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JIM RICKARDS'
STRATEGIC INTELLIGENCE

Trump Redux: A New War to Destroy the Deep State

It's far too soon to offer definitive predictions of the winner of the presidential election on November 5, 2024. We all know that wild cards from a possible criminal conviction of Donald Trump to a strong third-party showing by Robert F. Kennedy, Jr. to a sudden withdrawal by Joe Biden due to his visibly impaired physical and mental health could take the best constructed analysis and stand it on its head.

At the same time, it's not difficult to estimate a likely winner based on the best information available today. That winner would be Donald Trump going by recent polling showing both head-to-head and also including third-party candidates.

Real Clear Politics Avg. Poll	Including Third-Party Candidates
Trump – 47.2%	Trump – 41.1%
Biden – 45.5%	Biden – 38.4%

Of course, the U.S. does not have national elections; the winner of the election is determined on a state-by-state electoral college total. Still, the national lead is significant considering that Trump never had a national lead when he won the White House in 2016. If electoral votes were tallied today with no toss-up states, Trump would win 312 electoral votes to 226 for Biden. That's an electoral college landslide for Trump.

When the polls are narrowed to include only the seven battleground states that will in all likelihood decide the election, Trump's lead is even stronger. He has a 3.9 percentage point lead with 47.4% for Trump and 43.5% for Biden. The news from those individual states is even better.

Trump's Lead Over Biden	Michigan - +3.5
Arizona - +5.2	N. Carolina - +5.5
Georgia - +5.7	Nevada - +5.6

INSIDE THIS ISSUE

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The only key battleground states that are close are Wisconsin where Trump has a 1.0-point lead, and Pennsylvania where Trump has a 0.6-point lead, both within the poll's margin of error. Betting odds, which are not calculated the same way as polls, show Trump as a 45.6-to-34.2-point favorite over Biden.

And a late substitution of Gavin Newsom or Michelle Obama for the enfeebled Joe Biden would not change the outcome. In head-on-head contests, Trump leads Newsom by 17 points, 51% to 34%, and Trump leads Michelle Obama by 7 points, 50% to 43% based on the latest Rasmussen polls. That's a pretty sad B-Team for the Democrats when they lose to Trump by larger margins than the senile Biden.

Finally, there's a considerable body of political science research that shows voters in presidential elections tend to lock in their positions well ahead of the actual election date. The election is still eight months away. The research suggests opinions are not likely to change significantly between now and November 5.

While it may be too soon to predict the winner in November, it's not too soon to think about Trump as a likely winner, consider what his new administration will be like, and how it may differ from his first term as president from 2017 to 2021.

Many Trump supporters speak favorably of his key policy achievements including a start on building a border wall, improved enforcement aimed at illegal immigrants crossing the Mexican border, avoiding new wars, establishing dialogue with North Korea, cutting taxes and regulations, placing tariffs on China, and beginning a process of bringing manufacturing jobs back to the United States.

At the same time, many are put off by Trump's vulgar demeanor, narcissism, lack of self-awareness, and "mean tweets." My view is that the bad personal habits are irrelevant as long as good policies are pursued. There's no point in hoping Trump will change. Seventy-seven-year-olds don't change their style.

One place where change could happen is in the transition process and in the method of appointments. Trump was a conspicuous failure in both respects. As explained in this edition of Strategic Intelligence, there's some reason to believe Trump has learned this lesson and has surrounded himself with advisors who are keenly focused on getting this right if a new Trump administration emerges.

The Failed War on the Deep State (Part One)

Trump ran the most incompetent presidential transition process in my lifetime and perhaps the worst in history. The problems began with the fact that none of Trump, his family members, and inner circle actually thought he would win the 2016 election with the exception of campaign manager Steve Bannon. I predicted Trump would win but I was almost alone in that regard.

Trump picked Chris Christie as his transition manager, seemingly oblivious to the fact that as a prosecutor, Christie had put Jared Kushner's father in jail. Given Kushner's role as Trump's son-in-law and close advisor, this was a recipe for failure. A well-run transition does not start the day after the election. It begins a year or more advance with a list of loyal appointees ready to go. Trump had no preparation and no team. Christie was fired as transition manager and Mike Pence took over, but the entire process was bungled.

The other problem was that Trump applied the New York real estate developer mentality to his administration. He never worried much about his appointees because if they failed, he could always yell, "You're fired!" That may work in New York, but it does not work in Washington.

Appointees are protected by politicians, lobbyists, and the media. If you fire someone, you can expect a barrage of leaks, policy paralysis and opposition to any new appointee. Even if a bad choice is fired, the lower levels of the Deep State take over and run rings around you while waiting for a replacement who will take months to get a handle on the job in a best case. Trump never understood any of this.

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Trump also trusted the wrong people. He installed James Mattis as Secretary of Defense, Rex Tillerson as Secretary of State, H. R. McMaster as National Security Advisor, and John Kelly as Chief of Staff. They were all RINOs from the Bush wing of the party. They were brought in as "adult supervision" of the supposedly reckless Trump, but they all stabbed Trump in the back. Meanwhile, loyal supporters like Steve Bannon and K.T. McFarland were shoved aside.

Trump's worst choice for the initial cabinet was Attorney General Jeff Sessions. He was a non-entity who recused himself from the Russiagate Hoax investigations on flimsy grounds. A more substantial figure would have resigned, but Sessions held on for two years with no involvement in Russiagate. This meant that the leadership of the FBI and the Deputy Attorney General (all Deep State creatures) could paralyze Trump with fake accusations for over half his term.

Trump's first impeachment was orchestrated by Alexander Vindman (then on the National Security Council staff) and Eric Ciaramella (former CIA). Why were these backstabbers allowed to listen in on Trump's phone calls? Why was Ciaramella not prosecuted for leaking classified information to Adam Schiff? Vindman and Ciaramella were two more examples of Trump's incompetence at appointments and staffing.

Trump did not learn from these blunders. He did fire James Comey as head of the FBI (three months too late) but then appointed Christopher Wray as the new FBI Director. Wray is a neo-fascist who now works for Biden and puts Trump supporters in jail. But Trump was the one who appointed him.

Trump should have fired the lying Anthony Fauci after one meeting. Instead, he gave Fauci the keys to the U.S. economy. Fauci then implemented lockdowns, school closings, vaccine mandates, masking, and social distancing in ways that ruined the U.S. economy and gave Trump's enemies an excuse to change election laws to favor mail-in ballots, which permits more widespread cheating.

Trump's incompetence in evaluating talent and making good choices was not limited to the executive branch. He also offered a series of endorsements of Senate candidates who went down in flames.

Trump endorsed Dr. Oz (PA), David Purdue (GA), Kelly Loeffler (GA), Herschel Walker, (GA), Adam Laxalt (NV), Don Boldoc (NH), Blake Masters (AZ), and Kelly Tshibaka (AK) in Senate races. They all lost, which cost Republicans control of the Senate in 2020 and again in 2022.

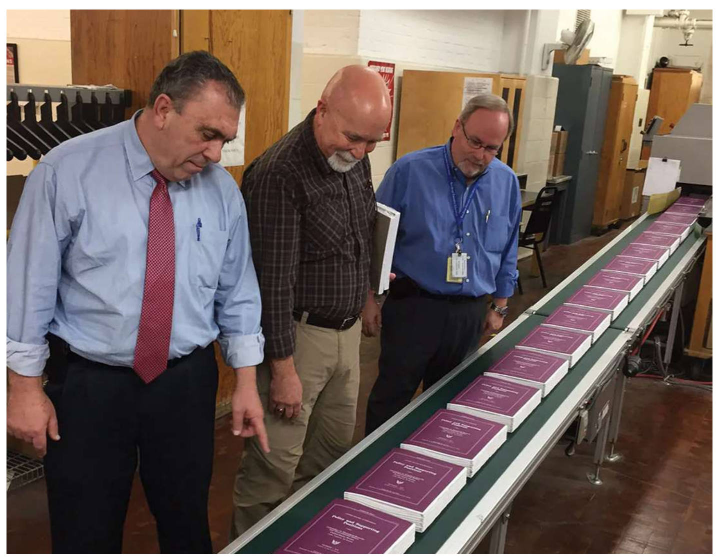
You get the point. No one was worse at transition planning, appointments, endorsements, and tolerance of gross incompetence than Trump. He was his own worst enemy and seemed incapable of learning the ropes in how to deal with Washington bureaucracy and the Deep State.

This leaves one overriding question. Has Trump learned anything since leaving office in 2021? Will he have a successful transition this time or simply repeat the blunders of 2016 – 2020?

To answer those questions, we turn to two books that hold the key to possible success in a new Trump administration. The first is called The Plum Book. The second is called *Mandate for Leadership 2025*. We explain the importance of these two volumes to Trump's transition below.

The Plum Book

"Plum Book" is a nickname for a publication from the Government Printing Office based on the fact that it has a plum-colored cover. The official title is *United States Government Policy and Supporting Positions*. And it's not a book you read like a good work of non-fiction.



Government officials watch as the Plum Book (so named because of the color of its cover) roll off the printing presses at the Government Printing Office. The Plum Book is officially titled "United States Government Policy and Supporting Positions." It lists the title and agency of over 8,000 government jobs that are subject to noncompetitive appointment by appropriate officials. In effect, these are the jobs that the president can fill at his discretion without going through normal Civil Service bidding and hiring processes. It is basically a handbook for how a new president can fill his administration.

Instead, it's a 232-page directory of about 8,000 jobs in the U.S. Government with an emphasis on the Executive Branch (controlled by the President) and independent agencies such as the Federal Communications Commission (FCC), the National Endowment for the Arts (NEA), and the Securities and Exchange Commission (SEC). It's literally page after page of job listings by title, department, and pay grade. At a glance, it resembles a 1960s-style phone book.

What makes the Plum Book special (and indispensable to a presidential transition team) is that the jobs listed in the book are those that are open to political appointment and not subject to a competitive process.

