THE WIGGIN SESSIONS

Alligator Investing to Upgrade Your Portfolio in a Recessionary Market

Episode 67: Featuring Best-Selling Author, Marin Katusa.
Hosted by Addison Wiggin.

Addison: We are experiencing 40-year inflation rates. June was 9.1%, which was even above the 8.8 expected. We're also witnessing a serious market decline, most notably in texts and in cryptocurrencies, and we are experiencing what we expect to be a recession in the economy. We have inflation and a recession at the same time, even with high employment rates. It's a very complicated situation.

So with me today on the Wiggin Sessions, I have Marin Katusa. I want to give him high praise because many of the investors and managers that I respect call Marin a genius. He probably doesn't want to hear that. But Jim Rickards, Rick Rule, Doug Casey among just a few speak very highly of Marin's work at Katusa Research. Marin is also the author of The Rise of America, which sounds like a contrarian point of view, but we're going to get into it, just to discuss what he means by this. I think it's a very logical expectation of what's going to happen in the economy over the next couple of years. So welcome, Marin.

Marin: Thank you.

Addison: Thank you again. This is your third time on the Wiggin Sessions, it's good to have you back.

Marin: A pleasure to be here.

Addison: I want to ask you a very simple question to begin with because it's all over the news, top of mind for a lot of people, what is a recession and why does it matter?

Marin: Well, what is a recession? So the traditional academic economist defines a recession as three-quarters, so nine months of declining economic activity. But it's like a bubble. You don't want to be caught into the third quarter of that. There's indicators that you can see threats for over 200 years in American history that are proven with a hundred percent accuracy. For example, if you look at the Wilshire 5000, those are the 5000 largest publicly traded companies in America, just in the last three months, they've lost more value, so the valuation. Add up all the market caps together and have lost more money than in the last 30 years of corrections combined. Interesting indicator. But that's an indicator. Let's put that there.

Another indicator, if you look at the S&P 500, I'm not even talking about the NASDAQ, let's just look at the traditional, what they call the old economy. The S&P 500 businesses have reached now 45% of the companies in the S&P have hit 52-week lows. When you start looking at the bond market, 10-year treasury, only one time in the history of the American 10-year treasury, which is now 235 years old, has it had a worse session for the amount of money that it's dropped. Another indicator, you look at the bond market, just in the last three months, the amount that is lost in the bond market, is also worse than any of the previous corrections combined.

When you add up these indicators, 100% of the time, you're in a recession within 12 months. So the whole point of what I'm trying to do is say, this is where it's going, how do you position yourself in advance considering a stronger US dollar? Not only are we in a strong US dollar market compared to all currencies, which I've said for years and people in the resource market, specifically, gold market, think that's impossible, because they think the dollars trash, well, that may be, but it's a lot less trashy than all the other currencies. For example, today, the euro and the US dollar are at par. So where's this going? The emerging markets are now craving the US dollar, the corporations because the debt is in US dollars.

So some indicators to be careful of is where your project is and where that cash flow is, you want to focus on politically stable jurisdictions and world-class cash flow because in these risky jurisdictions, you see what's going on in Chile, which is the copper, they're like the OPEC of copper, 40% of the world's primary copper comes out of Chile. You add Peru, it's almost over half between Peru and Chile, and four companies have had their permits rejected. Well, what's going on here? Well, they're going to increase taxes. Your investments are at risk in these politically unstable jurisdictions. And as they're craving US dollars, those assets become more vulnerable. Hence the thesis of The Rise of America. And you want to position yourself in the best assets that are strong cash flowing because building things is going to be very, very hard. You want to be able to take advantage of what's called the cost of capital.

Addison: How do you calculate Fed policy and monetary policy among the central banks around the world?

