

The Establishment's Revenge on Trump

History books remember **Herbert Hoover** as one of the worst American presidents.

Hoover, a Republican, was a rich and successful businessman with investments all over the world. He was also somewhat of an outsider, having **never held elected office until he was inaugurated in March 1929.**

Today, people associate him with massive infrastructure projects like the Hoover Dam, as well as the Mexican repatriation program, which deported over 500,000 illegal Mexican immigrants.

Hoover also placed **tariffs** on foreign products entering the US and established other protectionist trade policies.

Of course, when people think of Hoover, they mostly think of the Great Depression.

Throughout the 1920s, the Federal Reserve's easy money policies helped create an enormous stock market bubble.

In August of 1929, the Fed raised interest rates and effectively ended the easy credit.

Only a few months later, the bubble burst on Black Tuesday, in October 1929, barely seven months after Hoover took office. The Dow lost over 12% that day. It was the most devastating stock market crash in the US up to that point. It also signaled the beginning of the Great Depression.

This happened on Hoover's watch. And because of that, people pinned the blame squarely on him, regardless of where the fault lied.

Hoover was an easy target. The Democratic National Committee's publicity chief coined the term **"Hooverville"** for the countless shantytowns that sprung up across the country.

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Prices

Gold	\$1,195
Silver	\$16.75
Oil	\$53.06
Rogers Int'l Comdty Index	2,335
S&P 500	2,270
Dollar Index	101.52
10-Year Yield	2.37%
U.S. Federal Debt	19.9T



Hooverville outside of Seattle

The term was such a hit, they tried coming up with others.

Newspapers were “Hoover blankets.” The cardboard used in a worn-out shoe was “Hoover leather.” A “Hoover wagon” was a car with horses hitched to it because the owner couldn’t afford gas.

Blaming the Great Depression on Hoover was easy for Democrats. In the minds of many people, Great Depression = Herbert Hoover.

It was obvious a Democrat would win the next election, which is exactly what happened. It took Republicans another 20 years to take back the White House.

Now there’s a good chance Americans have elected Herbert Hoover II.

Outsiders

Like Hoover, Trump is a rich businessman with investments around the world. He’s also an outsider who hasn’t held elected office before.

Mexico

Like Hoover, Trump has a troubled relationship with Mexico. Hoover started the Mexican repatriation program. Trump has inflamed Mexicans with his rhetoric and plans to build a border wall.

Big Infrastructure Spenders

Hoover implemented enormous infrastructure projects like the Hoover Dam. Trump wants to spend \$1 trillion on infrastructure.

Tariffs

Hoover signed the Smoot-Hawley Tariff Act into law under pressure from struggling American workers. The law raised tariffs on thousands of imported goods to record levels. It also kicked off a tariff war, reducing American exports by half. It was a crushing blow to the American economy.

Trump is the most protectionist president since Hoover. He’s threatened to slap a 45% tariff on Chinese imports and a 35% tax on Mexican imports.

Trump says “China is eating our lunch” and sucking “the blood out of the US.”

Stock Market Bubbles

Hoover inherited a stock market bubble near its peak—fueled by the Fed’s easy money policies.

I think Trump has, too. And he knows it. In recent months he’s called the stock market a “big, fat, ugly bubble.”

There's an excellent chance this bubble will burst on Trump's watch. And Democrats will pin the blame on him, just as they did with Hoover.

Trump is the perfect scapegoat. If new shantytowns sprout up, they won't be Hoovervilles—they'll be "Trump Towers."

Doug Casey: One definition of a depression is a period of time when distortions and misallocations of capital are liquidated. A time when bubbles caused by monetary expansion are popped. A time when unsound businesses fail. I emphasize this because the party on whose watch it happens is automatically kicked out. So, the Democrats actually got quite lucky not to be in office when the time bomb goes off. Trump could easily go down as Herbert Hoover II.

A further note on Hoover that few people understand is in order. Like Trump, he had no understanding of economics. When the economy started collapsing in 1929, he fought the liquidation by setting up new agencies, trying to increase government spending, putting in subsidies and controls, etc., etc. He should have just let things liquidate, as happened during the very sharp deflationary recession of 1920–21, when the distortions caused by WW1 were washed away.

Roosevelt ran on a platform of undoing Hoover's destructive policies (I know that will come as a surprise to most people), but then redoubled them when he was elected in 1932. He had the extraordinary good luck of coming into office after the stock market had already melted down 90%.

This isn't the time for a full discussion, but the last depression should have been over by 1931. But because of the (very similar) policies of Hoover and Roosevelt, it lingered on until 1946.

Trump Could Go Down as the Worst President... But It Will NOT Be His Fault

The establishment is setting up Donald Trump.

The mainstream media hates him. Hollywood hates him. The "Intellectual Yet Idiot" academia class hates him.

The CIA hates him. So does the rest of the Deep State, or the permanently entrenched "national security" bureaucracy.

They did everything possible to stop Trump from taking office. None of it worked. They fired all of their bullets, but he still wouldn't go down.

Of course, the Deep State could still try to assassinate Trump. It's obvious the possibility has crossed his mind. He's taken the unusual step of supplementing his Secret Service protection with loyal private security.

Doug Casey: The Swamp Creatures tried to cause a recount in so-called Purple States that would have changed the number of electors in Hillary's favor. They tried other ways to somehow influence Trump electors to vote for Hillary. None of this would have been an issue if Baby Bush II, Jeb, had been the Republican nominee, as was supposed to have happened. It all just shows what a transparent (a word these people love to use) fraud "democracy" has become.

Let the *hoi polloi* cast a meaningless vote, so they have the illusion of being in control. Instead of seeing themselves as subjects, they'll think they're "we the people," who actually have some say in what happens. That way they'll pay their taxes willingly, enthusiastically sign on to aggressive wars on the other side of the world against people they know nothing about, and generally do as they're told. Because it's supposed to be patriotic. "Democracy" is a much more effective scam for controlling the plebs than kingship or dictatorship.

The Deep State's next move is to pin the coming stock market collapse on Trump. When people think "Greater Depression," they'll think "Donald Trump."

The economy has been on life support since the 2008 financial crisis. The Fed has pumped it up with unprecedented amounts of "stimulus." This has created enormous distortions and misallocations of capital that need to be flushed.

Think of the trillions of dollars in money-printing programs—euphemistically called quantitative easing (QE) 1, 2, and 3.

Meanwhile, with zero and even negative interest rates in many countries, rates are the lowest they've been in 5,000 years of recorded human history.

This is not hyperbole. We're really in uncharted territory. (Interest rates were never lower than 6% in ancient Greece, and ranged from 4% to over 12% in ancient Rome.)

The too-big-to-fail banks are even bigger than they were in 2008. They have more derivatives, and they're much more dangerous.

Doug Casey: Like debt, inflation induces people to live above their means, but its consequences are even worse, because they're indirect and delayed. If the central bank deposited \$10,000 in everyone's bank account next Monday, everyone would think they were wealthier and start consuming more. This would start a business cycle. The business cycle is always the result of currency inflation, no matter how subtle or mild. And it always results in a depression. The longer an inflation goes on, the more ingrained the distortions and misallocations of capital become, and the worse the resulting depression. We've had a number of inflationary cycles since the end of the last depression in 1948. I believe we're now at the end of what might be called a super-cycle, resulting in a super-depression.

If the Deep State wants to trigger a stock market collapse on par with 1929, it just has to pull the plug on the extraordinary life support measures it's used since the last crisis.

It's already baked in the cake. It's just a matter of when they decide to trigger the controlled demolition.

Donald Trump is the perfect fall guy. And there are signs the Deep State is already starting to get its revenge.

The most important variable to watch is the Federal Reserve—the quintessential establishment institution.



Source: [Ben Garrison](#)

Doug Casey: One hundred years ago, the richest people in the country—the Rockefellers, the Carnegies, and such—made their money creating industries that actually made stuff. Now, the richest people in the country just shuffle money around. They get rich because they're close to the government and the hydrant of currency materialized by the Federal Reserve. I'd say it's a sign that society in the US has become quite degraded.

The world revolves much less around actual production, but around guessing the actions of central banks like the Fed.

Even though most politicians, economists, and pundits in the mainstream media won't admit it, central banks exist to help governments finance themselves, at the expense of the average man. It's the hidden, but real, reason they exist.

