



Episode 328- Peter Schiff on Investing, and What to Expect in 2015

Guest: Peter Schiff

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WOODS: It turns out that by a weird coincidence, it was exactly one year ago today that I had you on the last time. So I guess January 28th is Peter Schiff day officially.

SCHIFF: All right, well, we'll see what happens in 2016.

WOODS: I want to jump in with something that's maybe slightly old news at this point, but it's red meat for my listeners. Paul Krugman mentioned you in a column some time ago, and you responded. What did he say, and what did you say?

SCHIFF: He mentioned me again just a couple of days ago. I am now his favorite punching bag. He used to refer to me without actually naming my name, but now he actually says Peter Schiff. The most recent criticism, which was just a couple of days ago, was because Yahoo Finance had an interview with me where I was predicting the result of QE in Europe would be inflation, and of course, he was laughing because he says, look, I have been saying that for years. But of course, the very goal of QE in Europe is to create inflation. So that would be a success. They supposedly want inflation. But what I said is that I think that before the end of the year they may be too successful. I think the one thing that they will be able to do is lift the official inflation rate. I don't think they are going to create jobs or economic growth, but I do think they'll get a CPI above 2%, and I think that can be problematic because then they have to end the quantitative easing program because they have to keep inflation below 2% in the Eurozone.

WOODS: What are your thoughts on the developments in Greece?

SCHIFF: Well, what do you expect? I pointed out on my podcast, which by the way, I do the podcasts now at Schiff Radio instead of the daily two-hour radio show; the time constraints were getting to me. But I mentioned on my podcast yesterday, which you can still hear at SchiffRadio.com, the reason that America is a republic and not a democracy is because our Founding Fathers were historians, and they studied the ancient Greek democracies and what an abysmal failure they were. Well, Greece is giving us another example of why democracy doesn't work because this is what the Greeks vote for. They vote for socialism, and that's not going to work.

WOODS: It seems like it's going to fail pretty badly given how severely their economic condition is. Do you think this may have at least the silver lining of discrediting leftism, or can leftism ever be discredited with these people?

SCHIFF: I don't know. You think it should already be with all the spectacular failures, but the problem is the right doesn't really give it as good a contrasting element because we have adopted so many of the failed policies in what masquerades as capitalism these days. But everybody thinks that Europe needs Greece. I think they need them like a hole in the head. I think they'd be better off to let them leave. I mean, they had to cheat just to get into the Eurozone. Now they've got everybody hostage. I think what should have happened, and initially, and it would have been better, is they never should have been bailed out in the first place. That was a mistake. Greece should have been allowed to default on its bonds, but remain part of the Euro, and I think that would have been a much better situation because bondholders would have been dealt the loss. People would now realize that you have to worry about the ability of taxpayers to repay the money you're loaning them. You're not going to have a central bank with a safety net, and then maybe there wouldn't have been any reforms enforced upon Greece by Europe. See Europe, you know, basically Greece didn't default, and then Europe imposed these requirements that everybody is protesting, but if they didn't have any bailout money whatsoever and Greece just defaulted, and they would have then been shut out from the bond markets, then they would have to impose the austerity on themselves, and that probably would have been much easier for the Greeks to accept rather than austerity imposed by the Germans. That austerity might have worked. It might have been big cuts in government spending and freeing up their labor markets and reforms that actually would work, not what they are contemplating now, which is just to grow government even bigger.

WOODS: By the way, I am asking you questions that were submitted to me by listeners. Of course they want to know—I know you've written on your thoughts on oil prices because I know you're long-term bullish on oil, but yet, it fluctuates, and it can be unstable in price. What's going on with oil right now, and is it bound to rebound?

SCHIFF: Well, it was obviously a big drop. I wish I had seen that coming. I was not expecting oil to be the first casualty of the end of QE, but I guess hindsight is always 20/20, and it gives you a fresh perspective. One of the reasons that I was so bullish on oil was because of QE and all the money printing, and I knew that it wouldn't grow the economy, but it would lift prices, and it lifted oil prices, stock prices, real estate prices, and it seems like the threat of no more QE and higher rates—the first market that the fed pulled the rug out from under ends up being the oil market. But I think it's just indicative of what's going to happen to all the markets if the Federal Reserve stays on this trajectory. I think you're going to have the stock market as well and the real estate market. So oil is just the first domino, which is one of the reasons I believe that we're not going to get higher interest rates. We're going to get QE 4, and so we won't have an implosion in stock market, but we will have a sharp rebound in the oil market.

