COUNTERMARKETS

Trends & Strategies for Maximum Freedom

Issue 54: August 2021

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COUNTERMARKETS
Trends & Strategies for Maximum Freedom

TRENDS & FORECASTING

"Cyber Covid," Digital Currencies And Personal Supply Chain Resilience

By Nicholas West

To start the month, we no longer have to debate about whether or not the U.S. will embrace fascism, it's now official. The White House Press Secretary has provided conclusive evidence for us by telling the world "it shouldn't come as any surprise that we're in regular touch with social media platforms — just like we're in regular touch with all of you and your media outlets," which Biden

followed up by suggesting that Facebook is "killing people" when it permits health misinformation. Although these statements were later toned down, recent actions indicate that the trend toward even closer government-corporate relations is becoming more overt. As reported by MassPrivateI, for example, American tech and social media companies will be working with the Global Internet Forum to Counter Terrorism:

> The GIFCT claims to "bring together the technology industry, government, civil society, and academia to foster collaboration and information-sharing to counter terrorist and violent extremist activity online."

The US Postal System is also embroiled in a lawsuit as a covert social media spying program was revealed.

Meanwhile, NY's governor has told private businesses not to accept the unvaccinated; the arrival of digital health passports is now trending toward mandatory implementation; and the constitutional right to private property is hanging on by a thread as the CDC has officially laid claim to it.

While it is in vogue today for each side of the political aisle to call each other fascists and Nazis, Benito Mussolini made it clear in the 1930s that fascism is explicitly "the merger of state and corporate power." Taken at face value, both sides of American politics would indeed be accurate to level such accusations against one another, as the fundamental operating system of fascism transcends their lower-level policy squabbles.

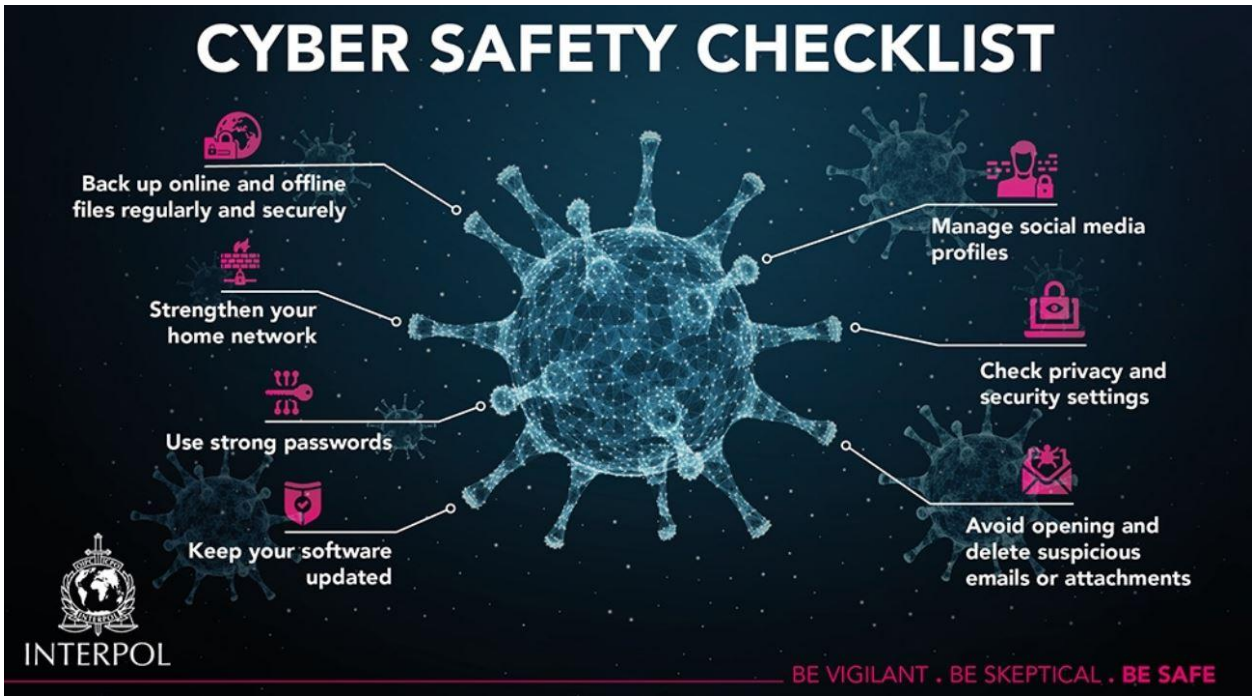
As regular readers already know, I've been continually covering the disparate trends which have hinted that this dangerous

merger has been building for a very long time. “Public-private partnerships” have become a useful tool to outsource government’s most restrictive policies to their proxies in corporate America. This strategy has now reached a critical point during a time where we are also seeing the merger between the real world and the virtual world through new technologies that can greatly enhance the efficiency of the operating system of fascism.

This has all been foreshadowed for many decades in obscure policy papers and academic tomes. But now these plans are no longer obscured, as conferences and event simulations are broadcast for all via the internet. The perfect declaration of how the various pieces are being joined together was the formation of the Cyber Polygon exercise in 2019, backed by the World Economic Forum. Stated plainly on their website:

> Cyber Polygon is a unique cybersecurity event that combines the world's largest technical training exercise for corporate teams and an online conference featuring senior officials from international organisations and leading corporations.

However, with the arrival of Covid, general cybersecurity considerations have coalesced into a warning by WEF’s Klaus Schwab in 2020 that a “Cyber Pandemic” would be the next greatest threat, massively disrupting supply chains along the way. If anyone thinks that “Cyber Covid” is just a hyperbolic turn of phrase, INTERPOL has begun to marry the two quite clearly in their “cyber safety checklist” imagery. It is evident that this will be an entrenched part of the narrative moving forward.



The World Economic Forum also blatantly calls the threat a "Cyber-attack with Covid-like Characteristics" in this (heavily disliked) video on their YouTube channel. Most telling is when they offer their solution – essentially social distancing and quarantining devices.

> The only way to stop the propagation of a COVID-like cyber threat is to fully disconnect the millions of vulnerable devices from one another and from the internet. All of this in a matter of days…
>
> As the digital realm increasingly merges with our physical world, the ripple effects of cyber-attacks on our safety just keep expanding.

Naturally, we should keep in mind that all of these dire warnings are coming from the same people who built the centralized digital realm that they now proclaim to be such a threat. The good news

is that public awareness is on display in the comment section of the video. This is not a cherry-picked selection; these are the first six:

At Cyber Polygon 2021, they've gone even further, as summarized by Tim Hinchliffe at *Sociable*.

- A *desire to immunize the internet* with digital antibodies to ‘protect’ society from cyberattacks and misinformation by exploiting ransomware attacks and a public health crisis to justify the centralization of power and control
- A *demonization of cryptocurrencies* in favor of central bank digital currencies where all transactions are recorded on a centralized ledger and have the ability to grant permissions on purchases, which further consolidates power
- A *closer merger of corporation and state* as the solution to any given crisis, be it cybersecurity, climate change, or COVID-19, without ever being put to a vote by the will of the people

As far as the second point – demonization of crypto – that continues to ramp up in specificity with a rise in ransomware reporting from mainstream media that emphasizes Bitcoin and now Monero and other cryptos as being instrumental.

The attacks also have begun to target critical infrastructure, which will trigger national security responses, as opposed to isolated corporate attacks being handled internally. This is something to continue paying close attention to as the ability to independently investigate infrastructure attacks is closed off under national security protections. At the top of that list would be water and other key utilities. In fact, following the hack of the Colonial Pipeline, the National Guard has been mobilized to conduct exercises where a series of shutdowns cascade across the country.