The Fed accommodated Obama—effectively financing his regime's deficits by creating new currency units. I doubt they will do Trump the same favor. And Trump will likely run up enormous deficits. Don't forget about the \$1 trillion in stimulus spending he has planned.

If the Fed doesn't gobble up the debt used to finance Trump's spending, it will only work to push up interest rates.

Interest Rates

Manipulating interest rates to near 5,000-year lows is a crucial part of the life-support system. Now the Fed is set to pull the plug and leave Trump holding the bag.

In December 2015 the Fed raised interest rates for the first time in almost a decade, from 0% to a mere 0.25%.

The Fed kept rates there until last month, when it raised them to 0.50%. It also announced it would accelerate rate hikes throughout 2017—three in total.

There's a good chance the Fed will announce these rate hikes during the eight Federal Open Market Committee (FOMC) meetings it has scheduled in 2017.

2017 FOMC Meetings	
February 1	July 26
March 15	September 20
May 3	November 1
June 14	December 13

I think some of these rate hikes will be much bigger than the 0.25% most expect. They could pull a series of 0.50% rate hikes... or go even bigger.

Anything greater than the normal 0.25% tempo would shock the market—and seem designed to hurt Trump.

The establishment will get its revenge on Trump. The Federal Reserve is its weapon of choice.

Trump seems aware of the situation. He recently said, “They’re keeping the rates down so that everything else doesn’t go down.”

He’s also said that “We have a very false economy” and the stock market is a “big, fat, ugly bubble.”

During the campaign, Trump called Fed Chair Janet Yellen “highly political.” He said the Fed should raise interest rates but won’t because of “political reasons.” (Raising rates before the election would have hurt Hillary Clinton.)

Doug Casey: With bonds, we're at the peak of the biggest financial bubble in world history. This is a very big deal.

One thing that's absolutely certain is we're not just in a super bubble; we're in a hyper bubble in the bond market. I mean interest rates are actually in negative territory in a lot of countries today.

Interest rates move in very long cycles. They went up from the mid-1940s to the early '80s, when long-term government bonds peaked at close to 16%. I thought they hit bottom years ago, but the cycle has really overshot. My guess is that they're headed up in earnest now.

The risk is that, with all the debt that's been put on in the last decade, debtors will be hard-pressed to service it. That includes the US government with \$20 trillion of on-balance-sheet debt, and a lot more in the way of off-balance-sheet debt, guarantees, and contingent liabilities. Much of it will be activated if higher rates cause a lot of defaults.

It's one thing for the USG to service its debt at 2% (almost all of it quite short-term in maturity). By the time rates head back to more normal levels of, say, 6% over the next couple of years, the USG will be paying about \$1.5 trillion in interest alone. And borrowing all the money to pay the interest alone...

I think the next step is that the bond market crashes. And that's much more serious than the stock market crashing. But, it will bring the stock market down, too, and it will bring the real estate market down with it because in the US real estate floats on a sea of debt. And if you can't borrow at reasonable interest rates, you really can't buy or sell real estate, because most houses have mortgages against them today.

It's a serious problem, but it's a problem that presents opportunities, because although most people are going to lose most of what they have, it's going to be possible to capitalize on that, and as a speculator to win from the unwinding of all these things.

So, forget about bonds. In fact, they're a great opportunity to short right now. Fortunes are going to be made shorting bonds, just like fortunes were made shorting mortgages ten years ago.

So, the worst thing you can possibly own is bonds today. Unfortunately, that's exactly what most pension plans own.

What should you do? Sell all your bonds.

The Media

The mainstream media is another variable to watch.

Paul Krugman, a *New York Times* economist—or, more accurately, witch doctor economist—has come out against Trump's \$1 trillion infrastructure stimulus.

It's bizarre because Krugman, a die-hard Keynesian, had previously never seen a "stimulus" program he didn't like. Once, he even advocated faking a space-alien invasion to stimulate the economy. It shows that Krugman is not only a fool, but a hypocrite.

This is a clue.

How to Profit

Sir John Templeton was one of the most successful investors of all time. In 1939, he made a fortune betting against the crowd.

As you likely know, 1939 was a bad year. Millions of Americans were in poverty. And Nazi Germany had just invaded Poland.

There was an incredible amount of fear in the world. But Templeton, a recent college grad, invested \$10,000 in US stocks anyway.

Templeton figured things couldn't get any worse. He knew a double dose of fear had pushed US stocks down to ridiculously cheap prices, and the US economy would recover sooner or later.

Four years later, Templeton had quadrupled his money. It was the start of one of the largest investment empires in the world. Today, he's known as the greatest stock picker of the last century.

Templeton once said, "The time of maximum pessimism is the best time to buy."

Crisis Investing is dedicated to that principle.

I bet the rest of the mainstream financial media—CNBC, Bloomberg, *The Economist*, etc.—will morph from bullish cheerleaders into pessimistic doom-and-gloomers after Trump takes office.

Don't expect them to find any "green shoots" after the market tanks on Trump's watch.

Doug Casey: I actually met with Templeton in his office in the Bahamas back in the late '70s, and was immensely flattered that he had a copy of my book [*The International Man*](#) on his shelf. I'd just returned from a trip to the Philippines, and he asked me what I thought. I said that I'd visited the Makati Stock Exchange in Manila, and, during trading hours, nothing was going on but a couple of bored brokers standing around smoking cigarettes. And that San Miguel, the largest corporation in the country (brewing, and many other things), had a market cap of about \$50 million. His ears perked up immediately.

I consider it one of the great mistakes of my career that I didn't try to attach myself to him as a protégé.

In 2008, the world faced its worst economic crisis since the Great Depression. People were terrified of losing everything... their jobs, their houses, their life savings.

Iconic US bank Lehman Brothers failed. It was the biggest bankruptcy in US history.

US stocks crashed more than 50%, the biggest crash since the Great Depression. The stock prices of many great businesses dropped 80% or more.

There was an incredible amount of fear in the markets. But the fear masked an incredible opportunity.

It was the best time to buy quality stocks in 30 years.

Investors who bought quality stocks in late 2008 made a killing.

If you bought Starbucks' stock in late 2008, you could have made more than 1,900% on your money. If you bought Apple's stock, the gains could have been as much as 966%. Ford Motor Company's stock gained more than 1,200% in just over two years after the financial crisis.

The list goes on. Anyone who bought any of the following companies during the financial crisis made at least 10 times his money in two years or less from February 2009.

High Quality Stocks Made Huge Gains After 2008	
Crocs up 1,347%	Gulfport Energy up 1,227%
ION Geophysical up 1,098%	Ruby Tuesday up 1,072%
Buckeye Technologies up 1,059%	KapStone Paper and Packaging up 1,036%
Sonic Automotive up 906%	SFN Group up 1,024%
Veeco Instruments up 1,017%	La-Z-Boy up 1,016%
Genworth up 993%	

With Trump on track to become Herbert Hoover II, I expect a stock market collapse at least as severe as 1929 or 2008. This will present another excellent profit opportunity.

Shorting the market is one way to go. However, there's a good chance the Trump honeymoon will last at least a few months. Remember, the 1929 crash happened in October, seven months after Hoover's inauguration.

Of course, history doesn't repeat itself exactly. I think we still have some time before the Fed pulls the plug—which will likely happen during the eight FOMC meeting dates I listed above—and the stock market feels the effects.

In any case, it's a significantly safer bet, one with even more profit potential, to buy elite companies at bargain prices *after* the coming crash.

Here's the best way to get positioned...

Dividend Aristocrats

The easiest and fastest way to find the highest-quality, most elite businesses is to look for Dividend Aristocrats. They are the safest and strongest companies in the world.

A Dividend Aristocrat is a company that's increased its dividend for at least 25 consecutive years. A business has to have a strong and sustainable advantage over its competitors to be able to do that. It also shows that a company can manage the ups and downs of the business cycle.

These companies are also better able to pass on price increases, making them great inflation hedges.

A Dividend Aristocrat is usually a "best of breed" industry dominator with a powerful brand. It's the kind of company Warren Buffett would put money in... the sort you'd buy for the long-term. Think retirement holdings.

A Dividend Aristocrat is a goose that lays an ever-increasing number of golden eggs. So they're rarely cheap... everyone knows they're the best. It usually takes a major crisis—like 1929 or 2008—to create bargains.