These are the jobs where the president can just pick the person he wants and install that person in a key policy position without going through normal civil service channels. Some of the positions may be subject to Senate confirmation, but that usually poses no difficulty, especially if the new president's party also controls the Senate.

The Plum Book is like a secret guide to understanding the Deep State and putting your own people in place to control it.

How Deep is the Deep State?

The Plum Book was first published in 1952 at the start of the Eisenhower administration. Democrats had controlled the White House from 1932 to 1952 through five terms of Franklin Delano Roosevelt (who died shortly after election to a fourth term), and Harry S. Truman (who finished FDR's term and was elected to a full term in 1948). During those twenty years, the federal government had grown enormously, first because of FDR's policy response to the Great Depression and later as a consequence of military and industrial expansion to fight World War II.

The Plum Book is like a secret guide to understanding the Deep State and putting your own people in place to control it.

By the time the Republicans regained the White House in 1952, the government had been utterly transformed. Eisenhower requested the first version of the Plum Book as guide in making presidential appointments. The next edition was in 1960 when the Democrats returned to power under John F. Kennedy.

Since then, the Plum Book has been published every four years at the start of each presidential term in office. The most recent edition was published on December 1, 2020. The next edition will be published in December 2024 to assist the next transition.

While the Plum Book cannot be read like a book, it is fascinating to skim. The table of contents alone is an eye-opener in terms of the number of independent agencies. Did you know the U.S. has something called the Gulf Coast Ecosystem Restoration Council? The Japan United States Friendship Commission? The Millennium Challenge Corporation? (Didn't the millennium happen twenty-four year ago? Maybe the name means it will last for a thousand years).

These agencies may be obscure, yet they all have important jobs to be filled. They all have a Director, one or more Deputies, board members, executive assistants, etc. That's how deep the Deep State really is. When Biden calls for an "all of government" approach, the Plum Book tells us that means 8,000 hands on deck.

One might think that the Executive Office of the President might involve ten or so close assistants in the West Wing such as Counsel to the President, Chief of Staff and a few Special Assistants. Wrong. **The Plum Book lists 83 separate jobs (not including clerks, interns, and executive assistants**).

These jobs support the president only and do not come close to covering the entire executive branch. Among these positions are "Special Assistant to the President and Assistant Communications Director for Strategic Messaging," and "Special Assistant to the President and Deputy Director of White House Information Technology." As you can see, even the Assistants and Deputies have Assistants and Deputies.

(By the way, most of the people who say they work for the president are not in the West Wing. They're across West Executive Drive in the Eisenhower Executive Office Building (EEOB), which was formerly known as the Old Executive Office Building. From there you can walk into the West Wing without further security checks but the West Wing itself is fairly small. I've been in the West Wing and EEOB on official business a number of times starting in the Nixon administration).

Importantly, simply because one's title is assistant to the assistant deputy or similar does not suggest an unimpor-

BEST OF FIVE LINKS

Is Stage Two of the Banking Meltdown Finally Here?

Most of us recall the banking crisis of March – May 2023. It began with the collapse of the little-known Silvergate Bank on March 8. This was followed the next day by the collapse of the much larger Silicon Valley Bank (SVB) on March 9. SVB had over $120 billion in uninsured deposits. Bank deposits over $250,000 each are not covered by FDIC insurance. Those depositors stood to lose all their money over the insured amount. This would have led to the collapse of hundreds of start-up tech businesses in Silicon Valley who had placed their working capital on deposit at SVB. There were also much larger businesses such as CISCO and at least one large cryptocurrency exchange that had billions of dollars on deposit there. Those businesses would have taken huge write-downs based on the size of their uninsured deposits. On March 9, the FDIC said that indeed the excess deposits were uninsured, and depositors would get "receivership certificates" of uncertain value and zero liquidity instead. By March 11, the FDIC reversed course and said *all* deposits would be insured. The Federal Reserve intervened and said they would take any U.S. Treasury securities from member banks in exchange for par value in cash even if the bonds were only worth 80% of par (which most were). That Sunday night they also closed Signature Bank, a Boston-based bank with crypto links. The damage wasn't done. On March 19, the Swiss National Bank forced a merge of UBS and Credit Suisse, one of the largest banks in the world. Credit Suisse was on the edge of insolvency. Finally, on May 1, First Republic Bank, with over $225 billion in assets, was ordered closed by the government and sold to JPMorgan. After five bank failures in two months and a trillion-dollar bailout by the government, the crisis seemed over. But that was false comfort. I wrote at the time that the crisis wasn't over, that it was just halftime. The second stage of the crisis would erupt in even more dramatic fashion sooner than later. This analysis was based on the "quiet periods" in the middle of the 1997-1998 Asia-Russia financial crisis and the 2007-2009 global financial crisis. As reported here, it seems that the quiet period is over and we are entering stage two of the banking meltdown. New York Community Bancorp (NYCB) had taken huge losses of over $2 billion in February 2024 on its commercial real estate (CRE) portfolio. It had been teetering on the brink ever since. On March 6, it was bailed out with $1 billion of new capital raised by former Treasury Secretary Steven Mnuchin and Ken Griffin's Citadel hedge fund. NYCB may have been bailed out, but it's the canary in the coal mine. Its failure means billions more in CRE losses are buried on bank books all over the country. Stage two of the crisis is here, and the effects will be devasting to financial institutions and the stock market as a whole.

https://shorturl.at/rsL57

tant role. That's why the Deep State is so deep. For example, the Department of the Treasury listings begin with the Secretary of the Treasury, followed by the Under Secretary for Domestic Finance, followed by the Assistant Secretary for Financial Markets, followed by the Deputy Assistant Secretary (DAS) for Federal Finance.

The DAS for Federal Finance is buried four levels below the president. But his role is not menial. The DAS is responsible for issuance of U.S. Treasury securities through auctions by the primary dealers. He determines the size of each issue of Treasury debt and the maturity structure from one-month Treasury bills to thirty-year Treasury bonds. Getting this right can reduce or add billions of dollars in future interest payments to the national debt.

Technically, the Treasury Secretary (or the White House) could intervene in this Treasury debt financing process, but they don't. They rely on the designated bureaucrat. It's that way through all 8,000 jobs in the Plum Book. If you don't drill down in the Plum Book and take steps to fill at least a large subset of those jobs, you have no hope of taming the Deep State, let alone getting the bureaucracy to implement your policies.

I was with a small group at a closed-door dinner in Washington recently hosted by President Trump's former campaign manager and Counselor to the President. Our host scanned the room and pointed to some of the Trump insiders seated around the table and said, "There's our next Secretary of the Treasury," and "There's our next Attorney General," and so on through a number of key cabinet-level posts. It's fair to say the people in the room would form the core of any future Trump administration. Collectively, they were the Trump inner circle.

At one point our gregarious host shouted out: "Three thousand jobs!" Some looked around quizzically but I knew exactly what he meant. He was referring to the Plum Book. It's not necessary to check every resume on holders of all 8,000 jobs in the Plum Book but 3,000 is a pretty good estimate of the number of jobs you need to fill with competent loyalists if you want to change government and implement your policies as a new president. Our host was acknowledging the fact that Trump had fallen short on this task in 2016 and today's supporters are determined to make sure that does not happen again. The war on the Deep State will be on again.

Still, the Plum Book is only the beginning of a successful transition. It tells us what positions need to be filled but does not offer a guide to policy. The selection of individuals for appointments needs to be guided by a set of policies that can act as a filter for choosing the right individuals. For that policy guidance, we need to turn to another key document I call The Playbook.

The Trump Playbook

Every presidential campaign runs on a set of policies articulated by the candidate. These are usually embedded in a stump speech repeated endlessly on the campaign trail. You may hear the stump speech at one campaign event or in a high-profile interview, but if you followed the candidate on the road, you would hear it 1,000 times.

Still, the stump speech is just that. It's a speech that's short and to the point. It usually only covers two or three major policy themes – this year illegal immigration and the budget deficit are the most important. It's not difficult to find commentators and activists who want to talk about climate change, abortion, Israel, or the War in Ukraine, but those issues are way down the list of voter concerns based on recent polling. The border crisis and the budget deficit are the two issues voters most want to hear about.

Beyond the stump speech, candidates have websites that list policy positions on a longer list of issues. Those websites include position papers written by campaign advisors on ten or so key issues, but even those papers tend to be short, cliché ridden, and not highly technical. Besides, no one reads them except for a few geeks and reporters looking for gotcha material.

That begs the question: who is doing the hard work of outlining policy initiatives not just for a few dozen topics but literally hundreds of agencies, commissions and offices that comprise the executive branch and ultimately the Deep State? It's fine to win an election and use the Plum Book to fill key positions with competent loyalists, but what policies will they actually implement?

Fortunately for Trump and conservatives more broadly, the Heritage Foundation has done this work. The Heritage Foundation is just one of hundreds of think thanks and policy centers in Washington DC. But in 2024 they have taken the lead in collecting and publishing policy papers on hundreds of key issues. Their work is called *Mandate for Leadership – The Conservative Promise 2025*. I call it the Trump playbook. It's available online at the Heritage Foundation website.

Unlike the Plum Book, you can actually sit down and read *Mandate for Leadership*. But clear your calendar first – it's 887-pages long and every page is filled with technical discussion. Of course, it's well-indexed and you can turn to whatever sections most interest you whether it's defense, energy, housing, or the justice system or any one of the numerous cabinet-level departments, independent regulatory agencies or the economy as a whole.

Importantly, *Mandate for Leadership* is not something cooked-up inside the Heritage Foundation and unleashed on the world. The Heritage Foundation is acting more like a clearing house for good ideas. They have invited hundreds of individual experts and scores of other think tanks to contribute to the project.

The Heritage Foundation based in Washington DC is taking the lead in providing resources and suggesting strategies for a successful transition to a new administration. Heritage is not acting alone but has invited scores of other institutions and experts to contribute to their efforts. While not specifically endorsed by Trump, the Heritage "Mandate for Leadership 2025" will be the Trump transition playbook.