WOODS: I get a lot of people wanting to know about investment advice, and of course, you've got to be a client of Euro Pacific Capital, really, to some degree, but in terms of general advice, I've got people who are fairly well off who listen to me, and I have people who are just getting their foot on the first step of the ladder. So I've got people with plenty of money to play with and people who, if they can save \$200 a month, they feel like it was a good month. How can you direct people in both categories just in very general terms—what to look for and what to stay away from?

SCHIFF: Yeah, well, for the people that only have a couple hundred dollars a month, there's not much I can do. Individually, you can pick up some silver coins at a local dealer, or just try to buy as close to the spot price as you can and save a little money that way, but for people who have more substantial sums of money, my worldview is that at the end of all this madness, you're going to see the world is going to emerge in a different way, and there's going to be winners and losers, and I think American consumers are going to be big losers. I think our ride on the global gravy train is going to come to an end. I think our currency is going to be substantially devalued relative to certain currencies, and I think individuals who earn those currencies, own those currencies, will be rewarded with the purchasing power that Americans lose. And I think you're going to see a realignment of global living standards. I think Americans are collectively going to be hit with a big reduction in their standard of living. I think people in predominantly emerging markets—not all, but some—are going to see a substantial increase in their quality of life, their standard of living. They are going to get to enjoy more of their hard work. They're going to buy more products and fewer Treasury bonds, so it's going to be a big realignment.

Long term, hopefully this will be a catalyst for America to really have radical reform so that we can rebuild the standard of living that we lost, but from a financial perspective, you want to position yourself to be on the winning end of this gigantic transition, this huge transfer of wealth, and that's what we're positioning clients to do. We're owning the right assets in the right countries in the right currencies that are going to be on the winning side. In the meantime, we're delivering short-term yield. We're delivering good dividends, which are much higher than what people can get these days clipping coupons, and good returns. I have several products for people who don't have a lot of cash and who don't even have accounts with me. My mutual funds—I have got seven mutual funds in my family. They are on most platforms. People can check them out—Schwab, Fidelity, ETrade—but the Euro Pacific Capital Funds, and the minimum is \$2,500. So if you've got \$2,500, you can buy one of my funds, but if you've got more money to invest, and you want to work with one of my brokers either with our funds—our separately managed accounts, our brokerage accounts. In the separately managed accounts, I personally manage your portfolio. You can find out about that at EuroPac.net. Or call the brokers. In fact, you can do it through the website or just call them at 800-727-7922. That is the brokerage firm. By the way, I just purchased from this guy EuroPac.com. So starting in a few days, I will also have EuroPac.com. I have never owned that URL, but I guess it came. The owner wanted to get rid of it, so I bought it.

WOODS: That's good. For a long time I had ThomasEWoods.com. I just refused to spend \$1,000 for TomWoods.com, and then I realized it's going to pay way more in dividends than \$1,000.

SCHIFF: I own PeterSchiff.net, but some other Peter Schiff has PeterSchiff.com, and you look at his site, it's so rinky dink. But all I do with PeterSchiff.net is redirect it to EuroPac.net. So for now it's EuroPac.net, and then Schiff Gold, that's the name of my new gold company for people who want physical gold and silver delivered to you, which I recommend. You can go to Schiff Gold. You know, my most popular website now is EuroPac Bank. It's just amazing how rapidly my bank is growing just in the last year. The site is my most popular site by far now, and we're getting a lot of business, but in order to work with me at Euro Pacific Bank, you need to be living outside the United States, and you can't be an American. So that's the criteria. But if you're lucky enough not to be an American and to not live in the United States, you got a red carpet waiting for you at EuroPacBank.com.

WOODS: I believe about 15% of the listenership is outside the United States, so they can take you up on that. But what you said about investing brings up a question of my own, which is the central banks of the world, of course, portray themselves as being indispensable sources of stability and the world couldn't survive without them, but I am sure you view them as creating a whole lot of white noise. When you're trying to figure out what's a good investment, you have to figure out: is this thing prospering because it's part of a Fed or central bank-induced bubble? Or is it the real thing? How do you do that? How do you disentangle the central bank influence from the real profitability?