Marin: It's absolutely critical. You nailed something really important on the head. For example, just yesterday in Canada, our equivalent in Canada, the Bank of Canada's Governor, which is the Fed chair equivalent, raised interest rates by a whole 1%. But it's only 1.5% and now it's 2.5%, so you might think, ah, that's not that big of a deal, right? 2.5% is still low. But it's about the rate of change. That's increased by 40% from 1.5 to 2.5, and everyone's maxed out to the limit at that point already. And yet, the relationship of the currency value of the US dollar to the Canadian dollar, the US dollar is getting stronger. And the Governor, the boss of the Canadian Central Bank said, "Ut-oh, this is a sign that we need to increase rates even more because the FX advantage is not closing that gap."

Now, why does that matter? Well, believe it or not, Canada buys a lot of goods from America and that makes those goods more expensive, right? So it becomes this complicated death spiral. The debts are in US dollars, and when you're producing something in a weaker Canadian dollar, it becomes more expensive to service that US dollar debt. And then you go globally, like Draghi this morning announced that he's going to resign in Italy. You had the UK prime minister, you see these things are unraveling, and the costs to build these energy projects in Europe, it's in US dollars because it is the primary currency that you build these projects, and everything is becoming more expensive. It's taking longer because of the supply chain issues.

You see what's going on in China, they still have lockdowns. They just locked down a region because they had one COVID case. Is it just because of COVID or could it possibly be, you know what? Did you see the article that came out that many banks in China are under emergency to the Communist Party because people aren't paying their mortgages? So there's a lot of problems happening in China. So everyone thinks that China's the new superpower. There's no doubt about it, that they are a superpower, but don't underestimate the strength that America is in today.

Addison: How do you calculate Fed policy and monetary policy among the central banks around the world?

The Political Ramifications of Currency Fluctuations

Addison: What do you think is sort of the political output of this? I just happen to be reading ***The Psychology of Totalitarianism*** by Mattias Desmet right now, whom I'm hosting him on the Wiggin Sessions in a few weeks. But the idea is that things get so unraveled, as you were talking about, that regular everyday people get confused and then they want authorities to come in and solve their problems. I know that you and I are more of an independent-minded line of thinking. So how do you calculate that when you're putting your research together for investments?

Marin: It's absolutely critical. So history shows that he's right. You look at what happened in Nazi Germany. Look at Russia. My first book was about exactly what happened in Russia, and that's exactly in the fall of the Soviet Empire, everything crumbled. Putin is a strong leader and he's been there since 2000, and he's still strong in his power. Now, I do believe he will lose his ultimate goal with what's happening in Ukraine, but he's going to get about a quarter of the land in the settlement that will happen, let's say within 12 months. But that is what happens.

So as an investor, the whole point of what I do, after traveling around the world, I started out looking for those gold mines and those absolute world-class oil wells, going to Iraq and Kuwait and Kurdistan and all these places, these exotic places where you think the value is there, but here's the problem. They have a fundamental difference than what I call the American dream. And why take that risk? When the shit hits the fan, those assets are going to be taken back. The most recent example is what's happened in Russia. And why do you want to expose your dollars to that when you can ... Look, I'm not saying America is this paradise where everything is hunky-dory and Kumbaya moment. There's problems everywhere globally.

But as an investor, you have the rule of law. You also have existing infrastructure. As aging as America's infrastructure is, you have infrastructure. In most parts of the world when you go to these projects, there is no infrastructure. They want you to build the infrastructure to get those permits. And then when you invest that money, after you put your money down, the government starts taking and clawing at it, and you as an investor, get less and less and are exposed to more and more risk. So it's absolutely important to look at the political agenda of what's going on in these regions. I fundamentally, two years ago, came up with this concept called negative swap lines and positive swap lines. And you look at it, and for me, most of my large investments are within the US and in certain parts of Canada, not all of Canada is honky- dory, but certain parts of the US and certain parts of Canada is where I'm putting my money.

Addison: What do you make of it? There's a lot of talk about the EPA getting involved, or denial of permits for building roads to mines in Alaska. I've written about some of these things. What do you make of the political environment in the US, which is right now under the guise of the political left. I'm not very far left. I'm not as far left as they'd like to be. But they're still preventing a lot of development of oil resources, they shut down the pipeline, they're stopping a road in Alaska. There's a lot of small symptoms of that same kind of policy agenda.

