DOW/GOLD Ratio — 10-Year Chart

DOW/GOLD Ratio — 2-Year Chart
SHADOW PRICE OF GOLD
2002-2015 (arithmetic scale)

1959-2015 (log scale)
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Dear TDVers,

As you are receiving this issue, we are headed out the door to our upcoming Investment Summit and Anarchapulco Conference. The events are going to be well-attended and exciting and will feature a Who’s-Who of some of the most innovative thinkers and doers of the early 21st century and we’ll see many of you there!

The events are being held at an especially fraught time as you will be able to see from this TDV newsletter. There’s simply no doubt that long-harbored elite plans to implement further socio-political and economic globalization are now coming to fruition.

Of course it is easy to look at what’s going on in the world and conclude that grim events are unconnected. But to do so would be to ignore a gigantic compendium of evidence, statements and actions that provide a launching pad for the current chaos and economic insolvency.

We’ve built TDV - and this newsletter in particular - to respond to the events that are now happening. In this issue, Jeff Berwick’s Big Picture clearly states the evolution of the globalist plan and unlike many publications we won’t fall into the trap of believing it’s all unconnected.

Having a grasp on what’s REALLY going on allows us to provide you with the solutions you need. First of all it allows us to predict with some certainty what’s going to happen next and to highlight that. A good example of this is Redmond Weissenberger essay just below in the Memory Hole on the evolution of cashless societies.

The move toward cashless societies is predictable because people will fight the invasiveness of globalization tooth and nail. From an elite standpoint further authoritarian control is desperately needed. Whether such implementations will be successful is another question entirely. Probably not, in our view.

Anticipating what’s coming next informs our editorial choices and what we decide to introduce in these pages and as services. Please take a look at Paul Seymour’s article on upcoming IRA confiscations. That’s a predictable outcome of the US’s increasingly dire financial situation. And you’ll want to read Jeff’s update on private currencies like bitcoin, litecoin, etc.

Of course, you’ll find Ed Bugos’ insightful, gold-focused analysis in these pages as well. Many of Ed’s recent prognostications have done extremely well and if you haven’t taken advantage of some of his suggestions, perhaps you ought to do so now. The Golden Bull has returned with a roar and our very own Ed Bugos is riding the creature with a vengeance.

There is much else of note in this issue as always, and we hope you enjoy our additional regular features. If you are attending Anarchapulco, we look forward to seeing you there!

Yours in liberty, The TDV Editors
It’s hard to believe in the digital age that we still—occasionally—carry cash. Actual paper money. From the Tang Dynasty China in the 7th century to 2016...are we still using a lot of modes of economy from the 7th century? With debit cards, credit cards, and smartphone payment methods, why in the name of everything which makes sense are we still using money?

I mean, how often to we actually need to use actual physical currency? Parking meters? Arcade games? Tip jars? Food trucks? Is that the whole list? And 90% of those have already joined the digital age. Money is dirty, poorly sustained, antiquated, and doesn’t encourage new technologies or businesses by way of innovation. The majority of our transactions take place digitally, and should take place digitally.

Actually, the above is just what the governments would have you believe.

The truth is, the majority of transactions still involve cold, hard, cash:

The drawbacks of these digital alternatives are evidenced by the resilience of cash. Eighty-five percent of all transactions globally (and 40 percent in the United States) are still carried out using cash, particularly transactions involving small amounts of money. There are good reasons why that is the case. Cash is convenient. Cash is private. Cash is intuitive. Cash does not incur explicit transactions costs.
Often times when answering the question of what would be the long term effects of his system, John Maynard Keynes would answer: In the long run we are all dead.

Of course, he is dead, we are alive in his long run, but it seems that he really should have said, “in the long run, cash will be dead.”

Governments have fought a war on accountability. First was ridding themselves of a hard money standard that began in 1913 with the founding of the Federal Reserve and completed that with the closing of the gold window in 1971.

And now with NIRP looming on the horizon of Central Bank policy around the world, it seems that the last vestige of accountability in the form of physical cash is on the chopping block. Countries around the world, like Norway, Sweden, and Denmark, are trying to ban cash.

Simply put, governments want control. They want to know how much you’re spending, how much you’re making, and where you’re spending it. The want to track you and your money, and they don’t just want their cut. They want your blood.

The solution: Buy gold and silver and keep it to yourself. They can’t control what they can’t find.

And, get knowledgeable on using private, decentralized cryptocurrencies. While still somewhat trackable there are many ways to use it very anonymously... and new solutions are coming out all the time. And, you’ll hear about them here first.

There is a massive technological race going on between tyranny and freedom... and we’ll provide you with information and solutions to keep you one step ahead.

Redmond Weissenberger
When we started The Dollar Vigilante in 2010, in response to what we saw as the system in its final death throes after 2008 and subsequent “Quantitative Easing”, we said that within 5-10 years the whole system would be in collapse.

As fate would have it, it was exactly five years before the wheels started coming off the wagon in late August, 2015, just two weeks before the end of the Shemitah year.

We are now in no man’s land. We’ve never had a global fiat currency and debt crisis before. Sure, there have been plenty… more than plenty, of individual currency and debt crises. Some have even engulfed entire regions, such as the Southeast Asian crisis in 1997. But never have we seen the entire global system on the verge of collapse.

In the past it was fairly easy to sidestep localized crises. If you lived in Zimbabwe in 2005, and saw what was coming, you simply sold your Zimbabwe dollars and bought US dollars, South African rand, gold, silver or other hard assets outside the country. If you live in Venezuela, you should have been out of the bolivar, quite easily, years ago.

But now, where do you run? Definitely to gold and silver, and maybe some bitcoin… but how many people are currently doing that? I’d fashion a guess that it is less than 1% of the people in the world who have significant assets who are even aware of the need to own precious metals... and much less have even heard of cryptocurrencies.

That’s where this current currency war is, and what it has become. Money is flowing in, and out, of areas as the wind changes and as people scramble for some semblance of safety. And the real panic hasn’t even started yet... it will get much worse.

We never mentioned, back in 2010, that we’d at some point see “negative interest rates”... the reason? We never imagined they would do it!

If you had mentioned, in 2010, that we’d see numerous countries with negative interest rates by 2016 you’d be laughed out of the room. It had never really been done before. Even my prognostication, in 2010, that the Federal Reserve would never significantly (more than 2%) raise rates again was thought of as complete bluster in 2010. Yet, here we are. The impossible and unimaginable are all happening.

This is why it is so important for us all to stick together here and now. We are in completely uncharted waters and, still, most people have no idea how bad it is... so as a network we need to work with each other to pass along new info (and new info is coming in by the minute now) and quickly analyse it and digest it before the
market. That’s why we built the TDV Groups. We said years ago that having a trusted worldwide network will be integral to surviving and prospering through the collapse. And we are enjoyed to see how well it has grown, particularly on the private subscriber’s only Facebook Group, where we’ve seen people from around the world helping others with good information and advice.

If you haven’t joined, please do. You can access it here and for extra facilitation, email Luis Fernando Mises at lfernando@dollarvigilante.com to get approved faster. As well, look on TDVGroups.com to see if there is a group in your area and join it. And if there isn’t one, contact Luis to start one.

Because here we are right in the thick of things and there is no road map from here.

Sweden's Riksbank already has adopted negative interest rates and traveled further down the arc, moving from a negative rate -0.35% to -0.5%. A Spanish bank has pegged mortgage rates to negative numbers and even the Fed is stress-testing the possibility.

Central banks have kept interest rates so low for so long that in order to have an impact, they have to lower them even farther. This means going into negative territory.

From the central bank’s perspective, that’s not so bad. Banks will have to pay money for storing funds at central banks, and rather than pay, they may lend.

The problem that economies around the world are having is that consumers aren’t spending and many banks aren’t lending. This is actually because central banks never let financial institutions go bankrupt even though many of them were after the subprime crisis.

Because so much financial chaos remains unresolved, the problems of liquidity remain despite everything that bankers have been doing to reignite the “consumer” economy.

And, the thing almost no one knows, is that manipulating the interest rates lower DOES NOT help economies. It serves to confuse price signals and destroy an economy. And now we are headed into negative interest rates, which before a few years ago, was the stuff of science fiction.

If it all seems insane... it is. But it’s not accidental.

As time goes on we see that the goal is actually the destruction of the entire system in order to create enough chaos to bring in a new one world government and one world currency.

Economist John Maynard Keynes suggested the bancor at the end of World War II, but the idea of a single global currency was then considered too radical.

Now, many believe that a variant of the current SDR basket may eventually evolve into a world currency.

The basket would include a number of local currencies including the yuan and the US dollar though not gold probably.
Of great interest, is that the Chinese yuan is slated to be added to the SDR basket on October 1 of this year. The Jubilee year, which we are currently in, ends on October 12th! Circle your calendar for October!

And don’t forget the Rothschild owned Economist hinted in 1988 at a new world currency to rise from the ashes by 2018 (cover image below)...

A universal currency would imply a universal central bank. This would immediately have a huge impact on central banking generally, the West in particular and of course the US which would lose the ability to print money at will.

Negative interest rates, a new world currency and a displacement of monetary power from the US are bound to change the way the world operates.