SCHIFF: I think it's pretty easy to understand which businesses are the beneficiaries of the largesse and which industries are being retarded by what the central banks are doing. And certainly, the average living standard is being impeded by central bank activity and there are a few people—a small number of people—who are being lavished with huge rewards. A lot of these guys were meeting with each other in Davos just last week talking about how everybody else has to sacrifice. But the hard part about all of this is you have to understand that the central bankers—in the short run you get rewarded for betting on them, but eventually it's going to be a disaster like the people who were betting against the Swiss franc. The Swiss franc was falling for years until it had a spectacular rise and a lot of people got wiped out because of that. People thought they were making money being short the Swiss franc, and they didn't realize that they were being set up for a huge loss. Well, I think that's going to be happening on a bigger scale in markets all around the world. I think a lot of people who have been dancing with the central banks—this is going to end badly. What is that expression about politicians? If you get in bed with the politicians, you know what's going to happen. Well, everybody is in bed with the central bankers, and this is not going to end well.

WOODS: Well, speaking of that, the subject of the European Central Bank has come up quite a bit recently, yet, the average American seeing a headline about the European Central Bank turns the page, his eyes glaze over. He has no interest in it. Why should Americans care about the policies over there?

SCHIFF: Well, right now the policies over there are benefiting us to the extent that our currency is going up, which means Americans can buy stuff for less money, which is probably a good thing because Americans have less money. So they need some kind of break on prices. But other than that, I think they have more to worry about from the Fed because I think the Fed is going to be picking up the QE baton. Everybody thinks that we've dropped it for good, but we're going to take it back and run with it. It's just a question of when. The Fed is keeping up this pretense. We're going to get a statement from the Fed later this afternoon. This is their meeting they have every six weeks. No press conference today, but everybody's going to be parsing through the words to see how patient, patient is.

But I think they really need to worry about what the Federal Reserve is doing. I was just thinking about this earlier, Tom, and I don't know if you know the answer, but Singapore came out last night, and they deliberately pushed down their currency, and they said it's because their inflation rate is too low. It's not negative. It's some positive number, but it's just a low positive number, and Canada just cut rates last week because their inflation rate is too low. It's around 1% maybe. I don't know. Do you know? When did this happen? When did this magical transformation happen where central bankers all agreed that low inflation is bad, and that inflation below 2% is somehow a really bad predicament to be caught in, and that that is their main concern is to make sure? And they do this in the name of price stability. They'll say, well, prices are only rising by half a percent a year, and we need price stability. Therefore, we need to force them to go up by 2% a year, and then we'll have price stability. It seems that they're getting further away from their goal if they want stable prices, and they are forcing them to go up.

WOODS: Right. Now of course in the '20s you did have very fashionable opinion like Irving Fisher saying things like we need to have inflation to keep prices stable, but they didn't say anything like we've got a target of a positive 2%, and if it's only 1.2%, then that's not good enough. That seems to be a much more recent phenomenon. And of course, in the '60s and '70s you had such a substantial inflation that [concerns about inflating enough] just was not an issue. I don't know exactly when, but it's quite a recent phenomenon. Now, on that general subject, do you have any forecasts with regard to major currencies and maybe a political forecast, too, about the peg to the dollar—anything. Where do you see that in 2015?

SCHIFF: Well, look, everybody is long the dollar, and it's the most crowded trade going, and it's going to blow up eventually just like it blew up on a smaller scale with the Swiss franc. You've got peg relationships with the Chinese yuan, with the Hong Kong dollar. Other Asian currencies like Singapore, they try to enforce a ban. You have a lot of countries that are trying to peg, and it used to be—and the way pegs came—the way they came about is you'd have a country that had a weak currency that had a history of inflation and that had higher interest rates, and they wanted to reassure the world that their currency was safe. They would peg it to a stronger currency so that the currency would not sink, right? So you always tried to peg your weak currency to a stronger currency, and then you would have to have fiscal and monetary

discipline in order to maintain the peg. But if people knew you were committed to maintaining that peg, then you can have more borrowing and more commerce in your currency. But now the way pegs work is a strong currency pegs itself to a weaker currency, and the idea is to make sure that your currency doesn't strengthen against that weaker currency, which is crazy. It turns the whole concept upside down. And of course, it's easy to maintain your peg to a weak currency. You just print a bunch of money, and that's what the Swiss did, and they printed so much money, I guess they got embarrassed about how much they had printed, and they decided they couldn't print anymore, so they just took themselves out of the game.

