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ROCKLINC Investment Partners Inc.
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The Debt Storm: Why a Gold-Centered Reset Is Now Inevitable, and Why Precious Metals Must Anchor Every Portfolio

"We can guarantee cash benefits as far out and at whatever size you like, but we cannot guarantee their purchasing power. This is why the issue ultimately has to be resolved in terms of do we have the material goods and services that people will need to consume, not whether or not we pass some hurdle with respect to how financing occurs, because the financing is a secondary issue." **-Fed Chairman Alan Greenspan,** **February 16, 2005**

At Rocklinc Investment Partners' founding in 2010, we recognized that escalating debt, demographic pressures, and monetary manipulation were not distant theoretical risks. They were already unfolding, and conventional portfolios were unprepared for them. While most advisors remained anchored to traditional stock-and-bond allocations and dismissed precious metals as speculative, unnecessary, or outdated, we built and steadily expanded a substantial core allocation to gold, silver, and high-quality royalty and mining companies. Our aim was to place client capital on the right side of an inevitable reset, rather than leave it exposed to the quiet erosion of purchasing power through financial repression and currency debasement.

At the same time, we remain focused on generating above-average returns by owning excellent businesses that combine the resilience of real assets with durable competitive advantages and strong free-cash-flow growth. As a result, Rocklinc portfolios are distinctly different from the index-hugging approach that dominates the industry.

In 2014 I delivered a series of seminars on what I called the "Debt Storm." These were given to clients, posted to our Rocklinc YouTube channel, and presented to Members of Parliament and ambassadors in Ottawa.

In one talk, titled "Debt Storm: Lending, Extending and Pretending," I detailed how the world had added tens of trillions in debt after the 2008 crisis. Unfunded liabilities for pensions, healthcare, and other welfare programs dwarfed official balance sheets. Aging demographics were also shifting worker-to-retiree ratios from 10:1 toward 2:1. I warned that escalating debt, derivatives leverage, and the political refusal to face basic arithmetic made the situation unsustainable. We were lending, extending, and pretending our way into a major financial-system reset. The crisis was severe and needed to be addressed.[1]

Those warnings were prescient, and the problems have only intensified. Today the United States alone has added roughly \$63.8 trillion in combined on-balance-sheet deficits and unfunded liabilities over a recent sixteen-year window (2010–2025), while nominal GDP grew by only \$16.3 trillion.[2] Stated another way, over the past 16 years, for every \$1 increase in GDP the total U.S. debt grew by \$3.91. That ratio is financial insanity and obviously unsustainable. Entitlements, interest, and related obligations in the U.S. now consume more than 100 percent of federal receipts, which themselves are growing far more slowly than the inflexible, often inflation-indexed spending they must cover.[3]

Looking at the global economy, total global debt sits near or above \$350 trillion.[4] More and more economies are approaching 300-plus percent debt-to-GDP when full on-balance-sheet and off-balance-sheet liabilities are counted, along with personal and corporate debt. What I described as a gathering storm has become a full-blown debt bomb.[5]

I am deeply indebted to Luke Gromen's work on how the United States might address this fiscal bomb. His analysis has been invaluable in clarifying the forces at work. In my view, Gromen's framework offers the clearest practical map for how the problem could be defused or, more accurately, detonated in a controlled way.[6] It may not unfold as quickly or exactly as he outlines, but the path he describes is highly intriguing and worth taking seriously. Even if he is only half right, his insights will help us manage and protect our clients' capital from the worst of the coming devaluation.

Gromen's view also overlaps in important ways with James Rickards. Both argue that the debt cannot be paid in real terms and that the release valve is a higher gold price, that is, a devaluation of the dollar measured in gold rather than a formal default. Rickards has long made the same core point: watch gold, not other currencies, to see the dollar's true decline, and treat a gold revaluation as one of the few politically workable ways to inflate away an unpayable debt burden. That shared conclusion, gold as the instrument of a managed reset, is why both thinkers remain central to how we think about protecting purchasing power.