Power follows money and a case can be made that as world mis-leaders contemplate new forms of monetary organization, political reconfigurations will follow.

It can be argued this is already taking place in the US, which has seen its fortunes decline markedly.

Europe too is facing a variety of challenges and it can be argued that the West’s decline is a manufactured one intended to make the West less competitive with developing nations.

Just as the BRICs have expanded trade and political clout in the past 10 years, so the West has retreated. The result is a world a good deal more amenable to international trade and homogenous monetary and fiscal policies.

Americans are slowly absorbing these momentous changes and the result, as has been noted, is a good deal of anger now manifesting itself politically.

Surveys show that 84% of Americans believe political leaders are more interested in protecting their power and privilege than doing what is right.

75% believe that powerful interests, from Wall Street to unions to interest groups, have used campaign and lobbying money to rig the system for themselves.

72% blame the stagnation of the American economy on corruption and crony capitalism in Washington 67% hold that the US government is not working in the interests of the people.

78% agree that both parties are too controlled by special interests to create meaningful change.
75% agree that the two party system is flawed and it's time to vote in new political parties with new ideas

This sort of alienation is taking place in Europe as well where immigration is destabilizing otherwise solid and ancient cultures. The immigration is coming mostly from the Middle East and Northern Africa caused by years and years of terrorist attacks by the US and NATO... again, all planned.

Greece alone is receiving some 10,000 immigrants a month and Greece is being kicked out of the Schengen Area by the rest of the EU for not handling its immigrants properly. We were the first to say that the Schengen zone was collapsing, on the Shemitah end day on September 13, 2015... and the first country has officially left now.

Not only are politics undergoing a change in the US – with established candidates being shouldered aside by “outsiders” – but as popular disaffection grows, authorities are becoming more forceful.

This was last seen in Burns, Oregon where authorities finally removed protesters that had occupied the Malheur National Wildlife Refuge. The four remaining occupants surrendered to the FBI and this should have been the end of it, but the remnants of a kind of police state remain.

Inhabitants have been subject, according to reports, “to road blocks, road closures, checkpoints, private mercenaries, papers please demands, and even guns pointed directly at the heads of law-abiding American citizens.”

Private mercenaries have been seen entering the area along with reports of armed drones. Authorities have been harassing townspeople and farmers that just want to get on with their daily lives.

In truth as this new year unrolls, Western governments generally are becoming more difficult and irresponsible. The immigration crisis that has received so much news is a direct result of Middle Eastern wars.

The flood of immigrants is destabilizing the Schengen Area that is made up of European countries that have done away with visas and de-emphasized passports. Throughout Europe, citizens protest against a flood of immigrants threatening to change the shape and texture of their societies.

In Germany and throughout the Nordic countries – places traditionally supportive of the EU – there has been a good deal of pushback against the kind of uncontrolled immigration now taking place. As Brussels and nation-state governments generally have not been overly cooperative or responsive.

As Greece struggles with 10,000 or more immigrants per month, Eurocrats have decided to kick Greece out of Schengen. It is not clear why Greece is getting this treatment except that Greece generally has received bad treatment from the EU.

The idea obviously is to use Greece as an example of what happens to other uncooperative countries where populations are inclined to resist Brussels more authoritarian recipes and regulations.

It’s not just in Europe where government policies are causing a good deal of antipathy and dissatisfaction. The US’s FATCA regulations that seek to track a person’s income across the world is biting down hard.
As more and more banks refuse to do business with US customers – for fear of being entangled in FATCA – more and more citizens and long-term US residents have begun to renounce their citizenships altogether.

The reports indicate that renunciations have climbed toward 5,000 which is a mere pittance given the invasiveness of FATCA. But who knows what the damage really is given that the US government, like all governments, is generally loath to release bad news. No doubt such figures are “massaged.” And, certainly exponentially more are just falling off the grid.

The US government is receiving blowback not just from its own citizens but from other nations seriously unhappy with the its dollar policies. The US debt, its unrestrained warring and its “quantitative easing” overprinting of the dollar have alienated much of the world.

Russia and China both have ceased doing dollar transactions except when they have to. And recently Iran announced it would accept oil payments in euros only.

This is a terrific slap in the face to US interests. For nearly 50 years with the support of Saudi Arabia, the petrodollar has reigned supreme as the world’s reserve currency. But given the constant declarations of animus, it is difficult to know how much longer this can go on.

What comes after a dollar regime, of course, is anybody’s guess. Certainly the IMF has ideas of introducing its SDRs as a dollar substitute but presumably the US would have to approve of such a change.

Meanwhile, Saudi Arabia itself – unmoored from alliances of the past half century or more – is acting out in militaristic ways. Run by a senile king and advised by a violence-prone youngster, the country has involved itself in a war with neighboring Yemen and is threatening Syria as well.

It is difficult to understand what could possibly be animating these wars. Yemen has a population of 30 million and twice as many guns. And a declaration of war against Syria would now provide Saudi Arabia with a two-front conflict.

Saudi Arabia itself is a sparsely populated country and the regime – basically the Saud family – is reviled throughout the Middle East. Basically the security of Saudi Arabia is based on its ability to hire and pay mercenaries. How long the process continues if Saudi Arabia comes under significant military pressure is anyone’s guess.

It is possible that Saudi Arabia wants to involve the US more aggressively in current Mideast wars and that is the reason for its truculence. If so, the Saud family is probably playing a losing game.

The US is led by financiers out of London and these top men have apparently decided that the dollar must die in order to usher in a more globalized financial system. As part of this die-off Saudi Arabia has become dispensable. It is very probable that the House of Saud may lose its grip in the near future.

Part of the changing economic scene and the increasing chaos of international finance may be attributable to decisions at the top of world finance to begin the transition to a truly international system.
Of course, as we have pointed out in the past, this may entail considerable displacement. The West must be diminished so the East and developing countries can rise. That is taking place now it seems. Stocks in this latest selloff around the world have lost something like an astounding six trillion dollars.

This is an unheard of amount and can be laid directly at the feet of central banking policies. The endless low rates not just of the past decade but the past 50 years have thoroughly decimated and unbalanced Western economies. Cheap, liquid money has been borrowed and re-borrowed until the entire system is in hoc from governments and sovereign funds to banks and private and public funds.

And this is no mere idle observation. Strategists at Citicorp recently warned the global economy seemed trapped in a “death spiral” of debt and equity sell offs.

The reference was made in a report supervised by Jonathan Stubbs. He wrote in the report that the dollar would weaken in 2016 and that oil prices were likely bottoming, potentially providing some relief. He also writes in the report that, “The death spiral is in nobody’s interest. Rational behavior, most likely, will prevail.”

But this may not necessarily be the case. Rational behavior is in the eye of the beholder and it seems fairly obvious that the problems the world is facing involves an unusual set of occurrences that is the result of willful circumstances.

In other words, when examined objectively, almost all of the world’s evolving economic and sociopolitical problems are intended to create a crisis environment that yields a more global order. It is within this context that TDV will be offering a series of aggressive solutions this year.

**THE MARKETS**

Nothing major has changed in recent weeks that was unexpected. Markets continue to slide and be very volatile and gold, silver and bitcoin have all been doing well. Bitcoin did spend some time below $400, which is where we suggested was a buying opportunity, but has now risen back above $400.

![Bitcoin Price Index Chart](https://www.coindesk.com)

Accumulation here still seems reasonable although bitcoin is always best bought after a panic. Every few weeks or months an article will come out declaring bitcoin dead. Buying soon after that is always the best time to be buying.

But if you don’t own any yet, you should buy to at least get a position... as well as to just begin to understand the money of the future.

We will be releasing a complete book on investing in bitcoin, free to
subscribers, in the next month which will give you all the information you need to know. As well, further below I'll go into some advanced topics on bitcoin and cryptocurrencies.

As well, this week, we'll be releasing our Dollar Vigilante’s Investing Guide, which is also a complete book on the A to Z’s on investing... with specific information for TDV subscribers on the investments we typically focus on. For those who have been waiting to trade on Ed Bugos’ option trades for Premium subscribers, but are new to options, this guide will give you everything you need to know.

In the meantime, our TDV conference is in just two days and Ed Bugos has just arrived to my house here in Acapulco, so we’ll be preparing for that along with the hundreds of TDV subscribers who have made the trip here.
On Bitcoin Classic: Is The New Solution Here To Stay?

The bitcoin industry is divided about a solution to make the digital currency scalable and adaptive to growth. The first introduced idea, Bitcoin-XT, quickly became less popular as miners did not share consensus on that project. Many bitcoiners believe that idea is now off the table.

The newest solution, Bitcoin Classic, seeks to double the bitcoin network’s transaction capacity from 1MB to 2MB. The solution would be adopted by operators of full nodes - people running other Bitcoin clients - by upgrading within 28 days of Classic receiving majority support among miners. While the new solution will start with a doubling of the bitcoin transaction network volume, a developer on the project, Marshall Long, foresees it doubling in two years to 4MB. According to Bitcoin Classic representatives, miners are okay with an increase to 8MB.

Whereas Bitcoin-XT deviated greatly from the original bitcoin client, bitcoin core, code, Classic developers claim this is the same code used for the prior client. The 20MB block size of XT was merely one issue, according to some developers. Developers took a more conservative approach with Classic.