Marin: I agree. There's certain parts in America, so if you look at there's been two mining projects, excellent projects that should go to production, probably will go into production within say the next one or two cycles, so within 20 years they will be because of copper The one thing Goldman Sachs did say right is, copper is the new oil, they didn't say when. It's going to be further out, right? And you want to secure your own stable sources of that. Alaska's a tough place to develop projects. But at the same time, we just put 185 million US dollars in Utah.

Marin: And you might say, "Utah?" Well, it's actually the highest-grade operating gold mine in the world. You have 140 years of historical production, roads right to the mining shaft. You've got a world-class district.

And one thing I want to say here that probably will be mocked globally, but there's this American can-do attitude. About three-quarters of the staff are young, strong, educated, and hard-working, and they want a better life. And they've kind of pushed back this woke concept and they see that this is a multi-generational district right in Utah, and this thing has world-class potential. In the industry, everybody knows it's the highest grade stuff, and it's the first time it's ever seen modern technology. So what a lot of people look back on is, in the late '90s, there's a saying that God created gold but the devil took it and spread it around, and he put it in mischievous places. So in the late '90s, the industry went to where the gold was. The world, America was the superpower, Communism failed, and you had globalism right at its zenith.

These mining companies went and they got away from the projects in America that were older and tired to go to these sexy new projects in the emerging markets. Now that they're basically getting their asses handed to them in these emerging markets and the assets are getting tired, so the high grade is gone, you got to go deeper and deeper, meaning higher cost. The smart industry people are bringing modern technology that has improved over the last 25 years, to these historical world-class districts in the US, which have power lines, roads, and hundreds of millions of dollars of existing infrastructure. And what's the best way, Addison, to get a grand slam in the investment world? Do you know what the secret is? Start with your bases loaded. That's it. Because it's so hard to build a project from scratch.

I've done three of them. I was one of the founders of Copper Mountain, which became Canada's third-largest producing copper mine. It was damn hard, and it comes down to the people. But if you can take an existing project that has all this historical production, and it's producing, and add to it with technology, your bases are loaded. It's all about de-risking your aspect. And I'm not worrying about it having been nationalized by the government, because there's the rule of law.

Addison: I want to get a little bit political here. I've been following the story of what's going on in Germany. They've shut down coal, oil, and they were relying on natural gas. They had to shut down a pipeline to do maintenance, which was pre-scheduled before the Russian invasion of Ukraine. But then there's a question of whether the gas is going to flow again. And they also shut down their nuclear facilities. The last one shuts down this year. That is the agenda of the world economic forum and of the large investment in the new world order.

The subtitle of your book is Remaking the Word Order. And also Larry Fink from BlackRock and those things.

Addison: Those are kind of nebulous subjects for a lot of people, so you can read about it on the internet, you can read about it in newsletters and that kind of thing, but what does the energy crisis that most notably Germany is facing, what does that mean to the rest of the world for energy?

Marin: So Germany is the powerhouse of Europe, right? And when they're on their knees, the rest of Europe is on their backs. So this situation with Germany is absolutely critical. Now, there are solutions to it, but what are the solutions? Lots of money, and more time. What's ironic about the German situation is they are importing nuclear power from France on the other side of the river. Now, their whole thesis was post-Fukushima in 2011, they shut down their nuke saying that it's not safe, but they're more reliant on French nuclear power. And you don't think that radiation's going to go across the border. So politically, it was a politically driven agenda. At the end of the day, when it comes down to the monthly bank account balances of the citizens who vote, that's the ultimate truth test. And you see the riots going on in the Netherlands right now with the Dutch farmers because of these nitrogen rules that they're trying to bring in. And that's it, the people ultimately have to rise, and they want to go for a new agenda.