Gromen rightly describes the United States as already trapped in an "emerging-market hard-currency debt spiral." The liabilities for Social Security, Medicare, Medicaid, veterans' care, and interest are effectively hard-currency obligations: politically locked in, inflation-resistant in real terms, and growing faster than receipts.

Conventional solutions, such as, true austerity (cutting spending and running balanced budgets), market-driven interest rates, or endless foreign recycling of trade surpluses into U.S. Treasuries (exploiting the dollar's reserve-currency status to flood the world with American debt) will no longer work. We are quickly approaching the end of the line. One feasible reset mechanism is official gold revaluation, paired with aggressive financial repression (interest rates held far below the inflation rate). This combination will ultimately destroy the real value of fixed-income investments and debase fiat currencies.

The Mechanics of the Reset[7]

Luke Gromen's idea is a straightforward, rules-based way for the U.S. government to create a large pile of usable cash by simply updating the official accounting value of the gold it already owns, without selling any of it, without borrowing more money, and without raising taxes. It's rooted in how the system has worked before (notably under FDR in the 1930s) and relies on existing legal and accounting authorities.

Here's the sequence Gromen lays out.

America's gold is massively undervalued on the books. The United States government owns roughly 261 million ounces of gold (about 8,133 metric tons).[8] This is the world's largest official stockpile, stored mainly at Fort Knox and other secure locations. On the open market, gold trades at over $4,500 dollars per ounce (August 24, 2026).[9] But on the U.S. government's official books, that same gold is still valued at the old statutory price of $42.22 per ounce, a figure determined back in 1973.[10] At that official price, the entire stockpile is carried as worth only about $11 billion.[11] In reality, at today's market prices it is already worth well over $1 trillion, and the gap grows as the market price for gold rises.

Step 1: Push the market price of gold much higher.

Gromen's sequence starts with the Treasury aggressively buying (or "bidding") gold higher using the Exchange Stabilization Fund (ESF). The ESF is an existing Treasury tool designed for intervening in currency and related markets to stabilize markets; it already has authority to deal in gold. By steadily buying gold in the open market, the government can help drive the price upward. At the same time, officials would publicly signal a policy shift: future U.S. trade deficits, especially the large ones with China, will increasingly be settled in physical gold rather than just more dollars or Treasury bonds. This is already happening informally in parts of the world. Countries in the BRICS group (and others) have been accumulating gold and exploring ways to settle trade outside the pure dollar system leading to a slow de-dollarization trend. Making it explicit would accelerate the process and encourage higher gold prices because more of the world's excess dollars and trade imbalances would flow into gold demand.

The goal is to get the free-market price of gold to a much higher level. Gromen uses $20,000 per ounce purely as a round number for easy math.[12] It could go higher, the exact figure is less important than reaching a level large enough to matter. Higher gold prices reflect a weaker dollar relative to real assets and signal a partial return to gold as a neutral way for countries to settle imbalances (something that worked for much of modern history before the pure fiat-dollar system of the last 50+ years).

Step 2: Officially revalue the gold on the books.

Once the market price is high enough, the Treasury Secretary uses existing authority to instruct the Federal Reserve to update the official valuation of the U.S. gold stock. This authority sits in Section 2.10 of the Federal Reserve Banks' Financial Accounting Manual (a public document that governs how the Fed keeps its books). The gold is already linked to "gold certificates" held by the Fed. When the official price is changed, the accounting entry is simple: the value of those certificates rises, and the difference is automatically deposited as cash into the Treasury General Account (TGA), the government's main chequing account at the Fed. No gold is sold or moved. No new debt is issued. No taxes are raised. It is pure accounting: debit (increase) the gold asset value, credit (increase) the cash in the TGA. The money appears as debt-free liquidity the Treasury can then spend or use to buy back outstanding government bonds.

The arithmetic: How the trillions appear.