Among the individual contributors to *Mandate for Leadership* are former Deputy National Advisor Victoria Coates, former Assistant Secretary of the Treasury Monica Crowley, Federal Reserve board nominee and economist Judy Shelton, Reagan administration Attorney General Edwin Meese, III and hundreds of other equally distinguished expert advisors.

Among the think tanks and institutes contributing their resources and expertise are the America First Legal Foundation, the Claremont Institute, the Family Research Council, Hillsdale College, the Independent Women's Forum, and the James Madison Institute.

Any one of these entities could undertake this project on their own. The fact that they are collaborating and making specialized contributions is what gives *Mandate for Leadership* its comprehensive scope and influence in the Trump inner circle.

The content is conservative but not ideological. There is a fair balance and even competing perspectives. In the section on trade, there is The Case for Fair Trade by Peter Navarro, and The Case for Free Trade by Kent Lassman. It's likely that the best policy includes some content from both perspectives depending on the specific trading partner, reciprocity and the impact on U.S. jobs. It's exactly this kind of open-ended examination that's missing on the left where ideological blinkers preclude nuanced perspectives.

The Heritage Foundation playbook, Mandate for Leadership, combined with the Plum Book, and Trump's apparent willingness to learn from his past mistakes when it comes to appointments completes the Trifecta needed for success in a second Trump administration to destroy the Deep State.

The section on the Federal Reserve includes a useful historical summary and rightly criticizes the Fed for expanding its powers into areas such as "too big to fail" and climate regulation. Among the recommendations is a proposal to eliminate the "dual mandate" (targeting stable prices and low unemployment) and return the Fed to its original mission of stable money.

New York Times reporter Carlos Lozada recently wrote a long article attacking *Mandate for Leadership*. Considering the left-wing agenda of the *New York Times*, that article is a pretty good sign that *Mandate for Leadership* is both important and on the right track.

The Heritage Foundation playbook *Mandate for Leadership*, combined with the Plum Book, and Trump's apparent willingness to learn from his past mistakes when it comes to appointments completes the Trifecta needed for success in a second Trump administration to destroy the Deep State. Investors should hope that Trump stays on that path and listens to the hundreds of experts and institutions that are working hard to make that success a reality.

The Deep State Won't Go Quietly

The difference for investors between another Biden administration and the return of Trump to the White House could not be more stark. The Biden administration has been characterized by excessive regulation, pointless mandates as part of the green new scam, open borders bringing crime, drugs and cartel influence into the United States, disastrous wars in Ukraine, Gaza and now the closing of the Red Sea – Suez Canal passage, increased segregation of blacks in colleges, the destruction of fifty years of progress in women's sports by allowing competition by men, and a long list of other ruinous policies.

The first Trump administration was characterized by business and personal tax cuts, reduced regulation, no new wars, outreach to nuclear rivals such as Russia and North Korea, tariffs on unfair trade by China, a concerted effort to bring manufacturing jobs back to the United States, demands that NATO members pay their fair share for mutual defense and a secure Southern border with Mexico. Trump also made an historic three appointments to the Supreme Court, which has emerged as practically the last bastion of constitutional order and the rule of law.

There's no reason to expect any improvement in another Biden administration. In fact, policies will almost certainly grow worse as Biden fails physically and mentally and opens the door to a possible Acting President in the form of Kamala Harris, a known dunce.

> A better transition process in a second term means the biggest threat to the Deep State in decades

There's good reason to believe that a second Trump administration will offer the growth-oriented policies of the first administration with a much more effective decision-making apparatus resulting from attention to the Plum Book, the Playbook and the transition process as described in this special edition of Strategic Intelligence.

A better transition process in a second term means the biggest threat to the Deep State in decades. And a new team will put us on the road back to sanity. But powerful people won't go quietly. A more experienced Trump will conduct a second war to destroy them. Unless they destroy him first.

Election Day is coming quickly. The political choice is yours. With guidance from our publication, your portfolio composition choice is yours as well.

All the best,

Jim Rickards
Editor, *Strategic Intelligence*

The Political Palestra

We're pleased to continue our new feature in *Strategic Intelligence* called Political Palestra. In ancient Greece, a palestra was an essential space in a gymnasium where wrestling and boxing took place. The Palestra in Philadelphia, which opened in 1927, is considered the historic home of college basketball and is famous for bleachers that come down to the court and practically put the fans in the game.

Politics has its own forms of boxing, and we want our readers to have a ringside seat every step of the way. In addition to your Election Uncensored 2024 updates each week, Political Palestra is your best source for inside intel and accurate forecasts all the way to Election Day.

March 5 was Super Tuesday when 15 states and 1 territory held presidential primaries. There was not much suspense: Biden won all the Democratic contests except American Samoa, which is hardly a bellwether. Trump won all the Republican contests except Vermont, which was 49.3% for Nikki Haley and 45.1% for Donald Trump. So, not quite a shutout for either side, but still a dominant performance by Biden and Trump. In response, Nikki Haley officially suspended her campaign on March 6.

Biden's Super Tuesday Problem

While Biden won all the state contests on Super Tuesday, there were surprising results in second place that bode poorly for Biden.

The first problem was that Biden was not completely unopposed. Dean Phillips received: 3.0% in Colorado, and 7.0% in Maine. Marianne Williamson received: 9.1% in Oklahoma, 4.7% in Vermont, 7.8% in Virginia, 4.1% in Arkansas, 3.8% in Texas, and 4.5% in Utah.

To be clear, neither Dean Phillips nor Marianne Williamson will be the Democratic nominee, in fact, Phillips officially suspended his campaign on March 6. But those percentages are huge considering Biden is an incumbent president running for reelection.

Even more disconcerting for Biden are the substantial total votes for "Uncommitted" in key states. The percentage of voters in the Democratic primaries who voted Uncommitted are as follows: Alabama 5.6%, Massachusetts 9.0%, Minnesota 20%, North Carolina 12.4%, Tennessee 7.5%, and Iowa 3.9%.

The Phillips, Williamson and Uncommitted voters are unlikely to vote for Trump. But they are lukewarm at best on Biden. The danger for Biden is not that they vote for Trump, but that they simply stay home on Election Day. Considering that recent presidential elections have been decided by 1% or less in a long list of swing states, having a potential stay home vote of 3% to 20% based on the above results is more than enough to cost Biden reelection and pave the way for Trump's return as president. Far from being Biden's big night, this "second place" vote may actually signal his ultimate loss in November.

Both candidates (Trump and Biden) have now clinched their nominations with enough delegates to take to their respective conventions after the other rounds of primaries on March 12 and March 19 indicated. The "Acela Primary" (including East Coast states Rhode Island, Connecticut, New York and Delaware) on April 2 will further cement this outcome.

In related news, Michelle Obama's office informed NBC news that she is not running as a presidential candidate in 2024. Some die-hards held out hope that she would be a late replacement for a physically and mentally disabled Biden, but that seems unlikely as of now.

Attention now turns to speculation about the Republican VP selection and the head-to-head contest between Biden and Trump.

An Incoherent SOTU

On March 7, Biden delivered his State of the Union address. It was a fiasco. The mainstream media said Biden was "energized" and "vibrant," when in fact he was likely pumped up on stimulants. He yelled, "Tax the rich," while ignoring the tax cheating and money laundering by Hunter Biden. He complained about "shrinkflation" in snack chips and Snickers bars without seeming to realize that shrinkflation is just another form of inflation caused by Biden's own fiscal policies.

Biden had a vulgar, incoherent and disingenuous performance. Just one more step on the road to apparent electoral defeat of Biden next November.

He insulted the Supreme Court Justices to their faces and claimed his policies were keeping the Red Sea and the Suez Canal open when, in fact, both are closed to most shipping because of Houthi rebel drone and missile attacks. He was dared by Marjorie Taylor Greene to "Say her name!" with regard to murder victim Laken Riley, who was killed by an illegal immigrant. Biden called her "Lincoln Riley." He couldn't even get the name right.

It was a vulgar, incoherent and disingenuous perfor-

mance. Just one more step on the road to apparent electoral defeat of Biden next November.

Trump Legal Troubles

Trump's legal troubles are mostly on hold for the time being. The Georgia RICO case is imploding because of alleged self-dealing, kickbacks and perjury by the Fulton County District Attorney Fani Willis and her hand-picked prosecutor and lover Nathan Wade. Based on the presiding judge's order, Wade has now withdrawn from the case. It will take time to choose a successor and for that individual to get up to speed.

The January 6th federal case in Washington, DC is on hold pending a Supreme Court ruling on Trump's claims of immunity. These claims will not be decided until late June, at which point it may be difficult to complete a trial before Election Day.

The Florida Mar-a-Lago classified documents case is proceeding slowly because of the large quantity of classified material that must be handled with care by the Judge and the attorneys for the parties. The Stormy Daniels hush money case in New York is now scheduled to begin with jury selection on April 15, but that could be delayed further by claims of immunity and Trump's efforts to exclude certain evidence related to his official duties as president. Once that trial starts, it will keep Trump off the campaign trail for the length of the trial.

One other interesting note is the appellate court decision to lower Trump's bond for his civil fraud case from $464 million to $175 million. This will enable him to put up this bond with either cash or property as collateral. The decision also puts a stay on the part of the original judgment that barred Trump from serving as a public officer of a company, a victory for the former president.

Otherwise, March was a fairly quiet period in the presidential contest once the Super Tuesday primaries were over. Things will heat up again after the primary season concludes in early June and as we approach the Republican convention in Milwaukee in July, and the Democratic convention in Chicago in August.

That said, we should still expect shocks along the way. The third-party candidates (especially Robert F. Kennedy, Jr.) are making progress, the Trump criminal trials are still pending, and Biden's mental and physical capacities continue to fade in front of our eyes. Stay tuned.

We'll be watching closely and continue providing the latest behind-the-scenes analysis in the next edition of Strategic Intelligence. (For political stories that most mainstream media are not reporting, please view extensive insight by subscribing to the Paradigm Press YouTube channel **here**).