The governments will realize, and just so you know, last week was the World Nuclear Fuels Market, I gave the keynote in 2015. I didn't go last week because I was underground at a big mine we just purchased. But the vibe on uranium right now, it's all geopolitical. From the producers to the nuclear reactors, everyone's trying to secure a long-term supply from a stable source. What is the definition of a stable source? Remember, half of the world's refining capacity was under Russian rule, or what we call the former Soviet Union because of the infrastructure. And Kazakhstan, which used to be part of the Soviet Union, produces about a little over 40% of the world's primary uranium production. But it all goes from Moscow, right? So you look at all of these things, and that is the issue.

And the other issue is the cap-ex costs and the time frames to build nuclear reactors, the new generation reactors, it's in the tens of billions of dollars and decades. So the redesign of these smaller modular reactors is going to happen and it's happening in real-time. But they're going to bring the reactors back because they have no choice. So Europe is now going the pro-nuclear stance. It takes time with all political agendas, but even the ESG funds are now starting to go, " Wait a second, a diversified matrix of energy sources that are non-fossil fuel," and nuclear fits the bill, and it just takes time to go. But there's no doubt that nuclear power is the least loved energy source but the most dependable for baseload power.

Addison: It's surprising to me that the ESG funds, they're interested in nuclear energy. Take the example of Germany, they were very against it. And most of the ESG funds are focused on European investments, European companies.

Addison: And just to define ESG, I've written about this, so hopefully I'm being clear about what I'm saying. ESG is environmental, social, and governance, and it's kind of a woke effort to control the free market.

Marin: It's about the cost of capital. Here's a question for you. Would Home Depot meet your concept of an ESG company that ESG funds would invest in?

Addison: My guess is no.

Marin: But here's something that will blow your mind. In the largest ESG fund, Home Depot is a top 10 holding. I talk about this in my book. Walk into a Home Depot, 85% of the stuff is made in China.

Addison: Yeah.

Marin: I'm not trying to be racial here, or anti-China. I've been to China many times, done business in China. I'm Canadian, we're like Switzerland, we like everybody. We're the peacekeepers of the world. But are they following environmental standards of the US or the Euro? No. Then how the hell can Home Depot meet the ESG criteria? You know how they did it? Consultants create this database of all these things that you have to check, and it's about the diversity, and all these different elements that come in. And it's transitioning, and then people sit back and go, "Wait a second, Home Depot shouldn't be a top 10 holding. That doesn't make sense." And as more scrutiny, things evolve, and that's where the nuclear plant is going to replace a Home Depot in the ESG funds.

Addison: The phrase is greenwashing, right?

Marin: Yes, exactly.

Addison: They try to meet these standards on paper, but they keep going on about their business. Yeah, I was trying to make the analogy to when people were going into the tech boom, that they, like Corning, put a .com on the end because they were laying fiber-optic cable. And it skyrocketed in value on paper. But the underlying value of the company, like 2001 or something, didn't change. But because they had embraced the tech boom it went up. So it seems like people who embrace the ESG mantra, especially since 2020, they're just getting investment funds from people who think they're doing good for the world. But like any-

Marin: And it's a growing sector.

Addison: Yeah.

Marin: When you look at the ESG bond, it's the largest growing pool of capital because it's being government mandated. The SEC is now going to mandate that all companies, if you want to list on the New York Stock Exchange or NASDAQ you have to report your S1, scope 1, S2, and S3s. So scope one is your direct emissions, S2 is your indirect and direct, and what does that mean? It's about the cost of capital. You mentioned the .com crash, and that's such a great analogy because you had this incredible boom, you had this incredible bust, and then there's the echo period. And I've gone through in my book all of the historical frameworks that you can do, and you make a fortune buying in the echo.

You never try to catch a falling knife. You're only going to get cut. Warren Buffet, all the smartest guys, the most successful investors, they always buy in the echo. You have your boom, the big run up, the crash and just sit out. That's why Buffet hints about investing is like going up to bat, but you don't have to swing. There's no ball limit. What I'm trying to tell everyone is focus on the world-class cash flows, reduce your risks. Think of your portfolio, your dollars as soldiers. You want to have your soldiers exposed for maximum gain and why would I have some in certain parts of Africa and certain parts of South America where they don't respect our capital? Go to where the money is respected, where the rule of law is expected.