We'd welcome the opportunity to buy Dividend Aristocrats at bargain levels. The chance comes about once in a generation... if that. It's hard to think of a better investment.

If Trump becomes Herbert Hoover II, there's an excellent chance we'll get our opportunity in the coming months.

Doug Casey: Opportunities like that don't occur every week, or every month, not even every year. So you've got to be like a crocodile waiting perhaps for months, perhaps for a year, before the correct prey comes by.

The truth is, however, that the real bargains are now in the commodities markets. Especially the grains—corn, wheat, rice and soybeans. Commodities have been dropping for six years, and they're very, very cheap. That absolutely includes uranium.

So, how will we know when a Dividend Aristocrat is cheap enough?

I think the best way is to compare its current dividend yield to its historical dividend yield. The higher the current yield is, relatively speaking, the more attractive the valuation.

Doug Casey: When will I sell out of gold and gold stocks? Of course, they don't ring a bell at either the top or the bottom of the market. But I expect to be a seller when there really is a bubble, a mania, in all things gold related. There's a good chance that will coincide to some degree with a real bottom in conventional stocks. I don't know what level that might be on the Dow Jones Industrial Average, but I think its **average dividend yield might then be in the 6% to 8% area, at least.** Don't forget that the DJIA bottomed out, in 1933, with a yield of 13%—after dividends had been cut severely. In 1982 most electric utilities yielded 12–15%. I could give you lots more examples.

I think Doug's take is an excellent benchmark for value in Dividend Aristocrat stocks. I'll get interested when one has a high dividend yield compared to its historical yield. Preferably that yield will be 6% or higher.

Below is a table of the 50 Dividend Aristocrats. It shows their current yield, their 25-year historical average yield, and where the current yield sits relative to its historical yield (the bigger the number the better).

This is our cheat sheet. We'll use it to scoop up elite businesses at crisis-driven bargains as Trump evolves into Herbert Hoover II.

Right now, none of the Dividend Aristocrats meet our valuation criteria. But I'm watching closely. I'll update you when it's time to pull the trigger and buy.

Company and Ticker	Current Yield	Average Historical Yield	% Above or (Below)	Industry
HCP, Inc. (HCP)	4.9%	7.4%	-34%	Real Estate
AT&T (T)	4.8%	4.3%	12%	Telecommunication Services
AbbVie (ABBV)	4.1%	3.5%	15%	Health Care
Chevron (CVX)	3.7%	3.5%	7%	Energy
Consolidated Edison (ED)	3.7%	5.4%	-32%	Utilities
Exxon Mobil (XOM)	3.5%	2.8%	23%	Energy
Coca-Cola (KO)	3.4%	2.1%	60%	Consumer Staples
Emerson Electric (EMR)	3.4%	2.7%	25%	Industrials
Target (TGT)	3.3%	1.6%	108%	Consumer Discretionary
V.F. Corporation (VFC)	3.2%	2.5%	29%	Consumer Discretionary
Kimberly-Clark (KMB)	3.2%	3.1%	5%	Consumer Staples
Procter & Gamble (PG)	3.2%	2.3%	38%	Consumer Staples
McDonald's (MCD)	3.1%	1.8%	69%	Consumer Discretionary
PepsiCo (PEP)	2.9%	2.1%	42%	Consumer Staples
T. Rowe Price Group (TROW)	2.9%	1.8%	63%	Financials
Wal-Mart (WMT)	2.9%	1.4%	115%	Consumer Staples
Leggett & Platt (LEG)	2.8%	2.9%	-2%	Consumer Discretionary
Johnson & Johnson (JNJ)	2.8%	2.3%	22%	Health Care
Archer-Daniels-Midland (ADM)	2.7%	1.5%	77%	Consumer Staples
Genuine Parts Company (GPC)	2.7%	3.3%	-18%	Consumer Discretionary
Clorox (CLX)	2.7%	2.7%	0%	Consumer Staples
Cincinnati Financial (CINF)	2.6%	3.1%	-17%	Financials
Abbott Laboratories (ABT)	2.6%	4.7%	-45%	Health Care
3M (MMM)	2.5%	2.6%	-3%	Industrials
Aflac (AFL)	2.5%	1.6%	55%	Financials
Nucor (NUE)	2.5%	1.8%	38%	Materials
Pentair (PNR)	2.4%	1.9%	25%	Industrials
Colgate-Palmolive (CL)	2.4%	2.0%	17%	Consumer Staples
Sysco Corporation (SYU)	2.4%	2.2%	10%	Consumer Staples
Cardinal Health (CAH)	2.4%	1.0%	144%	Health Care
Air Products and Chemicals (APD)	2.4%	2.3%	1%	Materials
Medtronic (MDT)	2.3%	1.1%	101%	Health Care
Dover (DOV)	2.2%	2.1%	7%	Industrials
Automatic Data Processing (ADP)	2.2%	2.0%	10%	Information Technology
Illinois Tool Works (ITW)	2.1%	1.7%	23%	Industrials

Company and Ticker	Current Yield	Average Historical Yield	% Above or (Below)	Industry
McCormick & Company (MKC)	2.1%	2.1%	-3%	Consumer Staples
W.W. Grainger (GWW)	2.1%	1.6%	32%	Industrials
Franklin Resources (BEN)	2.0%	0.8%	141%	Financials
Lowe's (LOW)	2.0%	1.0%	106%	Consumer Discretionary
Stanley Black & Decker (SWK)	2.0%	2.7%	-27%	Industrials
Hormel Foods (HRL)	1.9%	1.9%	2%	Consumer Staples
Walgreens Boots Alliance (WBA)	1.8%	1.3%	40%	Consumer Staples
Becton, Dickinson & Company (BDX)	1.7%	1.5%	12%	Health Care
PPG Industries (PPG)	1.7%	2.7%	-39%	Materials
Brown-Forman (BF-B)	1.6%	2.1%	-21%	Consumer Staples
S&P Global (SPGI)	1.3%	2.2%	-41%	Financials
Ecolab (ECL)	1.3%	1.4%	-7%	Materials
Sherwin-Williams (SHW)	1.2%	1.7%	-32%	Materials
Cintas (CTAS)	1.2%	0.9%	31%	Industrials
C.R. Bard (BCR)	0.4%	1.3%	-65%	Health Care

Uranium Energy Corp. (UEC)

In November I said I'd update you when it was time to buy the highest-quality uranium junior stock—once it was clear the market had turned.

There's a very good chance Donald Trump is a sign that's happened.

Trump is very keen on nuclear energy. It fits right in with his "America First" platform. It's critical for securing the country's energy independence.

He's said, "I'm in favor of nuclear energy, very strongly in favor of nuclear energy."

Trump is also very keen on nuclear weapons.

He recently said:

The United States must greatly strengthen and expand its nuclear capability until such time as the world comes to it senses regarding nukes.

The comment was aimed at Russia, the world's other major nuclear power.

Russian President Vladimir Putin got the message. The same day he said, "We need to strengthen the military potential of strategic nuclear forces."

To which Trump replied:

Let it be an arms race. We will outmatch them at every pass and outlast them all.

The world's two largest nuclear powers are calling for more nuclear weapons. This is a huge boon for the uranium market. It's just the type of signal I was waiting for to recommend a quality junior uranium stock. It's why I told you to buy **Uranium Energy Corp. (UEC)** [last month](#).

UEC is up more than 45% in just a couple of weeks as of writing. But there's still a lot of upside left...

Now I'll share the details of why I think UEC is the best junior uranium stock.

Uranium prices have crashed over 85% from their peak. It's the world's most hated and most distressed resource market.

I can't think of a commodity with more upside and less downside right now. Simply put, nuclear power delivers immense value to its users, there's no substitute for uranium, and production is falling while demand rises.

While many commodities have bounced off their lows, uranium hasn't. It's still near the moment of maximum pessimism, which makes it the best time to buy.

Uranium has supply-and-demand quirks that create colossal bull and bear markets. The industry has been in crisis since the 2011 Fukushima disaster. Now the stage is set for another uranium bull market. I think it could start in the coming months.

I feel so strongly about uranium's upside that I called it my **No. 1 investment for 2017**. I planted my flag in the [November issue](#), when I told you to buy **Cameco (CCJ)**, a multibillion-dollar uranium industry dominator.

Cameco is a great way to play higher uranium prices. It traded for \$1.35 per share at the beginning of the last bull market. Then shares shot up to \$50, a **3,600% increase**. That's a 10 bagger almost four times over.