As in the actual scenario, the National Guard works with the FBI, Department of Homeland Security cybersecurity and

> infrastructure security agencies, the Federal Energy Regulatory Commission, government agencies such as the US Cybercommand, and utility partners in the private sector. And respond to the crisis. - *Source: Texas News Today*

The water systems of the U.S. have been given special attention lately during the U.S. Senate Committee on Environment and Public Works hearing which took place on July 21st. Apparently, the concern is that the U.S. water system is *too* distributed, with each independent system left potentially unequipped to handle sophisticated attacks:

> "The good news is our water systems are fragmented and scattered. In other words, it's not like the [consolidated] electric grid where an adversary could take down a whole region of the country," said Maine Sen. Angus King, the CSC's other co-chair. "The bad news is that, because they're so fragmented — [there's] 70,000 of them — rarely do [water agencies] have the wherewithal or the knowledge to fully protect themselves. So they can be picked off one at a time more easily." - *Source: Government Technology*

And here we see one Senator declare that "U.S. water systems are vulnerable to a Pearl Harbor-level cyberattack." Where have we heard that before?

On July 28th, the White House began directing an initiative to more closely work with the private sector in areas deemed to be "critical infrastructure."

> The White House will issue a national security memo Wednesday instructing the Cybersecurity and Infrastructure

> Security Agency and the National Institute of Standards and Technology to establish cybersecurity performance goals for private-sector owners and operators of critical infrastructure.
>
> The goal is to set comprehensive expectations for cybersecurity across all sectors of critical infrastructure at a time when private companies might be more inclined to meet them, a senior administration official told reporters Tuesday…
>
> "You look at a Colonial Pipeline, you look at JBS foods, you look at Kaseya, there is now a different threat," said the official, listing victims of recent ransomware attacks with reverberating effects. "The threats that many people talked about have become real. So we believe these goals will be viewed differently."

Of course China, Russia and now Iran are the key villains for both disruptive hacks and ransomware demands using cryptos.

As Vin highlights this month, CBDCs continue to be promoted ("more effective than cash"!), with the US getting closer than ever at offering their own. Without a doubt we can assume that "FedCoin" will become the trusted solution to the wild west of crypto and its hidden state actors who could use it to terrorize democracy. Is this why crypto surveillance was added into an upcoming infrastructure bill? Is this also a clever attempt to make crypto part of the digital infrastructure required to maintain national security, thereby forcing compliance from the private sector?

It will be interesting to see how all of this will be addressed amid such mass adoption of Bitcoin by major corporations and governments across the world. Perhaps the narrative will shift strictly against privacy features, especially in light of how they could be used to fund the Islamic State. Or why crypto taxation is becoming a bigger talking point. Will people who want privacy be demonized in the same way as “the unvaccinated” are today as threats to “the greater good”?

What’s most important here is that they are creating the legislation that enables quick actions to be taken to support the narrative they have built. Historically, that’s not a good sign. I suspect that regional outages for increasingly prolonged periods of time will be used to illustrate the magnitude of the threat. It also appears that they will continue to convince people that a global centralized system of public-private partnerships is more resilient. Regional outages would help continue to build this narrative, whereas a complete Doomsday shutdown will not.

We now know what the focus of control will be and how they will sell the solutions to massive supply chain disruptions brought about by a Cyber Covid event. Our best approach is to start at home and build outward by evaluating our own potential central points of supply chain failure.

Solutions: Incremental Localism

Firstly, I would suggest never to be a maximalist with anything. We see this take place amid every Doomsday scenario. Doomsday may not play out in a single cataclysmic event; in fact, historically, it’s quite rare. Bitcoin and crypto maxis, precious metals fanatics, gun enthusiasts, off-grid purists, etc., have each

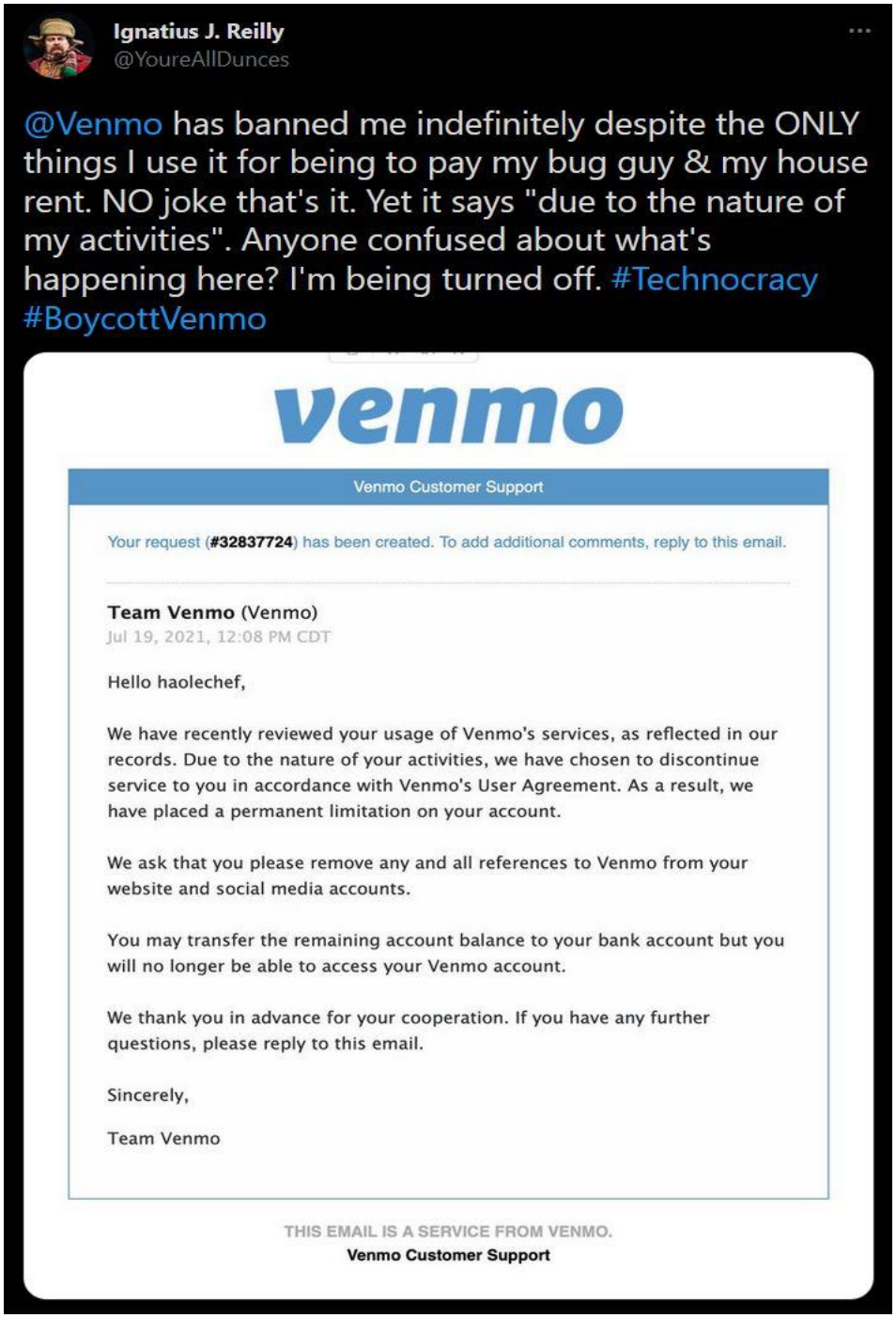
gone all-in on a single solution to their version of Doomsday. I much prefer to take the valuable parts of each and acquire enough knowledge (and hopefully skill) to fully survive in each of those worlds if the need arises. In the meantime, I try to diversify my approach in all of the aforementioned areas so that my ability to resist tyranny continuously rises as a counterweight. Doomsday is rare – Tyranny is not.

