Dear Bill,

Semi-retired fund manager.

This weekend I listened to your 19 minute interview with Eric King. I was so interested in the interview that I felt compelled to take notes. And let me tell you, it's been quite a few years since I have taken notes during a corporate presentation or an interview, whether live or recorded. Those days are well behind me. However, if your readers are interested in my summary of your excellent interview, I offer the following summary of Bill Fleckenstein's interview with King World News:

A. Inflation. We have inflation. The massive money printing has found its way into asset price inflation, e.g. stocks, bonds, art, wine etc. Yet this is not viewed as inflation. In fact, in face of asset inflation, we have had a ten year fear of imminent deflation, but there is no chance of that. Yes, we have had breaks in asset markets like oil, grains, and at times, equities. But that is not systemic deflation.

B. Deflation is good. Witness the advances in smartphones, computing power etc. People benefit from deflation. But, Central Banks are not fighting deflation; they are fighting fears of depression. However, deflation does not bring depression and deflation does not mean depression.

C. Central Bank money printing. Worldwide monetization (QEs) occurring over the past ten years are simply gigantic numbers. The amount of dollars and other currencies printed by the CBs are extraordinary and on such a massive scale that we have never seen anything like it.

D. QE is not GDP. The massive amounts of money created have not jumpstarted GDP. They can't...too much misallocation of capital. In addition, low interest rates enable governments to pursue bad policies...and there is no incentive to fix economies (e.g. changes to the tax code etc.)

E. David Rosenberg (a fine thinker who is taking things to the next level). Rosenberg's proposal is not really helicopter money. We've had that. It's cold fusion, i.e. two trillion dollars in massive new government spending and the Federal Reserve gives the government the money to spend on infrastructure etc. He also is talking about debt forgiveness. Cold fusion impacts the economy. Debt forgiveness impacts psychology. His proposal is the ultimate can-kicking. Let's worry about it in 100 years.

F. Although, Fed probably won't push cold-fusion or debt forgiveness without a break in the markets.

G. Psychology/perception. Very tricky to predict when psychology changes. At some point fear of deflation will go away if either or both of these proposals are implemented. When deflation psychology gives way to inflation psychology, debt markets will be destroyed. At some point, central banks will lose the bond market. Current level of interest rates (i.e. bond prices) can only be maintained if Psychology doesn't change. And, for stocks and bonds, a change in psychology/perception hasn't even begun. However, Psychology hasn't changed. When it does change, it won't be a black and white change in a day. Most likely a gradual change.

Austrian School of Economics tells us what is, and what should be. But it does not tell us when perception is going to change. It's mind boggling, but people still believe in Central Banks. Again, it's impossible to predict. There is simple no past precedence from which to draw conclusions as to when Psychology will change. It is impossible to predict because the scope of monetization around the globe is so massive and has never been seen before. Nothing has even been close.

H. Market Reaction. There is also no way of knowing how the market will react to cold fusion or debt jubilees. For example, what if Bank of Japan decides to forgive the debt of the Japanese Government? There is no direct economic or financial market interaction. It's an off-balance sheet interaction. Who knows what might happen. Maybe first reaction is positive and the Yen goes up. Maybe a month later markets have time to reflect and bonds are sold. There is no way of knowing how the markets will react.

For that matter, what if the world begins to accept that there is 0% of deflation and that the Central Banks could hit their 2% inflation target and maybe even 3% to 4% for a couple of years? The first thought is that bonds would collapse, and would be all underwater as interest rates would rise. Deficits would explode. But it's not that simple. The Fed (and CBs) would most likely fight the bond market sell-off. Maybe they would monetize more. Also, if government spending explodes, (cold-fusion), some stocks might go up. Not negative for all equities.

I. Gold. At the margin, all policies in the world, macro/micro policies and geopolitical actions are all supportive of gold. Gold will go higher when more people stop thinking everything is ok. All things are in place to take gold and silver higher.

The recent bottom and strong performance of gold indicates that enough people have had their perception/psychology changed to influence the price. Some of the smartest investors in the world have been publicly positive on gold and/or have built investment positions in gold. Not using the 1970's gold market as a roadmap for variety of reasons including different percentage changes in CPI, and the last double in the 1970's gold market was not warranted; it was not supported by the backdrop of Volcker announcing intention to raise rates to stamp-out inflation.

But, gold today is not so much a function of inflation. It's more a recognition that no currencies are good anymore. Policies today are so much worse than in the 1970s. If all currencies are perceived as worthless, what does that mean for the price of gold?