Classic started as an idea about two weeks ago. It currently has no implementation as of yet. Bitcoin-XT and Bitcoin Classic developers - which have overlapping participants - claim Bitcoin Core developers are not prepared to update the protocol in order to allow for more transactions.

In a blog post, Andresen discussed his current concerns for bitcoin. “I’m still worried about reliability of the network in the short term, which is why I’ve been so vocal on the block size limit issue, and which is part of the reason I’m supporting alternatives to Bitcoin Core,” the former lead bitcoin developer stated. “In the long run I think everything will work out fine, no matter what happens with the block limit.” He has some ideas in mind as to what he’d like to see.

“I’d prefer a nice, simple, clean solution, but I’m old enough to know that most of the world’s great technologies are built on top of horrifying piles of legacy cruft, and they work just fine pretty much all of the time,” he said. At the end of the post, he points to Nakamoto’s thoughts on the issue of splintering factions in the bitcoin industry.

Nodes can leave and rejoin the network at will, accepting the proof-of-work chain as proof of what happened while they were gone,” he said. “They vote with their CPU power, expressing their
acceptance of valid blocks by working on extending them and rejecting invalid blocks by refusing to work on them. Any needed rules and incentives can be enforced with this consensus mechanism.

In the post, Andresen highlights Bitcoin Unlimited, hinting that, in his mind, the block size debate is far from over and there are still new solutions to be proposed.

**Segregated Witness: This Bitcoin Solution Is Gaining Popularity**

Segregated witness solves third-party malleability, allows smart contracts to flourish, reduces fees, and offers upgrades to Bitcoin Script. It is essentially a re-write of the current Bitcoin protocol, however, upon change does not require anyone to choose a new chain.

Segregated Witness is a BIP proposal introduced at the Scaling Bitcoin event in Hong Kong by Pieter Wuille.

In his presentation, “segregated-witness-and-its-impact-on-scalability,” Wiulle detailed a mechanism to be implemented within the Bitcoin protocol as an observer for transaction signatures within the blockchains entries.

In this model, signatures function to authorize transaction outputs. Full nodes will confirm transaction blocks, while light clients will not.
Segwit seeks to maintain Bitcoin’s best features, while retooling other less desirable or perfect aspects. Signatures in this model will be partitioned from transactions data, where they now exist. As Wiulle noted at the speech:

*One way to do this is change the merkle tree that blocks have to commit to the transaction IDs, into two-sided tree where one side refers to the transaction IDs without the signatures, and then there's a second tree, exactly constructed, in the same way, but it contains the hashes without the signatures.*
Proponents of Segwit champion that this solution curbs malleability attacks, referring to the added “witness protection program.” Wuille says thereof:

*It’s just a realization that, whenever we relay data to an old node, we can drop the witness. To them, the transaction is valid without it. Because the witness does not impact the Transaction ID, you can say it’s not really a part of the transaction, it’s just another piece of data we relay along with the transaction instead.*
Bitcoin transactions work in a simple way. Each transaction receives an input, which references the previous outs of spent bitcoins.

The transaction ID's (txid) and a signature prove the transaction legitimate. What Wiulle wants to determine is whether or not if all the ingredients of a current Bitcoin transaction are equally important. He zoomed in on the importance of signatures: “It's important to realize here that signatures are really only needed for fully-validating nodes,” he noted.

Thus, lightweight clients are not validating signatures. Instead, they defer to full-nodes for that data. Wiulle goes on: “These signatures are only needed at time of validation.”

In his rendering, the notion of a “witness” in this model refers to scriptSIdx, which represents signatures inside transactions. He proposes fundamental changes to signatures as what’s needed most in Bitcoin, and this can be done within the current Bitcoin Core protocol. He explains why signatures are important at all:

...the signature is part of the transaction hash. If we would just drop the sig from the transaction, the block wouldn't validate, you wouldn't be able to prove an output spend came from that transaction, so that's not something we could do. But let's simplify the problem. What if we could redesign Bitcoin from scratch? What if you're designing an altcoin, there's really no reason why you would want to do this in Bitcoin. This is actually something we did in sidechain alpha.

In Wiulle’s redesign, nodes will have the option to “drop” the signature aspect of the transaction. He summarizes the advantages:

It allows you to drop the signatures from relay whenever you are relaying to a node that is not actually doing full-validation at the time. It also allows us to effectively prune this data from history, maybe we’re fine with not all nodes in the network actually maintaining these gigabytes of signatures that are buried under years of proof-of-work now. To show you how much data this actually is, here’s the red line is the blockchain data today, the green line is what it would look like without the signatures. It's a significant difference.
The change will also affect malleability in Bitcoin which could promote the adoption of smart contracts later in development.

One type of signature model Wiulle is open to using is the Schnorr signature.

What Everyone Forgets About Litecoin

Let’s return to Litecoin for no other reason than the TDV team suspects the designer foresaw this issue in Bitcoin - years in advance - and planned ahead. That’s worth something.

While the Bitcoin community has been divided by the contentious block size debate, another digital currency has been growing steadily.

Designed in 2011 by Charlie Lee, who currently works as director of engineering for the Bitcoin exchange Coinbase, Litecoin has seen a steady increase in trading volume over time, especially as debate on Bitcoin’s block-size limit increasingly appeared in the headlines.

Marketed as a form of “digital silver” (Bitcoin has been marketed as “digital gold”), Litecoin’s market capitalization has climbed to more than $150 million. It’s design, while similar to Bitcoin, includes major technical and engineering differences. For instance, whereas 21 million bitcoin are due to be digitally mined, there will be 84 million litecoin mined.

Trading volume spiked momentarily in July 2015 after TradeBlock, a blockchain data analysis firm, released data in June demonstrating that the average Bitcoin block size had increased from around 25 KB to 425 KB since 2013, with the daily volume of Bitcoin transactions increasing 2.5 times.
The bitcoin block size is limited to 1MB, but that can be changed through development; hence, the block-size debate. The debate’s recent stalemate has potentially led to increased volume for Litecoin. In the month after TradeBlock released its data in relation to Bitcoin’s block sizes, Litecoin spiked:

There could be a correlation. It was no mystery when Lee designed Litecoin that, if Bitcoin continued to grow as a payment network, it could potentially reach its 1 MB limit per block. Moreover, the Wikipedia page for Litecoin hints at this, as well. In the long run, whether Bitcoin’s success or failure has implications for Litecoin, we can’t yet know.
We’ve preached long and hard about how Congress and the army of unelected thieves in Washington are drooling over the low hanging fruit which are the trillions of dollars in your qualified retirement accounts. People like Ron Paul, who spent decades as leader of several Congressional Finance committees, is on public record as stating that the conversion of your retirement funds to worthless government bonds is imminent. Other Congressmen are fully aware of these plans, they just lack the veracity of former Congressman Paul.

By the way, if you’re waiting for any more warnings, you may be making a grave miscalculation. That’s it folks. You’ve been more than adequately warned, and don’t think that the practiced sheep shearsers in Washington, will bumble this one. It has been in highly secretive planning for quite some time, and whenever the hammer down date is, you’ll go to sleep one night thinking you had a retirement account invested in sketchy mutual funds, and wake up to learn that it has been converted to worthless USG treasuries.

Maybe they’re right. If you still have your retirement funds invested in mutual funds in the US stock and bond markets, they probably are protecting you from losses. For the tiny fraction of you out there who see what’s going on, you can still legally do a tax-free rollover of your retirement account to a Self-Directed IRA (SD IRA).

**ACTIONS TO TAKE**

There are a few different types of plans out there. Traditional IRAs, Roth IRAs and 401(k) plans comprising the vast majority. Many of the 401(k) plans which were set up by employers, look like sweetheart deals with the investment houses, wherein you may invest a portion of your salaries, pre-tax, as long as you invest in a sad looking basket of investment options offered by the Third Party Administrator (TPA).

Under the law which enabled such tax deferred investments back in the 1970’s, ERISA, the company is required to 1) have a designated plan administrator on staff, and 2) Provide you with a Summary Plan Document. Your HR department is probably the place to start to inquire as to whether or not you actually control your own retirement account.

You should dedicate an hour or two to review your Plan Document in order to find out whether or not your retirement account is under your control, or that of your employer, and their hand-picked TPA.

If you are forced by the Plan Document to be invested in the US stock and bond markets, we strongly suggest that you liquidate your tax-deferred plan, pay the taxes and penalties, and then move the remaining proceeds offshore, and out of the US banking system, and the USD.

If however, you are in control of your own tax-deferred assets, as you should be as big boys and girls, then we just as strongly suggest that you take full advantage of the tax code, and maintain those tax-deferred benefits.
However, if it’s currently in the US banking system, and worse, invested in the US stock and/or bond markets, you should immediately do a tax free rollover to an offshore SD IRA.

Not only will you save the current hit of taxes, at your current high tax rates, in addition to a hefty penalty, but you will be able to protect your assets in jurisdictions which still respect due process of law. Once offshore, under a properly established LLC, and in a private, well managed offshore bank, you will be able to invest in virtually anything and without fear of an executive ordered confiscation.