Please, if anyone takes anything out of this, all you gotta do is jump on a plane and fly around the world and see how screwed up the rest of the world is and take an appreciation for America. There's this incredible division in America and it's media-driven, it's political-driven, but in the heart of America, there is so much value. You just have to look at these world-class projects. Where did the fracking revolution happen? Right here in America. There's a mining revolution happening in America, bringing modern technology to world-class deposits. For example, you look at South Dakota, a place that people wouldn't think of. Well, one of the highest-grade, largest producers called Home Stake, one of the greatest gold companies of all time, that mine is coming back using new technology. It's going to reinvigorate that region and it produced over 40 million ounces of gold. It's the top five in the world historically.

These things are happening but the media doesn't want you to talk about it because it shows optimism in the American dream. At the end of the day, no one's going to disagree with this. Where are the brightest and richest in China and in Russia and in Europe and in South America and Africa, where are the richest of those regions sending their kids to school? Are they sending them to Beijing, or are they sending them to the US for the best universities in the world? Yes, there's tons of issues with the left-wing influence of these universities across the board. But the point is we're not sending our kids to the DRC or Chile or Peru or South Africa or China to get educated at the Beijing University. The best still come to America because the American dream is still alive and well. You've got to focus on cash flows and know what you're doing but, in a recessionary market, this is where fortune favors the bold and the informed. Do your homework, reduce your risk and fortunes are made in these types of markets.

Remaking of the World Order

Addison: Let's talk about the subtitle of your book, the Remaking of the World Order, because that is often interpreted as the globalists are going to move the chess pieces and then suddenly we're going to be under their thumb. It sounds like you have a different interpretation of that.

Marin: Definitely. The central banks have incredible power, and I think we really saw that during COVID, but the playbook moving forward is going to be very different from the playbook that happened at COVID. For example, look at what's going on in China right now. The Central Bank of China has no choice but to prop up the municipal banks because of the mortgage defaults. What would happen here? Our structure is completely different here because of the different lending rules and the setup structurally is different. You're having this kind of division in this world, which I call the positive swap lines, so countries that are set up in the same type of framework and aligned with the American way of banking. Then you have this other way led by China, Russia and these emerging markets that don't quite qualify, specifically from a political perspective but also a rule of law perspective. You're seeing this kind of a G2 world, groups of two worlds.

The evolution will be how to figure it out. Think of it as not quite the cold war. My first book was called The Colder War because of the integration, but this is the conclusion of what's happening. You look at the currencies, the US dollar, and this is the hardest thing that I always ... People are like, "But the US dollar's trash. It's going to be zero." Well, that may be true but the other fiat currencies are going to go to zero before the US dollar does, and that's going to cause incredible pain in the emerging markets. It's the same thing I've been saying, and be careful where you invest because projects are going to have increased taxes in these regions. They're going to have increased revenue takes so you're going to have all these new royalties that the governments are going to want to take and percentages. Eventually you're going to have nationalization of these foreign assets, which are funded by these American companies in these emerging markets. Stay away from that. Why expose your dollars to this cancerous environment when you can look for value at a discount to its net asset value right here in America? That's fundamentally the thesis of the book.

Addison: You also identify the US block, the countries that are on one side, and then the fundamentals. Everyone else. It's like the BRICS are on the other side, but they're also trying to create trade. President Biden made a trip to Saudi Arabia to ask them to increase oil production, but they are refusing to do so because they have an Alliance with Russia. The bricks are trying to create an economic bloc that would be antithetical to the US, but a lot of it's still traded in the US dollar.

Marin: A few things on that. Saudi Arabia and Israel do have an alliance and there's this misconception that Saudis are in the camp of Iran. Nothing could be further from the truth. Saudis are very positive with Israel. This alliance that Saudi has in the OPEC + is measurements for the oil. It has nothing to do with the political agenda of Russia. That's something key to understand. The second aspect is Ghawar, which is the oil field, which was initially discovered and funded by outside funding that Saudi Aramco eventually took over. What people have to understand is these oil fields could produce more, they would but there's a point where it becomes a cost-benefit analysis and, more importantly, you don't want to stress the structural, the geological integrity of that deposit because remember every barrel of oil they're pumping out, they're pumping in multiple barrels of water to keep the pressurization. At a certain point, you don't want to risk that well collapsing and losing all your production for an extra 5 or 10%.