Youtube.com/@ParadigmPress.

"One of the best — if not the best for reliable, informative and honest coverage of the 'real news' without the noise." **- Patrick L.**

Warren Buffett's Dad: "Human Freedom Rests on Gold"

By Dan Amoss, CFA

No matter the outcome of the 2024 U.S. election, Americans face tough choices. It will be painful to wean the U.S. economy off of easy money from the Fed and trillion-dollar fiscal deficits. That's assuming the next president will have the courage to chart a path to a more financially sustainable economy.

"The border crisis and the budget deficit are the two issues voters most want to hear about," writes Jim. Deficits are an important concern to be sure. And without a border, we won't have what can be universally defined as a country for much longer.

However, when it's time to make hard choices about taxes and spending programs, most support for cutting the deficit fades away. Few constituents want to cut the deficit. Even fewer congressmen want to. So, pressure will mount on the Fed to ease policy for the biggest, hungriest borrower: The Treasury Department.

It wasn't always this way. **Politics once was a temporary job held by serious people who governed in a manner that gave more freedom of action, rather than debt, to future generations.** Such people did not go to Washington, D.C. to get rich. Rather, they viewed it as a precisely defined "public service."

Are we too far gone to turn things around? I doubt it. But if we want a decent shot at returning to budget sanity and common-sense policies, let us look to examples from past generations.

It's been a while since one American generation left the country a better place than they found it. Let's take a brief detour to the 1940s. It was an era when more Americans valued fiscal and monetary sobriety. That generation stared totalitarianism in the face. It learned from the Nazi and Soviet states that collectivism is a slippery slope that can unleash hell on earth. It's so far back that many of you only have secondhand memories of the era, passed down from parents or grandparents. This was a few generations before the top industry in America became asset bubbles, sometime in the 1980s or 1990s.

Last month, we recapped Warren Buffett's concerns in 2003 about the U.S. trade deficit. In a *Fortune Magazine* article, Buffett sounded the alarm on America's burgeoning trade deficits. He warned that the U.S. was essentially selling off the nation from under its own feet. He illustrated the dangers through a parable of two islands – Squanderville (the U.S.) and Thriftville (our collective trading partners, mostly China).

This month, let us revisit the insights from a speech delivered by Warren's father, Howard Buffett, a former congressman from Nebraska.

Mr. Buffett was a breath of fresh air compared to the emoting, ignorant blowhards that warm most congressional seats.

Why Howard Buffett Believed Human Freedom Rests on Gold

In a 1948 speech, Congressman Buffett argued for legalizing gold ownership. At the time, it was illegal for Americans to own gold. "All our politicians regularly announce their intention to stop inflation," said Buffett. "I believe I can show that until they move to restore your right to own gold, that talk is hogwash." A generation later, in 1974, it finally became legal for citizens to own gold again.

Howard Buffett was a vocal critic of the New Deal, central banking, and deficit spending. He advocated for limited Constitutional government and free market economics. He fought to reverse the loss of liberty and erosion of the U.S. dollar's value during the 20th century. He saw the choice between gold or fiat paper money as critical for America's future. Buffett deserves credit as an early and articulate voice for monetary and economic sanity.

In his speech, Buffett declared:

> *"Is there a connection between human freedom and a gold-redeemable money? At first glance, it would seem that money belongs to the world of economics and human freedom to the political sphere."*
>
> *But when you recall that one of the first moves by Lenin, Mussolini and Hitler was to outlaw individual ownership of gold, you begin to sense that there may be some connection between money, redeemable in gold, and the rare prize known as human liberty."*

Buffett distinguished between a "gold-redeemable currency" and "printing press paper money." A gold-backed currency has a fixed tie to a real scarce asset. The holder of paper currency can exchange it for a set weight of metallic gold. This redemption right gives the currency stability and purchasing power.

In contrast, paper money has no intrinsic value. Its supply can be inflated at the whim of politicians and central bankers. There is no constraint on how much fiat money can be created.

Because gold is finite, the growth of a gold-redeemable money supply is limited to the rate at which the physical supply of gold itself can expand. Mining output adds maybe 2% per year to the total stock of gold. So, a gold standard prevents excessive monetary expansion.

With discipline comes stability. When money holds its value, savings aren't devalued, prudent financial planning is rewarded, and living standards can steadily improve. As Buffett wrote:

> *"The owner of such gold-redeemable currency has economic independence. He can move around either within or without his country because his money holdings have accepted value anywhere."*

Gold Money Restricts Government Overreach

In contrast, paper money enables virtually unlimited government spending on programs, bureaucracy, and foreign military adventures. Buffett explained how:

> *"But for most beneficiaries, a federal paycheck soon becomes vital in his life. He usually will spend his full energies if necessary to hang onto this income...*
>
> *The taxpayer is completely outmatched in such an unequal contest. Always heretofore he possessed an equalizer. If government finances weren't run according to his idea of soundness, he had an individual right to protect himself by obtaining gold."*

A gold standard restricts the ability of politicians to fund vote-buying programs with newly printed money. This restores some power to the citizen and taxpayer.

Buffett illustrates this by noting that in 1932, at the end of Hoover's term during the Great Depression, 2.2 million people were receiving monthly checks from the Treasury. Yet, by 1947, after FDR's New Deal and WWII's massive expansion of government, this number had skyrocketed to 14.4 million people – nearly a seven-fold increase!

In Buffett's words: "The producers of wealth – taxpayers – must regain their right to obtain gold in exchange for the fruits of their labor. This restoration would give the people the final say-so on governmental spending and would enable wealth producers to control the issuance of paper money and bonds."

Why Buffett Was Right About Paper Money's Dangers

Critics call gold a "barbarous relic." But history proves fiat currencies always fail. What backs today's U.S. dollar? Politician's promises and goodwill. This worked for decades as America was a rising economic powerhouse.

Since severing the dollar's tie to gold, we've seen a 97% decline in the dollar's purchasing power. Savings lose value as the Fed constantly inflates the money supply to fund deficits.

Meanwhile, real median incomes have barely budged in 50 years. Not even two-income households have the standard of living that a single breadwinner could provide in the 1950s and 1960s.

As Buffett foresaw, paper currency brings creeping tyranny. We're now monitored by an intrusive banking surveillance state to stamp out cash use and enforce financial control. Developed nations are even pushing "central bank digital currencies" to track where citizens spend money.

Buffett ended his speech with a stark warning:

> *"But, unless you are willing to surrender your children and your country to galloping inflation, war and slavery, then this cause demands your support. For if human liberty is to survive in America, we must win the battle to restore honest money."*

While politicians have abandoned sound money, individuals can still obtain the reliability of gold. Its physical properties and desirability as jewelry ensure gold will always have value.

Owning gold is true financial independence. Many investors realized this in the 1970s, as soon as it became legal to once again own gold. The link between gold and freedom was a core principle for Howard Buffett. And it still holds true today.

Why Gold Is Poised for a Bull Run

Since the 2008 financial crisis, central banks have pursued a reckless policy of negative real interest rates combined with ceaseless money printing.

Howard Buffett would be hopping mad about quantitative easing. This ultimate seed-corn-eating policy effectively gives morally bankrupt Congress members a blank check. As a backstop for Treasury auctions and a price-setter of Treasury bill rates, the Fed enables and encourages a wasteful, inflationary federal budget.

Now in 2024, central banks are trapped. Inflation is creeping higher. But they cannot tighten policy without risking economic crisis.

Howard's son Warren became one of the world's richest men by learning some key investing principles from his father. Warren recognized that our monetary system is skewed toward inflation. During high inflation, it's smart to own businesses with pricing power and minimal capital reinvestment needs.

Warren warned in his latest letter to Berkshire Hathaway shareholders that the replacement cost of assets in Berkshire's most capital-intensive businesses – railroads and electric utilities – is rising. When replacement costs rise, and prices cannot rise enough to compensate for this, then returns on capital fall. Warren is whispering that we face an echo of the 1970s market. In the 1970s, valuations were low, and only a small subset of stocks with pricing power and hard assets performed well.

Gold stocks did well in the 1970s, and we expect great performance in the years ahead. This month, we recommend a high-quality gold stock that has a Buffett-friendly, capital-light business model.

Take This Rare Buying Opportunity in Franco Nevada

This month, we recommend **Franco Nevada (NYSE: FNV)**. It's the largest precious metals royalty and streaming company.

It's a well-run company with a multi-year track record of smart capital allocation. Franco now holds the largest and most diversified portfolio of cash flow-producing assets. It acquired most of these assets at low valuations.

Franco's portfolio includes 432 total assets. Of these, 116 are producing cash flow, 42 are in the advanced development stage, and 274 are in the exploration stage.

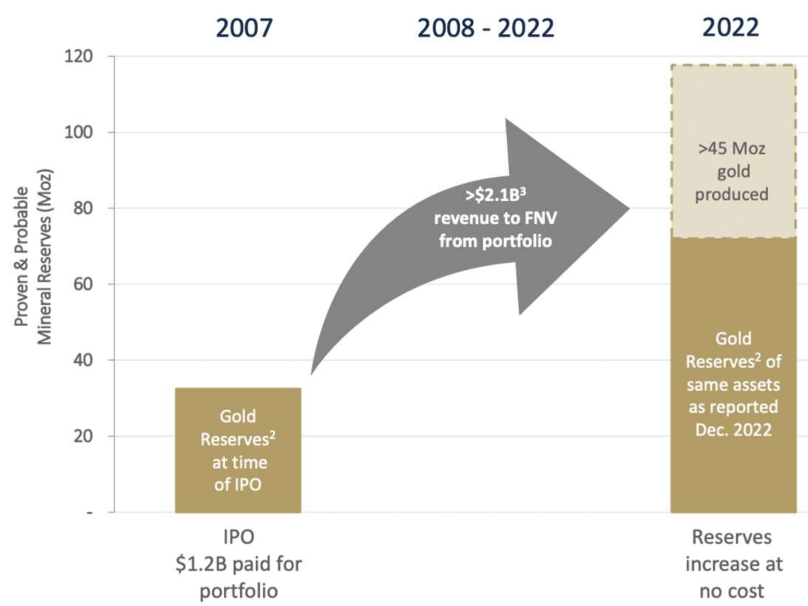
Precious metals accounted for 78% of Franco's 2023 revenue. Royalties from oil, natural gas, and platinum group metals accounted for the rest.