I expect similar returns in the coming cycle.

But I also wanted to recommend the best uranium junior company—one with even more upside. UEC is that company.

Uranium Energy Corp. (UEC) Key Stats	
Current Price	\$1.58
Market Cap	\$208 million
5-Year High	\$4.25
5-Year Low	\$0.65

Uranium Energy Corp. is a US-based uranium mining and exploration company.

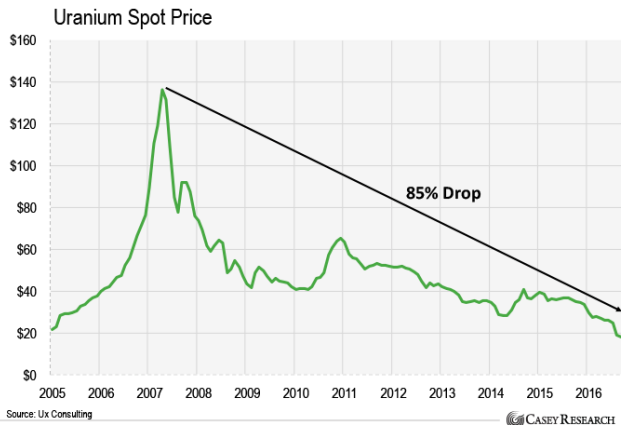
It has uranium mines and a processing facility in Texas, which are fully licensed and permitted. The facility can process up to 2 million pounds of uranium annually.

UEC also controls one of the largest historical databases of uranium exploration and development in the US, which has allowed the company to expand its exploration properties.

Besides its base in Texas, UEC also holds mineral rights in various stages in Arizona, Colorado, New Mexico, Wyoming, and Paraguay. They could all deliver huge upside when uranium prices recover.

UEC opted to face the crisis in the uranium market head on. It stopped production... even though it's one of the lowest-cost producers in the world.

Unlike other uranium companies, UEC didn't need to burn through its in-ground reserves while prices collapsed over 85%. Instead, the company has focused on permitting its projects during the downturn.



UEC decided to sit on its reserves instead of depleting them at lower prices, which would have guaranteed big losses. That's a luxury most uranium companies wish they'd had.

When uranium prices go back up, UEC can instantly access low-cost production in a geopolitically stable and mine-friendly jurisdiction. Its main properties are already permitted and licensed. So there won't be any regulatory delays.

There's simply no other junior uranium company with these attributes (and the ones I'll discuss below).

Doug Casey: I've been asked "What's the secret of finding winning gold, silver, and other natural resource stocks?" more times than I can even begin to count. And for over 20 years, my answer has remained pretty much the same: the Nine Ps.

Let's take a look at UEC's 9 Ps. (For more, read Doug Casey's [The Nine Ps of Resource Stock Evaluation](#).)

People

"People" is the first of Doug's 9 Ps. It's more important than all the other Ps put together.

The mining business is all about the people involved. The key people at UEC have decades of combined experience in engineering and uranium mining.

UEC has a proven management team. Under the leadership of CEO Amir Adnani, it's moved from a concept to commercial production.

Amir has successfully steered UEC through the immense volatility in the uranium market over the past 10 years. He's positioned the company to survive the current downturn and deliver huge profits once the market turns.

Fortune magazine included Amir on their "40 Under 40" list of business leaders.

Doug Casey recently said this of Amir:

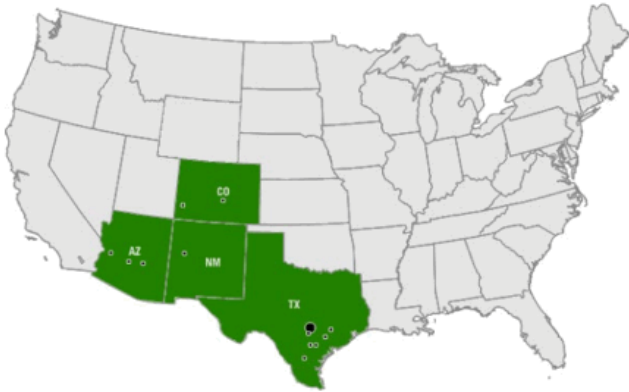
I have a lot of personal warmth and a huge amount of professional respect for Amir. I think that everything that he touches turns to gold.

Property

Texas is UEC's base of operations.

It also holds mineral rights in Arizona, Colorado, New Mexico, Wyoming, and Paraguay.

US Project Portfolio



UEC's Texas operations revolve around the Hobson Processing Plant, which is fully permitted, licensed, and operational. It can process up to 2 million pounds of final product uranium annually.

Management and analysts estimate that once the price of uranium recovers to around \$45 per pound, UEC could quickly resume production. At that point, the company plans to use Hobson to process material from its nearby mines in the South Texas uranium belt. Those mines are ready to start production quickly.

Outside of Texas, UEC's uranium properties are still in the early exploration phases. This gives the company more upside potential.

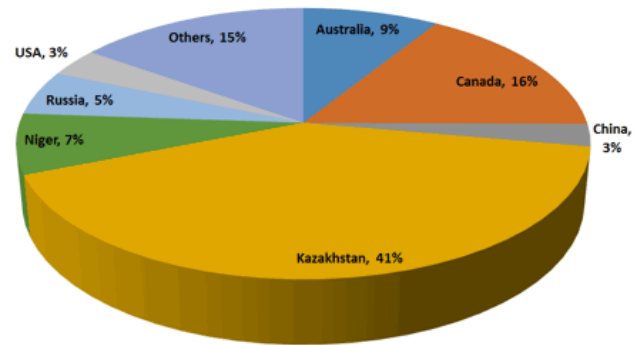
Politics

The location of UEC's primary assets is a huge advantage.

Texas is a resource-friendly jurisdiction, thanks in large part to its successful oil and gas industry. Uranium has been safely mined in Texas for decades.

The vast majority of global uranium production happens in places with significant geopolitical risk or places that could instantly become unfriendly to Western businesses... like countries in the former Soviet Union and in Africa. This is a big problem for many uranium companies, but not for UEC.

Global Uranium Production



Source: World Nuclear Association

CASEY RESEARCH

Operating in the US, and Texas specifically, carries about the lowest level of political risk you can find in the uranium business. This is a huge plus.

Paper/Phinancing

The top shareholders include the UEC management (2.2%), Global X Management (5%), JPMorgan Global Natural Resources Fund (3%), BlackRock (1.5%), and other institutional investors.

Earlier this year, UEC's lenders agreed to extend the maturity date of a \$20 million credit facility until January 2020. This should easily give the company the flexibility it needs to get through the current downturn.

Promotion/Push

UEC's Push will come from higher uranium prices.

Then there's the Trump factor I outlined earlier in this issue. His desire to ramp up the US government's nuclear arsenal will be good for the uranium market.

As for Promotion, a number of well-known institutional investment research analysts cover UEC.

Price

If UEC simply returns to its pre-Fukushima price, it would be a five bagger from current prices. In the coming uranium bull market, it's likely to far exceed that.

Pitfalls

Another Fukushima-like nuclear disaster would derail the coming uranium bull market. Short of that, I have no doubt UEC can make it through the current downturn and deliver explosive returns to investors on the other side.

Trump presents another risk. Overall, he's a positive for uranium. But if he turns into Herbert Hoover II, it could create a setback. All else equal, less economic activity means less demand for electricity, which means less demand for uranium.

That said, the supply/demand dynamics that will turn the uranium market around are global, as I noted in the [November issue](#). I think they'll continue regardless.

The Trade

My recommendation for UEC is unchanged from last month: **Buy UEC at current prices.**

We're not using a stop loss here. We'd consider selling our shares if there's another nuclear disaster or if something else alters the fundamental attractiveness of the long-term supply/demand dynamics of the uranium market.

Trump and a New Gold-Backed Dollar

[Last month](#) I told you why the petrodollar system is on its way out.

In the 1970s the petrodollar filled the void after the collapse of the Bretton Woods international monetary system—which linked the US dollar to gold.

So what will fill the void when the petrodollar inevitably dies?

When that happens—and it may be imminent—something has to replace it. I think there are only two options.

The global elite (i.e., the globalists) want to centralize more power into global institutions. In this case, that means the International Monetary Fund (IMF).