We have not only helped clients move their assets offshore, but also subsequently helped them make good deals on foreign real estate. How about a good deal on a Medellín penthouse, or San Pedro beach house? Under an SD IRA you could rent that out, using Airbnb, for example, and the revenues would remain tax-deferred.

You could also immediately diversify your fiat currencies so as to hedge the serious downside threats of the USD. Maybe some well managed Swiss Francs or Singapore Dollars, for example. We can also set up a brokerage account offering 25+ international exchanges, if you have the guts and wherewithal to invest in any stock markets in these turbulent times. Precious metals purchasing and storage in Liechtenstein is available as well.

THE STEPS TO IMPLEMENT THE PROTECTION PLAN

We have helped dozens (why only a few dozen boggles my mind) of clients to legally move their retirement accounts offshore. It is a four-step process.

1. Tax free rollover to a new US based custodian who is registered with the IRS to report offshore SD IRAs.
2. Establishment of an offshore LLC, as an asset of the IRA, to hold the investment assets.
3. We’ll set up a private bank account under the LLC to receive your liquid funds from the custodian.
4. We assist with the transfer of the funds from the custodian to the offshore bank.

As manager of the LLC, and sole signatory on the bank account, you are now in complete control of your assets. No more ticking of boxes to elect a lesser of evils to invest in. US Stock mutual fund? US Bond Fund? Get serious. As I’ve stated recently, the primary goal right now is to simply not lose money.

Our fee to carry out the above is only $3,200 ($2,900 for TDV subscribers). Compare that to the taxes and penalties you would pay to take a distribution of the entire amount. In addition, your future earnings from any investments will also remain tax-deferred. At year end you will be provided a simple 1-page form by the custodian to report the current market value of your offshore IRA investments. The custodian will then file the required forms with the IRS. Your tax reporting is not significantly changed. If you require assistance we also offer compliance services.

For more information, contact me at pseymour@tdvoffshore.com to set up a call.
This will be a brief update but I'll try to pack a lot into it before flying off to sunny Acapulco. It has been raining relentlessly in the lower mainland of Vancouver so I can’t wait to get there! I’m sure it'll be a climate shock.

The next week will be crazy and I will try to keep you up to date if possible.

As well, because my contribution is trip-shortened this week we will include all of the information normally exclusive to TDV Premium subscribers for Basic subscribers this week. If you are a Basic subscriber and like this additional level of analysis and specific recommendations just email info@dollarvigilante.com to request an upgrade and your current subscription can be upgraded pro-rata to what you have already paid for basic.

That said, I have no NEW actions or trades today (if you are a new subscriber please read through the past few alerts and newsletter issues to see our current trades) but I have comments on our outstanding positions that may be helpful for anyone wondering if it still makes sense to buy them, and under what conditions this week.

**Currency Shares Euro (FXE) and Yen (FXY)**

**Hold / Buy Next Dip**

If you believe in our bear market call on the US dollar and are looking to enter or re enter into the Currency Shares Japanese Yen (FXY) or Euro (FXE) ETF’s you may get another chance this week.

Following in the BOJ’s footsteps, the ECB threatened to extend its own quantitative easing policy - or cut further into negative interest rate territory in March - in support of the US dollar and its banking system.
That’s not the way you read it in the news. In the news, the ECB, BOC, PBOC, BOJ and others are grappling with a weak economic landscape of their own, and agitating for more inflation. The ECB, for example, cites the oil price drop, weakness in emerging economies, “market turbulence” and other factors for its inability to reach its inflation targets, fearing that if it doesn’t do so soon the public might just lose confidence in it!

The ECB has missed its inflation target of close to 2 percent for three straight years and policymakers fear that a failure to get prices rising again would erode public confidence in the bank, rendering monetary policy ineffective and leaving Europe stuck in a trap of zero price growth. (Source)

That’s how absurd this whole deal has become. The public is now going to lose confidence in central banks because they can’t create enough inflation! Hah. It’s a brave new world. And yet, isn’t it more of the same?

There continues to be lots of talk about inflating but the fact is they have been holding back. As I’ve pointed out in several reports, none of those banks have inflated their money supply like the Fed and its banks have in the post 2008 environment. The ECB is only now catching up, reluctantly. But their incentive to inflate is not as great as it is when the USD is weak and they are trying to offset the strength of their own currency.

If you are already long the FXE and FXY currency ETFs (or options) then ignore this and stay long. If not, we’d take this dollar supportive rhetoric as another opportunity to sell dollars or dollar denominated assets.

We could easily see the Yen etf (FXY) pull back to around its $82-83 neckline, and the Euro etf (FXE) could pull back a little too if the US stock market gets any sort of traction. In addition to the non leveraged ETF’s, we suggested buying some calls, some of which we’ve taken profits on (we sold the March 85 FXY calls at $2 on Friday for a 356% return in less than two weeks). The Euro (FXE) calls we bought were the June 108 and March 115 calls. The former are in the money and have a $2 intrinsic worth as of Friday’s close while the latter are still out of the money. As you saw with Yen calls we took profits on some of the biggest gains can occur when an option transitions from out-of-the-money to -in-the-money. But they are riskier too. The June 108 in the money call options on the FXE etf are going to be less volatile in case you want less risk, but they are still way riskier than the underlying etf. You could easily be down 50% as you could be up 200%.

If you can buy the FXE at 110 or better, it would also make for a good entry point on those options.

Likewise, if our Yen ETF (FXY) pulls back to 84 or better, consider either buying the March $80 calls that have an intrinsic worth above $80 if you can buy them near the $3 level or better, or buy the June $85 calls.

But only take these actions if you see a pull back in the ETF’s as described above.

In other words, I still like the trades, and reiterating to buy the dips... but don’t buy the strong days.

Direxion Daily Gold Miners 3x (NUGT)
Hold / Buy on Dip or with Tight Stop

Our NUGT trade was up 85% as of Friday’s close, more if you bought it at the $20 low (we’re in at $30) in January that preceded the latest rally, which is technically a reversal of the downtrend. The reversal point was around $30, or the last
lowest high in January. The bulls blew through the higher and more significant $52.60 resistance point - i.e., the August and October highs - briefly last Thursday and Friday as gold prices reversed a four year primary downtrend.

In our last report I said that if you wanted to buy it up here to do it with a tight stop in case the breakout was premature and the pullback below $52 turned out to be sharp. Given the action in the USD f/x rate and gold prices overnight (Sunday) that may have been a prescient call. It is possible for this ETF, in light of its inherent volatility, to fall all the way back to the low $30’s even if it is reversing here. It is conceivable that it completes a right shoulder over the next month or two before launching toward our expected 80-150 range.

Gold Price Reversal in Primary Leg, But Unconfirmed

The reversal occurred when gold prices shot through the October high to reverse the sequence of lower highs and lows to put in a higher high. Now will it hold and continue? I think so. What I liked about this move is that it caught a lot of bulls off guard. Many of them took profits, their first in years. But now they want back in. And I don’t think it is the weak hands that are coming in. It looks like the hedge fund crowd is starting to realize that the Fed is nowhere near normalizing rates and the economy isn’t as shit hot as the they thought. In fact, the central bank can’t normalize interest rates if they tried without causing disaster.

So I think this shift has legs. I think after a little pullback we could run for a bit with small pullbacks for now, but I don’t know how far... 1300, 1350, I just don’t know, but the move has a strong bullish character and as you know the metals and the whole sector are very oversold... particularly the miners. I’m looking for the current pullback to find support at $1185 and I want to see silver confirm with a breakout past US$16.
Silver has not yet put in a higher high like gold. And the US dollar index needs to fall through the 92.5 level to confirm the double top and trend reversal. However, the gold share indexes may have reversed their primary bear markets, which we can view as a partial or tentative confirmation of the gold move.

Obviously we have to account for the reaction of the authorities. When they see a move in gold like this they will react. The ECB rhetoric is part of that.

They all still need the US dollar to be strong. That is the formula that matches their economic policy, and that of most of governments. As much as they say they want more inflation now, they will regret it later.

**Sooner or Later the Inflation Genie Will Wake**

Probably the biggest surprise to us besides how long the bear market in gold shares has been is the drop in US treasury yields at the long end of the curve. The market has pushed the 3 month t-bill yield up another 12 basis points to 0.27% in 2016, a new post 2009 high, and in the face of a 2000 point meltdown in the Dow. It is nevertheless still at the low end of the Fed’s current target rate. Meanwhile, the 1 year yield is down 15-20 basis points to roughly 0.50%, the 2 year yield has dropped 35 basis points to 0.70%, the 5 year is down 55 basis points to about 1.2%, the 10 year is down 55 basis points to 1.75%, and the 30 year is down 45 basis points to yield 2.6%. There is some flattening in the very short end of the spectrum - which would probably be more severe if it weren’t for the central bank keeping rates down to begin with - but the curve is hardly flattening on the other side of the 5 year point. Some analysts believe that a flat yield curve predicts recessions, and have blamed the Fed’s suppression of short term rates for obscuring that signal this time around. Maybe. One theory for why this happens is that the incentive to borrow short term and finance long term diminishes as the yield curve flattens, which undermines credit growth and the boom in investment.