Mark my words, the Saudis are as savvy and smart as it gets. MBS, I wrote an article in 2015 or '16 about where he's taking it and he is the leader of Saudi Arabia moving forward. He absolutely has his vision and he's going to excel and he's their leader and he's a smart leader, but they know they don't want to risk 100% of an incredible asset for an extra 5% of cash flow when they're making all-time-high margins. That's also what the Biden Administration is trying to figure out, but how can they do it? People forget that there's American technology coming into those oil fields in Saudi Aramco to help increase the existing non-risky productions. It's not just Ghawar but it's other fields. That's where things are going. Then you also have to look at what about weapons? Who are they buying from, diversifying? There's a lot behind the scenes but Saudi Arabia is not turning their back on America. The relationships between Biden's Administration and MBS's administration are definitely not at, I would say, optimal situation but that, too, shall pass with new administrations.

Alligator Investing

Addison: Let's go back to moving into the recession. You have a strategy you call alligator investing. I've read a little bit about it but it just sounds intriguing. An alligator kind of floats at the surface and bides its time until it's time to lurch forward, and that's what you're talking about. In a recession, stocks will go down and they'll still have the underlying or intrinsic value and then you wait until the price is right, and chunk.

Marin: Think of it as like a real estate play. If you're on the best street in the neighborhood and a house was going for $10 million because the market was hot, and in a recession it could go down to 3.5, 4 million but it costed those previous owners 6 million to build, well, the value is still there, depending on what your output. Now, real estate, you don't get the type of dividends that you would get in a residential if you're commercial, but fundamentally you don't read it like the whole newsletter business is kind of backwards.

Marin: Every month, there's a new idea in investment and you get all the subscribers reading the same thing at the same time when it gets published and they rush out to buy the new idea of the stock. That's actually the worst way to invest. If you're going to do that, it should be in private placements because you don't run up the price. Remember the supply and demand, the bid-ask. Number two, what I find so amazing about alligators is they're probably one of the best apex predators on the planet and their ability to survive and evolve, but they can go two years without eating something. They can control their metabolism and I take that analogy for investors and speculators to say, "You don't always need to be doing something." Now, make sure you're doing your research and working hard, but you can buy incredible value on de-risked-producing assets. Again, in a recession, you can buy a stock where the bases are loaded and you just need a little bit to keep going to get a grand slam versus building it, getting it permitted, funding, and doing all the work, which is very risky.

Hence in this market, in a recession, you get all of these withdrawals and fund redemptions. There's trillions of leverage dollars in the derivatives market. I know massive fund managers that everybody knows and talks about, whose funds are under incredible pressure. You look at the REIT market, the real estate income trust. The public REITs are down about, let's say, trading under NAV of 40%. Well, that means the real estate values of what they were last year, today's price is 40% below.

That means the real real estate value has to readjust for these REITs to be trading at par. But the private REITs, the ones that aren't publicly listed, have not readjusted their share price so they're still carrying this fake last year's value or bubble value and when investors start redeeming that capital, you're going to have redemptions and it's just a trigger effect. Selling pressure, it's like a domino effect so I introduced this tranche methodology, don't buy all your stock in one day. That's another wrong strategy. Oh, I've got a hundred thousand dollars, I want to buy this stock. I'm going to buy it because I don't want to spend $10 on commissions or pay a broker $300, that's just absolutely stupid methodology.

So you do your homework and you keep buying. You're like an alligator. When a fund gets redeemed and blows up, they're going to have to sell all their stocks, buy when everyone's painful and sell when everybody's cocky at cocktail parties. So that's essentially the strategy. And to me, these markets are where you can literally buy incredible value. You upgrade your portfolio, you get better companies at discounts and focus on world-class cash flow.

