



The Nassau Institute

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To: Nassau Institute Supporter
From: Damien Forsythe, The Nassau Institute
Date: August 1, 2009
Re: Lessons Learned - Freedom Fest Conference, Las Vegas

Dear Friend,

By invitation, I attended and represented The Nassau Institute at **The Freedom Fest Conference** (www.freedomfest.com) in Las Vegas, billed as "The World's Largest Gathering of Free Minds".

Freedom Fest has a libertarian message and is dominated by discussion on the general economy, promotion of economic freedom and recommendations to improve your personal finances. A lesser focus is on health freedom, spiritual issues, sound money (precious metals), and cultural issues.

The conference was 3 days long and held at the Bally's Hotel on The Vegas Strip. There were several keynote addresses, panel discussions/debates and breakout sessions.

It was organized by **Mark Skousen** and the most well known participants included **Steve Forbes** (CEO, Forbes Inc.), **Peter Schiff** (Stock Broker), **John Mackey** (CEO, Whole Foods Market), **Larry Kudlow** (CNBC), **Dr. Ron Paul** (2008 Republican Presidential Candidate).

Major Topics Covered and Lessons Learned:

Fate of the U.S. Dollar:

All "Fiat" currencies have a limited existence and the U.S. Dollar has done better and lasted longer than most (for different complex reasons). However, the consensus was that the U.S. Dollar will continue a (varying degree) decline against other currencies, gold and commodities.

What does the U.S. Dollar decline mean?

Holders of U.S. Dollars will find that everyday purchases continue to become more expensive, particularly foreign imports, worldwide commodities and foreign travel. Also, holders of relatively more valuable foreign currencies will find U.S. Dollar based economies cheaper and they will come to own more of the resources in those countries because of their increased relative purchasing power.

Those to be most negatively affected will be those with most of their assets in U.S. Dollar cash holdings, fixed-income earners, pensioners, those who are not able to grow their income to keep pace or exceed the devaluation.

Those who will benefit from the U.S. Dollar devaluation include the leading emerging economies, such as the BRIC countries (Brazil, Russia, India & China). Citizens of these countries will continue to find their purchasing power increasing and they will consume more as a percentage of worldwide production and commodities.

Citizens of U.S Dollar based economies can still protect their wealth with inflation hedges, ownership in growth industries, foreign currencies and assets or increase the value of their product or service at a faster rate than the devaluation of the U.S. Dollar.

Precious Metals:

Most participants see a place for Precious Metals (PMs), primarily gold & silver, in a portfolio. Investments can be made in PMs through physical bullion, paper claims (e.g. ETFs) or common stock in mining or exploration companies.

There was also debate as to whether gold was an investment, something purchased when it was perceived to be undervalued or primarily used as insurance (store of value). **It was universally suggested that PMs should represent 5% - 20% of your portfolio.**

As with insurance, you hope to never claim on it, just as you hope your PMs do not dramatically increase in value because this would mean that the general economy would be in shambles, inflation would be rampant and your other assets possibly in trouble.

Interest Rates:

The Federal Reserve has kept interest rates artificially low for several years, adding fuel to the fire of the recent bubbles in the high-tech stocks and housing.

Interest rates need to be allowed to rise to encourage savings, support the value of the U.S. Dollar and to represent the true cost of capital and restrict loans to only the viable businesses which could afford the higher interest rate.

It was acknowledged that this would cause a recession, but this would be a necessary evil, a cleansing process and the necessary effect from the previous artificially low interest rates and excessive money creation.

Money Supply Inflation & Price Increases:

The U.S. money supply has recently grown at an exorbitant rate, particularly due to the recent "bailouts". This money is currently being held by the major banks and has not yet made its way into general circulation.

When this money is eventually lent out and/or spent in the general economy, the resultant price increases will be felt in people's daily lives. **The annual**

price increases (inflation) may double or triple compared to their current levels in the next “couple to few years”.

It was recommended that you invest or store your purchasing power in those things which are inflation or recession resistant or in emerging economies which are fundamentally sound when compared to the USA.

Essential services and inflation hedges may include agriculture, energy, precious metals, commodities, low & middle-income housing, certain commercial real estate and generally industries that can weather the increased price inflation and erosion of purchasing power. Certain “ultra-luxury” industries were acknowledged to be growth industries as the “rich-get-richer”.

Nationalized Healthcare:

The current U.S. administration has expressed the intent to essentially nationalize the U.S. healthcare system. This was not well received and the attendees anticipated a reduction in the quality of the healthcare system and a “black” market for healthcare services.

A socialized U.S. healthcare system would be a boon for offshore medical tourism, as those who can afford it will go abroad for less expensive, safer and perhaps treatments which are not offered in the U.S.

Freedom of the World Index:

The U.S. is currently number 6 in the ranking, and it was anticipated that it would fall out of the top 10 in the 2010 rankings.

The New Zimbabwe Trillionaires:

At one of the panel discussions, **an actual legal tender 100 Trillion Dollar Note (!)** was passed around, with a specific comment made that stuck in my mind:

"Thirty years ago the Zimbabwe Dollar was pegged to the U.S. Dollar. If I would have had this 100 Trillion Dollar note 30 years ago, and it was legal tender, I would have been able to buy everything in the world and had change! Now through the manipulation of the printing press and money inflation, I can't even go into the lobby of this hotel and buy a pack of chewing gum"

To me, this was a poignant example of how a fiat currency can be manipulated and inflated into oblivion.

Offshore Tax Havens:

The presenters were concerned about the possible (likely) increased taxes in the near future. A few of the sessions dealt directly with the mechanics of relocating offshore to preserve your wealth and minimize taxes.

The current U.S. administration may make the offshore move a bit more difficult but it was believed that a skilled offshore professional can make a legal offshore move still very possible.

"Cap-n-Trade" Energy Bill:

The "Cap-n-Trade" bill is an insidious tax increase and, beyond that, a government power grab. The government will be able to arbitrarily shut down business, impose taxation or dole out carbon emission credits as it sees fit. The ability for special interest to benefit from this bill is enormous.

Freedom Fest Event in Nassau:

Freedom Fest is holding an interim event in Nassau at Atlantis from January 31st to February 2nd, 2010. Ad time get closer, see www.freedomfest.com for the details.

Tribute to Sir John Templeton: One of the meetings rooms was named in Sir John's honour, as a tribute.

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