Globalism is really just a polite way of describing world government, or what George H.W. Bush termed the New World Order. Globalists want to concentrate power into the EU, the United Nations, the IMF, the World Bank, NAFTA, [GATCA](#), NATO, and so forth. Doug Casey recently spent a couple of days with this crowd at a Bilderberg-like confab. You can read about his experiences [here](#).

The IMF issues a type of international currency called the “Special Drawing Right,” or SDR.

The SDR is nothing new. The globalists have been gradually building it up since 1969. In the near future, it could be used as the premier international currency—the role the dollar has played since the end of World War II.

The SDR is simply a basket of other fiat currencies. The US dollar makes up 42%, the euro 31%, the Chinese renminbi 11%, the Japanese yen 8%, and the British pound 8%.

It’s a fiat currency based on other fiat currencies... a floating abstraction based on other floating abstractions.

The SDR is not based on sound economics or the interests of the common man. It’s just another cockamamie invention of the economic witch doctors in academia and government.

The SDR is dangerous. It gives the government—in this case a global government—more power. It’s a bridge to a powerful global monetary authority, and eventually a global currency.

Most decent people would consider this a bad thing. That’s why the globalists cloud their scheme with dull and opaque names like “Special Drawing Rights.”

It’s an old trick. Governments have used it for eons.

The Federal Reserve is an excellent example. After two failed central banking experiments in the 1800s, anything associated with a central bank became deeply unpopular with the American public. So, central bank advocates tried a fresh branding strategy.

Rather than call their new central bank the Third Bank of the United States (the previous two were the First and Second Banks of the United States), they gave it a vague and boring name. They called it “the Federal Reserve” and managed to hide it in plain sight from the average person.

Nearly 100 years later, most Americans don’t have the slightest clue what the Federal Reserve is, what it does, or how it has eroded their standard of living.

I think the same dynamic is at work with the IMF’s “Special Drawing Rights.”

The breakdown of the petrodollar is the perfect excuse for the globalists to usher in their SDR solution.

So that’s the first option. It’s the globalists’ preferred outcome. It would be a very bad thing for personal and economic freedom. It means more fiat currency, more centralization, and less freedom for the individual.

The second option is to simply return to gold as the premier international money. Here's how it could happen...

Trump might play along with the globalists' schemes, but I doubt it. He's the first president that's openly and sincerely hostile to globalism. He's denounced it repeatedly.

Trump recently said, "We will no longer surrender this country or its people to the false song of globalism."

In my view, there's only one way Trump could fight the global elites and their SDR plan: return the dollar to some sort of gold backing.

Trump has said favorable things about gold in the past. So have some of his advisors.

It wouldn't be easy. He'd face one hell of a struggle with the globalists. And winning would be far from certain.

No matter what, the death of the petrodollar, just like the end of the Bretton Woods system, will be very good for gold and gold mining stocks.

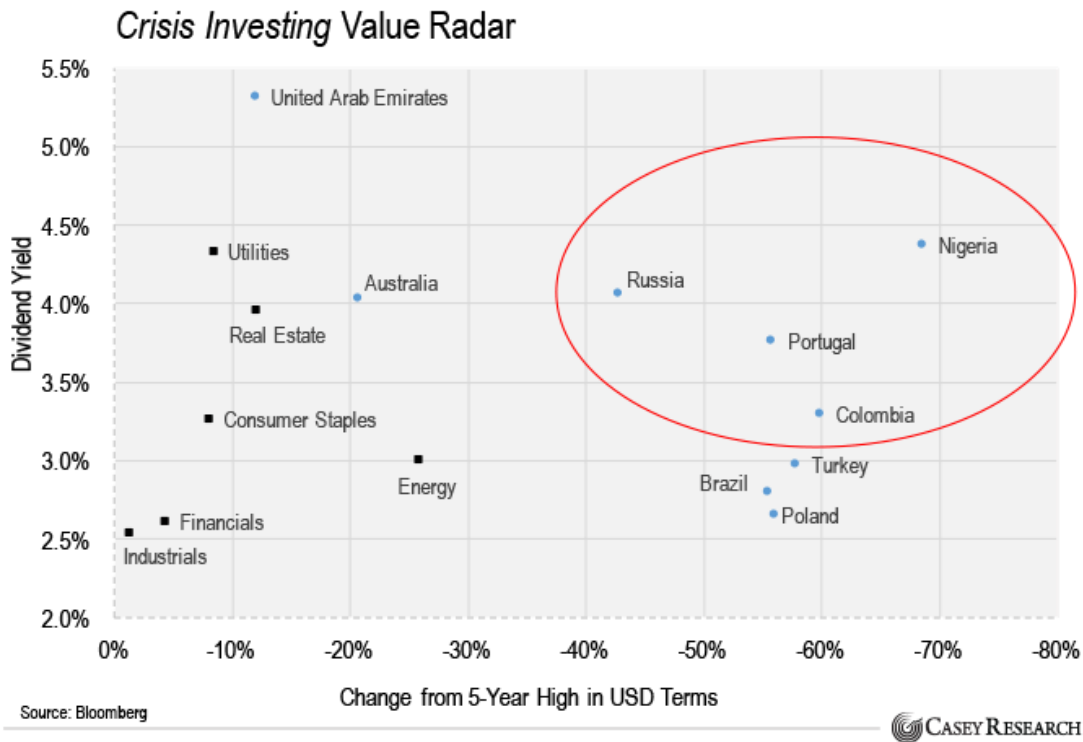
When Nixon took the dollar off gold in 1971, ending the Bretton Woods system, gold skyrocketed over 2,300%. It shot from \$35 per ounce to a high of \$850 in 1980. Gold mining stocks did even better.

Gold is still bouncing around its lows. Gold mining stocks are still very cheap. I expect returns to be at least as great as they were post-Bretton Woods.

We already have **Gold Fields Ltd. (GFI)** in the portfolio. But I'd like to add another gold stock with even more explosive upside... a quality junior gold miner with at least 10-bagger potential as the petrodollar bites the dust.

Stay tuned. I'll update you soon on this.

Value Radar



How to Read the *Crisis Investing Value Radar*

Value Radar surveys the world’s equity markets for beaten-down prices and high dividend yields. It’s a tool for pinpointing the richest crisis markets for us to pick up elite businesses at bargain prices. To make sure the comparisons are apples to apples, we measure prices in the same currency, US dollars. The performance we’re looking for is a big decline from a market’s five-year high. The yield we’re looking for is the fattest and juiciest we can find. Dividends are the most reliable simple indicator of true value. You can believe in the cash payments landing in your pocket. Reported earnings aren’t as reliable: It’s too easy for a company’s management to pump them up by choosing the right accounting formalities. Book value is just as susceptible to manipulation. Stretching facts (or ignoring them) can push book value toward whatever management wants it to be. Also, accounting and reporting standards vary widely across the world. Dividends, on the other hand, are actual cash payments. They are real, and nothing is easier to measure or harder to fake. It’s astounding what you can get in dividends alone when a market reaches bottom, something a lot of people have forgotten. Looking at the chart above, we’re most interested in the upper right corner. We’ve circled the sweet spot that shows the most beaten-up crisis markets with the highest dividend yields. It’s the key to finding elite businesses at bargain prices.

Portfolio Update

[Black Earth Farming \(BEF-SDB.ST\)](#)

Black Earth Farming has been on a tear.

Last month I sent out an email alert to sell, locking in another triple-digit gain for our portfolio. This recommendation stands.

Sell shares of Black Earth Farming (BEF-SDB.ST) at or above SEK 5.60.

[EOG Resources \(EOG\)](#)

EOG Resources is the best-of-breed US shale oil company.

The crisis in the oil market let us pick up shares in this elite company at great prices—just near the bottom. It was a second chance to invest in the American shale revolution. But this time, we had the advantage of hindsight thanks to the Saudis’ failed war on American shale (more on that in [last month’s issue](#)).

While EOG is not a screaming bargain anymore, I still think it will go much higher now that the Saudis have abandoned their oil war. EOG should also get a boost from Donald Trump, who is much more sympathetic to the US fracking industry than Obama.

The breakdown of the petrodollar system will be good for the dollar price of oil. That’s one of the main reasons I’m so excited about EOG’s upside.

[Impala Platinum Holdings \(IMPUY\)](#)

Donald Trump is a double tailwind for platinum...