Addison: How long do you think the market will be depressed? And how long do you think a recession would set in?

Marin: So I think this one's very different from the previous ones. I think the 1970s is probably the most comparable, where you have such high inflation. But the difference between back then and now is the employment market. It's so hard to find good workers, whereas in the '70s there were so many unemployed. So this is different from stagflation, I'm calling this a cross-flation, and I think it's going to be a deeper, longer recession. And I think everyone has to expect higher interest rates across the board, higher costs across the board. And you look at the hybrid economy, for example, workers, downtown offices, to get everyone to come into the office full time, everybody's changed, it's really hard to get that. Elon Musk is like, "Hey, if you're not doing this, you're going to get fired." He still hasn't been able to bring all of his staff back because of the laws and just the way it's set up, things have changed.

So the market's changed, and I believe this one. I think the newspapers and the economy and the governments will be talking about a recession in say nine to 12 months, and then it'll be another 12 to 18 months moving out. So this is the next nine months when the flush-out happens. And when the politicians and the federal bank and the newspapers are talking about a recession, we're actually in what's called the echo, and it's that point where you start really finding incredible value. So I think we're three to six months away from starting the echo and you want to start building your positions. And then throughout that echo, you build your tranche, so you don't all buy at once. For example, I'll share a story, one of my largest energy holdings is an incredible company paying incredible yield, my subscribers and I did fantastic on it. It took five years of me writing about it before it hit our target price, and I bought my position over seven months. That's the style we go about. And then within about eight months of the last tranche, it doubled, we took a Katusa-free ride where you sell half, and you collect, I call it, the infinite dividend. It's such a strong cash flow that the world would have to end for that dividend to stop paying me. That's the strategy we want.

Addison: You brought up the '70s, inflation of the kind that we're seeing now, it started really in 1965 and ended with the Volcker period in 1981, so it lasted for 16 years. Most people who are investing now only read about it in books. We're expecting inflation to last for a long time. The recession is what it is, but inflation is going to be with us for a long time because the damage was done before the Fed started chasing it.

Marin: And another thing that's interesting, we're in a deglobalization. I know everyone's going, "What are you talking about?" But look what's going on with just the chips for the phones. You got Taiwan, it's a huge risk. It's the chip capital of the world. So you got major in Arizona, it's really now billions, tens of billions of dollars of infrastructure going in because those are chips for American devices that no longer are going to be assembled in China. Things are deglobalizing within all of its ships.

Marin: So it's not just all going to be produced in America, but the big companies are realizing that we have to de-risk this, and we have to de-risk this. And they're seeing the alliances within the governments ending, the banking practices and the rule of law. And you're seeing more alliances in real time with what I call the negative swap line, the ones that are true allies with America and everybody else. That will continue. And that costs money, which is inflationary, right? When you have to build new things, that's inflationary.

But in my book I really talk about how you were seeing certain areas, significant deflationary pressures. You look at technology, for example, you look at certain areas, and then you see incredible inflation in everyday used goods. So this is what I call a cross-inflation, and I think the 1970s is the closest analogy over the last hundred years, but I also think it's going to be different because a key item is everyone is so leveraged today versus in the '70s. And you mentioned it lasted 16 years, I wonder if the average investor has a 16 minute timeframe. You think about the crypto crowd, or the social media, the TikTok and Twitter, you're allowed 160 symbols and things are very different in this economy, the entitlement, it's going to be a generational change. And look, I've been around the world, and I think if you're going to want to bet big, you're going to want to be big in what I'm seeing is the rise of America over the next couple of decades.

Addison: I have one last question about commodities. I'm going to be taking a trip to Greenland in a couple weeks to look at the glaciers and try to understand the rise of sea level and stuff from a scientific perspective. But while we're there, there's an island off the coast of Greenland where there's a huge cobalt deposit, and Bill Gates and Jeff Bezos are heavily invested there. We're going to go talk to the company and try to understand more about the process of getting the cobalt out. Mostly they need cobalt to build electric cars or batteries, or it's involved in a lot of the new technology that's being developed. And lithium is another one, so just wanted to get just your thoughts on both cobalt and lithium as an investment.

