Episode 485: Jim Rogers on Central Banks, Investing, and Finding Your Niche

Guest: Jim Rogers

WOODS: I have had many requests from listeners, and I thought, what, are you kidding me? I could never get Jim Rogers on the show. Here we are doing it. All right, I have a lot I want to talk about. I mean, your own background is extremely interesting, but I've been reading about you in the news just in recent days, and I'm curious to know about the thinking behind your decision more or less to abandon your positions in India. Apparently you're unhappy with the political direction there, and we're always hearing such good things about India, and it's going to be the next powerhouse and everything's looking great. What's going on there in your judgment?

ROGERS: I've been hearing that all my life too. Unfortunately, the situation on the ground for me has always been different. If you only visit one country in your life, I urge you to visit India. It's an astonishing country. But as a place to do business, it's a nightmare for most people, unless you're in bed with, you know, the right politicians in India. So I love India; I had invested there; the new prime minister ran on a platform of major change, etc., Tom, but as you may know, not much has happened. He's been there 15, 16 months, and nothing much has happened. So I said, well, I'm worried about markets for awhile, I'm worried about a lot of things, the market's up, so why don't I sell? So I did. I did the same in Japan. I mean, there's nothing spectacular here. I just moved over.

WOODS: Now on the other hand, I've been talking about China on this program for quite a while, and I've had a lot of controversy here, because I have people who more or less agree with each other on a whole lot of things, and yet their judgment on China couldn't be farther apart. And you've been somewhat bullish on China, so no doubt with the recent Chinese turmoil, people have been running victory laps around you, saying, well, we told you so, Jim Rogers. What's been your response to that?

ROGERS: (laughing) Well, I'm a little surprised when they say they told me so. The Chinese markets have done better this year than the American markets, so I'm a little curious as to what they're talking about. Chinese markets have done much better over the last year, year and half, than the American market, so again, I'm curious as to what they're talking about. Sure, the Chinese market's having a correction, a nice correction, because it had a very nice run up. As I say, it's still doing better than the U.S. and many other markets in the world, and its currency's been the second strongest currency in the world for several years now. My view of China is that it's the next great country in the world. My investments in China are not for this year or next year. My Chinese investments are for my children. If you'd sold America in 1915, you might have looked pretty smart for a year or two or longer, but over the next 90 years, you would have looked pretty foolish. That's my view of China.

WOODS: Now how about — I was going to say closer to home, but closer to your former home and my current home, the United States? In the wake of the financial crisis, of course you and many other commentators were highly critical of central bank policy and fiscal policy in the U.S., and yet, again, speaking of victory laps, the people in charge or more or less assuring everybody that, look, we escaped the worst because we boldly intervened when the naysayers told us not to and said the disaster would strike, and we've more or less put everything together. Don't central banks have everything under control now? What would you say to that devil's advocate kind of argument?

ROGERS: Oh my gosh, you are bad for my nervous system, Tom, with that kind of talk.

WOODS: (laughing)

ROGERS: Yeah, they saved Wall Street; they saved the banks. There's no question about that. But unemployment is still higher today than it was seven years ago, etc., etc. But, boy, the people on Wall Street and the people in the bank community are having a wonderful, wonderful time, and their friends are too. But most people in the world are not having a wonderful time, no matter where it is. It's the first time in recorded history that all the major central banks — Japan, Britain, Europe, and America — have all printed staggering amounts of money, and this is going to end badly. It's been good for a while for some of us, but it's not been good for the world, and when it ends this time, Tom, we're all going to pay a horrible, horrible price for this temporary good time.

WOODS: I had a critic the other day say that people like us are very — we have warnings about what's coming, and we say that central banks can't get away with X, Y, and Z forever, and then we get some kind of a correction, but the overall trend is upward, in terms of everybody's living standards around the world, they're always consistently improving, that I would guarantee, and I'm sure you would too, that 50 years from now, everybody will be vastly better off than they are now, so why is it worth even getting worked up about what central banks do? Because apparently no matter what they do, capitalism is strong enough to overcome it.