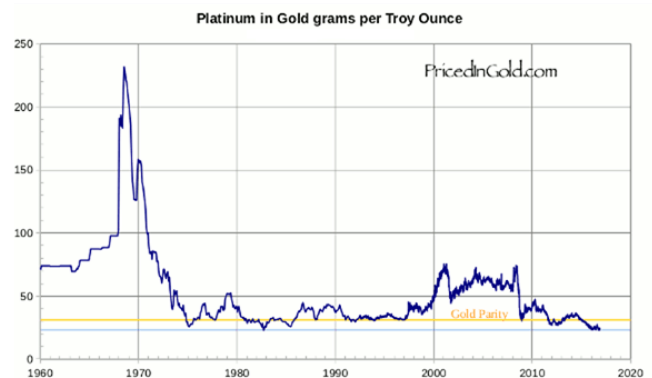
Like silver, platinum is a precious metal *and* an industrial metal. Trump’s proposed \$1 trillion in infrastructure spending is bullish for industrial metals. And he’ll have to pay for that trillion-dollar program by printing money... and that’s bullish for precious metals.

Plus, there’s another reason to be optimistic.

There’s a historic anomaly in the platinum market right now.

People call platinum “the richer man’s gold.” That’s because platinum is almost always more expensive than gold. In fact, platinum prices have dipped below gold prices only a few times in the last hundred years.

Now is one of those times.



Priced in gold, platinum is near an all-time low.

At the very least, I expect platinum to revert to the mean. That would mean huge returns for quality platinum-producing companies like Impala Platinum Holdings (IMPUY).

I expect Impala to at least triple as platinum prices revert to their historical mean. That should start happening this year.

Stay long. This story has a long way to go.

[Gold Fields Ltd. \(GFI\)](#)

Gold Fields is one of the largest gold miners in the world. And at current prices, it has huge upside potential.

It's uncommon for a large, multibillion-dollar company to hold the potential for enormous investment returns. But the opportunity is here.

The gold-mining industry is in one of its worst downturns in decades. Gold prices have dropped over 40% from their 2011 peak. This has put enormous pressure on mining companies. Most are in survival mode. They're trying to cut costs to stay profitable.

I think Gold Fields will do far more than just survive. When gold breaks out of its almost five-year bear market (I think it already has), the company will hand its shareholders huge profits. In the next 12–18 months, I expect shares to at least triple.

[ProShares UltraShort Euro ETF \(EUO\)](#)

The entire European Union is looking shakier by the day as populist, Eurosceptic parties surge.

One Italian politician correctly put it this way: “The euro is melting away like a gelato left out in the August sun.”

Our thesis for the collapse of the EU (outlined [here](#) and [here](#)) not only stands... it's getting stronger and stronger.

The most straightforward way to profit from the collapse of the EU is to short the euro. **ProShares UltraShort Euro ETF (EUO)** is a convenient way to do that. It trades in New York, just like any US stock.

EUO seeks investment results that correspond to twice the inverse daily performance of the US dollar price of the euro. In other words, if the euro *falls* 10%, EUO should *gain* 20%. Keep in mind that the opposite is also true: If the euro rises 10%, EUO will fall 20%.

We first recommended EUO in August 2016. It's now up over 13%. But this party is just getting started. We're continuing to recommend **buying EUO at current prices**, while using a 50% hard stop loss.

Plan on holding EUO for up to a year as the dominoes fall.

[Grupo Aval \(AVAL\)](#)

Today, rabid violence in Colombia is just a cheap Hollywood cliché. Anyone who's been there recently would tell you the same. The country has made an incredible transformation.

There's a popular joke among foreigners living in one of Colombia's largest cities, Medellín: “The only danger you face in Medellín is that you may never want to leave.”

It's not Pablo Escobar's Colombia anymore. Reality is wildly different from the stereotypes of the past.

This perception gap has created a huge opportunity. It helps keep Colombia incredibly cheap. I can't think of a country that offers better value.

I'm certain the average person's perception of Columbia is completely backwards... so certain that I've personally made a large real estate investment there.

I think there's a huge amount of money to be made in Colombia in the years ahead. But this opportunity won't last long once the world uncovers the country's tremendous value.

Earlier this year I identified a quality Colombian company you can buy cheaply. It gives us exposure to the country's growing economy and middle class. The stock trades in New York, so it's as easy to buy as any US stock.

Think of Grupo Aval as the Colombian version of Warren Buffett's Berkshire Hathaway. It's a holding company that invests in Colombia's elite businesses.

I still think there is a huge amount of upside in 2017—at least a double from current prices—in addition to the 4.7% dividend yield. Stay long.

[Morgan Stanley China A Share Fund \(CAF\)](#)

The US media has barely made a peep about it. But China's New Silk Road is one of the biggest stories of the century.

For over a thousand years, the ancient Silk Road was the world's most important land route, passing through a chain of empires all the way from China to Europe.

Now China is building a New Silk Road.

It is history's biggest infrastructure project.

Chinese President Xi Jinping announced the gigantic plan in late 2013. The New Silk Road will include high-speed rail lines, modern highways, fiber-optic cable networks, energy pipelines, seaports, and airports. It will link Europe's Atlantic shores to the Pacific shores of Asia.

Massive amounts of money are already flowing into China's New Silk Road. Accounting firm PricewaterhouseCoopers estimates that more than \$250 billion has already been invested in New Silk Road projects like railways and power plants. Current estimates say that number could reach a trillion dollars.

Investors who get in right now—ahead of this trillion-dollar tsunami—are likely to make enormous profits.

The New Silk Road is still in the early stages, but important pieces are already falling into place.

Fortunately, the Morgan Stanley China A Share Fund (CAF) is an easy way to invest. It's simply the best and most convenient way for you to profit from China's New Silk Road. We're already up over 7%.

This trend is in its infancy. There's much more upside left. I expect many more positive developments from China's New Silk Road in 2017. Stay long.

[Bank of Cyprus \(BOC.GR\)](#)

Bank of Cyprus plans to list its shares on the London Stock Exchange and delist from the Athens Stock Exchange as of January 19. The move will make shares available to a much bigger pool of institutional investors. This is a good thing.

As of this writing, there's no information on what will happen to the shares that trade on the Athens exchange. I expect they'll simply be converted into shares tradable in London. If you own these shares, consider consulting with your broker. Of course, we'll also post any updates here.

The Herzfeld Caribbean Basin Fund (CUBA)

It's not easy to invest in Cuba. The only practical way—and the only legal way for Americans—is through **The Herzfeld Caribbean Basin Fund (CUBA)**. The fund owns stock in companies that will benefit from US trade with Cuba. It trades in New York like any ordinary stock.

Thomas Herzfeld created the fund in 1994. From his base in Miami, Florida, Herzfeld has been analyzing the best stocks to profit from the end of the embargo for more than 20 years. His expertise is unparalleled.

With Fidel Castro's recent death, I think it's just a matter of time before American tourism to Cuba explodes. The IMF estimates up to 10 million potential visits from Americans every year.

There are currently only 61,000 hotel rooms to accommodate tourists, according to the Cuban ministry of tourism. That means Cuba's hotel capacity can only accommodate a tiny fraction of the American tourists expected to visit.

There's potential for explosive investment returns here. CUBA is the best way to tap into this trend. Stay long.

Ferrari (RACE)

Ferrari is on our Watch List.

According to Brand Finance—the world's leading independent brand valuation and strategy consultancy—Ferrari is not just a carmaker, but “the world's most powerful brand.” Not Google. Not Coca-Cola. Not Disney. Not Rolex. Ferrari.

The legendary Italian carmaker represents speed, luxury, and wealth. It's also one of the most profitable carmakers in the world. The company's EBITDA margin is around 29%. That's much higher than the single-digit margins of most automakers.

Ferrari is more than just a car company. This is partially why its margins are so much higher. Ferrari uses its powerful brand to sell merchandise that adds high-margin revenue. The powerful brand—and the company's ability to exploit it—make Ferrari unique.

We'd welcome a chance to pick up Ferrari at crisis-driven prices, but we're not there yet. We're not even close.

Given how coveted Ferrari is, the opportunity may never materialize. But if Italy suffers an economic collapse—a very real possibility in the months ahead—we might get our chance. I'm watching closely.

Announcements

We've just confirmed the dates for **Doug Casey's next private retreat at [La Estancia de Cafayate](#)** in Argentina... and you are invited.