The original cause of this flattening is a decline in short term liquidity - itself either brought about by a reversal in central bank policy, rising inflation expectations, or the intensifying demand for short term credit while the real pool of savings is not growing. There is little in the way of inflation expectations to drive the flattening trade today, but it is true that the US central bank has not provided any fresh monetary liquidity since ending QE3 in the last half of 2014. On the other hand, the banks have been inflating credit themselves again over the past two years (by an average of 7% annually) with the figures for December and January showing an acceleration to an annualized 9-10 percent. Most of that pick up has occurred in industrial and commercial real estate loans, and may reflect heightened demand for short term liquidity related to the funding of ongoing projects. It’s hard to imagine much stress in the short term credit markets at all these days with over two trillion in excess reserves still sloshing around the banking system.
But default rates are rising and there is obviously tension related to that, even in the so called government risk free rate! Nevertheless, the drop in long term risk free yields (5 years +) has pushed them to new post 2012 lows. This shouldn’t surprise us too much in light of the continued drop in stock and commodity values, or the general economic outlook, or the low level for inflation expectations at the moment, as well as all the moves around the world of central banks going to negative interest rates. Yet, we can’t help but be surprised by how slowly markets are awaking to the dollar delusion and coming debt and inflation crisis.

Short Positions: QID, QID calls, SPY puts, Canadian Bank Shorts and Puts

Hold / Another Buying Opp This Week

I’m worried a little about the character of the short trade. I can’t prove it but it feels a bit too popular.

Maybe that’s just because I’m surrounded by bears.

Our trusty put/call ratio peaked in January and has since retraced, turning short term sentiment neutral.

Too much fear is indicated by a move above 1.2 and too much optimism by a move below 0.8. This index measures put volumes as a ratio of call volumes.

Still, movies like the Big Short have made it into the narrative of some Wall Street analysts. Mary Kane, an asset-backed securities analyst at Citigroup, wrote in a note late last month that the bank has received "an explosion of calls" in recent weeks, after the movie "The Big Short", which portrayed a group of traders that wagered against subprime bonds. They are looking for the next big short in auto loans, according to Bloomberg.

Even if banks were willing to do the trades, clients would be foolish to bet against auto bonds.” That’s because “Bonds backed by auto loans have historically performed well during economic downturns, in part because the deals have enough assets backing them to protect investors against a high level of defaults, she said. “Hit films are not the best source for trade ideas,” Kane wrote. "The Big Short," based on Michael Lewis’s book with the same title, was released in December.

These are good points, except, my response is that while auto bonds may have traditionally been safe havens during the downturn, auto company shares have always presented terrific shorts in a downturn!

Besides, this one IS different. Kane is too quick to dismiss the impact of the Fed’s ZIRP policy here.

I bring this up not to recommend shorting the auto subprime market, since I don’t know of a way to do that directly - only through auto and bank equity. But I just wanted to throw it out as a bit of caution.

The bulls are going to take a run at us in the next week or two I think, but as with the Euro and Yen calls, and our other trades, we believe it will continue to present a new shorting opportunity.
Our short positions consist of the following,

- Long: out of the money Puts on the SPY (March or June, strike = 100)
- Short: Canadian bank shares: TD Bank and Royal Bank
- Long: out of the money Puts on TD Bank (March $50, $42 strike prices)
- Long: proshares ultrashort QQQ ETF (QID)
- Long: March $40 calls on QID

We are not recommending trading the SPY out of the money puts. These are all or nothing bets on a market crash, which has so far consisted of small mini panics, potentially as precursors to what lies ahead. If you still like this trade we suggest adding to the June puts to allow for a little more time for the crash to occur.

I still like all the other trades. For conservative accounts I would stick with the QID trade without using leverage. For more aggressive accounts consider leverage, and consider buying the $40 call options on QID, except maybe go out to June if you are just entering now. Otherwise, continue to hold the March calls.

The bank shares seem to be a little oversold, and we continue to suggest selling on rallies, and buying the recommended puts, except, as with everything else, if this is a new position we recommend the June puts.

That’s all for now. I will keep you posted as the week progresses if anything major unfolds and will see many of you in person at the conference.

Good luck!
Dear subscriber, I want to start this section with a big apology. I overlooked and placed part two in last month’s newsletter and part one on this month’s newsletter by mistake. At the end of this section we’ll have a link for part two. This, by far, has been one of the most exciting interviews I’ve done and I’d love for you to benefit from Les Gordon’s advice. Don’t forget to join our private subscriber’s Facebook group here... there is a massive wealth of information there from TDV subscribers from around the world. And go to TDVGroups.com to see if any of our dozens of groups around the world are of interest to you. If so, just join the group. As a subscriber you will gain free access. If you have any problems with the groups you can email me at lfernando@dollarvigilante.com. I’ll be in Acapulco for the TDV conference and Anarchapulco this week but like Jeff, Ed and Redmond, I am always online and connected. Thank you for reading!

Luis: Today we’re speaking with Les Gordon. We are going to talk about Hong Kong, one of the coolest and biggest and most effervescent cities out there right now—and I guess one of the freest at this point. So, Les, thank you for being here with us today.

Les: Yeah. It is my pleasure. Thank you for inviting me.
Luis: So Hong Kong, you know, is pretty interesting. It is a super cool city, and why would you not be there, right? The idea is, what made you go from Brisbane, Australia to Hong Kong? I mean, it is quite a difference.

Les: Yeah. Well, essentially, I briefly explained it to you before we got onto this call, but I was in the Air Force for a while, and once I left the Air Force, I flew regionally around Australia. Before starting my own business—I owned my own aviation company for a couple of years and just chartered flights and that type of thing—and one day I got a call out of the blue to come to Singapore. I thought, well, I'll just get up there. I always had a dream of flying the jumbo jet, and I thought, I will take it.

So I went up to Singapore thinking I would stay for a short period of time before going back to Australia and pick up where I left off, but I ended up enjoying Singapore. I traveled all over the world for the next 10 years. It was an amazing experience, and then toward the end of that, I just thought, well, I want to get back more to business. So sort of more of a business orientation, and I also wanted to settle down and have a family.

And Singapore, where I was, it didn't have what I wanted, but I thought I wanted to still fly, and I wanted to be in Asia. I didn't want to go into the Middle East—thank goodness now. And I just wanted to be in Asia or back to Australia. And you know, I heard about a small airline up in Hong Kong called Dragon Airlines and thought, that sounds interesting. So I went up and had a look and really liked it.

I always liked Hong Kong when I passed through it. You're right. It is an effervescent city. There is always so much going on. It never sleeps. It is always awake, and I thought, this looks fantastic. So I did. I came up. I did a little bit of testing and passed through here, and I came into Hong Kong. And that is why I'm here.

Luis: That is exciting. So, you know, from Singapore to Hong Kong, what was missing? Because you mentioned that you couldn't find everything you wanted. What was missing in the equation?

Les: You know, that is a great, great question without you probably even knowing it. Money. Money was what was missing. I wanted to raise a family. I wanted to start raising a family, and the type of contract that I was in Singapore wasn't really going to allow me to raise a family. So I would have to send my family—my future family—back to Australia to be educated, and I thought I don't even have one yet, and then I'm going to be sending them overseas. That wasn't going to work for me. The deal that was in Hong Kong was a great deal from a money perspective. But I didn't realize how much money was going to become part of my life over the next 15 years, which is how long I've actually been here in Hong Kong.

Luis: So you moved to Hong Kong in 2000?

Les: Yeah. 2001, I think. Just after September 11. I had just resigned from Singapore to come to Hong Kong, and my very last flight, I was in New Zealand when I turned on the TV and watched the twin towers in New York going down, and I thought, hmm, maybe it wasn't such a great idea. It turned out that coming to Hong Kong was still okay.

Luis: Did that affect you? 9/11?

Les: Nope. Nope. Not really. You know, at that time, I was not really about money, not really into the stock market, not really into those type of things, so it really didn't have any sort of employment impact. Obviously, it had an impact on people around the world and what actually happened to some of those people for whatever
reasons that it happened and whoever actually did it, but nevertheless, good people did die. So again, it had that sort of impact, but from an employment point of view of moving to this part of the world, not really.

**Luis:** Okay. So now you are in Hong Kong. In 2001, you are starting your new business endeavor. What does that look like for you at the time, before having a family and after having a family? Do you think Hong Kong is a good place for—because you have been in both situations, you know, single and then a family guy. Is that a good environment for both situations?

**Les:** Yeah. It is. Especially where I live in Discovery Bay in Hong Kong. So it is a little bit like a gated community. I was very fortunate—you’ve probably heard before, but Hong Kong seems to go through these cycles of crises. In a very loose way, the word crisis consists of two Chinese characters. One is danger and one is opportunity, and it is interesting that every time we have a crisis in Hong Kong, I tend to take advantage of the opportunity, which accelerated my wealth, if you like. So what that meant was this time that I live in here, I live by the ocean right on the water. I’ve got a house and garden here. It is a beautiful environment, all glass in the front and everything.