Marin: So in Greenland in 2009 or '10, I was there with a company that found significant nickel deposits. There's no doubt there's great, incredible potential, but permitting is going to be an issue in all jurisdictions and infrastructure, as these glaciers are withdrawing, it's exposing more and more outcrops and the geology, so they're going to learn more about it. But you look at lithium, it's the third most abundant element in the world. There's no shortage of it. What there is, is getting access to it, and it's about refinement capacity.

In America, there's no shortage of even rare earths, the 17 critical rare earths in the lanthanide series. Where there is a shortage is processing and refining it. Still, over 95% of all processing happens in China, that's a choke point that America is well aware of. To put things into perspective, I discuss in my book, in 2019, the government of China put up over three billion

Marin: dollars in incentives and money for their rare earth industry, the American government put up 14 million dollars.

So China is investing in these resources because that's what their strength is, very similar to what the Soviets did. Remember, one third of all of Europe's energies has been solved by this old Soviet infrastructure that the Europeans took for advantage, and now they're paying the price for that. Where this will change is, there's companies in California that are producing these rare earths now. And it will come to the processing facilities, Germany's investing in the processing facilities of all this. So there's no doubt the next 24 months is going to be a major pinch point for Europe, Germany's in a tough spot, Italy's in a tough spot, and the UK is in a tough spot. But like the old saying is, "This too shall pass," because the point of capitalism is capitalists solve these problems. It takes money and time, but the smart people go into capitalism, not politics, hence why politics is so screwed up, and capitalism will solve these problems.

Addison: All right, Marin. Good stuff. This is Marin's book, **The Rise of America**, and just so that you don't get confused it's the ***Remaking the World Order***. And it's important that you understand where Marin's coming from, he's looking at the recession as a short term or a cyclical event caused by many factors, which we've discussed today. And if you position yourself well in the next months, you'll be able to benefit from cheap stocks that have the same intrinsic value, and you'll be able to benefit greatly when this epoch passes, this too shall pass, right? All right, Marin. Thank you, it's always good to talk to you.

Marin: Stay well, thank you.

Meet your host, Addison Wiggin

The Wiggin Sessions, conceived during the COVID-19 pandemic and tornado warning in Baltimore, Maryland. Addison started interviewing key thinkers on Politics, Science, Economics, Philosophy and History to find out how their ideas impact financial markets and our financial lives. Key thinkers include Jim Rickards, Bill Bonner, George Gilder, James Altucher and over 50 others.

In 2020, he launched a new project called ***Consilience***, which is an enlightenment era term that means "the unity of knowledge". He is the co-author of the New York Times best-selling books ***Financial Reckoning Day*** and ***Empire of Debt***, as well as ***The Demise of the Dollar*** and ***The Little Book of the Shrinking Dollar***. Addison is the writer and executive producer of the documentary ***I.O.U.S.A.***, an expose of the national debt, shortlisted for an Academy Award in 2008.

Marin Katusa

Marin Katusa: Starting from scratch, Marin has built a large personal fortune... all through his ability to find great investments. During his career, he has sat on the board of a public company, arranged over $2 billion in financings, and written the New York Times bestselling book, ***The Colder War,*** and Amazon's #1 Bestseller, ***The Rise of America***.

Marin's insight has been featured in The Wall Street Journal, The New York Times, Bloomberg, and CNBC. He has traveled over one million air miles visiting over 500 resource projects in more than 100 countries.

Unlike some financial firms, Katusa Research does not accept money from companies in return for coverage. We turn down all offers of kickbacks, brokerage commissions, and referral fees. We have no hidden agenda and we are not for sale. We work for our subscribers, not advertisers. And the investment guidance we provide is the guidance we follow ourselves.

Katusa Research is committed to helping individual investors learn how to navigate the complex investment world. To that end, we've created a large amount of educational material that can help anyone become a smarter, better investor.