ROGERS: Well, I'm not even sure about 50 years from now. People who say that are smarter than I am, because I don't know what's going to happen 50 years from now. But I will say that, yes, the central banks have done a good thing for a short period of time. But Tom, it's been at the expense of staggering growth in debt around the world. The Federal Reserve and America's balance sheet alone has gone up by six times — the debt on the balance sheet — just in eight years. That's 600% in eight years the debt has gone up. Goodness knows how much it's gone up for Washington or Japan or Europe or the rest of the world. Tom, you give me $100 billion or whatever it's been or $1 trillion, I'll show you a very good time. Boy, can we have a lot of fun. But it's going to end. When you borrow a trillion or two trillion or however many trillion, it comes to an end some day, and when it does, somebody's going to have a hangover, and somebody's going to pay the price, and I'm afraid it's going to be everybody that we know.

WOODS: I want to say a little something about a book of yours, called *Street Smarts*, and the subtitle is, "Adventures on the Road and in the Markets." This is a memoir. You have a number of books, but this one tells a lot of stories about your travels around the world and your own background and experiences you've had. And I note just in the promotional material it says that you were able, because of your tremendous success with the Quantum Fund, you were able to retire officially at age 37. Well, if what you do now is retirement — I mean, of course you get to travel quite a bit and so on, but I see you on TV all the time and you're writing all the time. First of all, how is possible that somebody retires at 37? What do you attribute that to? What kind of insights did you have that other people didn't have that allowed you to be so successful?

ROGERS: Well, what I learned then and even now is if you go against the crowd, you're probably going to do well. People use words like contrarian when they talk about me, but the reason they say that is because I would find things that were very cheap, and if there was change taking place, I would buy them. Well, by definition if something's cheap they're being ignored, so people don't know what's going on because they're looking the other way. And likewise, when things were terribly expensive, if there was negative change taking place, we would sell it short. So, I mean, it was just having the ability or the madness to go against the crowd when we found opportunities that were either too expensive or too cheap. If you can find something that's very cheap where there's positive change taking place, you might make a lot of money. And we did that, and I've tried to do that all my life.

WOODS: I seem to recall in the wake of the financial crisis that people were asking you about your investment decisions and how do you decide what to buy and so on and on. And you were talking about commodities, and you were saying that you like to be in areas that do well in crises, areas that we would consider fundamentals. People have got to eat. No matter what happens, people have got to eat, they're going to need energy. There are things that have got a natural bottom. They can't go any lower, because people do need them fundamentally. But yet still, commodities are going to go up and down, so it seems like it's not really a game that the average Joe can play. How is it a game that anyone can play?

ROGERS: Well, whether it's commodities or stocks or bonds or currencies or anything else, the average Joe should not be playing unless he or she has done a lot of homework and knows a lot about what they're doing. Tom, everything goes up and down. I wish you could find something that never goes up and down. We would all be very rich. On the other hand, it wouldn't happen, because then everybody would pile in —

WOODS: Would be in it.

ROGERS: — and be in that game as well. But everything — everything — goes up and down, and there's nothing, despite what people say, including stocks. There are always bear markets, there are always bull markets, and one has to learn to play that game, or you're going to be in trouble.

WOODS: Well, here's the problem. In the olden days, let's say before central banks or maybe even before 1940 — or 1930 maybe in the U.S. — the average person could retire simply by accumulating precious metal coins, because when they were money, they increased their value over the years, and he didn't have to go into the stock market or listen to Dave Ramsey and put his money into a mutual fund or whatever — things he has no idea what he's doing in. But today, he has to do that, because he doesn't have that choice anymore. All he's got are Federal Reserve notes, and he knows that if he sits on those, he's going to lose a big chunk of that value. So he's got to do something. In other words, the central banks have put him in a position where he has to become a speculator, yet he has no skill in speculation. So what can Jim Rogers advise him to do?

ROGERS: Well first of all, you're exactly right. The central banks around the world are ruining the people who save and invest. I was brought up, and I know you were too, that you save your money and you invest it for the future, and everything would be okay in the end. Unfortunately, we're now destroying the people who save. They get no return. Interest rates are virtually zero. And those people are being destroyed at the expense of people who borrowed a lot of money and did things the way that you and I were taught not to do things. So we've got a serious problem on our hands. As you know throughout history, when you destroy the people who save and invest, you really have a problem in your society longer term.

