

New Orleans Gold Show Speech. Lawrence Lepard

(delivered on October 22, 2021)

Fix the money, Fix the world.

Thoughts On The Moral Basis of Sound Money and Our Future

(Complete original version. Delivered version was abridged to accommodate time constraints. Bold indicates emphasis, yellow indicates dropped from spoken version)

First, let me thank Brien Lundin and the Show organizers for inviting me to speak here. It is a great honor. Particularly so because I am among other “sound money” people for whom I have enormous respect and admiration. Starting with Dr. Ron Paul, but also the tireless and relentless GATA guys, Bill Murphy and Chris Powell who have been in this fight since 1998. **All of my thoughts are built upon the shoulders of the Austrian Economic giants, Menger, Von Mises, Hayek, Rothbard, and now Saifedean.**

This speech and these slides will be posted on my website – www.EMA2.com

I am active on Twitter (@LawrenceLepard) under the by-line:

Fix the money, Fix the world.

I strongly believe this statement. It is easy to draw the line and connect the dots between nearly all of society’s ills and the devolution of our system into one based upon unsound money. As Dr. Paul has notably said, “It is no coincidence that the century of total war coincided with the century of central banking.” With sound money who will pay for wars? It may sound overly dramatic, but I believe sound money is literally a matter of life and death for our kids and grandkids. **We will fight for sound money and win to achieve freedom, or lose and our children will live diminished lives.**

This is because without sound money nobody can protect the value of their labor or life force. Unsound money has turned into a mechanism for the State to steal from all savers and reward its cronies. And as we will see later, this trend is only getting worse. Which is why I believe a collapse of this financial system is inevitable.

Sound Money is a Moral Issue

We know that a civilized society is civilized because of language, laws and communication. Societies run on data and information. Prices are the most important piece of information in a human society. At the base of all prices is the monetary layer. Interest rates are the price of money which helps to balance time preferences, matching savers with investment projects. **One cannot overstate the importance of the following concept: Capital accumulation and private savings are what lead to investments which**

improve our productivity and living standards. Not debt fueled aggregate demand growth as Keynesians wrongly believe. Interest rates are the most important price in the world. Distortion of the interest rate leads to mal-investments and waste, which all of society must bear. Think of the misallocation of resources that has occurred as we have had to endure the consequences of three debt fueled monetary bubbles in the past 25 years. The Government setting the price of money is like the Politburo setting the price of grain. No matter how intelligent humans are, no small group can accurately determine the price which balances saver's capital against worthwhile investments. Unsound money also transfers power to the State which is hopelessly corrupt and governed by special interests. Sound money and individual monetary sovereignty are the basis of economic and human freedom.

We know that Sound Money is not just about profits and losses, in fact it is about a much larger and more important issue. Sound money is truth, in an absolute sense. Simply defining truth as an accurate portrayal of reality, *prices are the truth* about what market actors want in respect to what capital is available. Counterfeiting money, which is what the Fed does as it prints to fund fiscal deficits, is theft of our labor and savings. Theft is a crime. Therefore, sound money is a moral issue. The authors of the Bible understood this and warned us that dishonest weights and measures are an abomination to God. If fiat currencies are not dishonest weights and measures, then nothing is.

Furthermore, it was not just the ancients who understood the moral imperative of honest money, the lesson has carried down through the ages as hundreds of experiments with unsound fiat paper money have ended in tragedy and at a terrible human cost. Our Country experienced the hyperinflation of the Continental which led to our Founding Fathers in 1789 codifying that only gold and silver could be money in our Constitution. Sadly, like so many other promises of that beautifully constructed document the meaning, intent and practical application of that idea has been so trampled and violated as to rendered it all but meaningless.