Now this was because of the thing that we had here called SARS in 2003, which is also the same year that my son was born. But my son was born in the hospital where many of the people were dying from SARS, so that was an interesting situation for me going up there as well, and that has its own story because in a way—I know it sounds a bit silly—but I refused to believe what was going on, so I didn’t wear a mask, which caused a lot of problems for people here, especially in hospitals, because they were worried that I was going to catch SARS, but I never did of course. In fact, I even got thrown out of the Australian embassy because I wouldn’t wear a mask into the embassy.

But anyway, nonetheless, because they thought that was the end of Hong Kong, people were selling out property at ridiculous prices, and I was actually able to snap up this beautiful home and garden. They say in Hong Kong that having a lawnmower is a status symbol, so it is nice to be able to have the garden out the front. The crisis of the acute respiratory problem that they had here with the SARS was one.

Another one was when the currency crisis—actually, the currency crisis occurred in 1998. I was in Singapore, and we were able to take advantage of that by being able to travel everywhere because it was so cheap in Asia to travel. You could
stay at a five-star hotel for US$30. Another crisis was 2001. September 2001, of course, we’ve talked about already, where basically there was an impact. Many people were not flying for a short while there, so therefore it was a great opportunity to travel again.

In 2003, SARS, I was actually able to buy property at a very cheap price. In 2007, 2008, there we go again, as you would know as the crash of the stock market. You know, I voluntarily stopped flying for a while, so we just traveled all over the world because nobody was traveling on airplanes. They thought that was the end again, the one thing you’ve got to understand about Hong Kong is that I love it here, but I call it Mammon Central.

And a lot of people are probably not familiar with the term Mammon, but the Bible is very clear. The Bible says that you cannot serve two masters. You cannot serve God and Mammon, so what is Mammon? Mammon is the negative spirit of money. That is where if you open up the newspaper—any newspaper around the world—and you read the first few pages—unfortunately. I used to say you read the front page of the paper, and it’s man’s failure, and you turn to the back part of the newspaper, and that would be sports, and that would be man’s achievement. Unfortunately in this day and age, even turning to the back page, we hear about all the doping and the rigging going on. Unfortunately both sides of the newspaper now are about man’s failure.

But coming back to Mammon, if you open the first few pages, you know it is all about who is killing who for money, who has been robbing money, who has been stealing. All of that is all about people trying to get this thing called money, and so if your god is money, then there is no room for our God. So that is really and interesting part of the text. And there’s another part of the text that says wherever your treasure is, there your heart is also. So you know, if you buy Coca-Cola shares, the next thing, you’re checking Coca-Cola shares. We know where your heart is. That is where your treasure is. So it is always that utilization of money.

So that comes into play, and later on I will explain it, how I actually became very wealthy by doing very big deals around the world and buying property in many countries—Canada, Japan, Indonesia, Australia, and Hong Kong. So I really became quite the businessman, with the largest water plant in the southern hemisphere, so I became the Mammon guy. But that attracts, as I just mentioned before in the newspaper, negative elements as well. So remember, Mammon is not money. Mammon is the negative spirit of money.

Money is just a tool. It is just a piece of paper. As you know, it is a piece of fiat currency. In fact, it is not even money, but that fiat paper is currency. It is not money. But if you just took it as a tool, it would be fine, but the minute you start worrying about it, the minute you start thinking you’re not going
to have enough money for retirement, the minute you don’t give money to a homeless person, the minute that you want to hang onto it yourself, the minute that you have $1 million in your bank account and you’re not sharing it around to help the world or to help other people, you have a Mammon. It is insidious. It is wrapped around us, and it’s only if you start giving it away that you realize that Mammon is sitting in for many people. So anyway, where were we? We will come back to that in a little bit.

**Luis**: Well, I like that analogy because I am also more into the idea that money is sort of like water. It has to keep flowing. If it stays stuck, water gets dirty and stinky, so I think you are on to something there, and I agree absolutely on that, that the more we give, the more we get. So yes.

**Les**: Look at Bill Gates for a quick example. You know, last year, he was apparently the richest man in the world again, and he even said in the interview, “I don’t understand it. I gave away even more money last year, and I seem to be getting wealthier.” I mean, it is written that that would be the case, but it is interesting because people are not sure about it. They don’t have the faith to do it, so they just give away a little bit if they have a little left over, but if you start giving consciously and specifically, it has been my experience that money starts flowing. And it has to stay moving. So if you want to be wealthy, you need to increase the velocity of your income. You need to increase it so you have money flowing out.

**Luis**: So tell me, Hong Kong, you are there. You’re a married guy. You have children. What is the schooling look like for them? Because you were mentioning you would have to send your children to Brisbane to get education.

**Les**: Yeah. Okay. So this school thing, they are very fortuitous. They are fortunate. They go to an international school here. Most of the teachers are from New Zealand or England or Australia or Western countries to teach them. The fees are quite interesting. They are about—each of my three boys are between HK$10,000 and HK$13,000 per month, just their basic, not including school trips or food or anything. Just basic, HK$10,000 to HK$13,000. That’s about US$1,500 to US$2,000 a month in education fees.

But it’s a good school. They are wonderful. They do great things. They put on plays and all of that stuff, but they still don’t teach them how to budget. They still need to teach them about money literacy or vocabulary. They don’t teach them about relationships and how to deal with their
relationships when they leave school and all the things that they really need to know when they leave school, they are still not taught. But of course that is virtually every school, so I’ve taken on that role myself.

I found myself teaching a lot of kids—I’m sure you’ve heard of Robert Kiyosaki, who has these board games that we teach, Cashflow, and we play the games with the local kids, and they love it. They start to understand how money works. If you want to understand how money works, you’ve got to speak the vocabulary, the language. And as you and I both know, the banks are out there doing their best to confuse us with terms like quantitative easing for some form of derivatives, just to confuse everybody so that they don’t understand. So I take that role, and many parents need to take on that role to talk about money management, relationships, time management, the things that schools don’t really teach.

Luis: Yeah. That is pretty important. So, you know, something that I always ask is the food situation. Do you miss home as far as food goes, or can you find basically anything you want there?

Les: Yeah, nowadays, everything is through the distribution. It is all distribution. So the local supermarket has everything you could want. It comes from all around the world. It comes from Belgium or Holland or Australia or whatever. Today I went to the supermarket, and it is probably an interesting concept for a lot, but it is very rare for me to go to the supermarket and shop, because we have domestic helpers here. So for most of my kids lives, we have had two maids or domestic helpers that we call who basically do everything here. They wash the clothes and wash the dishes and cook the meals and take the kids to school, so basically—my wife is from Japan. She is Japanese, and sometimes we do talk about leaving Hong Kong, but then we remember all those extra hands that we have helping here, so we stay.

Luis: That is always nice, to get a little extra help around the house.

Les: Yeah. For sure.

Luis: Tell me about that. How much does that cost for domestic help, to have one or two people helping you?

Les: Yeah. That is a good question. So typically in Hong Kong—actually it is better regulated than in many other countries. I don’t know how frankly I can speak here, but I imagine with the Dollar Vigilante, I can speak pretty frankly.

Luis: That is right.

Les: The rights of helpers are not so great in Indonesia and Singapore, but in Hong Kong I think it is a little bit better, although there is still abuse here. For a maid or a domestic helper, as we call them—although I prefer the name house manager because it has more dignity, because they’re wonderful people. Their basic pay starts off at around HK$4,000 per month. That’s about US$500 a month, and that is it. So from US$500 a month, they do everything. Get up in the morning, make breakfast, make the lunches for the kids. For my boys, they cook lunches. Deliver the lunches to school, take the kids to school, pick up all their guitars—you know, everything. Shopping. Everything. They do everything. For US$500 a month.

Luis: Wow. So I have a question. Because you know, what would $500 a month buy you in Hong Kong? Like if you were to live off of that?
Les: You can’t. Very little. With our home managers, we share our dinners with them. Of course we pay them more than that amount of money. We pay for all of their transport of course if they want to go somewhere. We make sure we recognize all their days off. Some people don’t. Some people don’t. They lock them up and don’t let them leave the house or anything. So US$500, it wouldn’t go very far.

You just heard she is working hard six days a week—the one helper we have now, the prime manager, and my boys—that wouldn’t even send one of my boys to school. They would just send them straight home. They are $1,200, $1,500 a month. That is primary school, by the way. This is not—I think you would call it elementary school in the States. We are talking year six. Year five, year six, and year seven. So this is primary school. Five hundred dollars would not even get them two weeks at school.

Luis: Wow.

Les: So coming back to the groceries, yes, we get our groceries from Belgium and Holland and Australia and America, but the price is extraordinary. I don’t know what it is in America right now, but I just bought two cartons of milk that cost me HK$80, so that is about US$11 for a liter of milk.

Luis: For one liter?

Les: For one liter. Yes. So that is $4—what is it, US$5.50 for one liter cardboard carton? Not your big—

Luis: Gallon jugs.

Les: One liter.

Luis: Wow. Like here, for instance, we get the non-homogenized almost raw milk for a gallon, and it is at most $6 for a gallon. And that is like one of the most expensive ones here.