The geographic risk is well-diversified. Nearly 90% of revenue came from North or South America.

When gold prices rise, FNV shareholders benefit from the deals that were made in the past and any that will be made in the future. The results have been exceptional for long-term shareholders. We expect this to remain the case far into the future.

The business model minimizes risk while allowing for huge, positive options. Options come in two forms: higher commodity prices that boost revenue, and volume growth from expansion at the mines operated by Franco's partners.

Compared to gold bullion or an ETF, Franco-Nevada is a superior vehicle to get gold exposure. In this remarkable chart from Franco's investor relations presentation, management shows why, over the long term, its stock is a better value proposition than either gold ETFs or most gold miners:



The gold reserves in the assets Franco held in 2007 have more than doubled over 15 years. This remarkable development happened while $2.1 billion of royalty and stream revenue flowed through its income statement.

Franco-Nevada's business model benefits from rising commodity prices and new discoveries, while limiting exposure to the top risks we've seen at mines: big jumps in capital and operating costs.

Thanks to its strategy, FNV has lots of cash, no debt, and rising cash flow. Gold equivalent production is projected to grow by 10-15% from 2023 to 2028.

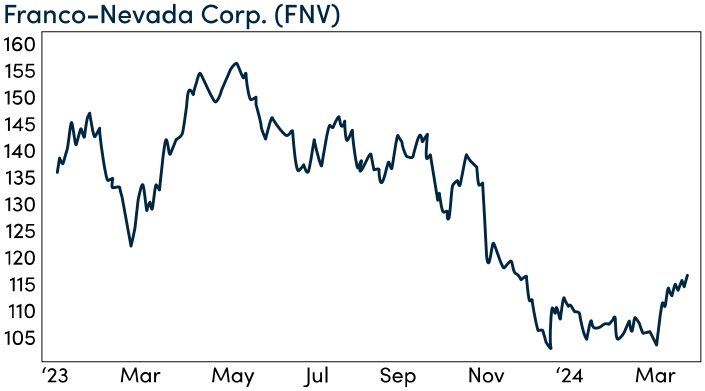
Cash flow goes to pay dividends and expand the royalty portfolio. FNV's dividend yield is only 1.5%, but the dividend stream has a steady growth track record.

> Franco-Nevada's business model benefits from rising commodity prices and new discoveries, while limiting exposure to the top risks we've seen at mines: big jumps in capital and operating costs.

Franco-Nevada benefits from rising gold prices and new discoveries while limiting exposure to rising costs. By owning a business with such high profit margins and a high return on invested capital, shareholders can enjoy a large, growing stream of future free cash flow. The higher gold, platinum, and oil prices rise, the faster Franco's free cash flow will grow.

Now let's explain why FNV has been trading lower since last October, and why there is a rare opportunity to buy it at a bargain price.

Franco-Nevada Corp. (FNV)



Franco's Cobre Panama Fears Have Subsided

Let's take a brief detour to look at Panamanian politics.

Marxist philosophy is like a shapeshifting zombie.

The legacy of Latin Marxism sadly still has a strong grip on many countries south of Texas.

No matter how many faces Marxism adopts (economic or cultural), at its core it thrives on conflict over cooperation, on coercion over persuasion.

No matter how many times it's proven to be intellectually bankrupt and destructive, like a zombie, it keeps popping up from the grave.

One manifestation was last year's protests against the Cobre Panama mine in Panama. This mine was one of the largest, youngest, and most promising producers of copper and gold in the world.

It had the potential to produce beyond the year 2050. But Panama's supreme court ruled the mine's concession invalid in late 2023 and ordered it to be shut down.

Cobre Panama is the cornerstone asset for First Quantum Minerals. It's been a very valuable investment for Franco-Nevada.

Franco heavily funded Cobre Panama from its inception. With $1.35 billion in capital invested since 2012, Franco waited for seven years to start receiving a payback. Cobre Panama started producing in 2019 and was providing bountiful cash flows until its operations were suspended.

Franco assessed its investment and booked a $1.1 billion impairment charge in late 2023.

There is hope for an upcoming change in Panama's leadership. New elections are scheduled for May 2024. Two candidates leading in the polls, Mulino and Roux, expressed support for a resolution of this conflict in a recent debate and an eventual reopening of Cobre Panama.

If conditions change, and mining soon resumes at Cobre Panama, it could spark a huge rally in FNV.

A common-sense deal with win-win features is possible. Modern mining is very environmentally friendly. Cobre

Panama is so profitable that it can afford the best protections to address radical protestors' concerns and fund a reclamation phase at the end of its life.

Otherwise, Panama will be left with:

- an empty hole in the ground;
- the cost of reclamation and paying legal settlements owed to First Quantum and Franco in arbitration;
- thousands of lost jobs;
- the drying up of most of Panama's export revenue;
- no royalties;
- and a terrible reputation for international investors.

All but the most radical, insatiable Panamanians would want to avoid this outcome.

If the mine ultimately closes, Franco will take legal steps to protect its interests, starting with arbitration proceedings under a trade agreement. Management estimates its damages to be at least $5 billion.

FNV stock has fallen by more than the 20% weighting of Cobre Panama in its net asset value. So, the worst-case scenario (a total loss of Cobre Panama) has been priced in.

Plus, the FNV stock chart has stabilized, indicating that the most concerned sellers have made their sales.

FNV is Trading at a Decade-Low Valuation

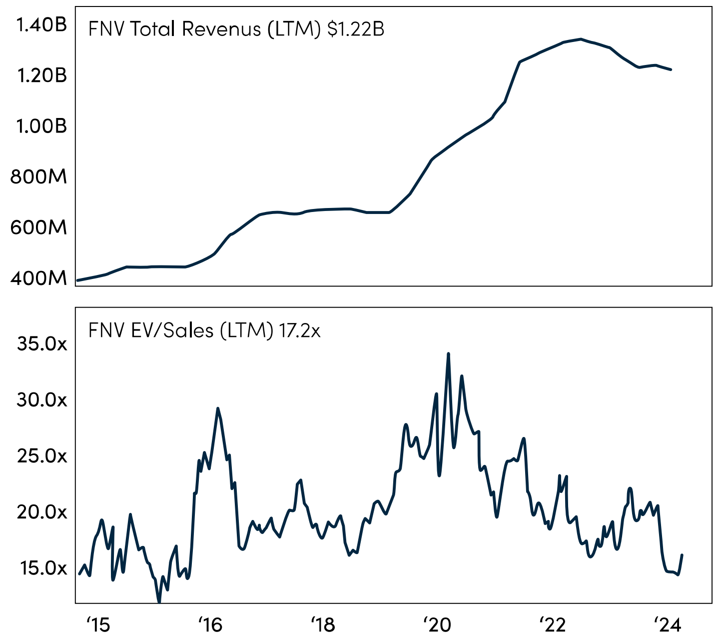
Here is how we value FNV.

Using data from Koyfin, here is a chart showing its historical revenue and enterprise value to revenue multiple.

Most analysts use revenue multiples to value royalty and streaming business because costs are so low. This can be a dangerous practice in low-margin or capital-intensive businesses, but it makes good sense for the rare types of companies where most of the revenue base can be reinvested into new assets or distributed as cash.

As you can see, over the past decade, rising production in the mines that Franco holds stakes in has driven revenue steadily higher. Revenue has tripled since 2014, mostly due to growing production volumes at Franco's assets.

You can also see that Franco's EV-to-sales multiple is only 17. That's far below historical peaks near 30, such as the summer of 2020, which was the last time a general audience got excited about gold stocks.



Source: Koyfin.com

If Franco's sales rise by 20% over the next year on higher gold prices, and the stock's EV-to-sales multiple rebounds to its average level near 22, then FNV could rally by 50%, to $180 per share.

ACTION TO TAKE:

Buy Franco Nevada (NYSE: FNV) up to $127 per share.

Best regards,

Dan Amoss

Dan Amoss, CFA
Senior Analyst, *Strategic Intelligence*

"Strategic Intelligence provides a clear scientific analysis of events in this country and abroad that affect our lives and future - always interesting, appealing and brilliantly put. I'm glad I have it for life." - Tatyana F.

Put the "Hedge Fund Advantage" in Your Corner

By Zach Scheidt, Contributing editor

24 years ago this month, I got my start at a boutique hedge fund in Atlanta.

At the time, I felt privileged to have landed the job. But I had no idea how this position would shape the path of my career.

The hedge fund industry is part of a larger "private equity" category. And private equity companies are some of the most profitable and lucrative businesses on the planet.

As a young professional back in April of 2000, I simply wanted to gain experience in the investment industry. I had no idea I had inadvertently stumbled onto one of the most coveted positions in the financial world.

In case you're unfamiliar with the lucrative world of private equity, I'll explain some of the behind-the-scenes details that make these businesses so profitable.

And more importantly, I'll show you how to tap into one of the best companies in the industry — piggybacking on their success and securing a stream of income that can pay off in both good and challenging economic periods.

I think you'll find it fascinating how these companies stack the deck in their favor — and more accurately in your favor as a shareholder.

The Most Lucrative Business Model in the World

"Heads I win, tails I ALSO win!"

That phrase would be appropriate to hang over the door of just about any private equity company. After all, these businesses are organized so that private equity companies can make money whether their clients are successful or not!

At the most basic level, private equity companies take capital from clients and invest that capital into any number of strategies or asset classes.

Most private equity firms operate with some variation of the "**two and twenty**" rule...

The "two" represents a management fee. So, if a wealthy client invests $10 million with the private equity firm, that firm will charge a two percent management fee — or $200,000 — each year that the capital is invested.