But it's a Bizarro world where a strong currency will peg itself to a weak currency where politicians are saying that inflation is good, and call it stable prices. What I am concerned about is when is all of this inflation that all the central banks are so determined to create, when is it going to come back and bite 'em? Because I think that they are going to succeed. They are never going to succeed in creating economic growth, but they will succeed in pushing up consumer prices. You print enough money—prices are going up. Whatever the lags are, or maybe the central bank—the governments aren't reporting prices as accurately as they used to. They are fudging their numbers and the way they come up with them, and there may be some other things that are distorting, and as economies are weak, you would expect prices to decline because initially you've got companies liquidating their inventory. You've got the going out of business sales. But at some point, you use up all your inventory and prices start to rise. And at some point, you're going to see inflation throughout the Eurozone, throughout Japan. It's already happening in Japan—throughout Canada—every place that is complaining that inflation is too low. Pretty soon it's going to be above 2% everywhere in the world. Now the question is, how high do they let it go, and then what are they going to do about it? When inflation is 3 or 4%, are they going to change the goalposts and say, well, we need 4%? 4% is what we need? That's the ticket. Or are they going to say wait a minute, now we have too much inflation—we need to bring it back down? How are they going to do that? And now that they've got everybody all levered up, how are they going to raise interest rates to rein in inflation? So this is a very, very dangerous road that the central banks have taken us down.

WOODS: Peter I know you're tight on time, so I am going to let you run, but before I do I want to ask: how often does your podcast come out? How often do you release it? Every week?

SCHIFF: Well, it's whenever I have time and whenever I have something that I really feel that I got to say. So I did a half-hour one yesterday. Sometimes they are 10 minutes or 15 minutes. I think I have done as many as three or four in a week. Sometimes only two. It just depends really on my schedule, how much free time I have, and if there is something I am dying to say, and I also still do the video blogs on Schiff Report. In fact, the most recent one I did—I am doing these less frequently because I do the podcasts, and the podcasts, you can hear them on my YouTube channel, too, at Schiff Report or you can go to iTunes and download them or Schiff Radio, but the one I just did on the Swiss franc got over 100,000 views, and I haven't had a Schiff Report with over 100,000 views in a while. So you can watch those or just—if you sign

up—if you are on the podcast, you'll get a notification when I post a new one. Or if you're on the YouTube channel, you'll get a notification or just go there every day, look, and see if I put something up, and I usually also link them on my Facebook page so you can friend me on Facebook and just—whatever I put up I try to link on Twitter or whatever. I put them on all my social media outlets, but there's always going to be stuff, and if something big is going on, I am going to be podcasting about it, so just check the channel out for my thoughts.

But the flexibility of the podcast is why I am taking that format because I don't have to worry. Next week I am going to be in Orlando for the Money Show for a few days. I don't have to worry about who is going to host my radio show. I've got to call up Tom Woods, and oh, you can't make it because you've got commitments. So it's just another thing I don't have to worry about, but I did like having the show. I did like it. And if it was bigger—I had a decent station down in Naples, Florida, and I got some accounts. If I could have been like a Sean Hannity or a Rush Limbaugh or Glenn Beck, yeah, I would still be doing that show, if I had that kind of reach, if my voice was being heard by that many people. But it just wasn't. So I just didn't think I was getting enough out of it based on what I had to give into it financial-wise, time-wise, and so that's why I gave it up.

WOODS: It is a huge commitment, but you're right. Podcasting, which is the wave of the future anyway, people are going to be able to listen on the go and at their convenience. It gives you a flexibility as well. I am going to make sure that I link to everything you just said in our single clearinghouse for this episode. This is episode number 328. So the show notes page would be TomWoods.com/328. We'll have links to EuroPac, Schiff Gold, the podcast, the video blog—all that stuff will be there for you guys. So Peter, thanks so much for being with us today.

SCHIFF: All right, Tom, and thanks. I'm glad that your show is still on the air because I helped launch it, so you're carrying the banner.

WOODS: You're darn right. I am still using the microphone from the Peter Schiff Show, as a matter of fact. Thank you very much.

SCHIFF: All right, take care, Tom.