My Background: Our Opponents Are Corrupt

As for myself, I was raised in the Midwest in a small family that owned retailing businesses. I am idealistic and I believe most humans are good. I was taught a moral code before I went to college. When I then went on to work in finance in New York and Boston, I soon learned that code was not always present in the large money centers of our country. Recently I attended a seminar with over 500 other financial executives that was put on by the crew that played a big role in the 2008 Global Financial Crisis (GFC). On the 10th year anniversary of the GFC Larry Summers, Tim Geithner, Hank Paulson and others did a road show explaining how their actions in 2008 were correct, righteous and important. At one point, Tim Geithner got up and asked "is there anyone here who thinks that what we did in 2008 was wrong?" Nobody raised their hand, so I raised mine. I commented that I thought that what they had done was a crime, was wrong and that there were many other solutions. You could hear a pin drop. They did not let me elaborate and Tim had a slick prepared answer that talked about how letting the banks go bankrupt and "Old Testament Justice" were not appropriate. He had clearly rehearsed it.

There are two interesting take-aways from that seminar story. First, only 1 out of 500 questioned them. Second, in the coffee break-out sessions the response to my comment was about 60/40 with over half of

my fellow attendees not looking me in the eye, and the others saying “right on man, that took guts.” They knew.

As one of my best sound money friends says, “Larry, a long time ago a lot of people in the finance business decided it was easier to look the other way and take the bribe, rather than do what is right.” That is so true. And they have gotten fantastically rich doing so. Of course, that could all change quickly if fiat collapses.

I believe we are arriving at the climax to an experiment that began over 100 years ago and has just about reached the end of its natural lifespan. Fiat money supporters are the guy who jumped off a building and claimed he could fly. We are now passing the lower floors. “So far so good.....”

100 Years of Central Banking (a brief summary)

Looking back at the past 100 years of the Fed – in 1913 they formed a banking cartel owned Federal Reserve so that they could control credit and money creation. With the ink barely dry they immediately violated their charter to finance World War I. Then in the early 1920's through lax policies they blew the largest bubble in the history of the world (at that time) and then it exploded in 1929, throwing the world into a depression. The human misery was immense. In 1933-34 they confiscated gold and devalued dollar wealth by 70% in gold terms. FDR made the holding of gold illegal for US citizens which removed the availability of the gold standard for the common man. In the 1940's they financially repressed savers to finance WWII. Post war growth masked a lot of sins until The Vietnam War and social programs led to a default on the dollar in gold terms in 1971. Then things really got rolling. Default led to 1970's runaway inflation that could only be stopped by Volcker's 20% interest rates that produced a severe recession that bankrupted many, and nearly bankrupted my father's retail furniture business in Ann Arbor. No worries, through the 1980's and 1990's technology and deflation allowed a respite until they abandoned Glass-Steagall, nationalized the markets and invented ZIRP. **ALL OF THIS IS MANIFESTLY WRONG.**

Today we have permanent ZIRP. It is important to remember that zero interest rate money is worthless. It is a tautology. If money pays no interest, or a negative rate of interest, it has no value. It is as though capital and time do not exist. It also makes a mockery of the capital asset pricing model. If your cost of capital is zero the market value of every enterprise with a profit becomes infinite, by definition. This is why those who have access to the cheap capital first have become Cantillionaires. If you want to understand populism all you need to do is look at who received the income gains from increased productivity post 1971. Monetary inflation has enriched those with assets and left the middle and lower classes to fend for themselves. We pay higher prices for food and outrageous charges for medical care. Wages have badly lagged the heavily doctored and distorted inflation measures. The rich have gotten richer and the average man has been left behind. **It is tragic, and has led to record deaths of economic despair (drugs, suicide, alcoholism, obesity) particularly in the US Midwest which has been gutted as we financialized our economy and sent productive industry to China and overseas to enrich CEO's via stock options.**

This is all because the money is corrupt. What a system. A bank can borrow at 20 basis points and know that if it messes up it will be bailed out. Allow each of us to borrow at 0% and re-invest in yielding assets and we would be a billionaires too.

And furthermore, the political trends do not look good for sound money. A modern-day John Law who goes by the name of Stephanie Kelton has risen to a high level and has become the leading proponent of Modern Monetary Theory (MMT) which is really just Georg Knapp's Chartalism theory of "State Money" in a new wrapper. Of course Knapp's theories spawned the Weimar hyperinflation, but Kelton doesn't talk about that.