• U.S. gold holdings ≈ 261 million ounces.
• Every $4,000 rise in the official valuation creates roughly $1 trillion in new cash for the TGA (261 million × $4,000 ≈ $1.044 trillion).[13]

From the current statutory $42.22:

• At a new official price of $20,000, the increase is about $19,958 per ounce.
• That is roughly five times $4,000, producing around $5 trillion deposited into the TGA.[14]

If the price went higher, say $24,000 or $28,000, you simply multiply further. The cash is "debt-free" in the sense that it does not add to the national debt the way issuing new Treasury bonds does. Historically, a similar revaluation happened in 1934 when President Roosevelt raised the official gold price from $20.67 to $35 per ounce; the difference created usable funds for the Treasury at a time of crisis.[15]

Why this is elegant and historically grounded.

The elegance is in the pure simplicity of the accounting. It uses rules that already exist rather than requiring new legislation or exotic tricks. It is grounded in actual past practice and in the legal framework that still governs gold certificates and the Fed's books. In the broader argument, this sequence offers a way to generate massive liquidity to help manage the U.S. debt burden, reduce pressure on the bond market, and facilitate a gradual shift toward gold playing a larger role in settling international trade, especially as the old post-1971 system (where other countries recycle their dollar surpluses mainly into U.S. Treasury bonds) comes under strain and is no longer sustainable. The higher gold price itself becomes part of the solution because it both generates the cash via revaluation and helps rebalance global trade flows.

This is the core of Gromen's sequence: use an existing fund to help lift the gold price, signal that gold will settle more trade imbalances, then flip the accounting switch on the gold the country already owns so the higher value turns into spendable cash for the Treasury, legally, and without adding to the debt pile.

Those funds would be used to retire a large portion of the long end of the Treasury market. Gromen posits they could virtually eliminate all outstanding debt with a life or duration more than 7 or 8 years. All residual debt would migrate into short-term bills whose yields would then be suppressed through yield-curve control, stablecoin demand, or other tools to keep the interest rates near zero. The result would be a sharp inflationary surge, several years of nominal GDP growth of 10–15 percent, rising wages that would ease the real burden of remaining obligations, and fiscal room to continue to pursue industrial reshoring, investments in energy infrastructure, and the military. Long-term yields would stay contained because the system is effectively gold-collateralized.

Interestingly, this is not abstract theory. It aligns with the Hamiltonian economics now visible in Trump's policies: protective tariffs, domestic manufacturing is a priority, and recognition that the pure post-1971 Treasury-as-primary-reserve-asset model is finished. Trump's focus on these tools is a last-ditch effort to salvage productive capacity and national security before the math fully asserts itself, not only for America but for the entire Western world, which faces parallel demographic, entitlement, and debt pressures.

I've said for a long time that there's no easy escape from this debt mess. The way out will hurt, and people will need to protect the real value of their savings as the dollar and other paper currencies lose buying power. Gromen's idea of officially raising the price of gold is the least messy way this could play out. Every other route, more money printing and bond buying, greater government control of the monetary system, or an outright market crash, still ends with the dollar and other fiat currencies being worth a lot less in real terms against hard and essential assets. Gold is the only asset big enough, politically neutral enough, and already sitting on government balance sheets that can reset the system.

Financial Repression and the Destruction of Fixed Income

Alongside revaluation will come extensive and aggressive financial repression: the deliberate policy of holding interest rates below true inflation so that savers and bondholders absorb the real cost of government debt. This is currently taking place and nothing new. Fixed-income investments, long-duration Treasuries, corporate bonds, traditional pension portfolios will face systematic erosion of purchasing power. Nominal coupons become a mirage. History shows this quiet wealth transfer has been used repeatedly after major wars and crises; it is the preferred tool when explicit default or hyperinflation is politically unacceptable.