Les: That is amazing. So you know, that supermarket is—and you know what? The government talks about—like all governments do—the inflation rate is 3% or 2%, you know. That when I came here, that bread it didn’t cost anything like this, so we know if you go shopping—I think I used to give Jennifer, my domestic helper, HK$500, and that would last her a week. Well that is the day now. So that is the day. So from the time we have been here to the time now, we have gone from $500 a week to $500 a day in groceries. Now I’m talking about with the three kids, not before the three kids.
Luis: So it is three children and you two?

Les: Yeah. That is a day. So in groceries, I can tell you it costs HK$30,000 a month, so that is US$4,000 a month in groceries. Now we are not talking about caviar and champagne and crab sticks here. We’re talking about basic food items—milk, bread, baked beans, some sausages, that type of thing. It is all about over US$4,000 a month.

Luis: That is pretty interesting. That is pretty pricey. Here, just the comparison, we shop at Whole Foods, organic stuff, and it is probably US$800 to US$1,000 a month for four people. That is huge.

Les: We’re talking supermarket. We are not talking organic here. We’re talking supermarket. And then with the rentals, the average person—first off, I will say I am a bit lucky because I bought this during the middle of that SARS, so the time it was about HK$12 million, US$1.5 million or something, and then I got it for considerably lower than that, and now it is going up to like $23 million. To the average person who comes in the Hong Kong now, if you get a 400 square foot apartment, that will set you back just over US$1 million.

Luis: That is pretty pricey.

Les: It is pretty pricey. And down in Discovery Bay, you won’t get a rental of a small apartment. The minimum rental will cost you HK$20,000 a month, so that’s US$2500. We are talking the shoebox. You will rent a shoebox. There is nothing there. It is tiny.

Luis: So comparably speaking, how are jobs? What would they pay? I know domestic help normally is one of the lowest paying jobs, but for instance, what would be kind of an average salary?

Les: Because we have been looking for it lately—you may or may not know that Hong Kong has the greatest concentration of millionaires in the world. And we have quite a few billionaires here as well. It is a family-run country, really. There are little families—like Li Ka-shing is the richest man in Asia. That is his family that runs here—I can’t remember his net worth, US$30 billion or something like that. So we have that. I can tell you exactly.

If you’re a university student, you may have heard last year we had a big protest here in Hong Kong. University students mostly, called Occupy Central, occupied the central business district of Hong Kong and stopped the traffic from moving. These kids know. Whether they know the numbers or anything, they go to
university. They come out of university as an engineer or some other profession to go into another profession, and they would be lucky to get HK$3,000 to HK$6,000 per month.

I just told you if you wanted to live in a shoebox, it’ll cost you US$2,500 a month. If you want to buy your own home, it is going to cost you US$1 million or HK$8 million, and the math doesn’t add up. So that is why all of these things. So the average wage in Hong Kong is HK$17,000 per month. Now that is the average, and that is also anything below the poverty line is considered to be HK$17,000 per month.

But there’s a huge amount of people living at around the HK$4,000 to HK$5,000 per month mark—an enormous amount of people. And then of course you have a huge amount of people living at the million-dollar plus mark. So basically, that’s it. And there’s still plenty of kids in Hong Kong who don’t get three square meals a day. One in four kids cannot afford three square meals.

So coming back to what I said before, I call Hong Kong Mammon Central. We are completely surrounded. It is all about the money here. It is all about the money here. The stock market. It is all about the stock market. It is all about gold. It is all about banking. Banking is by far—this is one of the top banking centers of the world. Hong Kong, London, New York, Shanghai—these are the banking centers. So there is a huge discrepancy.

There is a wealth gap, and that wealth gap is actually growing. And you know, if you really wanted the numbers—I saw the other day. I was watching online. There was a church here called The Vine in Wan Chai. Wan Chai is sort of the social district with a bunch of nightclubs and things like that. It never sleeps. There is a church there called The Vine, and the pastor was actually showing the numbers that I am quoting to you right now, and the wealth gap is just continuing to grow and grow even wider. So it is challenging for a lot of people to live here in Hong Kong.

For the ex-pats, people like myself, we are very blessed. We are very lucky. There is a huge swath also of people doing it very tough.

For Part Two click HERE
If you are interested to join the conversation click HERE.
If you want to join the main group click HERE.
If you have any questions contact Luis Fernando Mises at lfernando@dollarvigilante.com.
Hello TDV,

I am one of your subscribers and I would like your opinion of what Mexico will probably look like during this chaos that will ensue. My wife and I are thinking of relocating and buying a place as a B&B and don’t want to overpay if the real estate market in Mexico is likely to tank. We thought it might be less expensive to wait some months after things drop there as they will likely do in the states but I am no expert on the real-estate market in Mexico. Since you live there I’d appreciate any information or your thoughts on this matter.

Thank you,

Loren M.

Dear Loren:

Looking into the future is always a risky business and anticipating a certain level of chaos or its timing is also difficult. First we must examine what kind of chaos you are referring to and the model under which we are operating.

We’ve certainly proposed that the world’s current situation is untenable and that this time the resolution may be a quite unusual one. William White, a top executive with the Bank for International Settlements, made news not long ago with a statement that the world’s banking system would need a “reset.”
This was an astonishing statement, implying a world-wide credit reset, or what has also been known in the past as a credit “Jubilee.” Such an event in the modern era would be unheard of and would likely usher in a more global economic system - as this is a long-held elite goal.

If one steps back and evaluates clearly what is being said, the solutions are along the lines of survival, first and foremost. If you are living in the United States, for instance, it might not be a bad idea to move (and that’s where our worldwide TDV Groups can be of great value), as the US is certainly ground-zero when it comes to conflict that may result from elite determination to move toward fuller internationalization.

What you may wish to keep in mind therefore is that there could be a time of economic disruption when even the basic necessities will be available via informal rather than formal systems. Within this context, you will want to be comfortable with the community where you are residing and also confident of obtaining the necessities for survival.

So choose any place you intend to move to keeping this in mind. A quasi-rural environment may be more conducive to your well-being than an urban one. And the ability to withstand a degree of social chaos should figure into your plans. If you can speak the language, so much the better but people really over-estimate the importance of fluency... as an English speaker you should be able to get by nearly anywhere.

Certainly at this time you don’t want to be overextended. So if you are planning on a new business, do so on a scale that is easy for you to handle financially. Wherever you decide to move, try to avail yourself of local supplies so that you have food and water readily available, and also some precious metals in case the monetary system itself is rendered temporarily dysfunctional.

Again, no one knows what the future holds but prominent elite spokespeople are telling us is that disruptions are feasible and given the delicate nature of modern societies, disruptions - especially in urban environments - can easily degenerate into violence.

The ability to create and pursue a business is always a net positive long-term. Even in the worst of circumstances, some people will wish to travel and experience what other cultures have to offer. Thus, a bed-and-breakfast with a modest overhead and modest prices may be seen as viable entrepreneurial project.

But please try to make sure your lifestyle does not depend on its immediate success and that you are situated in an environment that is comfortable for you even during stressful times.

This is advice, by the way, that we would offer to anyone contemplating ways to be better situated in the upcoming months and years. If there is a crisis, it will be the immediate fallout that will be the most difficult to negotiate.

That all said, I'll answer your specific question on the Mexican real estate market. It is NIGHT AND DAY from the US or other Western countries. There really is no bank financing available for the most part. Mortgages, as you know them in the West, do not exist.

Because of this, other than in particular tourist-zone areas, there is absolutely no real estate bubble in Mexico. People in Mexico buy real estate with cash, not credit... which leads to a much more realistic, and cheaper, market.
In many places in Mexico the real estate is unbelievably cheap by Western standards.

In Acapulco, for example, you can have a 5 bedroom villa that looks like a rap video could be filmed in it for under $300,000. The rent, as well, is unbelievably cheap. That same villa would rent for about $2,000/month... and remember, it is absolute luxury, not just a “house”... a villa that would cost $20 million or more in many places in the US would be well under $1 million here in Acapulco.

Being an anarcho-capitalist, I have a real estate company in Acapulco that you may want to check out, called ParadiseAcapulco.com.

But, Acapulco is just one place of thousands of amazing places in Mexico... and some are even far, far cheaper. And Mexico is just one of dozens of countries where you can get these kind of bargains. That, again, is why the TDV Groups is so valuable. You can easily check with people in dozens of countries around the world about the local market... and because they are all TDV subscribers you won’t have to explain to them why you are interested in buying foreign real estate.

One of the keys to surviving the ongoing collapse will be to hold hard assets... and real estate ranks up right near the top of the list. I suggest you utilize the TDV Groups to find good contacts in the areas you are interested in and get good boots-on-the-ground info before you even put on your boots to go.

Sincerely,

Jeff Berwick

Have any questions for us? Feel free to email to tdv@dollarvigilante.com. We can’t answer them all directly but we do read them all and if we find the question to be of value to other subscribers we’ll include it here. And don’t forget to ask your question in the TDV private Facebook Group where you’ll get a lot of good information and answers from fellow dollar collapse survivors... and all the TDV editors are also in the group and we often answer questions there.
"Classical liberalism" is the term used to designate the ideology advocating private property, an unhampered market economy, the rule of law, constitutional guarantees of freedom of religion and of the press, and international peace based on free trade. Up until around 1900, this ideology was generally known simply as liberalism. The qualifying "classical" is now usually necessary, in English-speaking countries at least (but not, for instance, in France), because liberalism has come to be associated with wide-ranging interferences with private property and the market on behalf of egalitarian goals. This version of liberalism — if such it can still be called — is sometimes designated as "social," or (erroneously) "modern" or the "new," liberalism. Here we shall use liberalism to signify the classical variety.