Here are some incremental steps we can take to insulate ourselves from all forms of disruption in the short term, while building a framework for potential longer-term outages.

Build Community – This seems to be more difficult than ever, as people have willingly walled themselves off from others. Yet, in many ways it has never been easier to identify kindred spirits who have refused every method of propaganda and threat leveled against them. We continue to promote the concept of Freedom Cells, designed by Derrick Broze and John Bush, as a great way to find someone in your area to begin forming a small group of 6-8 people who can work together and build something even larger. Moreover, once you have a secure local network of like-minded individuals in place, it will make all that follows much easier to achieve.

Barter Networks – Are you prepared to exist completely without access to fiat? What if there is a successful push to make the use of encryption and privacy coins akin to terrorist activity? Financial disruption has already begun for many thought criminals who are being shut out of banking services. This can be a personal doomsday supply chain disruption if funds have not been thoroughly distributed across many platforms and systems. For

anyone deemed to be a suspected thought criminal extremist terrorist unvaccinated Russian sympathizer white supremacist, Ryan at The Last American Vagabond offers a glimpse:



Ignatius J. Reilly
@YoureAllDunces

@Venmo has banned me indefinitely despite the ONLY things I use it for being to pay my bug guy & my house rent. NO joke that's it. Yet it says "due to the nature of my activities". Anyone confused about what's happening here? I'm being turned off. #Technocracy #BoycottVenmo

venmo

Venmo Customer Support

Your request (**#32837724**) has been created. To add additional comments, reply to this email.

Team Venmo (Venmo)
Jul 19, 2021, 12:08 PM CDT

Hello haolechef,

We have recently reviewed your usage of Venmo's services, as reflected in our records. Due to the nature of your activities, we have chosen to discontinue service to you in accordance with Venmo's User Agreement. As a result, we have placed a permanent limitation on your account.

We ask that you please remove any and all references to Venmo from your website and social media accounts.

You may transfer the remaining account balance to your bank account but you will no longer be able to access your Venmo account.

We thank you in advance for your cooperation. If you have any further questions, please reply to this email.

Sincerely,

Team Venmo

THIS EMAIL IS A SERVICE FROM VENMO.
Venmo Customer Support

Ryan is not someone who has put all of his trust in PayPal/Venmo, so he'll be fine, but it's a stark reminder that we need to keep diversifying how we protect our stores of value. If we are shut out of fiat systems, we can exist purely in crypto these days, especially if we eschew centralized exchanges in favor of peer-to-peer transactions. But should Doomsday really arrive in the form of extended outages or systemic collapse, it would behoove us to pursue barter networks and learn how to exist without money at all. Many issues ago, I discussed the "Moneyless Man" Mark Boyle. His one-year experiment of living completely without money took place more than a decade ago, but his advice and strategies are timeless. We also can look to places like Greece which have experienced rapid economic collapse and how their return to barter systems was instrumental to thriving without begging for government assistance.

Homeschool – Children are indeed the future, so there is no better way to start building from your home outward than by homeschooling. One of the benefits occurring right now amid all of the tragedy is that parents who might previously have been resistant to homeschool are taking their children out of a system that is literally torturing them through oxygen deprivation and forced medicine, a prison-like system of surveillance and control, and outlandish politicizing of every facet of their learning. Through homeschooling, we can create a *supply chain of information* that is both resistant to mental disruption, while creating resilient patterns of behavior that will remain consistent with individual freedom far into the future.

Source food and water locally – If you are unable to produce a sustainable amount of food on your own, you can most likely find

a farmer near you through Local Harvest. In addition to being a source of sustenance, these are battle-tested individualists who have proven their skills at self-reliance and can also be extremely helpful in connecting you with other like-minded people. There is also a nice side benefit that just happens to combat some of the other nonsense we are being subjected to:

As opposed to your local farmer or farmers market, a Community Supported Agriculture program can also be a great way to build a

structured local food supply chain. Some of these groups have even been doubling as food banks amid the stress that has been placed on traditional systems, while offering far healthier alternatives. You can find a list at Local Harvest here, and additional educational resources can be found at The Lexicon.

Off-grid water collection can be complicated, but it is certainly possible. I would refer you to a key article from Counter Markets Issue #17 where off-grid specialist Brian Berletic gave very specific guidance to construct a rainwater collection, processing and storage system.

Communications – In the event of prolonged shutdowns, or government-imposed internet and cell outages due to civil unrest, or even a personal shutdown like those hapless January 6th-ers, mesh networks and other local communications systems will be essential.

In Issue 52, Vin explored a system that he has been working with to deliver satellite internet to remote parts of his home of Saipan. As he recounts, there is a healthy community being built on the principles of mesh networks, which continue to improve.

> A group in Germany, called Freifunk ("free radio") has implemented and improved upon this concept over the last decade. Freifunk users run a special firmware in (WiFi) routers that turns them into part of a public mesh and gives them free internet access. When there was a legal gray area about liability in Germany for things done by users connected to your router, the main internet connection for the mesh network was moved to Sweden. So, if you are a Freifunk user in Germany, it looks like you are connecting to

a site from Sweden. This is the type of initiative that is available to the people and mostly outside of the control of the global telecom oligopoly

Another common prepper tool is ham radio, which normally offers another valid option. However, according to news reports from Cuba, citizens who are using ham radios in the wake of internet outages are finding their 40m signals blocked. If any of our readers are ham radio operators and can confirm this possibility, or ways to counteract this, we would love to hear from you in our private Telegram group.

ENTREPRENEURSHIP

Understanding The Digital Dollar

By Vin Armani

Those of us who have been following the Central Bank Digital Currency roll outs around the world expected the US Federal Reserve to release its "discussion paper" for the "Digital Dollar" last month. At the end of May, Fed Chairman Jerome Powell made a rare public statement on the Digital Dollar which was posted to the Federal Reserve's official YouTube channel. In this announcement, he described mounting issues (from the perspective of the central bank) with stablecoins and

cryptocurrency payment networks. He acknowledged that work had been underway for quite some time to develop a digital currency and payment network under the exclusive control of the Federal Reserve. He also stated that the aforementioned "discussion paper" giving details on this new currency would be forthcoming.

In this article, I will give a brief background on Central Bank Digital Currencies (CBDCs) in general, a timeline (at least in terms of publicly available information) on the development of the Federal Reserve CBDC, and a glimpse at what we can expect from the new Digital Dollar, a financial paradigm shift.

Central Bank Digital Currencies are the bastard children of Bitcoin. CBDCs are digital cash, in the same way that Bitcoin is meant to be. Where they differ from Bitcoin is in the rules around who can alter the ledger that holds information about what addresses ("accounts") hold what value.

In the case of Bitcoin, any entity which can perform enough computer processing and show proof that such processing was done – Proof Of Work – is able to alter the ledger, according to a set of "consensus rules." This makes Bitcoin networks open and permissionless. And given enough "honest" computing ("hash") power devoted to the network, it's secure from censorship and malfeasance. Colloquially, these properties are what makes Bitcoin networks "decentralized." A Bitcoin network has no "central authority."

In the case of a CBDC, all control over the ledger is held with the central bank. A CBDC clearly has a central authority who can add to or subtract from the balance of any address or account at will.

We will discuss the form that such actions will likely take later in this article.