This exclusive event takes place March 14–19.

You'll join Doug Casey, myself, and friends in an immersive experience of the good life in Cafayate. The week will be filled with exciting social events, including cocktail parties, horseback riding adventures, golf, tennis, luxuriating at the athletic club and spa, dining out on Cafayate's scenic plaza, and generally enjoying Argentina.

There will also be plenty of opportunities to network with successful, like-minded individuals from around the world.

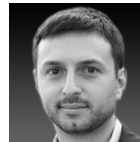
Most importantly, this retreat will allow you to fully appreciate why, out of all the places in the world, Doug chose Argentina—and specifically Cafayate—as the place to build his freedom-seekers' lifestyle community.

As you are probably aware, there's been a massive shake-up in Argentina's government, with a free-market advocate replacing a dysfunctional populist president. Now the country is brimming with renewed optimism.

With its markets opening up, there's a good chance Argentina will offer some very attractive investment returns in the months ahead. Be sure to mark the dates: March 14–19.

The only way to fully appreciate the opportunities in Argentina and the good life at Doug's La Estancia de Cafayate is to visit in person.

Space is extremely limited. For more information about this special retreat with Doug Casey and me, and how to attend it, send an email to JoinNick@LaEst.com.



A handwritten signature in black ink that reads "Nick G." with a stylized flourish at the end.

[Nick Giambruno](#)
Senior Analyst

P.S. I want to hear from you. If you have a question or anything to tell me about this month's issue (or about a past issue), please send it to me at crisisinvesting@caseyresearch.com. I read every email that comes in from subscribers.

Crisis Investing Model Portfolio

Recent Prices

Stock	Industry	Action	Ref. Date	Ref. Price	Recent Price	Stop Price*	Total Return**
Uranium Energy Corp. (UEC)	Uranium	Buy	12/27/16	\$1.08	\$1.58	-	46%
Cameco Corp. (CCJ)	Uranium	Buy	11/22/16	\$9.26	\$12.66	-	38%
iShares Italy Government Bond UCITS ETF (IITB.L)	-	Sell Short	11/15/16	€157.13	€157.54	-	0%
ProShares UltraShort Euro ETF (EUO)	-	Buy	8/23/16	\$23.45	\$26.58	\$11.73	13%
iShares MSCI Poland Capped ETF (EPOL)	-	Buy	7/26/16	\$17.50	\$19.04	\$8.40	11%
Grupo Aval (AVAL)	Financials	Buy	6/28/16	\$7.88	\$8.12	\$3.71	6%
Morgan Stanley China A Share Fund (CAF)	-	Buy	5/24/16	\$16.96	\$17.40	\$7.67	7%
Impala Platinum Holdings (IMPUY)	Metals & Mining	Buy Under \$10	4/26/16	\$3.78	\$3.54	-	-6%
Delta (DLTA.ZW)	Beverages	Buy Under \$1	4/27/16	\$0.64	\$0.92	\$0.27	51%
Gold Fields Ltd. (GFI)	Metals & Mining	Buy Under \$8	3/22/16	\$3.86	\$3.26	-	-15%
EOG Resources (EOG)	Energy	Buy Under \$100	3/22/16	\$75.90	\$104.92	\$37.45	39%
Herzfeld Caribbean Basin Fund (CUBA)	-	Buy Under \$11	12/22/15	\$6.99	\$6.52	\$3.20	-3%
iShares MSCI UAE Capped ETF (UAE)	-	Buy Under \$32	4/28/15	\$21.16	\$17.54	\$9.43	-12%
Bank of Cyprus (BOC.AT)	Banking	Buy Under €0.24	12/23/14	€0.21	€0.16	€0.11	-25%
Black Earth Farming (BEF-SDB.ST)	Consumer Products	Sell Over SEK 5.60					
January 2018 puts on the iShares MSCI Brazil Capped ETF (ticker: EWZ) at a strike price of \$12	-	Buy	4/26/16	\$0.47	\$0.15	-	-85%

Watch List

Stock	Industry	Action
Ferrari (RACE)	Automotive	Buy Under \$25
Adecoagro (AGRO)	Consumer Products	Buy Under \$9
Ambev (ABEV)	Beverages	Buy Under \$2.55

Closed Positions – Top Winners

Company	Total Return
Black Earth Farming	105%
Agroton	103%
Integra Gold	103%
Lordos Hotels	214%
Logicom	171%
Dimco	97%
Frou-Frou Biscuits	95%
Atlantic Insurance	61%
Petrolina	45%
Demetra Investment	42%

*A stop loss is a predetermined price at which you will sell a stock if it declines. Reduce the stop-loss trigger price by any dividends received. Only use closing prices to determine whether a position has hit its trailing stop.

**In local currency, includes dividends. This portfolio generally won't represent the exact price at which you could get into or out of a stock. Rather, it reflects the opportunities available at the time the issue is prepared.

Please keep track of stop losses on stocks you own. If a stock hits its stop, we'll write about it in our next monthly issue. However, we will not send out alerts between issues. It's your responsibility to monitor your portfolio and follow the stop losses we provide.

Doug Casey: Comparing the 1930s and Today

You've heard the axiom "History repeats itself." It does, but never in exactly the same way. To apply the lessons of the past, we must understand the differences of the present.

During the American Revolution, the British came prepared to fight a successful war—but against a European army. Their formations, which gave them devastating firepower, and their red coats, which emphasized their numbers, proved the exact opposite of the tactics needed to fight a guerrilla war.

Before World War I, generals still saw the cavalry as the flower of their armies. Of course, the horse soldiers proved worse than useless in the trenches.

Before World War II, in anticipation of a German attack, the French built the "impenetrable" Maginot Line. History repeated itself and the attack came, but not in the way they expected. Their preparations were useless because the Germans didn't attempt to penetrate it; they simply went around it, and France was defeated.

The generals don't prepare for the last war out of perversity or stupidity, but rather because past experience is all they have to go by. Most of them simply don't know how to interpret that experience. They are correct in preparing for another war but wrong in relying upon what worked in the last one.

Investors, unfortunately, seem to make the same mistakes in marshaling their resources as do the generals. If the last 30 years have been prosperous, they base their actions on more prosperity. Talk of a depression isn't real to them because things are, in fact, so different from the 1930s. To most people, a depression means '30s-style conditions, and since they don't see that, they can't imagine a depression. That's because they know what the last depression was *like*, but they don't know what one is. It's hard to visualize something you don't understand.

Some of them who are a bit more clever might see an end to prosperity and the start of a depression but—although they're going to be a lot better off than most—they're probably looking for this depression to be like the last one.

Although nobody can predict with absolute certainty what this depression will be like, you can be fairly well-assured it won't be an instant replay of the last one. But just because things will be different doesn't mean you have to be taken by surprise.

To define the likely differences between this depression and the last one, it's helpful to compare the situation today to that in the early 1930s. The results aren't very reassuring.

CORPORATE BANKRUPTCY

1930s

Banks, insurance companies, and big corporations went under on a major scale. Institutions suffered the consequences of past mistakes, and there was no financial safety net to catch them as they fell. Mistakes were liquidated and only the prepared and efficient survived.

Today

The world's financial institutions are in even worse shape than the last time, but now business ethics have changed and everyone expects the government to "step in." Laws are already in place that not only allow but require government intervention in many instances. This time, mistakes will be compounded, and the strong, productive, and efficient will be forced to subsidize the weak, unproductive, and inefficient. It's ironic that businesses were bankrupted in the last depression because the prices of their products fell too low; this time, it'll be because they went too high.

UNEMPLOYMENT

1930s

If a man lost his job, he had to find another one as quickly as possible simply to keep from going hungry. A lot of other men in the same position competed desperately for what work was available, and an employer could hire those same men for much lower wages and expect them to work harder than what was the case before the depression. As a result, the men could get jobs and the employer could stay in business.

Today

The average man first has months of unemployment insurance; after that, he can go on welfare if he can't find "suitable work." Instead of taking whatever work is available, especially if it means that a white collar worker has to get his hands dirty, many will go on welfare. This will decrease the production of new wealth and delay the recovery. The worker no longer has to worry about some entrepreneur exploiting (i.e., employing) him at what he considers an unfair wage because the minimum wage laws, among others, precludes that possibility today. As a result, men stay unemployed and employers will go out of business.