We are entering a point of failure of our existing monetary system. Everyone in this room knows that the monetary and political system that we have in the US is broken and hopelessly compromised. The GFC of 2008 was the kick off date and now events are moving rapidly. The Arab Spring in 2012 showed us that things move more quickly in this digital age of Twitter and Facebook. The collapse of fiat will be fast. We are in a Fourth Turning and a contest will ensue over "what is good money?" It is likely to be painful and messy. That is the bad news.

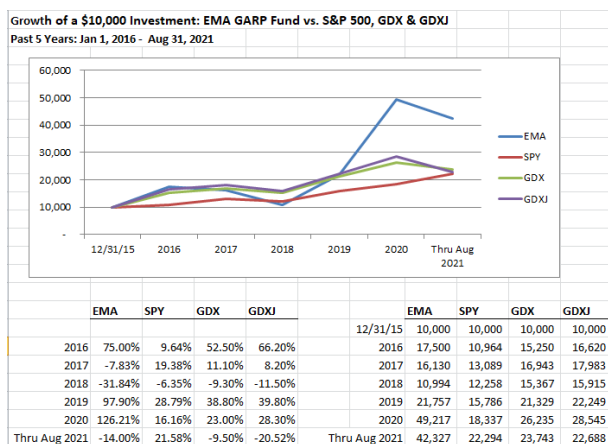
The good news? This will usher in a much better system with sound money at its base.

So, How Do We Protect Ourselves and Our Families?

I believe at the core of everyone's savings there must be gold, and silver too. Sound, 5,000 year old money without any counterparty risk. Held in your possession.

Then for speculation and equity returns I have chosen the gold miners. My partner and I run an investment Fund that since 2008 has focused on selecting the best risk/reward trade-offs in this extremely challenging and difficult business. It is a tough business, but it reminds me of venture capital. When you get it right the asymmetry of returns is off the charts.

We did well from 2008 to 2011. We suffered from 2011 to 2015. In 2016, which marks the beginning of the current bull market we began to do well again.



We have a portfolio of the best gold miners (drill, development and production) (45%), also silver miners (35%) and Bitcoin and bitcoin infrastructure companies make up the 20% balance.

Some of the values that have appeared in gold and silver mining are stunning. Recently, we were buying large highly profitable miners at 2.5 times EBITDA, a 40% earnings yield in a zero interest rate world. And these firms are growing their production and reserves. Higher metals prices, which we expect, will provide serious operating leverage and profit growth. Add in the multiple expansion that is likely to develop as a mania for gold stocks occurs and we expect many 5 – 10 baggers.

I feel like Dr. Michael Burry right before the housing melt down. I am sitting on one of the most highly asymmetric trades in the history of investing and most of the world does not see it. Frankly, it amazes me and I believe the money made by sound money investors in the next 5-10 years is going to shock the world. We are going to end up with all of the marbles.

Gold and Bitcoin

Now this is a gold show, and I assure you there is no bigger gold bull in the world than me. I asked Brien if it was OK if I discussed Bitcoin and he said go for it if I thought it would be helpful. I do. I know there are some here who hate Bitcoin. I understand the special kind of frustration that some gold bulls must feel being proven completely correct in their monetary thesis and then seeing Bitcoin come onto the scene. But here is the thing. If you believe in the fundamental principle of “sound money” and you are intellectually curious and honest I believe you will come to see Bitcoin is also an emerging form of sound money. Money does not have to be tangible. All money is really just a ledger. Long before gold, cavemen kept ledgers on the wall. Bitcoin represents a cryptographic solution to the issue of a creating a scarce and verifiable form of money. Bitcoin is an immutable digital ledger that performs all the roles of money. At the next reward halving in 2024 its stock to flow ratio will make it the soundest money on the planet using that measure. History shows that in the long run the soundest form of money always wins in the “store of value” game. A good example of this is the way that gold demonetized silver and the countries that remained on a silver standard (India and China) suffered mightily in monetary terms compared to those who were early adopters of the gold standard. (note: gold has a higher stock to flow than silver).