Although its fundamental claims are universalist, liberalism must be understood first of all as a doctrine and movement that grew out of a distinctive culture and particular historical circumstances. That culture — as Lord Acton recognized most clearly — was the West, the Europe that was or had been in communion with the Bishop of Rome. Its womb, in other words, was the particular human society that underwent "the European miracle" (in E.L. Jones’s phrase). The historical circumstances were the confrontation of the free institutions and values inherited from the Middle Ages with the pretensions of the absolutist state of the 16th and 17th centuries.

From the struggle of the Dutch against the absolutism of the Spanish Hapsburgs issued a polity that manifested basically liberal traits: the rule of law, including especially a firm adherence to property rights; de facto religious toleration; considerable freedom of expression; and a central government of severely limited powers. The astonishing success of the Dutch experiment exerted a "demonstration effect" on European social thought and, gradually, political practice. This was even truer of the later example of England. Throughout the history of liberalism, theory and social reality interacted, with theory stimulated and refined through the observation of practice, and attempts to reform practice undertaken with reference to more accurate theory.

In the English constitutional struggles of the 17th century a number of individuals and groups displayed significant liberal traits. One stands out, however, as the first recognizably liberal party in European history: the Levellers. Led by John Lilburne and Richard Overton, this movement of middle-class radicals demanded freedom of trade and an end to state monopolies, separation of church and state, popular representation, and strict limits even to parliamentary authority. Their emphasis on property, beginning with the individual's ownership of himself, and their hostility to state power show that the amalgamation of the Levellers to the presocialist Diggers was mere enemy propaganda. Although failures in their time, the Levellers furnished the
prototype of a middle-class radical liberalism that has been a feature of the politics of English-speaking peoples ever since. Later in the century, John Locke framed the doctrine of the natural rights to life, liberty, and estate — which he collectively termed "property" — in the form that would be passed down, through the Real Whigs of the 18th century, to the generation of the American Revolution.

America became the model liberal nation, and, after England, the exemplar of liberalism to the world. Through much of the 19th century it was in many respects a society in which the state could hardly be said to exist, as European observers noted with awe. Radical liberal ideas were manifested and applied by groups such as the Jeffersonians, Jacksonians, abolitionists, and late-19th-century anti-imperialists.

Until well into the 20th century, however, the most significant liberal theory continued to be produced in Europe. The 18th century was particularly rich in this regard. A landmark was the work of the thinkers of the Scottish Enlightenment, particularly David Hume, Adam Smith, Adam Ferguson, and Dugald Stewart. They developed an analysis that explained "the origin of complex social structures without the need to posit the existence of a directing intelligence" (in Ronald Hamowy's summary).

The Scottish theory of spontaneous order was a crucial contribution to the model of a basically self-generating and self-regulating civil society that required state action only to defend against violent intrusion into the individual's rights-protected sphere. As Dugald Steward put it in his Biographical Memoir of Adam Smith (1811), "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and the tolerable administration of justice; all the rest being brought about by the natural course of things." The Physiocratic formula, Laissez-faire, laissez-passer, le monde va de lui-même ("the world goes by itself"), suggests both the liberal program and the social philosophy upon which it rests. The theory of spontaneous order was elaborated by later liberal thinkers, notably Herbert Spencer and Carl Menger in the 19th century and F.A. Hayek and Michael Polanyi in the twentieth.

One argument between liberals and Burkean and other conservatives who in important respects stand close to liberalism is related to this central liberal conception. While liberals typically expect the market in the widest sense — the network of voluntary exchanges — to generate a system of institutions and mores conducive to its continuance, conservatives insist that the indispensable underpinning must be provided by the state beyond the simple protection of life, liberty, and property, including especially state support of religion.

With the onset of industrialization, a major area of conflict opened up between liberalism and conservatism. Conservative elites and their spokesmen, particularly in Britain, often exploited the circumstances of early industrialism to tarnish the liberal escutcheon of their middle-class and Nonconformist opponents. In historical perspective, it is clear that what is known as the Industrial Revolution was Europe's (and America's) way of dealing with an otherwise intractable population explosion. Some conservatives went on to forge a critique of the market order based on its alleged materialism, soullessness, and anarchy.

To the extent that liberals associated conservatism with militarism and imperialism, another source of conflict arose. While a strand of Whiggish liberalism was not averse to wars (beyond self-defense) for liberal ends, and while wars of national unification provided a major exception to the rule, by and large liberalism was associated with the cause of peace. The ideal type of antiwar and anti-imperialist liberalism was provided by the Manchester School and its leaders Richard Cobden and John Bright. Cobden, particularly, developed a sophisticated analysis of the motives and machinations of states leading to war. The panacea proposed by the Manchesterites was international free trade. Developing these ideas, Frédéric Bastiat proposed an especially
pure form of the liberal doctrine that enjoyed a certain appeal on the Continent and, later, in the United States.

Liberalism's adherents were not always consistent. This was the case when they turned to the state to promote their own values. In France, for instance, liberals used state-funded schools and institutes to promote secularism under the Directory, and they supported anticlerical legislation during the Third Republic, while in Bismarck's Germany they spearheaded the Kulturkampf against the Catholic Church. These efforts, however, can be seen as betrayals of liberal principles and in fact were eschewed by those acknowledged to be the most consistent and doctrinaire in their liberalism.

The basis for a possible reconciliation of liberalism and antistatist conservatism emerged after the experience of the French Revolution and Napoleon. Its best exponent was Benjamin Constant, who may be viewed as the representative figure of mature liberalism. Faced with the new dangers of unlimited state power based on manipulation of the democratic masses, Constant looked for social buffers and ideological allies wherever they might be found. Religious faith, localism, and the voluntary traditions of a people were valued as sources of strength against the state. In the next generation, Alexis de Tocqueville elaborated this Constantian approach, becoming the great analyst and opponent of the rising omnipresent, bureaucratic state.

In English-speaking countries the hostility of antistatist conservatives has been exacerbated by an extreme emphasis on the role of Bentham and the Philosophical Radicals in the history of liberalism. J.S. Mill's *On Liberty* (1859) actually deviated from the central line of liberal thought by counterposing the individual and his liberty not simply to the state but to "society" as well. Whereas the liberalism of the early Wilhelm von Humboldt and of Constant, for example, saw voluntary intermediate bodies as the natural outgrowth of individual action and as welcome barriers to state aggrandizement, Mill aimed at stripping the individual of any connection to spontaneously generated social tradition and freely accepted authority — as, for instance, in his statement in *On Liberty* that the Jesuit is a "slave" of his order.

It is the socialist state that classical liberalism has opposed most vigorously. The Austro-American Ludwig von Mises, for example, demonstrated the impossibility of rational central planning. Prolific for more than fifty years, Mises restated liberal social philosophy after its eclipse of several decades; he became the acknowledged spokesman for liberal ideology in the 20th century. Among the many students on whom Mises exercised a remarkable influence was Murray N. Rothbard, who wedded Austrian economic theory to the doctrine of natural rights to produce a form of individualist anarchism, or "anarchocapitalism." By extending the realm of civil society to the point of extinguishing the state, Rothbard’s view appears as the limiting case of authentic liberalism.

Classical liberalism is often contrasted with a new social liberalism, which is supposed to have developed out of the classical variety around 1900. But social liberalism deviates fundamentally from its namesake at its theoretical root in that it denies the self-regulatory capacity of society: the state is called on to redress social imbalance in increasingly ramified ways. The plea that it intends to preserve the end of individual freedom, modifying only the means, is to classical liberals hardly to the point — as much could be claimed for most varieties of socialism. In fact, social liberalism can scarcely be distinguished, theoretically and practically, from revisionist socialism. Furthermore, it can be argued that this school of thought did not develop out of classical liberalism around the turn of the century — when, for instance, the alleged fraudulentness of freedom of contract in the labor market is supposed to have been discovered. Social liberalism existed full-blown at least from the time of Sismondi, and elements of it (welfarism) can be found even in great classical-liberal writers such as Condorcet and Thomas Paine.
With the end of the classical-socialist project, classical liberals and antistatist conservatives may agree that it is contemporary social liberalism that now stands as the great adversary of civil society. The political preoccupation of classical liberals is, of necessity, to counteract the current now leading the world toward what Macaulay called "the all-devouring state" — the nightmare that haunted Burke no less than Constant, Tocqueville, and Herbert Spencer. As older quarrels grow increasingly obsolete, liberals and anti-statist conservatives may well discover that they have more in common than their forebears ever understood.

Ralph Raico is a Professor Emeritus in European history at Buffalo State College is a senior fellow of the Mises Institute. He is a specialist on the history of liberty, the liberal tradition in Europe, and the relationship between war and the rise of the state. He is the author of The Place of Religion in the Liberal Philosophy of Constant, Tocqueville, and Lord Acton.

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