As I have publicly discussed CBDCs, one frequent comment is, “This doesn’t change anything because most of the transactions I do on a daily basis are already digital!” This comment greatly misunderstands why Central Bank Digital Currencies are a paradigm shift away from the current establishment financial system, of which even relatively new payment networks like PayPal and Venmo are a part. To give some indication of just how different even the heads of central banks consider CBDCs to be, we can look to one of the first major public announcements from central bankers that they were pursuing CBDCs.

On March 2nd, 2016, Ben Broadbent, Deputy Governor for Monetary Policy, Bank of England gave a speech to the London School of Economics titled “Central Banks and Digital Currencies.” A transcript of the speech, that includes graphics shown during the presentation, is available for download from The Bank Of England. I am including the Conclusion section in its entirety:

> The word “digital” has become so ubiquitous that its meaning isn’t always clear. The word seems to get tacked on to just about anything, no matter how tenuous its connection with computers, simply in order to convey an appealing sense of the modern. A brief search – on the internet, appropriately enough – reveals advertisements for a course in “digital humanities”, opportunities in “digital agriculture” and even something called “digital parenting”, whatever that is. (If it means having to ask your 11-year-old son what’s gone

wrong with the computer then I would certainly qualify as a "digital parent").

Whether or not "digital currency" is the right way to describe something like bitcoin, or its central bank counterpart, is also unclear. A better term for the underlying technology, the distributed ledger, might be "decentralised virtual clearinghouse and asset register". But there's no denying the technology is novel. Prospectively, it offers an entirely new way of exchanging and holding assets, including money.

It's an irony, therefore, that some of the economic questions it raises have actually been around for a long time, for as long as economics itself. Some admirers of bitcoin see it as a means of bypassing central banks altogether. They are in some ways the descendants of the supporters of "free banking" in the 19th century. Conversely, others see the distributed ledger as an opportunity for the central bank to expand its role, via a "central bank digital currency" available to a much wider group of counterparties. If it were a close substitute for bank deposits, a CBDC would represent a shift towards a "narrower" banking system. This too is an old debate in economics: should banks be prevented from creating liquidity, or is maturity transformation an inevitable and necessary feature of market economies?

I'm certainly not attempting to enter that debate today. It's in the nature of long-standing questions that the answers aren't obvious. What I do want to do, however, is to point out that it is a relevant question – that the introduction of a CBDC probably involves more than a narrow, technical judgement

> about the efficiency of the payments system, very important though that is.
>
> What's also clear is that we have a lot more thinking to do. That's why the issue of digital currencies forms an important part of our One Bank Research Agenda19. It's also why, in publishing the Agenda a year ago, we asked for help, hoping to encourage "the wider academic community" to think about the big policy questions. So, in what is the heart of that community, and notwithstanding Mr Hicks's caution, perhaps you'll allow me to finish by reiterating that request: all contributions welcome!

The major takeaway is the clear notion, although a bit obfuscated, that the advent of a Central Bank Digital Currency would necessarily mean the disappearance of deposits from commercial banks, who make up and operate the current infrastructure of Visa, Mastercard, PayPal, Venmo, and all other consumer digital payment systems. Currently, central banks' depositors are commercial banks. A CBDC necessarily means that everyday consumers such as you and I would be able to be "depositors" of the central bank simply by holding the CBDC in our central bank-provided wallet apps. Also notable is that this project is expressed as being part of a published agenda known as "One Bank." The paper which lays out the agenda was published in February of 2015 and can be downloaded from The Bank of England's website.

In what I am remiss to call "coincidence," in April of 2015, two months after the One Bank Agenda was published by The Bank of England and the month following the speech given by the

bank's Deputy Governor for Monetary Policy, MIT Media Lab announced that it had hired the top three Bitcoin developers at the time: Gavin Andresen (the man to whom Satoshi Nakamoto handed the project before Satoshi disappeared); Vladimir van der Laan (the lead maintainer of Bitcoin Core, the main BTC node software); and Cory Fields. These three men became the founding cohort of the MIT Digital Currency Initiative, which, it has been revealed, was the technical team that worked with the Federal Reserve of Boston to build the Digital Dollar system.

A few months later, in November 2015, the trio were officially introduced to the world in a Media Lab live stream hosted by Media Lab Director Joi Ito. Ito is notable because, in 2019, he was forced to resign his position in disgrace after it was revealed that he covered up contributions to MIT Media Lab from then-convicted sex offender Jeffrey Epstein. These contributions happened in late 2014, just months before the Bitcoin developers were hired, and, according to emails revealed by the *New York Post*, at least one of the donations was "a $2 million gift from Bill Gates directed by Jeffrey Epstein." I'm sure this is all coincidence and has nothing to do with a not-so-public plan by major central banks to develop a centralized digital currency with all the security of Bitcoin and none of the liberty.

By September 2016, the archives of the Digital Currency initiative website on Wayback Machine lists CBDC as one of the main projects being undertaken by the group. The archived version of the website even explicitly states in its "Digital Currencies at Central Banks" section, "In collaboration with the Bank of England, we are delving into the vital monetary policy and technical questions posed by these projects." It is reasonable to

assume that collaboration on this project, which included even the top Bitcoin developers in the world, began long before the website went live. In fact, all evidence points to a clear plan in the works from at least 2015. We have every reason to believe that the Federal Reserve's CBDC will harness all the power of Bitcoin… and then some.

What might the user experience of a CBDC be like?

For those who have used Bitcoin or other cryptocurrencies to make purchases, either online or in person, we should expect a quite similar user experience. Scanning a QR code with a smartphone and then approving a transaction in a payment app has become ubiquitous. Billions of transactions are done in this manner each day using WeChat Pay (China's most popular payment app) alone. Unlike Bitcoin and other cryptocurrencies, individual addresses (accounts) will be assigned to individuals and verified with Know Your Customer standards similar to bank accounts in the current financial paradigm. **Your entire financial life can and will be tracked and monitored**. Bad actors (according to whatever arbitrary standards the Federal Reserve may implement) can be banned from the system altogether. As a whole, the payment network should be faster (instant settlement) and less expensive (lower fees) than any existing digital payment system currently available. Major retailers, both online and brick-and-mortar are already beginning their preliminary integration projects. It would make sense for future stimulus payments to be done via Digital Dollar.

For policy makers, one of the most attractive aspects of the Digital Dollar system is that currency can be issued without inflating the

outstanding supply of US Dollars. This is an aspect of this new paradigm that seems to be lost even on those who are quite well-informed about monetary policy. The Digital Dollar need not be tied to actual US Dollar reserves. It need not be redeemable for physical currency. It need not have any use in international payments. For all intents and purposes, it need not be backed by anything at all.

Tether, the world reserve cryptocurrency, has been proven by the New York Attorney general to have no backing whatsoever for the majority of its outstanding tokens. Even with this information made public, Tether's tokens have not lost their 1-to-1 peg to the US Dollar as they trade on the open market. If the minuscule amount of trust in an operation as shady as Tether is enough to keep the USDT peg, surely the Digital Dollar, which is based on the trust of the public in the US Federal Reserve, will be able to keep a peg no matter how many tokens are minted. Since these tokens cannot be redeemed for any other asset, and since the bank can remove any token from circulation at any time (something Tether cannot do), the stability of the Digital Dollar token in the US market is assured.

Besides the ability to completely remove certain individuals from the financial system through blacklisting, the other nefarious aspect of the Digital Dollar project is the ability for "token programmability."