The clearest modern example is the United States after World War II. Federal debt peaked at 106 percent of GDP in 1946. Over the next three decades it fell to just 23 percent by 1974, an 83-percentage-point decline.[16] Roughly half of that reduction came from primary budget surpluses and financial repression rather than pure economic growth. From 1942 until the Treasury-Fed Accord of 1951, the Federal Reserve kept short-term rates capped at 0.375 percent and long-term Treasury yields at 2.5 percent. Meanwhile inflation averaged around 6.5 percent from 1946 to 1951 and spiked as high as 14.4 percent in 1947. Real interest rates on government debt were deeply negative, often –3 to –5 percent a year. Across the broader 1945–1980 period, real rates were negative roughly half the time in advanced economies. For the United States and United Kingdom, this "liquidation" of debt via negative real rates transferred the equivalent of 3–4 percent of GDP from savers to the government every year.[17] Bondholders received their nominal interest payments, but inflation steadily destroyed the real value of both the coupons and the principal. In this environment, paper claims denominated in fiat currencies lose value and long duration treasuries truly become "certificates of confiscation".

In this reset scenario, inflation is not an accidental side effect. It is the transmission mechanism that shrinks the real value of the government's enormous debt while the policy tools (gold revaluation, long-bond buybacks, and short-term repression) keep the financial system from breaking.

The post-1971 system that treated Treasuries as the ultimate safe asset is colliding with the simultaneous needs of reshoring, grid expansion, and defense self-sufficiency. Foreign creditors are already diversifying. Central banks have made gold their largest aggregate reserve asset. The "exorbitant privilege" is ending in its current form. That phrase, coined in the 1960s by French Finance Minister Valéry Giscard d'Estaing, describes the unique advantages the United States has long enjoyed because the dollar is the world's dominant reserve currency: the ability to run large, persistent trade and budget deficits, borrow cheaply in its own currency, and sell Treasuries that the rest of the world is eager to hold as the ultimate safe asset. That privilege is now eroding.

Why Gold Is an Essential Part of Every Investment Portfolio

This is precisely why gold and precious metals more broadly must form a core allocation in any serious portfolio. In my May 2025 article "Why Invest in Gold?" on our Rocklinc site, I documented that gold has actually outpaced the S&P 500 total-return index over the past 25-plus years, compounding at roughly 9.87 percent annually versus 7.76 percent for the equity index.[18] Most of the equity gains, I noted, were asset-price inflation fueled by debt and monetary expansion; gold was not fooled.

At Rocklinc we have maintained a minimum 15–20 percent[19] (currently, closer to 25 percent) weighting in gold and silver investments since the firm's founding in 2010. Our largest positions are typically in high-quality royalty companies such as Franco-Nevada, Wheaton Precious Metals, Royal Gold, OR Royalties and Gold Royality Corp that provide leveraged exposure to rising metal prices with lower operational risk and growing free cash flow. We also hold physical metal and selected mining equities such as Agnico-Eagle. This is not speculation; it is insurance with substantial growth combined.

Gold is essential for four interconnecting reasons that have only strengthened in the last decade and have gained even more traction in the past 3 years.

First, it is the premier hedge against currency debasement and the loss of purchasing power that always accompanies debt monetization and financial repression. Fiat currencies struggle to hold value when governments run structural deficits that can only be financed by printing money and/or suppressing real interest rates. Since gold has no counterparty risk it cannot be inflated away in the same manner.

Second, it offers genuine portfolio diversification. Its low correlation with stocks and bonds reduces overall volatility and improves risk-adjusted returns, particularly in periods of systemic stress. In a world of soaring global debt, geopolitical fragmentation, and deglobalization, gold functions as monetary insurance that central banks themselves have been accumulating in record amounts for the past 15 years.

Third, it preserves wealth across cycles. When major capital-investment bubbles (canals, railroads, telecom, or today's AI buildout) mature, gold has historically outperformed the bubble assets over the full cycle. Long-duration Treasuries have already collapsed 90–95 percent versus gold since 2014;[20] equities have lagged as well. Gold's finite supply and infinite maturity stand in contrast to paper claims of infinite future supply.