Many of you know the Warren Buffet story about how he gains an advantage as an investor by being willing to wait for the fat pitches. The fact that an investor does not have to swing can provide an edge. Some of you may be taking that approach to Bitcoin. But here is the thing. This is a paradigm shift at the base layer of money. The entire system might change and so you need to spend the time to understand Bitcoin. You cannot just blow it off. It represents the biggest asymmetric bet in history. Bitcoin is a CDS on the failure of sovereign currencies, as Greg Foss points out.

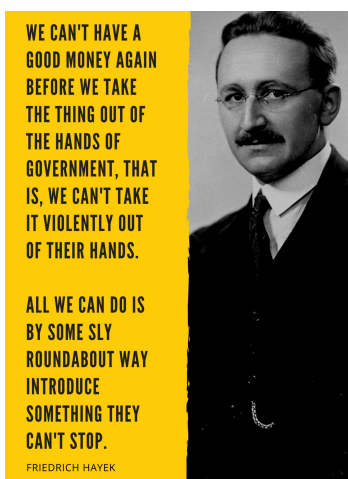
To me, Bitcoin represents two things: (i) a store of value like gold – but in digital form and (ii) a technological innovation that will someday rival the printing press. In my opinion it is one of the most important inventions ever.

Let's discuss Bitcoin as a store of value. It has built in deflation. Only 21 million coins will ever be issued. The supply of above ground gold grows at 1.7% per year. In 40 years the supply of gold on the planet will double. Unlike a commodity, the supply of Bitcoin does not increase with higher Bitcoin prices. Supply cannot adjust to meet increased demand or higher prices. This is why it is a sound money monster.

From a Technological innovation standpoint, perhaps its biggest advantage is its ease of transfer and settlement. For a modest fee, in a ten minute cycle, I can move a billion dollars and it is fully verifiable to the entire world. Nothing like this has ever been present before this technology.

Bitcoin takes money out of the hands of government and its cryptology makes individuals self-sovereign (or as powerful as armies). And while its stock to flow will soon be sounder than gold, the most important innovation that Bitcoin presents is that it is decentralized and "triple entry accounting" verifiable. Math does not lie. Bitcoin takes the verification issue outside of the bounds of human frailty and it provides the audit function to everyone. Compare this to gold where we don't even know if we have the gold in Fort Knox since it has not been audited since the 1950's. This is where the gold standard has temporarily failed and the reason why us gold bugs feel like Sisyphus. Yes, gold is super sound money with a 5,000 year-old track record. But, guess what? Governments have found a work around. "Paper gold" and fractional reserve gold have managed to suppress the gold price to a fraction of what it should be. Until this game of musical chairs stops gold has in a sense failed. Now, ultimately I expect this failure to be overcome. It has failed because Gold is controlled by banks and Central Banks, and these are controlled by government. When the State fails gold will find its true fair market value which will be multiples of today's price. Gold is disadvantaged versus Bitcoin because it is too hard to move, certify, verify and provide final payment closure on large transactions. Until gold breaks free, Bitcoin is the one monetary medium that is effectively doing its job of reflecting the relentless march toward the hyperinflation of fiat currencies. Bitcoin is a monetary fire alarm that works.