Imagine a scenario where a stimulus payment was delivered via the Digital Dollar app, but the tokens delivered at that time had an "expiration date," whereby if you did not spend the funds, as an example, within 30 days, the tokens would simply evaporate,

disappearing from your account and the overall money supply. The argument would be that this would stop “hoarding” and would ensure that funds were going to those who truly needed them. Or imagine that those same tokens were limited in where they could be spent. For instance, you could spend them on Amazon or at Walmart, perhaps only on certain approved items, but you could not transfer them to another individual, such as a family member. Creating such spending constraints is a trivial matter and all of these potential scenarios have been discussed by central bankers and their conspirators in the run up to the debut of the Digital Dollar.

So, we wait another month. Maybe two. But there is no doubt that we will see at least the discussion paper for the Fed’s CBDC before too long. I look forward to doing a thorough breakdown for you, the *Counter Markets* reader, when that paper debuts.

WEALTH

Loss Of Property Rights And The Real Estate Market

By Jeff Paul

I keep putting off my scheduled topic of valuing gardens and homesteads, but recent news is urgent and somewhat connected.

Our full-price offer was rejected. Someone else bid more than the asking price. It was the second time in a month this happened to us. We've been looking to purchase a property to expand our homesteading efforts. Inventory is low and prices are ridiculous in

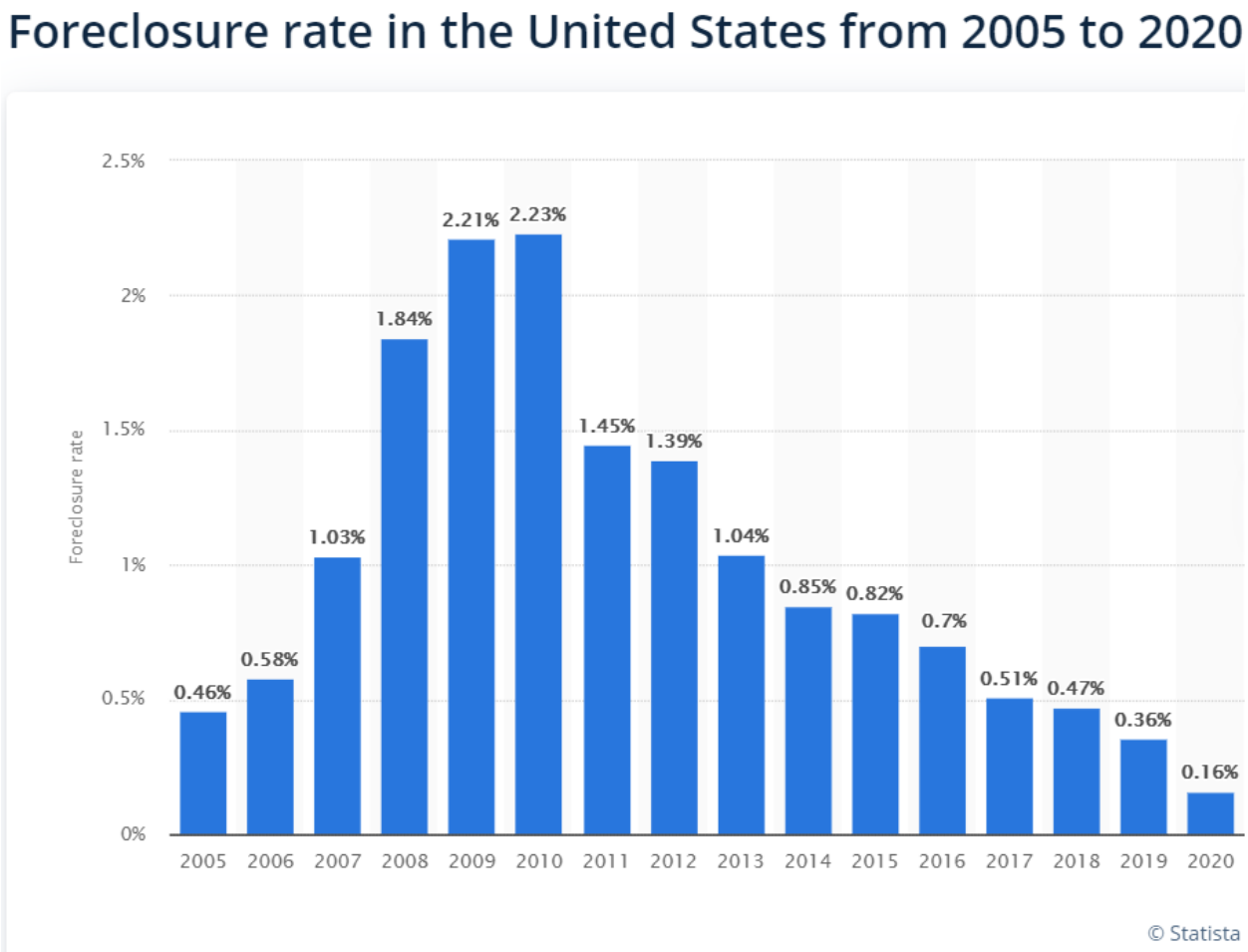
our area. That may be about to change. As a result, we've decided to be patient and see where the market goes.

This week, US President Joe Biden gave the okay to extend the CDC's eviction ban nationwide. This comes after the Supreme Court ruled the ban unconstitutional. Biden agreed with the court but did it anyway.

Simply put, the president can now unilaterally void private property contracts in America. His CDC imposed criminal penalties on any landlord who evicts tenants for failure to pay rent. No law needed from Congress, and ignoring the Constitution and the courts. Just claim a crisis, and property rights are fair game. The government authorizing and incentivizing not paying rent is extremely dangerous and will have far-reaching consequences.

Currently, 49% of renters owe back rent in Los Angeles County. Nationwide, the rate of mortgages more than 120 days past due has tripled since last year from .9% to 2.8%.

For a bit of perspective, look at the chart of foreclosure rates in the US from 2005-2020.



Source: Statista

During the real-estate-induced financial collapse of 2007-2010, foreclosure rates peaked at 2.23%.

Today, 2.8% of mortgages are 120 days in arrears. Another .8% are over 60 days past due. Add in 2.2 million more borrowers in mortgage forbearance programs – where lenders allow borrowers to pause or reduce payments for a limited period of time. If these homeowners don't manage to bring their loans current, we could be looking at a record number of foreclosures in the near future.

At the very least, upcoming foreclosures should be significantly higher than during the peak of the previous collapse!

Meanwhile, this bubble is still inflating!

The *Financial Times* claims the pandemic caused a global housing price boom.

They're not entirely wrong. Most of the price boom is due to government policy, but there was a genuine migration due to the plandemic.

Here are some reasons why the current real estate price boom happened:

Migration

Since the pandemic began, people with means have been leaving major cities for suburban and rural locations. These areas tend to have much lower inventory of properties for sale than large cities. So with an influx of new buyers from outside the region, prices spiked in certain areas.