WELFARE

1930s

If hard times really put a man down and out, he had little recourse but to rely on his family, friends, or local social and church group. There was quite a bit of opprobrium attached to that, and it was only a last resort. The breadlines set up by various government bodies were largely cosmetic measures to soothe the more terror-prone among the voting populace. People made do because they had to, and that meant radically reducing their standards of living and taking any job available at any wage. There were very, very few people on welfare during the last depression.

Today

It's hard to say how those who are still working are going to support those who aren't in this depression. Even in the US, 50% of the country is already on some form of welfare. But food stamps, aid to families with dependent children, Social Security, and local programs are already collapsing in prosperous times. And when the tidal wave hits, they'll be totally overwhelmed. There aren't going to be any breadlines because people who would be standing in them are going to be shopping in local supermarkets just like people who earned their money. Perhaps the most dangerous aspect of it is that people in general have come to think that these programs can just magically make wealth appear, and they expect them to be there, while a whole class of people have grown up never learning to survive without them. It's ironic, yet predictable, that the programs that were supposed to help those who "need" them will serve to devastate those very people.

REGULATIONS

1930s

Most economies have been fairly heavily regulated since the early 1900s, and those regulations caused distortions that added to the severity of the last depression. Rather than allow the economy to liquidate, in the case of the US, the Roosevelt regime added many, many more regulations—fixing prices, wages, and the manner of doing business in a static form. It was largely because of these regulations that the depression lingered on until the end of World War II, which "saved" the economy only through its massive reflation of the currency. Had the government abolished most controls then in existence, instead of creating new ones, the depression would have been less severe and much shorter.

Today

The scores of new agencies set up since the last depression have created far more severe distortions in the ways people relate than those of 80 years ago; the potential adjustment needed is proportionately greater. Unless government restrictions and controls on wages, working conditions, energy consumption, safety, and such are removed, a dramatic economic turnaround during the Greater Depression will be impossible.

TAXES

1930s

The income tax was new to the US in 1913, and by 1929, although it took a maximum 23.1% bite, that was only at the \$1 million level. The average family's income then was \$2,335, and that put average families in the 1/10th of 1% bracket. And there was still no Social Security tax, no state income tax, no sales tax, and no estate tax. Furthermore, most people in the country didn't even pay the income tax because they earned less than the legal minimum or they didn't bother filing. The government, therefore, had immense untapped sources of revenue to draw upon to fund its schemes to "cure" the depression. Roosevelt was able to raise the average income tax from 1.35% to 16.56% during his tenure—an increase of 1,100%.

Today

Everyone now pays an income tax in addition to all the other taxes. In most Western countries, the total of direct and indirect taxes is over 50%. For that reason, it seems unlikely that direct taxes will go much higher. But inflation is constantly driving everyone into higher brackets and will have the same effect. A person has had to increase his or her income faster than inflation to compensate for taxes. Whatever taxes a man does pay will reduce his standard of living by just that much, and it's reasonable to expect tax evasion and the underground economy to boom in response. That will cushion the severity of the depression somewhat while it serves to help change the philosophical orientation of society.

PRICES

1930s

Prices dropped radically because billions of dollars of inflationary currency were wiped out through the stock market crash, bond defaults, and bank failures. The government, however, somehow equated the high prices of the inflationary '20s with prosperity and attempted to prevent a fall in prices by such things as slaughtering livestock, dumping milk in the gutter, and enacting price supports. Since the collapse wiped out money faster than it could be created, the government felt the destruction of real wealth was a more effective way to raise prices. In other words, if you can't increase the supply of money, decrease the supply of goods.

Nonetheless, the 1930s depression was a deflationary collapse, a time when currency became worth more and prices dropped. This is probably the most confusing thing to most Americans since they assume—as a result of that experience—that “depression” means “deflation.” It's also perhaps the biggest single difference between this depression and the last one.

Today

Prices *could* drop, as they did the last time, but the amount of power the government now has over the economy is far greater than what was the case 80 years ago. Instead of letting the economy cleanse itself by allowing the financial markets to collapse, governments will probably bail out insolvent banks, create mortgages wholesale to prop up real estate, and central banks will buy bonds to keep their prices from plummeting. All of these actions mean that the total money supply will grow enormously. Trillions will be created to avoid deflation. If you find men selling apples on street corners, it won't be for 5 cents apiece, but \$5 apiece. But there won't be a lot of apple sellers because of welfare, nor will there be a lot of apples because of price controls.

Consumer prices will probably skyrocket as a result, and the country will have an inflationary depression. Unlike the 1930s, when people who held dollars were king, by the end of the Greater Depression, people with dollars will be wiped out.

THE SOCIETY

1930s

The world was largely rural or small-town. Communications were slow, but people tended to trust the media. The government exercised considerable moral suasion, and people tended to support it. The business of the country was business, as Calvin Coolidge said, and men who created wealth were esteemed. All told, if you were going to have a depression, it was a rather stable environment for it; despite that, however, there were still plenty of riots, marches, and general disorder.

Today

The country is now urban and suburban, and although communications are rapid, there's little interpersonal contact. The media are suspect. The government is seen more as an adversary or an imperial ruler than an arbitrator accepted by a consensus of concerned citizens. Businessmen are viewed as unscrupulous predators who take advantage of anyone weak enough to be exploited.

A major financial smashup in today's atmosphere could do a lot more than wipe out a few naives in the stock market and unemploy some workers, as occurred in the '30s; some sectors of society are now time bombs. It's hard to say, for instance, what third- and fourth-generation welfare recipients are going to do when the going gets really tough.

THE WAY PEOPLE WORK

1930s

Relatively slow transportation and communication localized economic conditions. The US itself was somewhat insulated from the rest of the world, and parts of the US were fairly self-contained. Workers were mostly involved in basic agriculture and industry, creating widgets and other tangible items. There wasn't a great deal of specialization, and that made it easier for someone to move laterally from one occupation into the next, without extensive retraining, since people were more able to produce the basics of life on their own. Most women never joined the workforce, and the wife in a marriage acted as a "backup" system should the husband lose his job.

Today

The whole world is interdependent, and a war in the Middle East or a revolution in Africa can have a direct and immediate effect on a barber in Chicago or Kraków. Since the whole economy is centrally controlled from Washington, a mistake there can be a national disaster. People generally aren't in a position to roll with the punches as more than half the people in the country belong to what is known as the "service economy." That means, in most cases, they're better equipped to shuffle papers than make widgets. Even "necessary" services are often terminated when times get hard. Specialization is part of what an advanced industrial economy is all about, but if the economic order changes radically, it can prove a liability.

THE FINANCIAL MARKETS

1930s

The last depression is identified with the collapse of the stock market, which lost over 90% of its value from 1929 to 1933. A secure bond was the best possible investment as interest rates dropped radically. Commodities plummeted, reducing millions of farmers to near subsistence levels. Since most real estate was owned outright and taxes were low, a drop in price didn't make a lot of difference unless you had to sell. Land prices plummeted, but since people bought it to use, not unload to a greater fool, they didn't usually have to sell.

Today

This time, stocks—and especially commodities—are likely to explode on the upside as people panic into them to get out of depreciating dollars in general and bonds in particular. Real estate will be—next to bonds—the most devastated single area of the economy because no one will lend money long term. And real estate is built on the mortgage market, which will vanish.

Everybody who invests in this depression thinking that it will turn out like the last one will be very unhappy with the results. Being aware of the differences between the last depression and this one makes it a lot easier to position yourself to minimize losses and maximize profits.

So much for the differences. The crucial, obvious, and most important similarity, however, is that most people's standard of living will fall dramatically.

The Greater Depression has started. Most people don't know it because they can neither confront the thought nor understand the differences between this one and the last.

As a climax approaches, many of the things that you've built your life around in the past are going to change and change radically. The ability to adjust to new conditions is the sign of a psychologically healthy person.

Look for the opportunity side of the crisis. The Chinese symbol for "crisis" is a combination of two other symbols—one for danger and one for opportunity.

The dangers that society will face in the years ahead are regrettable, but there's no point in allowing anxiety, frustration, or apathy to overcome you. Face the future with courage, curiosity, and optimism rather than fear. You can be a winner, and if you plan carefully, you will be. The great period of change will give you a chance to regain control of your destiny. And that in itself is the single most important thing in life. This depression can give you that opportunity; it's one of the many ways the Greater Depression can be a very good thing for both you as an individual and society as a whole.



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