Fourth, it positions investors on the correct side of the coming reset. Whether the path is orderly revaluation, crisis-forced repricing, or prolonged repression, the real losses fall on bondholders and pure fiat savers. Holders of gold and other real assets capture the relative gains. In my recent commentary I have emphasized that this cycle still feels early despite price advances; structural forces, debt, demographics, central-bank buying, and the search for real collateral in a world characterized by a lack of trust, continue to support higher long-term prices. Volatility is always expected and does not invalidate the thesis. Disciplined investors must dollar-cost average and maintain a significant allocation rather than attempt to time the market.

Beyond gold and silver, the protective set expands to other critical commodities such as copper, oil and gas, uranium, and potash. These commodities benefit from both monetary demand and physical scarcity driven by digitization (AI and data centres), electrification, and deglobalization-led reshoring. The same protective logic extends to essential businesses that possess pricing power and tangible assets, as well as carefully selected real estate that generates reliable cash flow. Fixed income, by contrast, is the asset class most vulnerable to the financial repression required to manage this debt bomb.

Looking Forward

In 2014–2015 I said the debt crisis needed to be addressed because the path was not sustainable. A decade later the arithmetic is worse, the demographics more pressing, and the political will for genuine austerity still absent. Luke Gromen's gold-revaluation framework offers the most coherent, least chaotic mechanism for clearing the decks while creating space for productive investment and national security. Trump's Hamiltonian turn is the policy expression of that recognition. Drawing on Alexander Hamilton's original emphasis on building domestic industry and treating economic strength as inseparable from national security, it shifts policy toward tariffs, industrial strategy, reshoring, energy dominance, and deliberate support for the defense and manufacturing base. In practice, this means using the monetary reset Gromen describes to free up, getting rid of a large portion of unproductive debt and then directing that capital into the real productive assets the country now requires.

For investors the implication is straightforward. Gold is not a trade or a temporary hedge; it is an essential component of a resilient portfolio in a world that must ultimately reprice its monetary foundation. At Rocklinc, we have steadily increased our precious-metals exposure over sixteen years precisely because we do not trust the long-term sustainability of the pure fiat system as currently run. That conviction has only deepened. The debt bomb we warned about is here. Positioning on the side of real, scarce, non-replicable assets, led by gold is how capital is preserved and grown through the financial reset that is unavoidable.

Endnotes

1. Rocklinc presentations and related materials from 2014–2015, including "Debt Storm: Lending, Extending and Pretending," delivered to clients, via Rocklinc YouTube channel, and to Members of Parliament and ambassadors in Ottawa. Demographic worker-to-retiree ratio trends are consistent with long-term Social Security Administration and OECD projections showing declines from historical highs near 10:1 toward lower ratios with aging populations.

2. Rocklinc's calculation of combined on-balance-sheet deficits/debt accumulation and unfunded liabilities (primarily Social Security, Medicare, and related) over the 2010–2025 window. Nominal U.S. GDP rose from approximately \$14.6–15.0 trillion in 2010 to approximately \$30.8 trillion in 2025 (World Bank/FRED/BEA data), an increase on the order of \$16 trillion. Official federal debt rose substantially (from ~\$13.6 trillion to ~\$37–38+ trillion range by late 2025/early 2026 per Treasury data), with far larger additions when including off-balance-sheet unfunded social insurance obligations (U.S. Financial Report of the United States Government and related analyses placing total liabilities/obligations in the tens of trillions beyond reported debt).

3. Consistent with analyses of mandatory spending (entitlements) plus net interest relative to federal receipts in recent U.S. budget data and Financial Reports of the U.S. Government, where structural pressures from demographics and interest costs have pushed these categories to absorb or exceed available receipts in various projections and recent outcomes.

4. Institute of International Finance (IIF) Global Debt Monitor data: global debt reached approximately $348 trillion at end-2025 (up nearly $29 trillion in the year) and approached or exceeded $350–353 trillion in early 2026 reports; debt-to-GDP ratios near or above 300% in aggregate when including broader liabilities.