Inflation Hedge

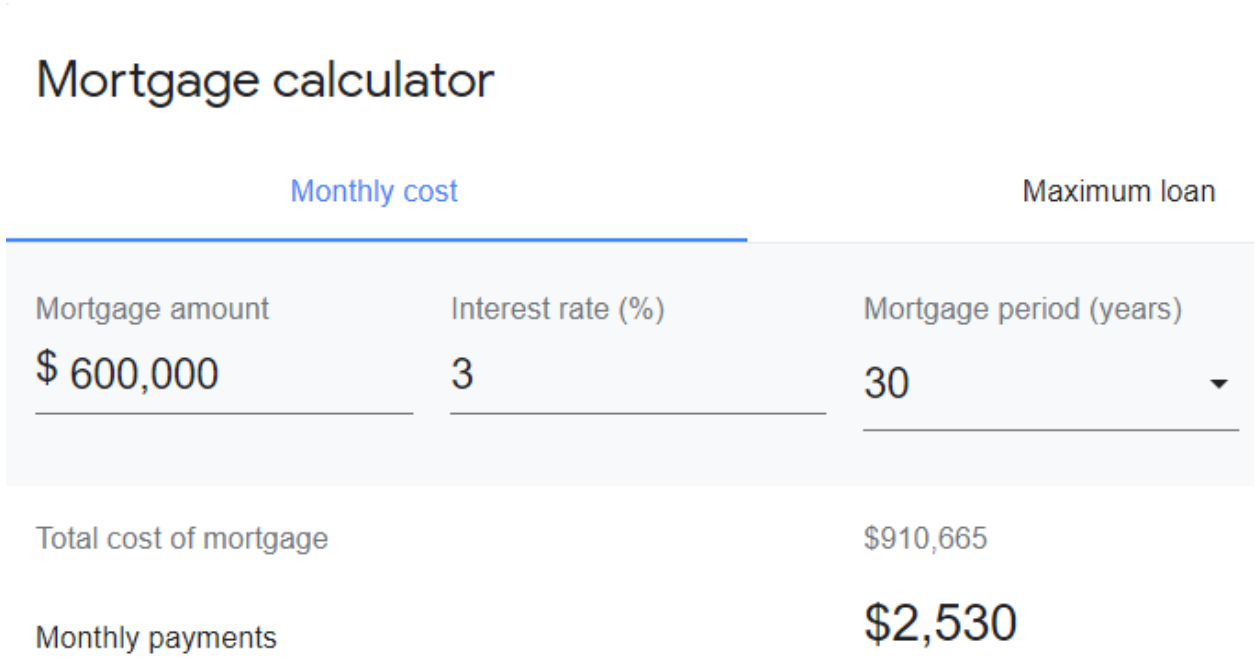
Real estate is one of the best long-term inflation hedges throughout history. As the central banks around the world print endless amounts of money and keep interest rates low, the best hedges will naturally experience price increases.

This is why institutions like BlackRock and others, who are chasing yield on their free money from the Fed, are getting into residential real estate. They expect prices to continue to increase.

Record-low Interest Rates

Mortgage interest rates may be the primary reason real estate goes up or down in the United States. Interest rates are as low as they've ever been. When interest rates are low, buyers can afford higher priced homes.

For instance, if you can afford to pay $2500/month, you can afford a $600,000 mortgage at 3% interest.



When interest rates were 6.41% (during the previous bubble) in 2006, $2500 only covered a $400,000 mortgage.

Mortgage calculator

Monthly cost | Maximum loan

Mortgage amount	Interest rate (%)	Mortgage period (years)
$ 400,000	6.41	30

Total cost of mortgage	$901,672
Monthly payments	$2,505

In other words, the price of a property can increase upwards of 50% by cutting interest rates in half and people can still afford monthly payments.

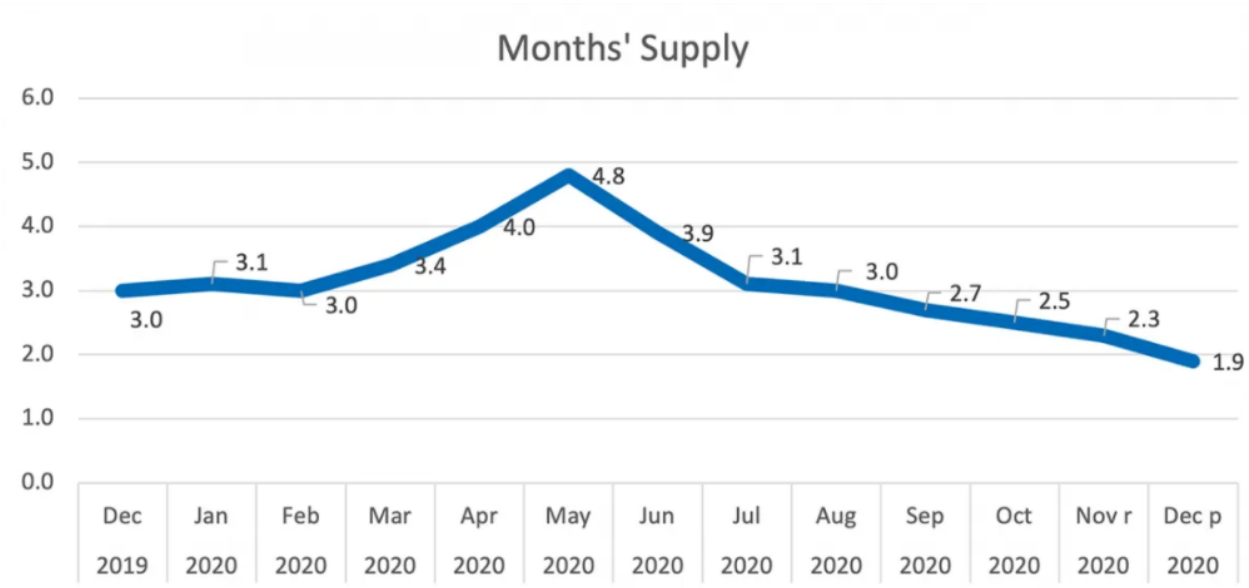
Mortgage rates today have dropped below 3% for borrowers with excellent credit. And they will likely keep dropping in an attempt to keep the market propped up.

If rates fell to 1.5%, $2500 will get you a $725,000 mortgage, and so on.

If we expect rates to keep falling and the money printer to keep brrring, we should probably expect real estate prices to continue to increase over time. More on what to expect during the shorter term later.

Lack of Inventory

With the rapid migration out of lockdown regions, a freeze on evictions and foreclosures, and a wild spike in construction prices, there was less new inventory coming on the market compared to exploding demand.



Source: National Association of Realtors

The chart above shows the rapid decline in housing inventory right after the peak of pandemic fears and government lockdowns. In May 2020, there was more than twice the amount of housing available than at the end of the year.

Replacement Costs

One way to appraise the value of a home is to calculate its replacement costs. The price of lumber and other building materials spiked to all-time highs this year. This made building a new home significantly more expensive than existing homes.

Although costs have come way down from their highs, building a new home is still more costly than equivalent inventory for the time being. High replacement costs keep upward pressure on real estate prices. Conversely, if material prices keep declining, it will add downward pressure on prices.

Consequences of Eviction/Foreclosure Freeze

Evictions and foreclosures act as a price stabilization mechanism in the market. Foreclosures can usually be purchased below market value. And landlords who lose money during the eviction process seek to fill their units as fast as possible, often accepting lower than market rent. Without this discount inventory coming onto the market, the remaining inventory swells in price.

Friends of mine have a large residential real estate portfolio. About a third of their tenants haven't paid rent for months and they cannot be evicted. What's worse, my friends can't even sell the properties because no one wants to buy a home with "legal" squatters residing there.

They basically have two options: 1) reduce the price of properties so much that buyers are willing to take the risk of dealing with squatters and destruction of property rights, or 2) hold the properties, eat the losses, and hope that government offers some kind of compensation or simply ends the unconstitutional moratorium on evictions and foreclosures.

