.

As for rate discussions in the backdrop of rising inflation, each discuss the conundrum central banks have placed themselves. The bottom line: It's too late. There is no way to have a "Volker-like" rate hike in a world saturated in debt. A re-set of the monetary system is thus historically inevitable. This transition phase makes gold ownership essential. Ronni Stoeferle strongly believes that gold will play a monetary role again.

As to currencies, Egon bluntly addresses the central bank failure in allowing global debt levels to surpass \$300T. History confirms the currency debasement needed to "cover" that debt points to gold.

As monetary policies reach an exhaustion point, fiscal policies (i.e., deficit spending) are becoming the newest drug for hubris-infected political actors forever seeking to outlaw recessions. All these stimulus packages, of course, require money, most likely to be in the form of CBDC. This raises numerous civil and economic concerns, as central bank money increases central bank controls over individual spending.

Using the U.S. as proxy for developing nations, both agree that decades of running deficits and increasing the money supply is unsustainable. Egon asks: "Don't the policy makers see the disaster they've created?" Von Greyerz feels we are approaching the end of an era and the risk of a major collapse, postponed, perhaps, with more central bank "tricks" like CBDC.

But for how long? Ronni's response: Despite central bank creativity, natural forces and historical lessons can't be cured with words and creative policy titles.