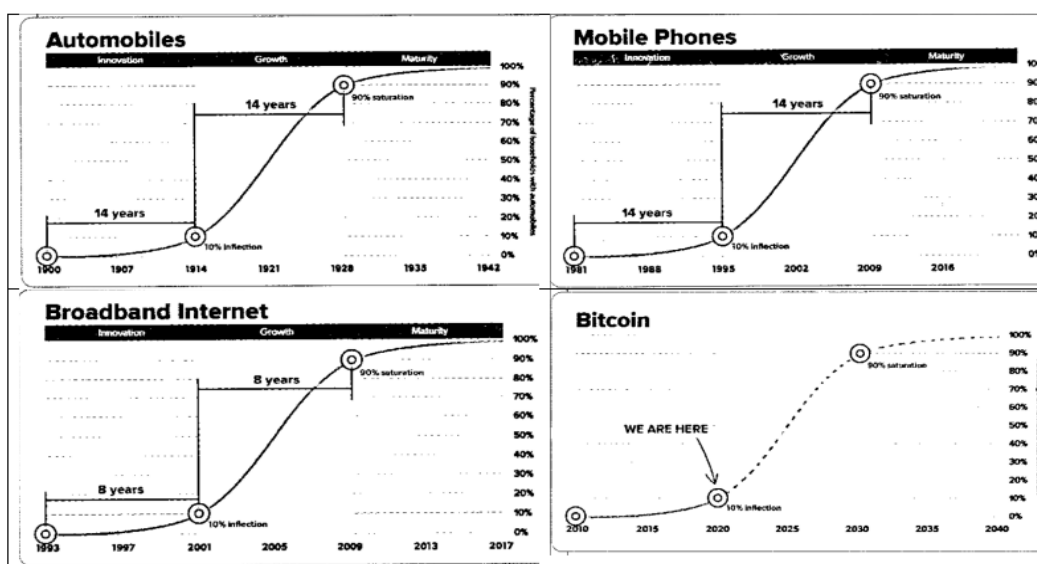
It is prophetic that Hayek foresaw the invention of Bitcoin, he just did not know what it would be called.



Bitcoin is something I believe they cannot stop.

I come from a venture capital background and my number one selection criteria for making investments in emerging companies was simple. “are the dogs eating the food”. Or said another way: are user adoption and demand growing? Well, take the case of Bitcoin, adoption and demand are growing rapidly and consistently. An entire generation of Millennials have been educated in Austrian Economics and have joined the sound money camp because of Saifedean Ammous’ book. (The Bitcoin Standard, which is must reading).

Bitcoin enjoys two things which are driving up its price, first it is an emerging form of sound money or digital gold. Therefore, more monetary debasement leads to a higher Bitcoin price. Second, there is an adoption curve underway and we are around the 10% adoption tipping point which in the past has marked the rapid growth phase of other new technologies. Bitcoin reminds me a lot of the internet in 1995.



Despite these positives, Bitcoin is not gold. Unlike gold, Bitcoin requires continued energy to prove its value. In the case of gold all the energy is spent up front. They are both bearer assets, but gold has a privacy advantage. The blockchain leaves a trace. Gold does not.

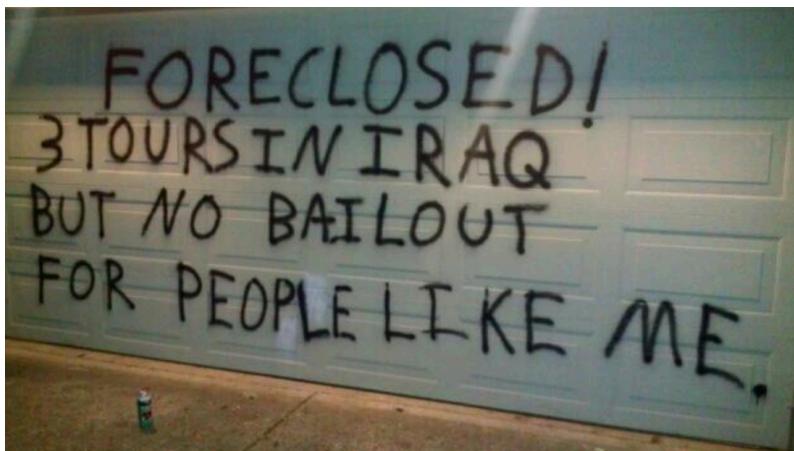
Many point to the risks of Government intervention in Bitcoin. This makes sense, it is truly an existential threat to fiat. However, Rick Reider of Blackrock says he owns it, JP Morgan, Fidelity and Goldman are all developing Bitcoin groups and Gary Gensler, Chairman of the SEC, is a fan, he just wants to regulate it. My view is that the horse is out of the barn. It is too late for Government to kill it. They will however provide regulations – but that may actually grow Bitcoin adoption as regulation will provide safe cover for Institutions to begin buying more broadly.