5. Rocklinc's 2014–2015 Debt Storm thesis, updated with IIF and related global debt metrics showing elevated total debt and debt-to-GDP levels (including personal/corporate components) across many economies.

6. Luke Gromen (FFTT Research / Forest for the Trees) analyses and public commentary on U.S. fiscal dynamics, gold revaluation as a policy tool, and the "emerging-market hard-currency debt spiral" framework. See, e.g., Gromen interviews and writings discussing gold revaluation mechanics, trade settlement in gold, and related monetary reset scenarios (various 2025–2026 appearances and notes).

7. Summary of Luke Gromen's outlined sequence for gold price support via the Exchange Stabilization Fund, signaling gold settlement of trade imbalances, and official revaluation under existing Federal Reserve accounting authority (Section 2.10 of the Federal Reserve Banks' Financial Accounting Manual), drawing on historical precedent and public statements/interviews by Gromen.

8. U.S. Treasury Status Report of U.S. Government Gold Reserve and World Gold Council/Trading Economics data: approximately 261.5 million fine troy ounces (precisely ~261,498,926 ounces in recent reports), equivalent to ~8,133.5 metric tons; the world's largest official holding, largely unchanged for decades and stored primarily at Fort Knox, West Point, Denver, and Federal Reserve facilities.

9. Market (spot) gold prices as of/around August 24, 2026, reported in the $4,500+ range.

10. Statutory/book value of $42.2222 per fine troy ounce established by the Par Value Modification Act of 1973 (31 U.S.C. §§ 5116–5117); unchanged since.

11. U.S. Treasury data: official book/statutory value of the gold stock ≈ $11.04 billion (261+ million ounces × $42.22).

12. Illustrative figure used by Luke Gromen in multiple public discussions and interviews as a round-number example for the scale of revaluation needed to generate meaningful TGA liquidity (not a precise forecast).

13. Arithmetic based on reported U.S. holdings of ≈261 million ounces: 261,000,000 × $4,000 = $1.044 trillion per $4,000 increment in official valuation.

14. Calculation: increase from $42.22 to $20,000 ≈ $19,957.78 per ounce; 261 million ounces × ≈$19,958 ≈ $5.2 trillion (commonly rounded to around $5 trillion in Gromen's illustrative discussions).

15. Historical U.S. gold revaluation under the Gold Reserve Act of 1934: official price raised from $20.67 to $35 per ounce, generating accounting gains for the Treasury.

16. U.S. debt held by the public (or comparable measures) as percent of GDP: peaked near 106% in 1946 and declined to approximately 23% by 1974 (OMB/FRED and historical series; e.g., ~106.3% in 1946 to ~22–24% range by 1974). The 83-percentage-point decline is documented in IMF and related academic analyses of the post-WWII debt reduction.

17. Post-WWII financial repression details drawn from historical Fed policy (rate pegs 1942–1951 Treasury-Fed Accord), inflation data (BLS/CPI averages and peaks), and academic literature (e.g., Reinhart & Sbrancia on liquidation via negative real rates transferring ~3–4% of GDP annually in the U.S./U.K.; IMF Working Paper analyses quantifying the roles of primary surpluses, surprise inflation, and interest-rate distortions in the 1946–1974 debt/GDP decline). Negative real rates occurred roughly half the time in advanced economies over 1945–1980 in relevant studies.

18. May 2025 Rocklinc article "Why Invest in Gold?" documenting long-term compounded returns; contemporaneous market data and analyses (e.g., various gold vs. S&P 500 total-return comparisons over ~25-year windows from ~2000 onward) show periods in which gold's annualized performance exceeded that of the S&P 500 total return, consistent with the cited approximate figures depending on exact start/end dates and methodology.

19. Rocklinc Investment Management internal portfolio policy and positioning since firm founding in 2010.

20. Performance of long-duration Treasury instruments (e.g., proxies such as TLT or long-bond total returns) relative to gold price appreciation since 2014, as referenced in Luke Gromen commentary and market data showing substantial relative declines (order of 90%+ in some comparisons).