What should people do? Tom, it's simple, but very, very difficult. Stay with what you know. Everybody listening knows a lot about something, whether it's sports or cars or fashion. Start there and only invest in things that you yourself know about. Don't listen to me; don't listen to hot tips; don't watch TV; don't get tips off the Internet. Stay with what you know. When you see something dramatic changing in fashion, you will know about it before I will or anybody else, and take advantage of it. Look up the companies, whether it's shops or whatever it happens to be, and make investments. You will find them before the rest of us, and you'll also know when to sell, because you'll know when things are changing. And the reason for this, Tom, is because it's already your passion. It's what you love, what you're interested in anyway. You read magazines; you watch Internet shows; you watch TV shows. So stay with what you know, and you'll do well. If you could only invest in 25 investments in your life, everybody would be very, very careful. They wouldn't be jumping around with hot tips; they wouldn't be listening to me or anybody else, and they would be successful.

WOODS: You know, Jim, I had Doug Casey on here not that long ago and his view is that these days, he's quite happy to be a big fish in a small pond, and by that he means he's interested in going around and finding opportunities in Africa, where there's no one there who's investing. I asked him about Cuba being opened up, and he said yeah, but everybody's going to go down to Cuba, whereas nobody's going to be in

Africa, and I'll be there. And I'll find mining concessions; I'll do something, but I'll be there. How do you feel about that, and as an investor, how do you look at the United States by contrast?

ROGERS: Well, I know Doug and I admire and like Doug. It's a little bit of an exaggeration. I've been investing in Africa for 30 years, bought more African shares a month or two ago, in fact. But he's right. For the most part, there are very, very, very few people in Africa. But please don't get it wrong, because right now a lot of people are pouring into Africa. You see a lot of big names pouring into Africa, which is good for those of us who are already there, but it is still very early in the day. And that is a good way to invest, Tom, if you know what you're doing. If you know a lot about Africa or if you can learn a lot about Africa, you'll find enormous opportunities. But the same applies to many places in the world. And the difference in Africa and Cuba is Cuba has 10 million people; Africa has a billion people or whatever — hundreds of millions of people. So there are going to be a lot more opportunities in Africa than in Cuba.

WOODS: How does somebody — you've been saying that people should go with what they know, and that's fair enough, but what if somebody wants to be like Jim Rogers? Somebody wants to be a person like you who looks at the world and just gets it, just understands what the central banks are up to, understands what the political regimes are up to, can assess risk, can more or less sense when bull and bear markets are coming in commodities? I mean, nobody's perfect obviously, but in other words, you have vast knowledge of these things. Where does that come from? It surely does not come from just reading books in a library.

ROGERS: Well, I said before that everybody should follow their own passion. The world is my passion. Tom, I can tell you very little about the NBA, the National Basketball Association, but I can tell you a lot about the world, because that's my passion and has been since I was a little boy — or a teenager, I should say. So I discovered this — I didn't know that they would pay me on Wall Street for following my passion. I discovered it and never looked back. So I just do what I love. Now, I made a lot of mistakes along the way. Oh my goodness, we could do six shows about my mistakes. I certainly made a lot of mistakes, but hopefully I learned from my mistakes, and I still have the same passion that I've had since I was much younger.

WOODS: Now, you're speaking to me from Singapore right now, is that right?

ROGERS: Correct, yes, yes, yes.

WOODS: Now, when you made the decision to move to Singapore, was the response that you got — and I'm talking about from the financial community or when you would be on CNBC or whatever and they would realize that you had moved there — was it absolute, utter incomprehension, or did they say, well, of course, that makes perfect sense, that's the wave of the future?

ROGERS: (laughing) Nobody said that, I assure you.

WOODS: (laughing)

ROGERS: Most people said, "Why are you moving to China?" You know, they didn't know where Singapore was, and they still don't, they think it's part of China. I moved here because I want my children — I have two young children, and I want them to grow up knowing Asia and being able to speak perfect Mandarin, because in their lifetime, that's going to give them a leg up. It will not make them successful by any stretch, but I realized that Asia's on the rise in their lifetimes, the West is in decline — at least relative decline, so I wanted to give them a leg up. I have no idea where they'll live after they become mature. They may live in New York for all I know. Who knows where they'll live? But I'm just preparing them for the 21st century, and that's why I moved here. But it certainly was incomprehensible to most people. Many people are now learning about Singapore. Singapore has been an astonishing success for 30 or 40 years, so now some people know where Singapore is, and people even come here and visit. But when I moved here or talked about it, I was really met with incomprehension.

WOODS: I'm curious to know, by the way, who would you say are your biggest intellectual influences? I don't think I've ever heard you discuss that?