I believe that a portfolio should contain both Gold and Bitcoin, and both will win in the monetary crisis that I see coming. There are roughly \$450T of fiat-based financial assets in the world. (cash, stocks, bonds, etc.). Bitcoin’s entire market cap is \$1.1T and the tradeable gold and gold stocks are roughly \$5T. So when the \$450T of fiat money realizes that they are in a burning house they are going to come running

after roughly \$6T of sound money alternatives. Millenials will chase Bitcoin and Boomers will chase gold. And Boomers control most of the fiat wealth. They both will work.

In the 1970's inflation, gold peaked at approximately 7% of global financial assets. Today that would equate to \$32 Trillion of market cap for Gold and Bitcoin.....or 5x upside cumulatively from where they are today. Also, I believe this inflation will exceed the 1970's version.

The Gold v. Bitcoin debate is silly. We are all on the same team. Team Anti -Fiat. Gold holders should be rooting for Bitcoin and Bitcoin holders for gold. We all want to end State controlled money. The State and State controlled money are very powerful. **They have a huge vested interest in maintaining their privilege. In the end they will break the rules to do so.** We have seen this time and again. Roosevelt confiscated and devalued versus gold. The US defaulted in 1971. In 2008 they bailed out the Banks which was blatant socialism for the rich while regular home owners endured "rugged capitalism" as they lost their homes to foreclosure. Also in 2008, they banned the short selling of financial stocks to protect market insiders. I know, I was forced to cover at unattractive prices. More recently when the Reddit people figured out a way to organize and play the game that Wall Street insiders have been playing for years, by squeezing the short sellers in Gamestop, they changed the rules again. Bitcoin is a system where they cannot change the rules. Bitcoin is incorruptible money.



I have a sound money friend who until 5 years ago was 100% invested in gold. Now he is 100% invested in Bitcoin. His analogy for making the change was clear: He said, "Look, gold is historically the soundest form of money, but governments have figured out a work around through the paper markets. With Bitcoin the cryptography is so bullet proof that there is no work around, I am going to join the villagers over there who are storming the castle with technological torches and pitch forks, it is the only way we will win."

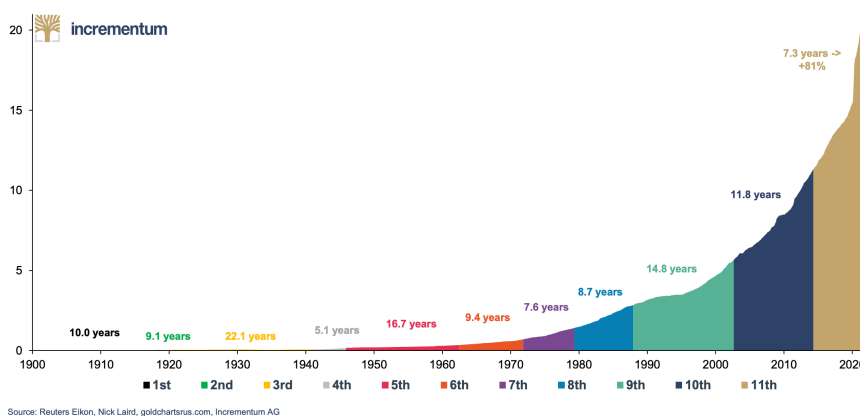
Like Paul Tudor Jones I believe that Bitcoin may be the fastest horse in the monetary debasement race. Although it is not without problems and risks. Key security and key management are issues. The volatility is insane, although it is decreasing over time. Can the Government attack it? Sure, but to what end, and they are behind the curve. The more you learn about it the more you realize that it is very attack proof.

With 12 seed words that can replicate my private key I can control billions of dollars. Like gold, the future price of Bitcoin is highly asymmetric. I tell my clients that the only wrong allocation to Bitcoin is zero. I personally believe that each coin will be worth \$1 million or more within 10 years. Of course, gasoline may also be \$100 per gallon.

Sound Money For The Win! LFG!