Not a bad start!

From that point, the "twenty" represents an *incentive allocation* that the private equity firm is eligible for. So, assuming the $10 million doubles over the course of 5 years (a $10 million return), the private equity company is entitled to keep 20% of the gains. So that's another $2 million transferred from the client to the private equity company.

Do you see how lucrative this business can be??

Now, different private equity companies often make adjustments to this two and 20 fee structure. Some iconic investors have been able to convince clients to pay out 30% or more of potential gains. Some funds (like the one I worked for) forego the 2% and only make money when the clients make money. (This is a very rare arrangement).

In some cases, a private equity firm will offer discounts if large institutional clients like pension funds or endowments invest very large sums (such as $100 million or more at a time).

But the combination of a management fee AND an incentive allocation is what makes this industry incredibly profitable — even when stocks (or other asset classes) trade lower.

Enticing the Best and the Brightest Talent

Considering how lucrative this business can be, it's no surprise that private equity firms attract some of the most talented investors in the world.

Most investment managers at private equity firms are offered a percentage of the profits that they make for the firm. After a year of working at the hedge fund in Atlanta, I was given a small piece of capital to manage and offered half of the profits I generated for the firm.

So, if I turned a profit of $200,000 on a $1 million account, our firm collected $40,000 in incentive fees. And I personally got to keep $20,000 for myself! (And while this may not sound like a huge incentive, imagine what happens when a manager is in charge of $10 million — or $100 million — or a much larger account).

Thanks to these lucrative personal bonuses, private equity firms typically have their pick of the best and brightest professionals in just about any industry!

Former high-ranking military officials are often hired to help private equity firms know which defense stocks are likely to land big contracts. Politicians are hired to help private equity firms know which areas of the market will benefit from upcoming legislation. And of course, the most talented Wall Street traders are always being recruited to work for private equity firms.

So, thanks to profit structure (and the huge personal incentives), private equity companies tend to corner the market on talent — leading to some of the best investment returns over time.

Introducing My Favorite Private Equity Firm

For decades, the private equity industry operated behind the scenes. You had to "know somebody" to have a shot at investing your money with one of these companies. And the only way to participate in their profits was to be the very best at what you do — and get lucky enough to be invited to work for one of these companies.

Times have changed though. And today, a handful of these companies are publicly traded — allowing you to buy shares in a normal brokerage account.

My favorite private equity play right now is **Blackstone Inc (BX)**. The company is a heavyweight in the private equity industry and invests in many different areas of the market.

The company's investments are generally divided into four categories:

Real Estate — Investing in both residential and corporate real estate, often using leverage to gain better returns.

Private Equity — This typically refers to buying private companies that are not traded on exchanges like the NYSE or NASDAQ.

Credit & Insurance — Buying bonds, corporate and government debt, and participating in the lucrative insurance market.

Hedge Fund Solutions — typically specific trading strategies that can be relatively esoteric in how profits are generated from different publicly and privately traded securities.

While these four silos generate profits in very different ways, the underlying business model is still the same.

- Raise capital from outside investors...
- Invest in promising opportunities...
- Collect management fees...
- Sell profitable investments...
- Collect incentive allocations...
- Rinse and repeat!

The key to success in this business *starts* with courting large investors. The more capital you can get your clients to invest, the larger your management fees and potential incentive allocations from your profits!

As a blue-chip private equity firm with a longstanding reputation for profits, Blackstone is able to raise capital from many of the most well-heeled investors around the world. We're talking about huge investors like public pension plans, Ivy League school endowments, and even government sovereign wealth funds!

Blackstone currently manages just over $1 trillion in assets and continues to raise more capital as investors look for new ways to generate profits.

And as I look at the current market dynamics, I'm excited about the huge profits Blackstone will generate in 2024!

It all ties back to what may be considered a "bubble" in the current stock market — but a bubble that could lead to some huge incentive allocations this year. Those allocations should benefit *YOU* as long as you're invested in BX when the gains are realized.

Opening the IPO Floodgates

Remember those 20% incentive allocations? Let's take a look at how those apply in today's market.

As I mentioned, the "private equity" category of Blackstone's business invests in companies that are not publicly traded. These early-stage investments can really pay off — especially in a bull market like the one we're in right now!

On March 21st, the talking heads in the financial media were hyperventilating about the first major social media Initial Public Offering (or IPO) in years.

Shares of Reddit Inc. (RDDT) were offered to initial investors at $34 per share. And when the stock began trading on the NYSE, shares surged 48% higher!

To be clear, I'm not recommending that you buy shares of RDDT today. Typically, after a hot IPO like this, shares either tread water or trade lower as initial investors take profits.

But I AM very excited about this IPO because of what it could mean for private equity firms like Blackstone.

You see, private equity companies watch the IPO market very closely. If a new stock is listed and investors only give it a lukewarm reception, it can be bad for business. This type of response to a new stock would indicate weak demand for new shares.

But when an IPO like RDDT receives a great reception — jumping by 48% right out of the gate — it shows that investor demand for new shares is very high. And it opens the door for *MORE DEALS* to be listed.

You can bet that in the aftermath of RDDT's success, the executives at Blackstone are salivating at their opportunity to sell some of the company's private investments. And once those investments are sold to public investors, Blackstone will immediately receive its 20% profit allocations on these deals!

Of course, those profits flow through to you as an investor in BX.

So, following the successful launch of RDDT as a new stock, I expect the IPO market to come alive — and with it, Blackstone's profits should soar!

Dry Powder for an Upcoming Crisis

You might be wondering... What about the economic clouds we're seeing on the horizon? Will Blackstone be able to survive and thrive when the inevitable downturn comes?

That's part of the beauty of this business!

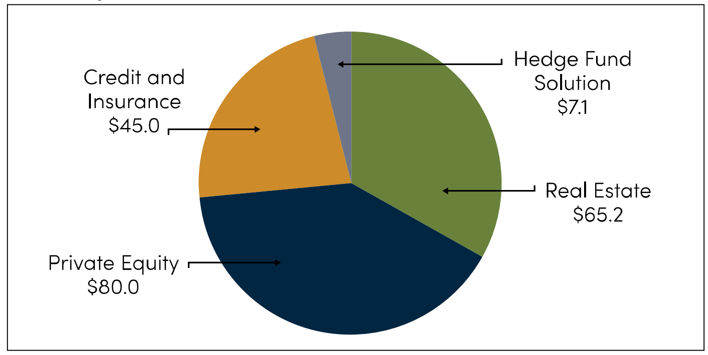
You see, in what could arguably be considered a "bubble period" for certain areas of the stock market, Blackstone can lock in huge profits from its private equity business. The company has historically been very disciplined about exiting positions at attractive times — actually *benefiting* from a bubble period by locking in profits.

At the same time, Blackstone also has a great reputation for buying at some of the most attractive prices possible. For example, during the Great Financial Crisis, Blackstone was actively buying homes at fire sale prices from the banks.

By picking up residential real estate at pennies on the dollar, BX was able to set itself up for huge profits over the next decade, thanks to its portfolio of U.S. homes.

Today, it appears that Blackstone is gearing up for a new crisis opportunity — potentially in the commercial real estate sector. Just take a look at the company's "dry powder" (or capital available for investment) at the end of 2023:

Total Dry Powder



(source: BX Annual Report)

With nearly $200 billion available to invest — and $65 billion of that in the real estate category — Blackstone has the ability to seize any opportunity that arises in an upcoming crisis period.

This brings to mind the old Nathan Rothschild quote: *"Buy to the sound of cannons and sell to the sound of trumpets."*

Many of the most popular areas of the stock market (social media / artificial intelligence/cloud computing) are entering euphoric territory. And Blackstone will likely generate huge profits from "selling to the sound of trumpets".

Meanwhile, the cannons are getting louder in the commercial real estate sector. And while there will certainly be more pain to come as leases expire and debts come due, Blackstone is now in the enviable position of being able to invest in distressed areas of the market once prices become attractive enough.

(And keep in mind, Blackstone's rainmakers are constantly soliciting new investments from the world's largest investors. So, by the time Blackstone releases its next quarterly earnings report, I expect the company's "dry powder" to eclipse $200 billion).

Collect Your Income from This Iconic Firm

Up to this point, we haven't even talked about the income you can expect to receive from shares of BX.

The company has a variable dividend policy. Which means it distributes payments to investors based on profits generated in the previous quarter.

Over the last four quarters, BX has paid out total dividends of $3.35 per share. Based on the recent market price for BX, that nets out to a dividend yield of 2.6%.

Of course, a 2.6% yield isn't anything to get too excited about. At today's rates, you can get more income from a low-risk treasury bond.

But looking forward to 2024, I expect much higher dividend payments. That's because as Blackstone sells many of its existing investments, the company will lock in those lucrative incentive allocations, adding more cash to Blackstone's balance sheet.

This cash will then be used to boost the company's dividend payments. Meanwhile, Blackstone investment funds can then plow capital back into new investments that will set the stage for a new generation of investment gains.

We're at a key transition point for this stock — where existing investments are paying off and new investments are being made. It's the perfect time to buy shares for long-term capital gains, while also setting yourself up for some generous dividend payments over the next several quarters.

Make sure to buy your shares today before the stock trades any higher!

Here's to growing and protecting your wealth,

Zach Scheidt
Contributing Editor, *Rickards' Strategic Intelligence*

Canada's Downfall: "Citizens May Revolt Once They Realize How Broke They Are"

By Byron W. King, Senior Geologist

According to Canada's *National Post*, from which I borrowed the headline above, the Royal Canadian Mounted Police (RCMP) has warned the government in Ottawa that "Canada may descend into civil unrest once citizens realize the hopelessness of their economic situation."

Per the RCMP, "The coming period of recession will … accelerate the decline in living standards that the younger generations have already witnessed compared to earlier generations."

Furthermore, "The fallout from this decline in living standards will be exacerbated by the fact that the difference between the extremes of wealth is greater now in developed countries than it has been at any time in several generations."