If the government keeps extending the moratoriums, we can expect those properties to remain unsellable. Many would have

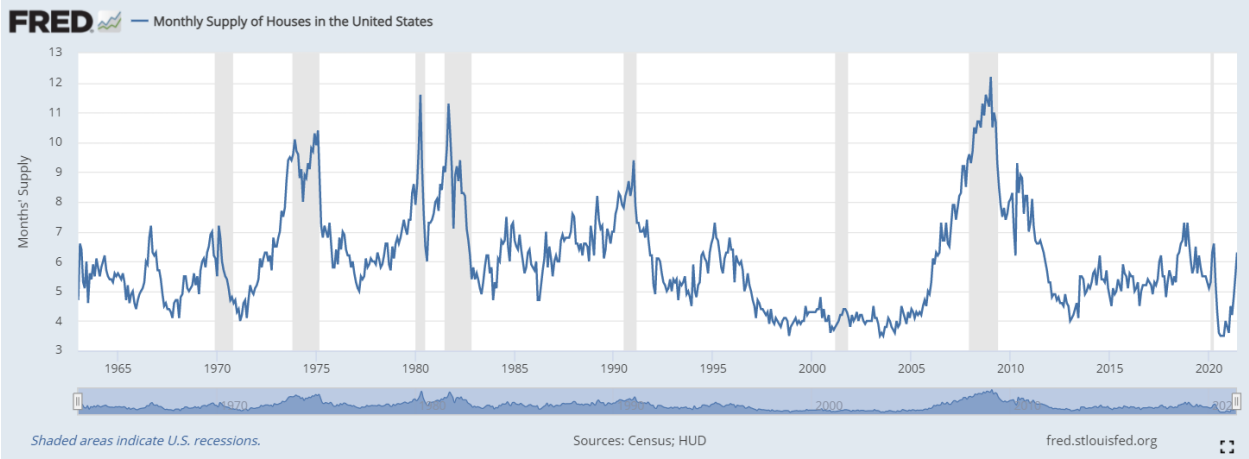
gone into foreclosure. Although moratoriums reduce inventory, we can also expect investor demand for rental properties to fall off a cliff because of them.

Put another way, even with less inventory as moratoriums are extended, there will be less demand from real estate investors.

What To Expect Next

Unless there is a significant reduction in the US population, an interest rate hike, or major financial collapse, real estate should continue to gain value over the long term. However, there may be a window of opportunity where supply exceeds demand causing prices to dip temporarily – and SOON!

This appears to be happening now. Check out the St. Louis Fed chart below of existing housing inventory:



Notice the sharp spike all the way on the right? In just the last few months inventory has been flooding onto the market. Many are trying to capture the artificially high prices. Others are trying to

dump investment properties due to the government's intervention into property rights.

If the government allows the foreclosure freeze to end as scheduled on September 30th and allows the new CDC eviction ban to expire in October, we can expect a lot more inventory to hit the market. And if the millions of homeowners in mortgage forbearance can't catch up with payments, we can expect another wave of foreclosures just as large coming onto the market.

Remember, both of those waves are already larger than the foreclosure rate during the darkest days of the previous real estate collapse.

This flood of inventory could cause a market crash which would provide an opportunity to buy real estate at heavily discounted prices before the Fed lowers interest rates again or bails out the entire industry again.

Many sellers are already lowering their prices.

I'm seeing it here in Washington state. We go to open houses every weekend. Houses either seem to get multiple offers in the first week, or they're quickly reducing their price. Many of the homes we toured recently have been lowered by eye-popping amounts.

Prices could collapse back to levels before the pandemic boom as inventory overcorrects. That would be a 50%+ drop in some areas.

That said, this debacle likely ends with big juicy bailouts for the lenders and the local property tax municipalities, and with ruined credit or worse for everyone else – as was the case during the 2008 collapse. And policy actions (bailouts and lower rates) are likely to happen faster than last time because they're emboldened by the previous precedent.

A big bailout coupled with lowering interest rates could prop the real estate market back up quickly. This is why I feel that there will be a short window of opportunity. It could look like a dramatic flash crash of real estate. And you know what they say? Buy when there is blood in the streets.

Best Real Estate Investment Strategy In This Environment

Viewing the opportunity as a real estate investor, I would be very hesitant to buy long-term rental homes or apartment buildings given the precedent that has just been set with the eviction ban.

One strategy that appears to remain strong is short-term vacation-style rentals.

My friends with the large real estate portfolio are still making a KILLING on their Airbnb properties that offer a unique experience. Their property on the coast rents for $1000/night and they're booked solid. A recent guest on the Bigger Pockets Podcast built a themed tiny house in Joshua Tree which rents for $300 in peak season and $150 in off season. Also booked solid.

The lockdowns caused a thirst for cool experiences. With no bars, nightclubs, concerts, sports events, or ability to travel overseas to quench their thirst for Instagrammable experiences, exotic rentals are providing an escape worth bragging about.

Agritourism and glamping rentals seem to be the ideal strategy. They provide special experiences, have a low barrier to entry, and should be exempt from government moratoriums.

As vaccine passports expand to limit what natural humans can do in society, an escape to a peaceful yurt in an idyllic setting is a seductive experience.

And, crucially, short-term rentals are not subject to eviction moratoriums. In most states, hotels can lock guests out of their

room if they do not pay the daily rate or violate some law or rule of the establishment. The situation changes after they've been there more than 30 days; then they become a tenant with all the rights of any other tenant. So this strategy requires keeping the bookings to under 30 days.

Platforms like Airbnb and Hipcamp manage payments and allow you to select tenants based on reputation. The user reputation systems on these platforms have been surprisingly effective at maintaining good behavior.

Agritourism and glamping units also offer a lower cost of entry. In most municipalities, structures under 200 square feet (without plumbing or electricity) don't require permits. Tents and yurts don't require permits. And even large livestock barns don't require building permits in many areas (again without utilities).

But even if you wanted to build a permitted structure with flushing toilets, many areas have loosened restrictions for building ADUs (additional dwelling units). These can be stand-alone structures like cabins, tiny homes, or in-law apartments in basements or above garages.

You don't even need to own the property to take advantage of this strategy. You could lease land, put up some yurts and other basic infrastructure, and list it on VRBO, Airbnb and Hipcamp. You may make nice cash flow but it's also nice to capture the upside of owning the real estate.

Summary

I think a correction is coming to the residential real estate market before the end of the year – especially if the government lets the eviction/foreclosure moratorium expire. It could be the perfect storm with a flood of new inventory meeting a drought in demand. Home values could collapse by 50%+. The crash will cause panic and the government will step in to bailout the problem they created in the first place.

My Plan

We're staying patient and keeping our powder dry. I'm watching this very closely because we are in the market to buy a personal residence. We're also strongly considering building a home ourselves. I've overseen the construction of dozens of homes, and I've got three sons who need to learn some real skills. By building, we can be patient, get the exact home we want, and have a valuable experience for the entire family.

And if the right opportunity presents itself, we'll put up a couple of yurts and rent them out on Airbnb and Hipcamp for fun and profit.

BITCOIN & SILVER REPORTS

Bitcoin prices spent another month consolidating in July, bouncing between $30K and $42K for the most part. Prices tested the $30K level again in mid-July, and the support level appears to have held, as prices moved steadily upwards all the way to $42K. Each time Bitcoin has dipped below $30K, it's been very brief, and led to a swift short-term rally thereafter. We're currently pushing the upper limits of the recent trading range, with prices hovering around $41K. Should we break through the $42K top decisively, it could be a quick trip back to $50K.

With the recent crackdown on mining operations in China, we're seeing new hashpower pop up all over the world. Large-scale mining farms are popping up in the US, Argentina, Croatia,

Russia, and so on. As hash power spreads out across the globe, it further decentralizes Bitcoin power, making it stronger and more resilient.

The continual fear about various governments regulating cryptocurrencies has been heard time and time again, yet here we are years later and no government has been able to successfully ban crypto. Governments can regulate people, but they can't regulate cryptocurrency. They can cut off internet access, block websites, and block their fiat banking offramps, but each attempt simply provides a new problem that crypto can solve.