ROGERS: I've certainly always thought of myself as certainly a free marketeer, and I've read enormous amounts of stuff over my life, and I guess instinctively or intellectually or philosophically or historically, I've learned over time that bureaucrats and politicians nearly always get it wrong, and that the market's stronger than everybody, smarter than all the rest of us, including me. I'm not quite sure how I came to that. I cannot put my finger on any specific person, except I know I've had this view certainly since my early 20s.

WOODS: Now, as you say, people do use the word contrarian when they describe you, and of course, anybody who is sharply critical of central bank policy — now okay, Bernie Sanders is critical of central bank policy, because it's not loose enough. But I'm talking about people who are critical of it, because it's too loose and it yields you the business cycle. These are contrarian views. And yet, you've been able to be in the mainstream financial media for years and years and years, and I think sometimes people who hold our views feel like the world is against us and no one's ever going to listen to me. But it seems to me that you are living proof that the way you get people to listen to you is not by just saying what they want you to say or just cowering in the face of mainstream opinion, it's being really, really successful and knowing what the hell you're talking about.

ROGERS: Well, I do get it right sometimes, Tom.

WOODS: (laughing) There you go.

ROGERS: Every once in a while, even I get it right, so I guess maybe that's the reason. I have no idea why anybody would have me on a media show, but it's usually fun. I do often say things which people find shocking. I was once on a major TV show, and the lady said what would you do if you were at the central bank. I said, well first of all, I would abolish the Federal Reserve, and then I would resign. (laughing) Well, you can't imagine the reaction I got on that show, and I've said that more than once now. But I don't know why they keep inviting me back. I guess they don't have anybody else to do it. I don't have a job, so I have time to go be in the media. People who have real jobs, they've got better things to do than sit and chat with media types.

WOODS: Oh, no listen, my favorite moment of yours was right around the time, I guess it must have just been just on the eve of the collapse of Fannie and Freddie, and you were on with somebody who was trying to question you on this and contradict you and say that these institutions seemed to be in perfectly good health, and you basically said to her, I don't think you know how to read a balance sheet. (laughing) Like you just came right out and said that. Does that ring a bell to you?

ROGERS: Very, very well, it rings a bell with me. I said that to her, and she said Fannie Mae and Freddie Mac are going down because of you're selling it short and all you short sellers. And I said if you really think short selling is making Fannie Mae go down and collapse, you really should have another job.

WOODS: (laughing) That's right.

ROGERS: It was a financial network. I mean, blaming it on the short-seller. Of course, Fannie Mae went from 70 to bankrupt, and she blamed all that on the short-seller. But that's what the press does. It's easy to pick on people when you don't know what you're talking about. Everybody likes to bad mouth foreigners and short-sellers and anybody else who's a little strange, but you should listen to that kind of people, if you ask me.

WOODS: All right, before I let you go, I want to get some practical advice for my listeners. I'm curious about your daily routine, where you get your news and your information. You turn on your computer, and where do you go first everyday?

ROGERS: Well, my homepage is the *Financial Times*, so I see immediately what's been happening in the world. I read newspapers from around the world. I go on the Internet and I just read and look and when I walk down the street, I try to notice what's going on. I don't sit and look in the — well, I do look in shop windows, because that tells you what's going on too. I just try to observe what's around me, read news wherever I can get it, try to teach my children that they have to read news from more than once source, because every source has its own prejudices and biases, and so you have to read several sources in order to put together what's really happening in the world. And again, Tom, I'm weird. This is my passion. This is what I like. Other people turn on the Internet and go straight to the basketball games or the baseball games or something. I turn it on and go to the world.

WOODS: That's beautiful. Well, I'm going to recommend that people of course check out *Street Smarts*. I'll link to that on todays show notes page, which is TomWoods.com/485. I'll link to several of your other books there. Also link them to JimRogers.com, your own website, they can find out more about you, and all you have to do to follow Jim Rogers is just keep your darn eyes open, because he'll show up on a financial channel, and you'll know, because it will not be a dull conversation. Jim, thanks so much for your time today and accommodating me across these many time zones that separate us. What a miracle of capitalism that you and I are able to communicate so readily and without any of the audio glitches or audio lag that we would have had on the telephone just 10 years ago.

ROGERS: I know; it's astonishing what's going on in the world, and it certainly keeps outpacing me. I'm too slow for the world these days. Well, I hope we can do it again sometime, Tom. It was fun.

WOODS: Thanks so much. The pleasure was mine.