The report goes on to note, "For example, many Canadians under 35 are unlikely ever to be able to buy a place to live. … The situation will probably deteriorate further in the next five years as the early effects of climate change and a global recession add their weight to the ongoing crises."

Predecessors to RCMP, North-West Mounted Police officers of the "B" Division, circa 1900.

(Library and Archives Canada)

There's much more. Indeed, there's the usual doom and gloom approach of holding a bleak outlook on things.

And then there's this Canadian level of bleak future, coming from an important arm of the government itself.

You want doom and gloom? Downfall? Look north, to Canada. And again, this message comes not from some bellyaching newsletter editor; no, it's straight from the RCMP, Canada's national police force which runs a branch focused on social, political and economic analysis.

In just a moment, I'll explain more about what's happening in Canada, so hold these thoughts…

Let's Scrub Politics in the U.S. *and Canada*

First, I should note that for this month's issue of *Strategic Intelligence*, my colleague Jim Rickards wanted to do a scrub on current U.S. politics and the possible transition to a Trump administration in the event Democrats somehow lose power in the upcoming election. And Democrats hate to lose power if you get my drift.

Incisively, in this month's lead article, Jim details the intricacies of governing a vast, complex nation like the United States of America. I love his reference to the Plum Book, which I recall from my days working in the Pentagon on the staff of the Chief of Naval Operations.

Yes, I assure you from first-hand experience: the Pentagon and Department of Defense are filled with civilian "plums," meaning political appointees and their hired staffs of faithful party loyalists. Many of them – most, in my experience – never served a day in uniform, and even worse they tend to be wacky policy wonks, if not campaign contributors with their master's degree from Georgetown or Stanford, and armchair dreams of becoming the next Karl von Clausewitz or Halford Mackinder.

Right now, throughout the U.S. Defense Department, and indeed within the entirety of the rest of America's federal government, the policy priorities under Biden are clear: wokeness, diversity, climate change, anti-fossil fuels, and numerous other Progressive shibboleths. All this is being implemented via a faithful tribe of ardent, Left-wing true-believers in every plum-position of influence.

In contrast, and in a mythical alternate American political universe, we have the policy papers and books issued by the Heritage Foundation, which Jim references. And I'll just say that I've long admired the comprehensive work that goes on there.

Along these lines, one key element of American elections and politics was memorably summed up long ago by Ronald Reagan who quipped, "People are policy."

That is, any serious change within the guts of government must come from the collective effort of many thousands of people who sign onto the agenda of the president. And this fact of life pretty much sums up the frustrations and pitfalls of the Trump administration, 2017 – 2021. As in, yes; Trump won the 2016 election, but his bench of subordinate players – Trump's plums – was thin and shallow. And it showed.

Which brings us back to Canada…

Oh Canada!

With glowing hearts we see thee rise,

The True North strong and free!

From far and wide, O Canada,

We stand on guard for thee.

So goes the anthem of our northern neighbor, but perhaps not for much longer if the RCMP is correct.

By way of background, in mid-2022 – just after the "Trucker" event; see below – the RCMP began work on a report for high-level political actors in Ottawa, the seat of Canada's federal government.

The first cut of the RCMP report painted such a funerary image of a diminished future that it was officially classified as "Secret." But some things are so incendiary that they don't long stay under wraps. Heavily redacted, the report is now out there.

RCMP on black horses, at funeral of Queen Elizabeth II.

Looking ahead, the RCMP opines that Canada's current social-economic status "will probably deteriorate further in the next five years."

Expanding on this, the RCMP states that "Economic forecasts for the next five years and beyond are bleak." Ominously, the RCMP quotes French President Emmanuel Macron, that "the end of abundance" is coming to the West.

For most Canadians, the RCMP predicts a continuous decline in living standards. The report warns that Canada faces a dark future increasingly defined by unpredictable weather and seasonal catastrophes, such as wildfires and flooding.

Plus, add the RCMP authors, Canada faces "increasing pressure to cede Arctic territory," although the censors have redacted exactly how or to whom.

"The geopolitical, economic, social, technological and environmental shifts presented here are complex and continue to evolve," according to the RCMP. "They can disrupt or redefine law enforcement work and operations in unexpected ways. Both minor and major shifts have the potential to cause multi-faceted disruptive change across the organization" (ie, referring to the RCMP; BWK).

Another theme of the RCMP – one of several so-called "overarching considerations" – is that Canadians are becoming increasingly disillusioned with their government, which the authors believe is due to "misinformation," "conspiracy theories" and "paranoia."

Per the RCMP, "Law enforcement should expect continuing social and political polarization fueled by misinformation campaigns and an increasing mistrust for all democratic institutions."

The RCMP acknowledges that the COVID-19 pandemic severely impacted Canadian society. Its report states, "The damage to the economy and to the social fabric of the nation is ongoing, and there is an established opposition to existing and potential public health measures and other restrictions."

On a personal basis, I have no reason to disagree with the RCMP. Since the mid-1980s, I've regularly traveled to Canada. Anecdotally, I've seen the country grow massively, as evidenced by the long boulevards lined with green-glass condos that one sees from Vancouver to Toronto, Ottawa and Montreal.

Yet it also seems to me that, over the decades, Canada has become a poorer place for many of its citizens. For example, I've encountered many Canadians who work long and hard, yet still cannot afford to buy a house, exactly what the RCMP noted. More colloquially, I have yet to speak with a Canadian taxi driver who does not explain and complain about how tough it is to afford to live up there.

At a higher level of review, there's Christian Leuprecht, a professor at Queen's University and Royal Military College who specializes in defense and security issues. He commented that the RCMP report highlights threats that are often overlooked, such as problems with global supply chains and the need to improve emergency management planning.

"What we see is some of the disconnect between the strategic threat assessment ... and the resources, capacities, capabilities and political will **to posture Canada effectively for what is clearly going to be a very difficult future for this country**," Leuprecht said (emphasis added: BWK).

Which brings us back to Jim's point about policy and policymaking, both good and bad, which certainly happens in Canada as well as in the U.S.

Policy and the Truckers

It's fair to say that, with just a few exceptional periods of non-Liberal governance, for several generations Canadian politics have been dominated by an Ontario-Quebec (and Vancouver) version of creeping, if not creepy socialism. This long-term leftward ratchet has transformed much of Canada into a fast-growing, open-immigration, hyper-regulated, welfare-andnanny-state.

Worse, that particularly Canadian style and tendency of left-wing governance has recently drifted into the dangerous waters of outright authoritarianism. Widespread government promotion of assisted suicide, allegedly to save money on so-called "health care" costs, kind of speaks for itself. While restrictions on even basic free speech have grown dramatically; ask the distinguished, and heavily persecuted psychologist Jordan Peterson, for example.

In that vein, recall what happened in early 2022 with Canada's so-called "Truckers" who rolled across the prairies into Ottawa.

On the surface, the Truckers were protesting burdensome COVID vaccination and quarantine mandates that destroyed the economics of their jobs and businesses. Their roadway protest began as a working-class revolt against hardline, politicized pseudo-science that was – at root, and we know it now – little more than a toxic mix of power-hungry political bossiness and medical quackery.

In January 2022, as the Truckers approached Ottawa, Prime Minister Justin Trudeau officiously refused to acknowledge any sense of legitimate grievance among the tens of thousands of participants. In fact, His Excellency refused even to meet with the protesters.

At one point, Trudeau called the collective Truckers racists and Nazis. This calumny was despite the fact that many of the protesters were people of color, First Nation members, veterans of Canada's armed forces, immigrants from across the globe, and generally flag-waving Canadian patriots.

Canadian Truckers, January 2022.
Looks kind of patriotic, yes?

We now know, in our 20/20 hindsight, that many of the draconian "follow the science" bromides from that sorry COVID episode were unnecessary, if not dangerously foolish and even criminal acts.

But it's also fair to say – and in its redacted report, **the RCMP essentially says it** – that public frustration ran far deeper than just the requirements for jabs and quarantines. Indeed, the Trucker episode revealed massive, class-based fault lines across Canadian society. The workers of the world just plain didn't like the bosses, and definitely not the political hack bosses. So they united, and distinctly not in support of the Trudeau government.

With the RCMP report out in daylight, it's evident that Canada's deeply entrenched social and class problems have shifted from being merely anecdotal and gut feeling perceptions; the issues are more than just occasional discussions with taxicab drivers.

Now, according to no less than the RCMP, we have confirmation that large segments of the Canadian people are continuously becoming poorer, despite the façade of a rising stock market and astronomical real estate prices.

Indeed, the rise in asset prices is one key phenomenon that keeps a boot on the neck of tens of millions of Canadians, forced to live on the low rungs of an economic ladder they can never hope to climb.

Confirmed and summarized by the RCMP, this lack of economic hope and upward mobility in Canada is occurring in the world's second largest nation by area, which borders three oceans, and controls a landmass that is richly endowed with mineral, energy and agricultural potential. Yet for all its deep well of resources, Canada grows poorer over time; or so sayeth the RCMP.

Along the lines of Jim's discussion, at the end of the day much of our collective existence is impacted by government policy and the people who make it, whether in the U.S. or Canada.

With all its landmass, its fresh water, its fertile soil, its minerals, its educated population, Canada ought to be a wealthy nation, and growing wealthier. But per no less than the RCMP, Canada is becoming poorer, and that's truly a policy choice from the top of government down.

To wrap things up on this level, it's no stretch to argue that many of Canada's politicians and policy wonks, both current and legacy, are the wrong people for the jobs. That's not just an opinion, either; no, it's Canada's RCMP putting it out, in so many words, in an official document labeled "Secret."

Go Long on Hard Assets

Of course, what happens in Canada doesn't stay in Canada. Or else we'd never have heard of Justin Bieber, let alone Justin Trudeau.

If what the RCMP says about Canada's declining economic and social prospects rings any bells, perhaps it's because of the eerie similarities to what has happened in the U.S. A neighboring nation in decline is way too close for comfort.