Instead of offramping into fiat, crypto users can use USDT, USDC, BUSD, or any other number of USD-backed stablecoins. Instead of using banks, users can store their assets on platforms like AAVE, earning a superior rate of interest, and have access to immediate loans without a credit or identity check, at terms more favorable than most banks. Traders can even off ramp into gold on decentralized exchanges (without KYC) like Uniswap, by trading into PAXG, where each token is backed by a physical ounce of gold. And when governments block access to certain websites (like China for example), users simply need to use a VPN to bypass them. The threat of governments doing anything to stop decentralized networks the size of Bitcoin or Ethereum are no longer realistic, and any selloffs due to such threats should be looked at as a buying opportunity.

Otherwise in the news, it's just one continual story of adoption after another. Nearly every day there's a story of a new bank

offering crypto investing and trading to their customers. New crypto hedge funds are being launched at a record pace, Crypto ETF applications are coming in one after another; and governments are even testing out using networks like Ethereum to move their fiat currency. Goldman and Chase are even embracing the technology now, as they were able to conduct large repo trades in 2-3 hours instead of 2-3 days using JPM, saving them days of interest. When moving the amount of money that Goldman moves, 2-3 days of interest is a huge difference, and shows why they're so excited about blockchain technology.

The world's first cash-back in crypto credit cards launched last month, and they've already opened several hundred thousand accounts. Increased adoption, increased ease of use, and now ease of acquisition are all in place. As mentioned last month, we think there is a massive supply crunch on the horizon for Bitcoin. Demand continues to increase steadily, and there's no ability to create any new supply to meet it.

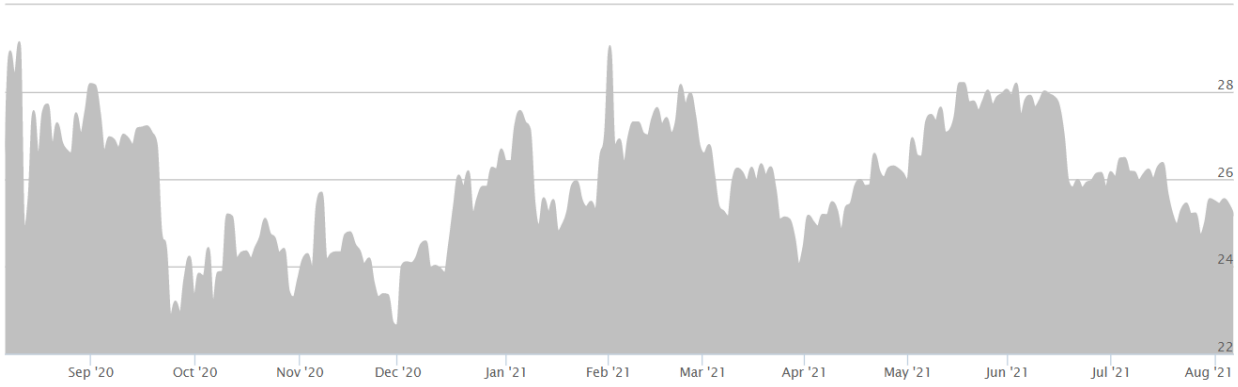
For those of you who are holding, just sit tight and ride out the volatility. For anyone who doesn't have any Bitcoin yet, this is a great chance to accumulate some.

For anyone interested in earning 8-10% on a USD stablecoin, or 6% on Bitcoin, please visit this link and sign up.
https://countermarkets.com/crypto

For those of you who don't own any Bitcoin, we suggest using BlockFi to take your first position. They've recently added support for ACH transfers, and they offer a nice signup bonus and interest

rate in Bitcoin and several other cryptocurrencies. Be careful with your position sizing; don't invest more than you're comfortable losing. Also expect major volatility, with possible price swings of 50% or more in a matter of days.

Silver Update



Silver continued its pullback last month, with prices moving from just over $26 per ounce down to $24.38 today. Prices held steady around $26 for the first half of July, then dropped to near $25 for the second half. Prices continued to slide in early August, down to the low $24 range we're currently sitting at. This decline has taken us back to testing the 6-month lows in silver.

We've gone from testing the upper range right back into the middle of the consolidation zone we've been in for 12 months now. Prices have been bouncing between $22.70 and $29 for a year now, and there's really no end in sight. After the steady climb from $24 to $28 there was some hope prices would break out to the upside, but it appears we'll have to continue chopping around for a while longer.

This sort of price action is exactly what makes precious metals a “boring” market. We can go months chopping around the same range, with small 10-15% moves over multiple weeks. While the price action may not be too exciting here, the macro environment for precious metals has never been stronger. In our view, both gold and silver are headed higher, but we need to look years down the road, rather than weeks to months.

Our suggestion for anyone holding silver remains the same as last month, just sit tight and let time do the heavy lifting. Interest rates aren’t coming back up anytime soon, and it looks like economic stimulus may be a permanent feature going forward, as everyone with a child is now getting a check from the government. The money supply has expanded at a rate that’s never been seen before, and these cheap dollars have already significantly increased the price of homes, cars, timber, farmland, and more. Gold and silver have been protectors of purchasing power for years, and we expect that role to continue.

In terms of short-term price movements, we’re now back towards the lower end of the recent $22-$29 trading range. Chances are we’ll remain in this range for quite some time, so anyone looking to accumulate silver should have their eyes on prices here. It’s been 6 months since we’ve seen silver in this price range, and while there’s no guarantee this is the bottom, we’re closer to the bottom of this range than the top.

The premium-to-spot price in the physical market is still very high. Prices for American Eagle coins are going for about $10 over

spot, meaning you'll pay about $34 for a coin with $24 worth of silver content. That's a 40% premium to spot, and we really can't suggest you buy at these levels. Even junk silver coins are going for premiums of $5 per ounce or about 20%, which is about 4-5x higher than average. Historically, it's always better to be a seller of precious metals when premiums are this high, as opposed to a buyer.

If you're in the market for physical silver and unwilling to wait for premiums to come back down, there are far better options if you look at non-US coins. As we mentioned last month, Australian Kangaroos and Canadian Maple Leafs are selling for about half the premium that American Eagles are, about $5 per ounce instead of $10. These coins are 99.9% silver, and contain just as much silver content as the Eagles, but they cost about $5 less per coin each. If you're looking to acquire physical bullion, these coins offer a far better value for the time being.

Looking at the gold/silver ratio – in our last issue it came in at 69. At the time of this writing, it's up to 72.5, so a slight increase over last month. The 20-year average of gold/silver is about 60, so silver is starting to look cheap relative to gold again. It's not the screaming bargain it was several months back when the ratio was near 100, but at 72.5 silver is starting to look more attractive than gold again. Should we get back into the 80s, silver will definitely be more attractive than gold.

The stock market yet again just closed at new all-time highs, so there's a definite risk-on attitude for equities, with not much attention being paid to hedges like gold and silver. In our view the

price pullback these past few weeks presents a good buying opportunity and should be taken advantage of, especially if you've been sitting on the sidelines. We definitely could see prices pull back further from here, but we're likely much closer to a bottom in precious metals than a top. US equities on the other hand are more expensive than they ever have been, and should the rug get yanked out of the market, we'll likely see traders fleeing to safe havens like gold and silver.

If you don't have any physical bullion, but still want exposure to any price moves higher, look at PHYS or PSLV – both trade just as easily on any stock exchange.

If you're in the market for physical bullion we suggest you wait until spot prices have come back to earth. For those of you who don't mind paying these high premiums, we'd encourage you to shop from a trusted supplier at Money Metals Exchange.

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