Everyone in this room should be proud of the monetary stand you have taken. You are the Remnant. You are the righteous ones. You bought gold in 2011 at \$1,900 and it went to \$1,050 and you did not know why. But you hung on. You did the right thing and you will win. I would like to ask for a show of hands. If you are in this room today and believe in gold because it is sound money, and have suffered for that belief raise your hand. This is the message of the Bible. (Jesus, Job, Noah, Paul) It is not easy to do what is right, but that does not mean you don't do it. We have suffered pain, but working to permanently establish honest weights in the world is worth it. Many here have been fighting this fight for years and years. We are tired, beaten down, worried that we might have chosen the wrong path. But I am here to say that in my mind we are on the right path. We are the righteous ones and they are thieves and liars. We will win, or our kids and our grandchildren will win. Someday my Grandchildren will marvel that the entire world financial system collapsed because a small, centralized group of arrogant greedy people convinced the world to give them control of the money supply and interest rates. What were we thinking, they will ask? The world will return to sound money because unsound money simply does not work. It has nearly ruined our society and that is becoming evident. If we want our kids to live better lives we will have to return to sound money. The collapse of the existing monetary system will make this obvious.

M2 Money Supply Growth – Periods of Deceleration and Acceleration
M2 Doubling Periods, in USD trn, 01/1900-07/2021



Furthermore, as this chart shows, events are accelerating and I think that fiat's lifespan is now measured in low single digit years. Also, given the way this is likely to happen you are either going to be in this trade, or not. No do overs.

What year does fiat fail? No one knows, but it really does not even matter because all we have to do is pick up our cross, bear it and leave the rest to a higher power. I compare the quest for sound money to the

building of a cathedral in the middle ages. As it turns out it took between 100 and 400 years to build a cathedral. The median lifespan at that time was 40 years, which meant that many stonemasons who worked on a cathedral would not see its completion. But that did not stop them from doing the work. They had faith in the process and they dreamed of the end result. They could see it in their mind's eye.

So the fiat masters play their games. Every year they steal from us. They are rent seekers. They print money and steal our savings. They make it impossible for young people to buy houses because they have to compete with Blackrock. They make it impossible to retire with financial security. They rob the elderly of their retirement income and savings. Their inflation hurts us and benefits them. They fund their wars. They seek to control our lives. But more and more people are saying **NO. Buying gold, buying silver and buying Bitcoin are a protest. No, you can no longer steal from us and our kids. We will not be burdened with your debts. On this I am clear. I WILL NOT BACK DOWN**

I believe each of us is put here on earth with a sacred mission. Mine is to say NO. No, this is not acceptable to me. No, I will not partake in this looting, this theft, this criminality. You can do whatever you are going to do. You can sell paper gold to oblivion to try to convince me I am wrong. I will not sell mine.

I say, Sound money is the most important contested moral issue of our time. Everyone in this room is a soldier on the front line. Everyone in this room is important. Why? Because we will spread the word. We are like the early Christians. It is not about profit and loss, it is about what is right, and what is wrong. The Fed and the US Government in tandem have proven that they are completely unsuited to control the monetary system. **Fiat money leads to poverty, economic inequality, social upheaval, war and DEATH.** We THE PEOPLE are not going to take it anymore. We are voting with our wallets and spreading the word. Buy gold, buy silver, buy Bitcoin. Fix the Money, Fix the World.

Allow me to repeat and emphasize the point of this speech:

Sound money is the most important moral issue of our time, and to paraphrase Jack Mallers, the CEO of Strike, this sound money hill, is a hill that I am willing to die on.

Like Jack, I am willing to die on the hill of sound money! Since you are here, I know that I can expect to see you there and we will be brothers and sisters in arms.

I would be happy to take any questions.

Special thanks to the following individuals for their comments and suggestions which significantly improved this speech (all errors are mine): David Foley, Tim Keefe, Robert Breedlove, David Pince, Jeff Booth, Greg Foss, Nic Carter, Jeff Poppenhagen, , Ronnie Stoeferle, Nic Santucci, Susan Lepard, Don Durrett, Jim Forsythe, Luke Gromen, John Barr, Amy Lepard, Mary Chapman, Pat McKim, Maximilian Alders, Jack & Ruth Sandhass, Rudy Havenstein and Linda Lagana.

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