That is, for all the stock market gains, inflated real estate values, and other asset bubbles in the U.S., the country clearly is becoming poorer, not richer. Oh, you don't believe it? Well, get away from the high-end zip codes and look around.

Across America, people camp out on sidewalks and public parks. While roads are bad, as are bridges, ports, harbors, rail beds, schools, hospitals, airports and EPA Superfund sites that have never been cleaned up despite the passage of half a century in some cases. All this and more.

Homeless encampment just outside Union Station, downtown Los Angeles. BWK photo (3/17/2024).

Yet the U.S. government is also $34 trillion in debt, a number that rises by a trillion dollars every three months, per current spending trends. In other words, for all the money that flows out of the Treasury, it's not as if much of it goes to things that matter in your day-to-day life.

What's the answer? Well, 2024 is an election year, so vote really hard for change.

Meanwhile, in a world where government spending is out of control, you must own real assets when, where and how you can. Own real estate, in the right "location" of course. Own insurance policies with cash value. Own real things that have productive potential, like machinery and tools.

Own gold and silver, to be sure. Own physical metal and take delivery, because you don't want your ownership to be someone else's liability, as in some vaulted storage site that gets raided and impounded by the FBI. (True story, out of California.)

Own energy assets, whether it's your own oil wells or those in the name of publicly traded companies. Begin with large, well-capitalized plays like **ExxonMobil (XOM)** or **Chevron (CVX)** and continue down a long list. Own refiners, too, like **Marathon Petroleum (MPC)**, **Valero (VLO)**, or **Sinclair Refining (DINO)**.

If you believe thatthe Biden administration might be on the way out, and a Republican administration incoming, then one deeply undervalued sector is oil and offshore services. **Look at Schlumberger (SLB)** for well services and **Transocean (RIG)** for offshore drilling systems, both among the very best in the business.

Own mining plays, meaning well-run companies with reserves in the ground and a firm pipeline of production. Barrick Gold (GOLD) and Newmont (NEM) are the two largest "pure" gold plays, although both produce numerous other metals as byproducts. They tend to be Wall Street darlings when the "big money" wants to get into gold.

Other hard asset plays include Freeport McMoRan (FCX) for copper, gold and much else; and Rio Tinto (RIO) for a solid spread across the periodic chart, from copper to titanium, scandium to tellurium.

I could go on, but you get the idea. Go long on hard assets.

As just one person, good luck changing the world unless you land one of those plum-jobs in the next administration and work for transformation from within the Beltway swamp. Otherwise, look after what you can, certainly your health and family, and move money into sectors that will hold value as we all ride across the rocky road yet to come.

And if you don't believe me, then take a page from the RCMP, whose assessment and report states much the same thing.

On that note, we'll end.

Thank you for subscribing and reading.

Best wishes…

Byron W. King
Senior Geologist, *Rickards' Strategic Intelligence*

JIM ANSWERS

What are the main factors driving gold prices to record highs recently, and do you see this rally continuing for the near future?

Scott L.

Gold certainly has taken off lately. From an interim low of $1,832 per ounce on October 5, 2023, gold hit $2,200 (intra-day) on March 11, before retreating slightly to $2,175 as of this writing. From low to peak, that's a 20% gain in just five months.

Almost half of that gain occurred in the one-month period from February 11 to March 11. That overall gain is especially impressive considering gold had been stuck in a fairly narrow range of $1,650 to $2,050 per ounce for the past two years. That's a range of about 10% above and below the mid-point of $1,850. Starting from the high-end of that range, gold traversed the entire range to the upside in just one month.

The reference to "gold prices" is an interesting one. If you treat gold as a commodity, then the price per ounce measured in dollars is one way to think about price. On the other hand, if you think of gold as money (as I do), then the dollar price is not really a price – it's a cross-rate similar to EUR/USD (about $1.08 today) or USD/JPY (about 151 today). When analysts say the "price" of gold is $2,200 per ounce, I think of that data as showing the GOLD/USD cross-rate = $2,200.

That's useful because there are two sides to a cross-rate. While most analysts say that gold has rallied from $2,000 to $2,200 per ounce, it is just as valid and perhaps more useful to say that the dollar has crashed from 1/2000 per ounce to 1/2200 per ounce. In this analysis, gold is constant (by weight) and the dollar gets stronger or weaker relative to gold. **All the recent market action points to a weaker dollar.**

This mode of analysis also solves another market riddle. Given huge U.S. budget deficits, unprecedented levels of U.S. national debt, slow growth, rising unemployment, and persistent inflation, how is it possible that the dollar has been so "strong" lately? The answer is that it has only been strong relative to the euro, yen, sterling and some other reserve currencies and as measured by certain dollar indices (DXY, Bloomberg, etc.) composed of baskets of currencies (but not gold).

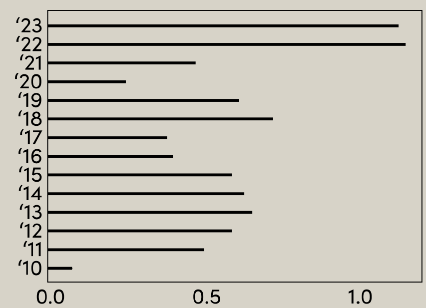
But that's often because those other currencies are issued by countries with debt and growth problems even worse than the U.S. **Those currencies dropping against the dollar have the look and feel of a good old-fashioned currency war.** It's only when you use gold as your metric that the real weakness in the dollar becomes apparent (as it should). In effect, certain currencies are weakening against each other, but all currencies are weakening against gold.

Returning to the "higher gold price" frame, there are a number of reasons for this trend.

The first factor is simple supply and demand. Mining output and recycled gold has been about flat for the past eight years running between 1,250 metric tonnes and 1,100 metric tonnes per year.

At the same time, central bank demand for gold has surged from less than 100 metric tonnes in 2010 to 1,100 metric tonnes in 2022, a 1,000% increase in 12 years. Central bank gold demand remained strong in 2023 with 800 metric tonnes acquired through September 30, 2023. That puts central bank gold demand on track for a new record in 2023.

Central Bank Gold Purchases



(Source: Bloomberg)

Constant output with surging demand by central banks does not by itself explain the recent surge in gold prices, but it is a contributor. Importantly, continued strong demand by central banks puts a floor under gold prices. This sets up what we describe as an asymmetric trade where downside is limited but upside in open-ended.

The second factor driving gold prices higher is the need for hedging. This is not the same as inflation hedging. It covers a larger list of risks including geopolitical risk, risks of escalation in the Ukraine and Gaza wars, Houthi efforts to close the Red Sea and Suez Canal, increasing risks of war with China, and the intrinsic risk of a senile president of the United States. As the list of risks grows longer and potentially more dangerous, the need for a hedging asset such as gold that does not rely on any nation state for its value increases.

Finally, gold prices are being driven higher by U.S. threats to steal $300 billion in U.S. Treasury securities from the Russian Federation. Those assets were legally purchased by the Central Bank of Russia as part of their reserve position. The actual securities are held in custody in digital form at European banks, U.S. banks and the Brussels-based Euroclear clearinghouse. Only about $20 billion are held by U.S. banks, the majority are held by Euroclear. Those assets were frozen by the United States at the outbreak of the War in Ukraine.

Freezing assets means the Russians cannot collect interest or sell or transfer the assets or pledge them as collateral. Asset freezes are used frequently by the U.S. including the cases of Iran, Syria, Cuba, North Korea, Venezuela and other nations. Often, the assets are frozen for years but ultimately released to the owner as happened in the case of Iran after 2012.

Now the U.S. wants to go further and actually seize the assets, which may be viewed as outright theft under international law. The U.S. proposes to use the $300 billion to finance the War in Ukraine. European entities have expressed considerable uncertainty about this plan, but the U.S. has maintained the pressure and wants to complete the theft before the June 13 G7 Leader's Summit in Italy and the July 9 NATO Summit in Washington DC.

If the U.S. steals these assets, Russia will likely confiscate an equivalent amount of industrial and commercial assets located in Russia and owned by German, French and Italian interests among others.

The bottom line is that if U.S. Treasury securities are not a safe investment, then securities of Germany, Italy, France, the UK and Japan are no better. The only reserve asset free of this kind of digital theft is gold. Nations are beginning to diversify into gold in order to insulate themselves from digital confiscation by the collective West.

All of these trends – flat output, rising central bank demand, hedging and protection against digital confiscation – will continue. Based on those trends, one would expect the gold price rally to continue as well.

Jim Rickards

Jim Rickards is an expert on the global monetary system, helping you understand how policies shape the markets… and impact your wallet.

His work is regularly featured in the *Financial Times, Evening Standard, The New York Times, The Telegraph, The Washington Post, The Wall Street Journal* and he is frequently a guest on the BBC, RTE Irish National Radio, CNN, NPR, CSPAN, CNBC, Bloomberg, and Fox Business.

Dan Amoss

Dan Amoss, CFA, has a knack for finding accounting red flags that others miss — steering you away from trouble and into profitable opportunities.

In 2005, he earned the Chartered Financial Analyst designation, a high-level certification that requires demonstrated knowledge of advanced investment analysis. His specialties include short selling, mining, oil and gas and macroeconomic analysis.

Zach Scheidt

Before joining the world of financial publishing, Zach managed millions of dollars for a hedge fund. He is a retirement and income expert with impeccable investment management experience who is dedicated to helping you maximize your earnings potential by finding Wall Street's best yields.

His work has also appeared in Seeking Alpha, Motley Fool and *The Wall Street Journal*

Byron King

Byron is a Harvard-trained geologist, formerNavy pilot and retired lawyer who will be our eyes andears in the mining and defense sectors with perspectivesyou won't find anywhere else.

His insights have been featured on MSN Money, Marketwatch.com, Fox Business News, CNBC's Squawk Box, Larry Kudlow, Glenn Beck and PBS's NewsHour.He has also been published in the *Financial Times,The Washington Post* and *The Wall Street Journal.*